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001. cable	Re: Japan-U.S. / Okinawa Base Issues (3 pages)	11/20/1997	P1/b(1)
002. cable	Re: Courtesy Calls (5 pages)	11/26/1997	P1/b(1)

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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SUBJ: JAPANESE DAILY PRESS SUMMARY 11/19/97

TEXT:

UNCLAS SECTION 01 OF 10 TOKYO 010076

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ARTICLES:

- (1) Economic Stimulus Package: Government Underscores "60 Trillion Yen Impact;" Private-Sector Economists View the Effect As Limited

YOMIURI (Page 10) (Full)
November 19, 1997

The Economic Planning Agency (EPA) estimates that the emergency economic pump-priming package, focusing on economic structural reform, will have an accumulative effect worth approximately 60 trillion yen over 20 years on the Japanese economy. But private-sector economists, although placing expectations on the measures to resuscitate the telecommunications industry and to promote land transactions, have reacted coolly, doubting there will be a significant impact as the government has trumpeted.

Measures that would lead the government to directly creating demand, such as public works projects, were not included in the package this time, so economic effects cannot be easily shown in numerical terms. EPA Director General Omi, however, explained that "calculations were worked out, assuming what reactions individuals and companies will make to the package." He then stressed that the simulation this time was basically different from the past ones in nature.

According to the EPA, land-related measures are expected to have the largest effect. A planned easing of the restrictive building-to-lot ratio would generate demand for reconstruction of old office buildings in the Tokyo metropolitan and other urban areas, resulting in accruing a 20 trillion yen economic impact over 10 years. The page also includes measures to facilitate the acquisition of houses in the suburbs and to introduce a system of fixed-term house-lease

contracts in an effort to activate land transactions. All these measures are expected to create demand worth 47 trillion yen.

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But Research Department Head Susumu Takahashi at the Japan Research Institute thinks that the effect of the relaxation of the building-to-lot ratio, the centerpiece of the package, would be limited. He stated, "In promoting land transactions, raising the rate of return is necessary, but the package includes no comprehensive measures for that."

On the telecommunications sector, the EPA estimates that frontloading a plan for construction of a nationwide fiber-optic network would have an effect of 1 trillion yen a year or a total of 8 trillion yen by the year 2005. Economists as well have expressed similar views. Nobuyuki Saji, the chief researcher at Nikko Research Center analyzes that with the implementation of the plan, the annual real economic growth rate would rise 0.2 percent.

However, economists evaluate only measures related to land and in the telecommunication area positively. They generally take a severe view, with Nomura Securities' Investment and Information Department Deputy Head Takeaki Higashida stating, "The package includes few measures that would have an immediate result. We find it difficult to work out economic effects in numerical terms." Sakura Securities Chief Economist Akiyoshi Takumori expressed dissatisfaction at the postponement of introduction of a "happy Monday" (holiday scheduling) system due to opposition from the Liberal Democratic Party, saying "If this system was introduced, an increasing number of people would be eager to spend the three consecutive holidays at a second home (in the countryside). In that case, a multiplier effect of housing and land policy measures could appear."

EPA-estimated Economic Effects of Major Emergency
Economic Package

- 1) -- Item
- 2) -- Amount
- 3) -- Effective period

- 1) Deregulation of the telecom industry
- 2) 3 trillion yen
- 3) over 5 years

- 1) Review of the satellite broadcasting-related legal systems
- 2) 1.2 trillion yen
- 3) by 2005

- 1) Countermeasures to the so-called year 2000 computer problem
- 2) 300 billion yen
- 3) by 1999

- 1) Deregulation of the job placement business
- 2) 600 billion yen
- 3) over 5 years

- 1) Introduction of a self-service system at gas stations

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- 2) 400 billion yen
- 3) over 2 years

- 1) Relaxation of the restrictive building-to-lot ratio
- 2) 20 trillion yen
- 3) over 10 years

- 1) Promotion of acquisition of housing in the suburbs
- 2) 10 trillion yen
- 3) over 20 years

- 1) Introduction of a system of fixed-term house-lease contracts
- 2) 16 trillion yen
- 3) over 20 years

- 1) Measures to effectively use land
 - 2) 800 billion yen
 - 3) over 5 years
-
- 1) Measures to activate urban commercial areas
 - 2) 400 billion yen
 - 3) over 5 years
-
- 1) Advance of construction of a fiber-optic network
 - 2) 8 trillion yen
 - 3) by 2005
-
- 1) Total
 - 2) 60 trillion yen
-
- (2) Government Withdraws Plan to Create "Happy Mondays"

MAINICHI (Page 9) (Full)
November 19, 1997

It has been revealed that faced with opposition by a group of influential Dietmembers from the Liberal Democratic Party (LDP), a plan to create "Happy Mondays," which was initially included in the government's economic stimulus measures compiled on the 18th, was retracted from the final package.

The plan was designed to increase three-day weekends by shifting some holidays to Mondays. The Government's draft plan suggested specifying the plan in the item of "other measures." The Government had said that it would support the proposal for Happy Monday Holidays in view of increasing tourism and leisure activities, as well as improving the quality of national life. The Economic Planning Agency (EPA), which compiled the economic stimulus measures, said that if a three-day weekend system was realized, there would not only be a cultural impact but also economic effects such as demand increase in tourism, transportation, and leisure activities-related products.

The EPA initially planned to make public an estimation of the economic effect of the package together with its announcement, but the two were
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separated late yesterday because coordination on the proposal for "Happy Mondays" ran up to just before the Cabinet meeting on the economic package. Some LDP Dietmembers defended the principle of the designation of certain dates for national holidays, arguing, "Holidays were designated to celebrate certain events by all the people. It is nonsense to shift them all to Mondays to promote fun." As a result, the plan has been renamed "Blue Mondays."

(Masahiro Wakashima)

(3) Reconsideration of Okinawa (Part 2): Economic Promotion; Central Government's Cold Response to Notion of One Country with Two Systems

ASAHI (Page 2) (Excerpts)
November 18, 1997

"Creating of a City Where Three Generations of Parents and Children Can Live Together Happily."

Nago City in Okinawa Prefecture will soon ask its citizens in a referendum whether they approve or disapprove the plan for constructing an off-shore heliport for United States military forces. The Citizens Forum for Promotion of the Revitalization of Nago City, a group supporting the plan with conditions attached, has been circulating fliers which have printed on them an illustration that is a kind of "conversation piece."

"Young people are leaving this city, resulting in the city being a place only for old people. This will be the last chance to bring jobs to this city," comments Seifuku Aragaki, chairman of the citizens forum, emphasizing jobs will increase if the city accepts the plan for construction of the heliport.

The conditions they have given in return for such construction: redevelopment of the central district of Nago City; construction of ports, dams, expressways and the like; creating a resort city that is a match for Hawaii by luring an international marine medical center and the like....

Although opposition to such construction is deep-seated, he notes: "If there is no opposition, the central government will not become serious in tackling matters." In reply to a question, "Aren't you opening yourself to criticism that your approach is similar to using U.S. military bases as a lure to get money?" he said, "We don't intend

just to ask for money. What we simply desire is that economic infrastructure should be prepared for us to live happily."

Three K's Prop Up Industries

"To the central government, we have used 'resistance' and 'petition' appropriately. As a result, we were able to earn our daily bread, but UNCLAS SECTION 05 OF 10 TOKYO 010076

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we failed to nurture the stance of doing things on our own responsibility," comments Keiichi Inaryo, chairman of oil firm, Ryuseki in Okinawa, looking back on the past 25 years after Okinawa's reversion.

After the reversion, a total of 5 trillion yen or more was invested by mainland Japan into Okinawa. Roads and ports were improved. An enormous amount of money was shoveled into farmland and engineering works enabled many people to get their daily food. But it is incorrect to conclude that industries in Okinawa now can stand on their own feet. For example, Okinawa's unemployment rate is twice as high as mainland Japan's and its per capita income is the lowest throughout the country. And competitive manufacturing firms have failed to emerge. What have supported the Okinawan economy are the so-called three Ks -- kokyo jigyo (public works projects), kichi (military bases) and kanko (tourism).

The more loudly they cry for withdrawal of bases and criticize the weak-kneed attitude of the central government, the more impatiently they realize how much they depend on subsidies and bases.

Dream for (Revival) of Kingdom at the Bottom

There is a rising argument "calling for a free trade zone covering all Okinawa Prefecture."

What it seeks to attain is to outpace the

deregulation and trade liberalization going on in mainland Japan, staking Okinawa's growth on them in imitation of the rise of the maritime economies of Taiwan, the province of Fuchien in China and Southeast Asia.

Okinawa University Professor Hiroya Yo'shikawa, a proponent of that idea, comments: "Okinawa, located in the southernmost area of Japan, is now in the forefront of the Asian economy. If we face the great age of trade following a paradoxical thinking, our future will become bright."

In October, proponents and opponents unfolded a heated discussion for over five hours.

"Even now customs duties imposed on commodities are very low. Even if they were reduced to a zero level, hardly any commodities prices would go down." "Agricultural products alone will benefit, driving Okinawa's industries into a corner." "How many industries do you think can survive free trade?"

These rebuttals cropped up in succession in the forum but the winner of the debate was the group calling for free trade zone by an overwhelming margin, according to the outcome of a survey conducted by a radio station, which relayed the debate to a listening audience.

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What underlies their call (for a free trade zone) is their desire for reviving the Ryukyu dynasty, which flourished from relay trade. Okinawa at the time brimmed with profits from the trade. A mixture of motives and objections to mainland Japan stir up regional nationalism.

On November 5, Okinawa Prefecture compiled a set of industrial promotional measures and submitted it to the central government. The features of such a package include: applying a free trade zone to the overall prefecture; cutting the corporate tax or

implementing such tax exemption; and reducing taxes for investment. These proposals imply a demand for adopting "a system of one country with two systems."

No Pressing Situation Exists Now

However, the central government's response has been cold enough to disappoint Okinawa. The Ministry of Finance comments: "Cutting the corporate tax or applying tax-exemption is utterly impossible. It likewise is impossible indeed to extensively reducing taxes for investment." All ministries and agencies are circumspect about launching a new project in Okinawa amid strained finances. Even in the Liberal Democratic Party; many maintain that "placing the entire prefecture under a free trade zone is not up for our consideration."

For the central government, a package of Okinawa pump-priming steps had been in part a bargaining element to make it smooth to use land there for U.S. military bases. But now that the special land-lease law to insure sites for such a purpose was amended, there is no pressing matter.

Okinawa now sees Kasumigaseki (government offices' district) drastically losing interest in it. But what is necessary now is for us to strain our eyes on Okinawa to learn that among Okinawan citizens who have sought to become homogeneous with people living on mainland Japan, the will is beginning to grow to try to open their own way.

(Senior staff writer Atsushi Yamada)

(To be continued)

(4) U.S. Military Artillery Training Relocation from Okinawa to Mainland Prefectures in 4th Month: "Pain" Growing Stronger with No Change in Okinawa's Status Quo; Training Transferal "Only Strengthened U.S. Military Functions"

ASAHI (Page 3) (Full)
November 16, 1997

Ojojihara in Miyagi Prefecture: Postwar dark memories brought back

Kin Town in Okinawa Prefecture: Firing drills
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often cause wood fires

With the promise being upheld to "share the pain of Okinawa," the U.S. military's live-fire artillery training, which has been conducted in Okinawa Prefecture across the traffic of Route 104, a road running through the island prefecture, has now been relocated to mainland prefectures for four months. The Ground Self-Defense Force's Ojojihara firing range in Miyagi Prefecture -- the third locale for such transferal -- is now in the midst of artillery training. In Okinawa, however, the sound of firing has never stopped even now. The mainland of Japan has been gradually Okinawanized under an enhanced setup of defense cooperation between Japan and the U.S., but the "pain" of Okinawa has yet to be soothed.

(Shunichi Kawabata, Local News Section)

U.S. servicemen's coming makes locals feel uneasy

On the morning of the 11th, the roars of shellbursts reverberated all over a rural farm village stretching around the Ojojihara range as the U.S. military began its practice of firing 155-mm howitzers there. "The sound is not heavier than that of the Self-Defense Forces' firing. But I feel uneasy in another sense," says Tomoko Wada (51), a local (female) resident opposing the relocated live-shell firing practice.

At a national conference of prefectural governors in September of last year, Prime Minister Ryutaro Hashimoto sought the mainland side's cooperation, emphasizing: "The whole nation will have to share the burden of Okinawa. The Japan-U.S. security system is necessary and indispensable."

The Ojojihara range stretches over three municipalities, including the town of Daiwa. Those three local municipalities did not agree to the relocation of such artillery training till the end. Before that artillery training the three municipalities called for the U.S. military not to fire at night and to inhibit its soldiers from going out. But a U.S. military spokesman answered upon the arrival of those U.S. servicemen: "We will carry out the training to a minimum necessary extent in order to raise our morale and maintain

our training level."

Ojojihara is where the defunct Japanese imperial army used to have its maneuver range in the prewar days. Right after Japan's defeat in the War, repatriates from oversea areas formerly under Japanese domination settled there and reclaimed wasteland. In 1947, however, U.S. forces suddenly began to take over that range. People there continued farming under a rain of crossing shells. Many women remember shutting up themselves in their houses' closets to hide away from the eyes of GI's who were looking for someone to play with. Wada says, "Women are particularly afraid that the

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American forces may be permanently stationed here."

The U.S. military returned that land in 1953; it was after Japan and the U.S. concluded a peace treaty. That year, in Okinawa, the U.S. military began its substantial requisitioning of land lots. And now, 44 years later, the U.S. military came back to its "old nest" under the pretext of breaking up the burden of Okinawa. The Japanese government bears the entire amount of expenses for transporting the troops and their equipment.

For money

In December of last year, Hokkaido's Bekkai Town, where the Yausubetsu range is located, decided to accept the U.S. military's live-fire artillery training as the first among all local municipalities on the relocation list. The government has subsidized 16 local municipalities on the relocation list with a total disbursement of 2.2 billion yen as a fund to adjust the relocation of training exercises or the transfer of in-flight refueling aircraft from the Futenma airfield or for some other purposes. Bekkai Town, which occupies half of the Yausubetsu range, was subsidized with 217 million yen -- the largest amount of such governmental subsidization.

The town of Bekkai had a weak point. Since the year before last, the GSDF has been planning to scale down its divisions. So, the town community has been increasingly concerned about that plan while thinking that the GSDF garrison stationed in the town may be abolished. A total of 330 GSDF members and their family dependents live in the town. With the prices of dairy products being lowered, local dairy farming -- the town's key industry -- is now in a fix. On the other hand, economic effects brought about to the town by the GSDF through its presence in the town are estimatedly equivalent to 3 billion yen. The GSDF garrison's continued presence in the town was conditioned on the town's acceptance of U.S. forces' carrying out live-fire artillery training in the Yausubetsu range. So, local people crying out against it were outvoiced.

"Many of the country's rural communities where GSDF ranges are located are poor. That's why they will take on a heavier burden," says Masahiko Kamiide (40), a dairy farmer of Bekkai Town. Kamiide was born on Ie-jima, an island off Okinawa, and he moved to the town ten years ago.

As for Ie-jima, the U.S. military has been using the western part of the island. At one time, the island's inhabitants were strongly opposed to the U.S. military's use of their island as its base. But now, the island village's base-related revenues (or subsidies from the central government) -- accounting for 25 percent of the village's fiscal budget -- prop up its agricultural bedrock. Also, in Okinawa Prefecture's Nago City, where an

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alternative air station (or heliport) is now being planned to be constructed to replace the Futenma airfield's functions, the local chamber of commerce and industry last month clarified its conditional acceptance of that heliport construction plan.

"I wonder if it's all right for local governments to hand over their own autonomy in exchange for

money," said Kamide. His feelings are wavy as he knows how things used to be on his home islands.

Training intensification

Kin Town is situated in the northern part of the main island of Okinawa. The rising hills north of the town's rural districts are surrounded by the wire netting of Camp Hansen, an extensive U.S. military base. The practice of firing live shells across the prefectural road used to be carried out there

On the evening of the 13th, a wood fire took place in there. That fire destroyed a total area of one hectare. During the live-shell firing practice, some launched 'rocket shells' fire spread over the grass. According to the Okinawa prefectural government's findings, it was the 13th wood fire in the area of Camp Hansen. This year the place has seen the largest number of wood fires over the past decade. Such wood fires have frequently occurred since this spring when the U.S. military stopped firing howitzers.

In the training area of Camp Hansen, the U.S. military continues to fire short-ranging mortars and rifles. Those wood fires were caused by their shellfires or in the process of disposing of launched shells.

"The roar of firing was terrible between this September and October. They sometimes began to fire around five thirty in the morning. They rarely opened fire early in the morning before ...," says Sonen Yasutomi (40), the head of Kin Town's Igei district, which is closest to the impact area.

Training relocation is not disadvantageous to the U.S. military. According to a citizens group's findings, the U.S. military fired a total of 2,801 shells at Yausubetsu during its 10-day drill. That number is roughly close to the annual total of shells that were fired when such live-fire training used to be conducted in Okinawa. The commanding officer of the training troops gave high marks to the vast extent of Yausubetsu, saying: "We can do higher-level training."

Katsuhiro Yoshida, the headman of Kin Town, says: "We called for abolition rather than relocation. Under the pretext of sharing our pain, the government might have only strengthened the U.S. military's functions with Okinawa as leverage."

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(1) For What Purpose Is the Okinawa Ceremony to Take Place?

ASAHI (Page 5) (Full) November 20, 1997

The Government will tomorrow hold a ceremony commemorating the 25th anniversary of the reversion of administrative rights of Okinawa to Japan. It will be a grand event to be joined by Prime Minister Ryutaro Hashimoto, the Lower House Speaker, the Upper House President, Governor Masahide Ota, new United States Ambassador to Japan Thomas Foley and other influential persons.

But contrary to its spectacular appearance, the mood surrounding the ceremony in actuality will be far from congratulatory. The reason is that the realities that Okinawa faces are not at all something that can be cast aside for simple enjoyment at an epoch-making event.

Finding a way to resolve the Okinawa problem -- something left unattended by successive administrations -- should be placed high on Prime Minister Hashimoto's priority agenda, along with administrative reform.

In his effort to tackle these two issues, the Prime Minister in fact approved a plan for the return of nearly one-fifth of the land now used by U.S. military forces on Okinawa. This includes the return of the U.S. Marines' Futenma Air Station. But on the other hand, he also gave approval to the U.S. forces maintaining the present level of troops stationed on Okinawa, as a pivotal point for the stability of the Asia-Pacific region.

In order to guarantee stable provision of land for the use of U.S. military bases, the Diet this spring passed an unprecedented amendment to the special land-lease law. It was approved by an overwhelming majority in the Diet, disregarding the desires of Okinawan land owners. The Supreme Court in the summer of last year dismissed a final appeal

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by Governor Ota, who had continued to stress the importance of resolving the base problem by refusing to sign papers as a proxy.

The rape of a school girl by American soldiers (in 1995) triggered rage among Okinawan citizens and moved public sentiment in Okinawa toward calling for a drastic cutback in bases and a reduction in U.S. fighting strength there. But to the Okinawans, what the executive, legislative, and judicial parts of government in Tokyo did was tantamount to turning their backs on them at every occasion.

No attention has been paid even to a proposal by Governor Ota for phased reduction of the bases aimed at realizing "a base-free island."

The contradiction in continuing to force Okinawa to bear a heavy load from the Japan-U.S. security arrangement is now about to weigh even harder on the citizens of Nago, a city located in the northern part of the main Okinawan island. A sea-based heliport will be constructed there to replace the one at Futenma airfield.

A citizens referendum that asks whether one approves or disapproves such construction is to take place in a month. The central government has shown two types of construction methods in its frantic effort to persuade local citizens who are divided into pros and cons.

But the question is whether the central government has revealed with sincerity all matters expected to emerge in constructing a sea-based facility.

Although the central government has explained that aircraft will not fly over villages and schools, we wonder whether there is any guarantee that U.S. forces will observe that? And the central government states it will minimize marine contamination and any harmful effect on fisheries and the coral reef, but for that end, what sorts of steps will it be taking?

Of the functions of Futenma Air Station, portions that cannot be transferred to an offshore heliport will be relocated at other existing bases. But a concrete scheme of how that will affect other cities, towns and villages has yet to be shown by the U.S. Marines despite the central government's request.

Furthermore, to realize "withdrawal" as is seen in "possible withdrawal" that is the major premise for the construction of a sea-based facility, what sort of situation will need to be prepared?

If Nago City accepts (such construction), it means approval of the policy of rotating bases within the prefecture. If it rejects it, the plan for the return of Futenma airfield will go nowhere, causing a setback in a set of Okinawa Prefecture-compiled UNCLAS SECTION 03 OF 13 TOKYO 010109

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economic stimulus steps focusing on utilizing the sites of military facilities. Okinawa is now placed this much on the horns of an impossible dilemma.

The basis for the Okinawa economic stimulus package drawn up by the central government is to offer a helping hand to the prefecture's promotion of its economic independence by propelling corporate exposure there. But the prefecture's concept of applying a free trade zone in eight years has hardly progressed, in part because of resistance from Kasumigaseki's (Japanese government offices district) bureaucrats and the concerns of the local business community.

To add to this, Nagata-cho (Japan's political center) is enveloped in a mood of indifference to Okinawa. We wonder how many politicians are earnestly thinking of the problems facing Okinawan citizens as if they were their own affairs.

We once again urge the government to bring to the foreground of politics the Okinawa problem ranging from base reduction to economic stimulus measures that will be actually effective.

If leaders of the central government and political parties who are to attend the ceremony considered all this to this extent, the planned ceremony would not end simply as a futile gesture.

(2) Economic News: Tobacco Industry's Huge 4-Trillion Yen Market Smoldering on the Horizon; Losses to Society from Death, Medical Costs, and Fire Reach 3.9075 Trillion Yen; Non-smoking, Designated Smoking Places Expanding Further; Lawsuits against Cigarette Makers on Increase

YOMIURI (Page 11) (Excerpts) October 27, 1997

Coming under heavy criticism that tobacco ads are influencing minors to smoke, the Japan Tobacco Association has decided to discontinue tobacco commercials television and radio from next spring. In the United States, a state government filed a claim against tobacco manufacturers that smoking has forced the state government to shoulder huge medical costs. The two sides have now reached an agreement that the cigarette company would pay out about 45 trillion yen. It seems that an adverse wind is now blowing strongly against smokers. (Takayuki Nishizawa, Yuko Inazawa)

With annual tobacco sales in Japan at approximately 3.8 trillion yen (in 1993), the losses to society from smoking totals about 3.9 trillion yen.

This September, the Medical and Economic Research Institute compiled a cost-benefit analysis of smoking in Japan. The report calculated item by item the losses caused by tobacco. The largest quantifiable loss was "death attributed to smoking." According to the report, deaths from
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effects on industries connected to tobacco such as the transportation and paper industries.

It is estimated that the tobacco tax revenues reached 2.1618 trillion yen in fiscal 1996, according to the Japan Tobacco Association. During the last six years, revenue has stayed above the two trillion yen level.

There are many smokers who emphasize the psychological effects of smoking, one said: "Smoking gives me feeling of relief, which cannot be calculated in money terms."

However, Reiko Saito, president of Oji Health Center, Kita Ward, Tokyo, criticized: "The mainstream trend in major countries is to ban all television commercials on tobacco. Since the smoking habit is said to be a kind of drug addiction, it is strange to calculate it as having a positive effect."

In America, tobacco manufacturers have paid enormous indemnities.

In Japan, however, there are three lawsuits calling on JT to discontinue manufacturing and selling cigarettes; these are now pending in court. Yoshiro Isayama, a lawyer who is tackling the smoking problem, said: "We also are now preparing to file a lawsuit questioning the responsibility of the tobacco manufacturers. The number of lawsuits will likely increase in Japan as well."

U.S. Tobacco Industries Selling Their Products in Japan

Looking at the trade front, according to Mitsubishi Research Institute's calculation, Japan's exports of tobacco products totaled 26.4 billion yen in 1996, while imports of the same amounted to 211.1 billion yen. Almost all of that 211.1 billion yen in imported tobacco products came from the United States. So Japan's excess in imports of U.S. cigarettes have contributed to the lowering of Japan-U.S. trade tension.

Tobacco Problems Information Center head Watanabe remarked: "This is because in an attempt to make up for the portion of the crop that cannot be sold in their own country, American tobacco companies are eager to sell in Japan."

The anti-smoking movement, as well as the move to separate places into smoking areas and no-smoking areas, has now steadily spread to business offices and public places.

According to a survey conducted in March by Teikoku Data Bank, 68.1 percent of companies across the nation now limit smoking on the premises.

Regarding transport facilities, United Airlines has banned smoking on all its flights including the UNCLAS SECTION 06 OF 13 TOKYO 010109

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Japan route since July. All Nippon Airways is now under development of a smoke-gathering-device that can allow designated smoking areas on a plane. Odakyu Electric Railway Co. has constrained smoking at all its stations during rush hours since 1993. JR East set up designated smoking areas at ground stations in the Metropolitan area. For example, the Tokyo Station has designated smoking places on both sides of platforms at the ground station. It is certain smokers are now gradually fell small.

Major Actions toward Tobacco Use in Japan

YearMoves

1965 Mitaka City head office inhibited smoking in the building except for "smoking rooms" set up each floor.

1976 One car of the Kodama, a Shinkansen bullet train, was designated to be a non-smoking car.

1990 Japan Air Lines completely prohibited smoking on domestic flights, except for some air routes.

1991 Opening of new Tokyo Metropolitan Building provided with designated smoking and non-smoking places.

1992 The regulation forbidding careless emptying of cigarettes was enacted in Kitano Town, Fukuoka Prefecture, and Wakayama City.

1993 Male smokers fell below 60 percent for the first time.

1994 JR Tokai set up designated smoking areas at all Shinkansen stations; JR West started banning

smoking at all stations all day long.

1996 The Ministry of Labor compiled "guidelines for anti-smoking measures at working places.

1997 The Ministry of Health and Welfare declared the promotion of anti-tobacco measures in its white paper.

(3) Government-Sponsored Package of Emergency Economic Measures Deficient in Immediate Effect of Stimulating Economy; Key Is to Dispel Financial Uncertainty; Tax Cuts and Introduction of Public Money to Come into Focus

NIHON KEIZAI (Page 3) (Full) November 19, 1997

The government yesterday adopted a package of emergency economic stimulus measures featuring deregulation and land liquidity. While expectations are high for the package to spur demand over the medium to long term, it does not propose any quick-fix steps to generate demand, such as tax breaks, so therefore is seen as lacking the effect of immediately allaying uncertainty now gripping the stock market and corporate managers. The likelihood is that towards the year's end income tax cuts and the introduction of public money for liquidating non-performing loans will surface as the focus of discussion of additional measures.

The contents of the package symbolize the tight spot the government is now placed in as a result of miscalculating consumer reaction to the consumption UNCLAS SECTION 07 OF 13 TOKYO 010109

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tax hike and the spread of financial uncertainty. Deregulation in the information and communications area and the land area is played up as the showcase of the package, but other proposals focus on items such as a complicated licenses and approvals system and building-to-land ratio restrictions, all of which have already been put on the table but delayed in tackling by the government. It includes items whose direction was set as long as a year ago as part of the Japanese-version of the Big Bang

financial deregulation scheme (major financial reform), such as an amendment to the Securities and Exchange Law. The package gives the strong impression of being a hodgepodge.

Another strong feature of the package is its rigidity: it rules out the possibility of large-scale tax breaks, taking into account the passage of the fiscal structural reform law. A typical example is seen in its proposal for a review of the tax system. The package devotes only four lines to the issue, simply indicating items up for consideration. One official noted: "It is necessary to consider the tax system as a whole" (Finance Ministry (MOF)). The direction of the corporate tax, financial and securities tax system and the land tax system has already been specifically set in the economic stimulus package drafted by the Liberal Democratic Party (LDP). According to that package, those taxes will either be lightened or scrapped. Answers to such points as, "We will lower effective corporate tax rates to the U.S. level over two years or so with effective tax cuts as a precondition," (Economic Planning Agency Director General Koji Omi) have yet to be presented.

Prime Minister Ryutaro Hashimoto and Finance Minister Hiroshi Mitsuzuka are sticking to a stance of not easing up the deficit-reduction target right from the initial year of the package. As it stands, the feasibility of substantial corporate tax cuts and scrapping the securities transactions tax is unclear. The package does not at all refer to income tax cuts, calls for which are gaining momentum due to sluggish personal consumption. Pressure for income tax cuts is bound to mount, as seen in United States Deputy Secretary of the Treasury Summers having mentioned the need for fiscal disbursements.

Another key point is measures to deal with uncertainties over the financial system. Bearing in mind the recent collapse of Hokkaido-Takushoku Bank (Takugin), the package included as a "preface" a description, which notes that regarding financially troubled banking institutions, "the government will secure infallible perfection for protection of depositors and stabilization of the financial system, while giving consideration to local economies," but the text does not refer to any concrete steps to achieve that.

In the meantime, arguments calling for the
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introduction of public funds for stabilizing the financial system are gaining additional momentum. The Nikkei average jumped for the second day in a row, with statements by the Finance Minister and the Prime Minister creating buying spree on speculation of the introduction of public money. Actual moves are already seen, such as that the LDP has started considering establishing a preference bank stocks purchasing organ. There is the possibility that a sentence pertaining to pump-primers could draw speculation on the market as to whether it indicates the possibility of disposing of another case of a financial failure, following Takugin, or it takes into account drastic measures, such as the introduction of public money.

The idea of "coming up with new measures to bolster the economy after the passage of the fiscal reform law" is on the tips of government/ruling camp members' tongues. Expectations for tax breaks and the infusion of public money are bound to rise:

My View

Iwao Nakatani, Hitotsubashi University Professor;
Public Funds Essential

My impression on the eco.mic stimulus package this time is that it is only a stir in a teacup. We can see the traces of efforts made amid various restrictions, such as MOF's wishes, but the economy is taking a downward turn. The government should have removed those restrictions themselves in order to come up with necessary measures.

What is sought of the government now is to indicate a clear stance for solving the non-performing loan problem, which is the root cause of banks' unwillingness to provide loans or sluggish land transactions. Banks that are suffering excessive debts should be cleared up on the premise of protecting depositors. For banks that can survive, the government should stabilize their management, by purchasing preference shares. The infusion of public money is absolutely necessary for that.

Richard Koo, Senior Researcher at Nomura Research

Center

High marks can be given to some proposals in the package as deregulatory steps. Deregulatory measures regarding information, telecommunications, distribution and the easing of building-to-land ratio restrictions in central city areas are expected to produce results to some extent.

Effective income and corporate tax cuts and additional public works projects are needed. Some view that fiscal-disbursement-type economic measures did not produced any effects in the past, but if those measures had not been taken, the economy would have been more stagnant. Lowering those tax rates, which are high by international standards, can produce effects of halting the
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flight of highly talented human resources and shifts of production overseas.

Points

At yesterday's press conference, Economic Planning Agency (EPA) Director General Koji Omi released the simulation that the Agency conducted: the emergency economic stimulus package would produce a total of 60 trillion yen worth of economic expansion effect over the medium to long-term perspective. The effect would reach approximately 6 trillion yen on average for a single year -- equivalent to 1.2 percent of nominal gross domestic product. However, the EPA Director General's view is markedly at odds over the perception held by the industry world. This newspaper checks the impact of major items incorporated in the package.

Notification System for Telephone Rates
Competition for Lower Rates Likely to Speed up

The proposed shift of a system for telephone rates from the present approval system to a notification system is likely to speed up competition for lower rates. In the case of portable phones, for which a

notification system was adopted in December, 1996, whereas six rate reductions were made for the use of NTT mobile telephone networks in 1996, in 1997, there have been already 11 reductions as of early December. The new system will enable to set rates in a flexible way both for long-distance and international calls. It would be a major advantage for users. A reduction of technical inspection costs would reduce the burden of telecom carriers, but only a little. It appears that "the measure will not directly lead to a reduction of sales price of portable terminals."

Flat Rate for Internet Users -- Ten yen for Three Minutes

Operators Cautious about Consolidating Stations

In order to make it possible to connect computer users at any points in the country with the Internet system at a price of 10 yen for three minutes, it is necessary to build stations at about 190 locations that are not equipped with link-up stations out of 567 local call areas. To establish one link-up station costs 20 to 30 million yen, and so, its investment effect would come to 4 to 6 billion yen. However, many telecom carriers are cautious about going along with such projects, because areas where there are no link-up stations are such where the number of Internet users is small. They say, "We cannot consolidate link-up station in such areas in an easy-going manner."

Easing of Building-to-Land Ratio Restrictions
New Buildings on Site of Old Structures in Central City Areas

The proposed easing of building-to-land ratio restrictions in commercial areas is designed to
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promote constructing new buildings on the site of old structures erected before 1965. The measure is expected to produce a major impact in commercial areas in central city areas, such as the Ginza, Tokyo. However, the rental office building market

has not recovered fully enough to secure rents to cover the costs needed for rebuilding. Some are doubtful about the impact of the measure calculated by the EPA.

Removal of Ban on Self-Service Gas Station
Economic Effects Worth 120 Billion Yen Expected
with Dissemination Ratio of 10 percent

Average investment of 20 million yen per station is estimated to be needed for installing fire-prevention facilities at gas stations. If a dissemination ratio reaches 10 percent of the whole (approximately 60,000 stations), economic effects worth 120 billion yen can be expected. If a plan to add a hamburger shop to a gas station is adopted, as has been suggested by some, its effect will go further than the domain of gas stations. Depending on areas, self-service gas stations will lead to a cut in gasoline prices by several yen per liter. However, there is the possibility of an unemployment problem occurring among those employed in that industry.

Price Cap System for Domestic Air Fares
"Fare Reduction Difficult" Air Carriers Say

A "air fare range system," which allows carriers to set normal fares freely within a 25 percent range of the premium set was introduced for domestic air fares in June, 1996. A shift to a price cap system means the scrapping of the lower limit in this air fare range. Most of carriers say, "Market fares have already gone down to about 70 percent of normal fares. It is difficult for us to further reduce domestic fares." They claim, "Complete liberalization of air fares would diversify fare ranges, but the scrapping of the lower limit alone would not change the present situation."

(4) Reconsideration of Okinawa (Part 3): U.S. Bases; Government's Sympathy Budget Stands in Way of Bases Reduction

ASAHI (Page 2) (Full) November 19, 1997

At the United States Air Force's Kadena Base, there are two 3,700-meter-long runways and a number of brand-new buildings dot the well-trimmed lawn. This impressive sight tells us of the wealth and strength of "the only remaining superpower, the United States," until we recall to mind that (American bases) rely on Japanese taxpayers' money for all necessary costs. These range from land rents to construction expenses, utilities, and even the salaries paid to base employees.

Before Okinawa was reverted to Japan in 1972, the

average wage in Okinawa was said to be
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approximately one-tenth of that of American
soldiers. But now the average annual income of
base employees has run up to nearly 50,000 dollars
-- equal to that of officers at the rank of major.

At the time of the reversion, there were at least
39,000 American soldiers on Okinawa, but now the
number has dwindled to 28,000, a drop of nearly 30
percent. But when it comes to the areas covered by
bases, there has been no more than a 13-percent
reduction since then to date.

Missions Beyond "Regional Framework"

In the cold-war period, Kadena Air Base served as a
vital base for the Strategic Air Command assigned
to nuclear deterrence operations. The major role
was that the KC-135s installed in the base joined a
unit of B-52 strategic fighters deployed in Guam
when they flew for the Soviet Union and China in
order to refuel them in the air above the Pacific
to help them storm into such countries. During the
Vietnam War, as many as 45 B-52s -- the largest
ever number -- were installed to fly from here to
"bomb North Vietnam." But the B-52s deployed in
Guam were all pulled out from there in June 1990.

The 54 F-15 fighters of the Air Force's 18th Wing
deployed in Kadena Air Base used to be sent in
rotation to Osan Base in the Republic of Korea
(ROK), so as to engage in air defense in that
country. But this mission does not exist any
longer. Air defense of the skies over Okinawa is
now under the charge of the 83rd Air Wing
(installed in Naha Base) of the Self-Defense Forces
(SDF).

In recent years fighters installed in Kadena Air
Base have flown to various locations in East Asia
to participate in joint exercises. A portion of
them have been sent to Saudi Arabia to patrol "the
Southern no-fly zone" over Iraqi territory of Iraq,

as proclaimed by the U.S. and Britain for the purpose of protection of Shiites living in Iraq. This operation now gives rise to doubts even in the Ministry of Foreign Affairs (MOFA), one official of which commented: "There is room for discussion over whether such is allowed under the resolution issued by the United Nations Security Council (UNSC)."

But Major Edmund Memi (TN: phonetic), Public Relations Director of Kadena Air Base notes: "The 18th Wing is the only fighter unit for command of the air in the West Pacific and the Indian Sea. Their duties are not necessarily restricted to a certain region."

"Division" in Name Only

Sixty percent or 16,000 American servicemen stationed on Okinawa are U.S. Marines. But the raison d'etre of the main force, the 3rd Marine Division, is now being called into question even by UNCLAS SECTION 12 OF 13 TOKYO 010109

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC, NEC
JUSTICE FOR DAVID BOLING IN ANTI-TRUST DIVISION
COMMERCE FOR JEAN GRIER IN GENERAL COUNCILQS OFFICE, DAS
TREASURY FOR OASIA/IMI/JAPAN
DEPT PASS USTR FOR PUBLIC AFFAIRS OFFICE
DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/20/97

officers of the U.S. Marines.

In 1972, the U.S. Air Force kept on standby nearly 200 landing craft to transport the Marines, so the capability existed of being able to transport three Marine divisions on active service as well as one division in the reserves. Now, however, such vessels only total 40 or so. The capability has eventually dropped to the level of transporting 2.5 brigades -- less than one regular division -- in all, although a new vessels are becoming larger in size.

Under these circumstances, the U.S. Marines stationed on Okinawa are now a meager force, with an infantry regiment and an artillery battalion (18 mortars) and no tanks. To add to this lineup, almost all of the fighting unit are sent in six-month rotations from the 1st and 2nd divisions stationed in the mainland U.S. "Division" exists in name only.

Battle over Vested Interests

During the past 10 years, bases on the mainland U.S. have been closed in 234 locations. Troops cuts are also underway. Despite all this, why is Okinawa treated as exception?

"The first reason is perhaps the government (of Japan) offers money to keep bases in place. Okinawa has asked for realignment of bases and cuts in troop strength, but until the rape incident of a school girl occurred, there had been no sign that the central government considered such matters in earnest," notes Okinawa Prefectural Governor's Office Chief Masaaki Awakuni.

The Japan-U.S. security declaration issued in April of last year proclaimed that discussion will be held also on "force structure." But Ambassador Hideki Harajima, an envoy sent by the central government to Okinawa, comments: "I can keenly understand how Okinawan residents feel. We need to make efforts to bring about an international situation that can help change the current deployment of U.S. troops."

Over the next few years, there is the likelihood of diplomatic ties being established between the U.S. and North Korea and sudden change on the Korean Peninsula. This would presumably be the chance to pursue a reduction in Marine strength on Okinawa since those troops were installed to be ready for a second Korean war. But servicemen and bureaucrats in any countries are tactful in finding new reasoning for maintaining the existing organization. The U.S. Marines, who have a reputation for clever lobbying tactics toward the U.S. Congress and the Government, will perhaps pour in efforts to protect their vested interests in Okinawa.

As it stands, the question is whether Japanese politicians and government officials can have
UNCLAS SECTION 13 OF 13 TOKYO 010109

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
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E.O. 12958: N/A
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SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/20/97

enough guts and logic to counter them. Success or failure of discussion about the "make-up of troop strength" is up to them.

If the Marine troops stationed on Okinawa were to be actually reduced, the plan for constructing a sea-based heliport as part of the relocation of Futenma Air Station would end up a huge waste of a money and destruction of nature. It is estimated that the construction cost will run up to one trillion yen including peripheral work. "Can the Government really pay such an amount of money in the face of its financial crisis?" This sort of question is heard not only in central government offices but also in the Okinawa Prefectural Government Office..

(Senior staff writer Shunji Taoka)

FOLEY

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INFO: RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 4544
RUEHKOF/AMCONSUL FUKUOKA PRIORITY 7617
SUBJ: MEDIA REACTION, OKINAWA; TOKYO

LEAD STORIES: THE THURSDAY MORNING ASAHI GAVE TOP
COVERAGE TO THE AGREEMENT IN MANILA BY APEC FINANCE VICE
MINISTERS TO CREATE A NEW FUND TO SUPPLEMENT THE

TEXT:
UNCLAS TOKYO 010120

USIA

FOR: USIA FOR I/RF, I/RFW, I/GEA, EA, R/MR; STATE/EAP/J,
EAP/P, PM, STATE DEPT. PLS PASS TO USTR/PUBLIC AFFAIRS
OFFICE; TREASVRY/OASIA/IMI; NSC; SECDEF FOR OASD/PA; CP
BUTLER OKINAWA FOR AREA FIELD OFFICE

E.O. 12958; N/A
SUBJECT: MEDIA REACTION, OKINAWA; TOKYO

LEAD STORIES: THE THURSDAY MORNING ASAHI GAVE TOP
COVERAGE TO THE AGREEMENT IN MANILA BY APEC FINANCE VICE
MINISTERS TO CREATE A NEW FUND TO SUPPLEMENT THE
INTERNATIONAL MONETARY FUND.

1. "WHAT IS THE PURPOSE OF THE OKINAWA CEREMONY?" THE
LIBERAL ASAHI EDITORIALIZED (11/20), "A GOJ-SPONSORED
CEREMONY WILL BE HELD IN GINOWAN CITY, OKINAWA
PREFECTURE, ON FRIDAY TO MARK THE 25TH ANNIVERSARY OF
THE PREFECTURE'S RETURN TO JAPAN. THE CEREMONY WILL BE

A LARGE-SCALE EVENT ATTENDED BY PRIME MINISTER HASHIMOTO, U.S. AMBASSADOR FOLEY AND OTHER GOJ AND OKINAWAN OFFICIALS.

"DESPITE ITS SUPERFICIAL POMP AND CIRCUMSTANCE, THE CEREMONY WILL ACTUALLY BE FAR FROM 'FESTIVE.' THE ACTUAL SITUATION, THE U.S. MILITARY PRESENCE ON OKINAWA, CAN HARDLY PROVIDE THE OKINAWAN PEOPLE WITH AN HONEST OCCASION TO CELEBRATE THIS CEREMONY... THE CENTRAL GOVERNMENT HAS NEVER CONSIDERED GOVERNOR OTA'S PROPOSAL FOR REDUCING U.S. MILITARY BASES GRADUALLY AND MAKING OKINAWA A 'BASE-FREE' ISLAND IN THE FUTURE.

"THE BURDEN OF THE U.S.-JAPAN SECURITY SYSTEM HAS BEEN IMPOSED ONLY ON OKINAWA, AND IT IS NOW ABOUT TO BEAR DOWN ON THE CITIZENS OF NAGO CITY IN THE FORM OF CONSTRUCTING A SEA-BASED HELIPORT THAT WILL REPLACE FUTENMA AIR STATION... THE GOJ MUST SQUARELY TACKLE A WIDE RANGE OF OKINAWA PROBLEMS, INCLUDING A REDUCTION IN THE NUMBER OF MARINES AND AN EFFECTIVE ECONOMIC DEVELOPMENT PROGRAM." CRANE

SECT: SECTION: 01 OF 01
SSN: 0120
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RHEHAAA/WHITE HOUSE WASHDC
RUEAIIA/CIA WASHDC
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER
IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC
FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

TOP HEADLINES:

ASAHI: GOVERNMENT, RULING PARTIES CARRY OVER CONCLUSION
ABOUT REORGANIZATION OF GOVERNMENT MINISTRIES AND
AGENCIES; NEGATIVE REACTION SEEN IN LDP AGAINST PLACING
POSTAL SERVICES UNDER "PUBLIC CORPORATION"; PRINTING AND
MINTING TO BE OPERATED UNDER PUBLIC CORPORATION IN FUTURE

NIHON KEIZAI: "ONE OFFICE AND 12 MINISTRIES AND AGENCIES" CONFIRMED; TO BE REORGANIZED INTO NEW SYSTEM IN 2001; GOVERNMENT, RULING CAMP LIKELY TO MAKE DECISION TODAY (TRANSLATION BELOW)

TOKYO SHIMBUN: "ONE OFFICE AND 12 MINISTRIES AND AGENCIES" CONFIRMED; POSTAL SERVICES WILL BE OPERATED UNDER "NEW-TYPE PUBLIC CORPORATION" IN FIVE YEARS; "INFORMATION AND TELECOMMUNICATIONS" WILL BE PLACED UNDER INTERNAL BUREAU OF GENERAL AFFAIRS MINISTRY; RULING BLOC WILL REACH ACCORD TODAY OR LATER

MAINICHI: "ONE OFFICE AND 12 MINISTRIES AND AGENCIES" CONFIRMED; GOVERNMENT'S ADMINISTRATIVE REFORM PANEL COMPLETE INTENSIVE DELIBERATIONS; DISARRAY IN LDP GENERAL COUNCIL OVER PROCEDURES; "DECISION" CARRIED OVER

YOMIURI: ONE OFFICE AND 12 MINISTRIES AND AGENCIES CONFIRMED; GOVERNMENT'S ADMINISTRATIVE REFORM PANEL EXPECTED TO ISSUE A FINAL DECISION POSSIBLY TODAY; THREE POSTAL SERVICES LIKELY TO BE OPERATED UNDER NEW PUBLIC CORPORATION IN FIVE YEARS; PUBLIC WORKS IN GENERAL TO BE PLACED UNDER NATIONAL LAND AND TRAFFIC MINISTRY

SANKEI: THREE POSTAL SERVICES TO BE UNDER NEW-TYPE PUBLIC CORPORATION IN FIVE YEARS; CONSENSUS REACHED IN PRINCIPLE ON ONE OFFICE AND 12 MINISTRIES AND AGENCIES; TO LAUNCH A NEW SYSTEM IN 2001; INFORMATION AND TELECOMMUNICATIONS TO BE PLACED UNDER INTERNAL BUREAU OF GENERAL AFFAIRS MINISTRY

FOLEY CONCERNED ABOUT JAPAN'S EXPANDING TRADE SURPLUS (ASAHI - PAGE 3)

U.S. AMBASSADOR TO JAPAN FOLEY MET THE PRESS AT THE U.S. EMBASSY IN TOKYO ON THE 20TH FOR THE FIRST TIME SINCE HIS ARRIVAL AT HIS POST. IN HIS PRESS MEETING, THE AMBASSADOR STATED, "THERE IS NO BILATERAL RELATIONSHIP MORE IMPORTANT THAN THAT BETWEEN JAPAN AND THE UNITED STATES." ON THE OTHER HAND, THE AMBASSADOR EXPRESSED CONCERN OVER THE EXPANSION OF JAPAN'S TRADE SURPLUS WITH THE U.S. AND UNDERScoreD HIS STANCE OF MAKING EFFORTS TO CORRECT THE TRADE IMBALANCE.

CONCERNING THE EXPANSION OF JAPAN'S TRADE SURPLUS WITH JAPAN, AMBASSADOR FOLEY REMARKED: "NO MATTER HOW STRONG THE AMERICAN ECONOMY MAY BECOME, WE CAN'T SET ASIDE THIS PROBLEM. THIS IS A MATTER OF GREAT CONCERN TO US. WE WANT JAPAN TO OPEN UP ITS MARKET." TOUCHING ON THE U.S. GOVERNMENT'S NEGOTIATING ATTITUDE BACKED BY THE POSSIBILITY OF TAKING SANCTIONS ON JAPAN FOR SUCH ISSUES AS THE PROBLEM OF JAPANESE PORT-HARBOR STEVEDORING PRACTICES BETWEEN LABOR AND MANAGEMENT, THE AMBASSADOR TOLD THE PRESS: "IMPOSING SANCTIONS IS AN EXCEPTIONAL CASE. EVEN IF WE DIFFER (ON SUCH ISSUES), IT WILL BE POSSIBLE TO FIND SOLUTIONS."

REGARDING THE PROBLEM OF U.S. MILITARY BASES ON OKINAWA,

THE AMBASSADOR REMARKED, "I WANT TO EASE THE PREFECTURAL PEOPLE'S IRRITATION." ON THE OTHER HAND, HOWEVER, THE AMBASSADOR, REFERRING TO THE PROBLEM OF RELOCATING THE FUTENMA AIRFIELD'S FUNCTIONS, WENT NO FURTHER THAN TO SAY: "JAPAN AND THE UNITED STATES ARE NOW CONTINUING THEIR CONSULTATIONS. I WILL KEEP MY EYE ON THEM."

UNCLAS SECTION 02 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

FOLEY WORRIED ABOUT JAPANQS SURPLUSES
(NIHON KEIZAI - PAGE 1)

NEW UNITED STATES AMBASSADOR TO JAPAN THOMAS FOLEY YESTERDAY HELD A PRESS CONFERENCE AT THE AMERICAN EMBASSY IN TOKYO. IN IT, HE EXPRESSED STRONG CONCERN OVER JAPAN'S GROWING TRADE SURPLUS WITH THE U.S., AS SEEN FROM THE FACT THAT ITS TRADE VOLUME SURPASSED THE PREVIOUS YEAR'S LEVEL FOR 13 CONSECUTIVE MONTHS. AT THE SAME TIME, HE CALLED FOR THE JAPANESE GOVERNMENT'S MEASURES FOR ACHIEVING DOMESTIC DEMAND-LED ECONOMIC RECOVERY. AS FOR THE OKINAWA PROBLEM, THE AMBASSADOR EMPHASIZED THAT HE WOULD WORK HARD TO REDUCE OKINAWA'S BURDEN FOR THE U.S. FORCES THERE, REMARKING, "WE HAVE BEEN LOOKING INTO VARIOUS MEASURES IN ORDER TO REDUCE THE IRRITATION OF THE PEOPLE OF OKINAWA. WE WILL CONTINUE TO DISCUSS STEPS WITH THE JAPANESE GOVERNMENT."

THE AMBASSADOR ALSO POINTED OUT: "JAPAN'S TRADE AND CURRENT ACCOUNT SURPLUSES ARE ON THE SHARP RISE. TRADE IMBALANCE BETWEEN THE U.S. AND JAPAN HAS BEEN EXPANDING AS WELL. OUR TWO COUNTRIES HAVE A MUTUAL INTEREST IN RESOLVING THESE PROBLEMS."

THE AMBASSADOR ADDED: "WE ARE CONCERNED ABOUT THE STAGNANT JAPANESE ECONOMY. WE HOPE FOR A STRONG RECOVERY OF THE JAPANESE ECONOMY. PRIME MINISTER HASHIMOTO HAS SAID THAT HE WOULD BOOST DOMESTIC DEMAND TO ACHIEVE ECONOMIC GROWTH, WARD OFF A SHARP INCREASE IN EXPORTS TO THE U.S. AND STOP GROWING TRADE SURPLUS WITH THE U.S. WE SUPPORT HIS POLICY DIRECTION."

FOLEY WORRIED ABOUT ECONOMIC STAGNATION IN JAPAN
(MAINICHI - PAGE 3)

IN HIS FIRST NEWS CONFERENCE SINCE ASSUMING HIS POST, HELD YESTERDAY AT THE U.S. EMBASSY, UNITED STATES AMBASSADOR TO JAPAN THOMAS FOLEY STRESSED THAT PROBLEMS IN RELATIONS BETWEEN JAPAN AND THE U.S. LIE NOTABLY IN THE ECONOMIC AREA. HE THEN RAISED HIS CONCERN OVER THE FUTURE OF THE JAPANESE ECONOMY, WHICH HAS BEEN ON DOWNWARD SLIDE DUE TO THE UNSTABLE FINANCIAL CAPITAL MARKET. HE CATEGORICALLY STATED: "I AM VERY MUCH CONCERNED ABOUT THE SAGGING JAPANESE ECONOMY. THIS SITUATION AFFECTS SEVERAL MILLION AMERICAN JOBS." HE ALSO EXPRESSED DEEP APPREHENSION OVER JAPAN'S SURGING TRADE SURPLUS WITH THE U.S. AND CALLED THE JAPANESE GOVERNMENT TO IMPLEMENT DOMESTIC DEMAND-LED ECONOMIC STIMULUS MEASURES.

REFERRING TO A VIEW EMERGING IN JAPAN THAT "AS LONG AS THE AMERICAN ECONOMY IS STRONG, (JAPAN'S TRADE SURPLUS ISSUE) WILL NOT BE TAKEN UP AS A SERIOUS PROBLEM BETWEEN JAPAN AND THE U.S.," THE AMBASSADOR WARNED THAT IF TRADE ISSUES WERE LEFT UNTOUCHED, THEY WOULD GROW INTO A SERIOUS PROBLEM. HE SAID, "IN THE NEXT YEAR, THE CAMPAIGN SEASON FOR (THE PRESIDENTIAL ELECTION IN) THE YEAR 2000 WILL START. THERE WILL BE MANY PEOPLE DISCUSSING TRADE ISSUES. NO MATTER HOW STRONG THE AMERICAN ECONOMY REMAINS, SUCH ISSUES WILL NOT BE AVOIDED." BUT HE STOPPED SHORT OF PRESENTING SPECIFIC MEASURES, ONLY SAYING, "I SUPPORT THE DOMESTIC DEMAND-DRIVEN ECONOMIC REFORM MEASURES MAPPED OUT BY PRIME MINISTER RYUTARO HASHIMOTO. REFORMING EXCESSIVE REGULATIONS WILL BENEFIT JAPANESE CONSUMERS AS WELL."

DECLARING THAT "JAPAN-U.S. RELATIONS ARE THE KEYSTONE IN THE ASIA-PACIFIC REGION. AS THE ROLE OF ASIA EXPANDS, THEY ARE BECOMING MORE CRUCIAL THAN EVER BEFORE," THE AMBASSADOR, WHO IS KNOWN TO BE PRO-JAPAN, DENIED THE VIEW THAT THE U.S. NO LONGER GIVES PRIORITY TO JAPAN. ASKED ABOUT THE POSSIBILITY OF "TRADE ISSUES DEVELOPING INTO FACTORS FOR SHAKING THE FOUNDATION OF BILATERAL

UNCLAS SECTION 03 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

RELATIONS, INCLUDING SECURITY ONE," HE REPLIED, "I DO NOT THINK SUCH WOULD HAPPEN."

ON THE OKINAWA ISSUE, FOLEY STATED, "I WOULD LIKE TO DO

MY BEST TO EASE THE TENSIONS CAUSED BY THE U.S. MILITARY'S PRESENCE BY WORKING OUT VARIOUS MEASURES."

FOLEY EXPECTS DOMESTIC-DEMAND LED GROWTH IN JAPAN
(YOMIURI - PAGE 9)

NEWLY-ARRIVED UNITED STATES AMBASSADOR TO JAPAN THOMAS FOLEY HELD HIS FIRST PRESS CONFERENCE AT THE AMERICAN EMBASSY YESTERDAY. IN IT, HE EXPRESSED STRONG APPREHENSION ABOUT JAPAN'S GROWING TRADE SURPLUS, STATING, "WE ARE CONCERNED ABOUT THE SHARP RISE IN JAPAN'S TRADE SURPLUS WITH THE U.S." FURTHERMORE, REFERRING TO THE PRESENT CONDITION OF THE JAPANESE ECONOMY, THE AMBASSADOR EXPRESSED HOPES FOR ECONOMIC RECOVERY LED BY DOMESTIC DEMAND, COMMENTING, "(JAPAN'S) GROWTH HAS BEEN STAGNANT, AND THAT IS A PROBLEM."

ACCORDING TO TRADE STATISTICS BY THE FINANCE MINISTRY, JAPAN'S TRADE SURPLUS WITH THE U.S. SURPASSED THAT OF THE PREVIOUS YEAR 13 MONTHS IN A ROW UNTIL OCTOBER. AMBASSADOR FOLEY NOTED, "THERE IS A PROJECTION THAT (JAPAN'S) TRADE SURPLUS WILL INCREASE WITH GREATER SPEED." THE AMBASSADOR ADDED: "AMERICA WILL ENTER A POLITICAL SEASON IN 1998 (WHEN OFF-YEAR ELECTIONS WILL BE HELD) AND A LOT OF PEOPLE WILL TAKE UP TRADE ISSUES. IT IS SERIOUS THAT TRADE IMBALANCE EXISTS REGARDLESS OF THE STRONG AMERICAN ECONOMY."

AS FOR MEASURES FOR DISSOLVING JAPAN'S TRADE SURPLUS, HE REMARKED, "PRIME MINISTER HASHIMOTO'S PLAN IS TO BOOST DOMESTIC DEMAND FOR ECONOMIC GROWTH AND PREVENT JAPAN'S SHARP INCREASE IN EXPORTS TO THE U.S. AMERICA SUPPORTS HIS POLICY DIRECTION." HE THUS CALLED FOR THE JAPANESE GOVERNMENT'S FURTHER EFFORTS FOR CREATING GREATER DOMESTIC DEMAND LEADING TO AN ECONOMIC RECOVERY.

IN ADDITION, REGARDING JAPAN-U.S. RELATIONS IN THE MIDST OF THE SITUATION WHERE DIALOGUES AMONG JAPAN, THE U.S., CHINA AND RUSSIA HAVE BEEN MAKING PROGRESS, AMBASSADOR FOLEY STRESSED THE IMPORTANCE OF RELATIONS WITH JAPAN, REMARKING, "JAPAN IS THE BEDROCK OF COOPERATION IN THE ASIA-PACIFIC REGION. RELATIONS BETWEEN AMERICA AND JAPAN ARE CRUCIAL AND MORE FUNDAMENTAL THAN EVER BEFORE."

PRIME MINISTER UNDER THE APEC GUN OPTS FOR USE OF PUBLIC FUNDS FOR BANK BAILOUTS (TOKYO SHIMBUN - PAGE 3)

PRIME MINISTER RYUTARO HASHIMOTO YESTERDAY ADOPTED A POLICY APPROACH OF STUDYING THE POSSIBILITY OF INFUSING PUBLIC FUNDS FOR LIQUIDATING BAD LOANS HELD BY FINANCIAL INSTITUTIONS. THE GOVERNMENT/LIBERAL DEMOCRATIC PARTY (LDP) HAS SET FORTH AN ECONOMIC STIMULUS PACKAGE, BUT THE PACKAGE FAILED TO HALT DROPS IN STOCK PRICES -- A SYMBOL OF "JAPAN SELLING." THE SITUATION IS SUCH THAT ANY MEASURES ARE LIKE WATER OFF A DUCK'S BACK. THE LIQUIDATION OF NON-PERFORMING LOANS, WHICH LIE HEAVILY ON THE JAPANESE ECONOMY, IS ABSOLUTELY NECESSARY FOR IT TO COME OUT OF THE TUNNEL. THE PRIME MINISTER, PLACED IN A

TIGHT SPOT, IS APPARENTLY DETERMINED TO TAKE ACTION.

THE COLLAPSE OF HOKKAIDO-TAKUSHOKU BANK ON THE 18TH TRIGGERED A LARGE CHORUS OF BUSINESS LEADERS TO CALL FOR THE INJECTION OF PUBLIC FUNDS. ON THE FOLLOWING DAY, THE PRIME MINISTER HINTED IN A CASUAL MANNER THAT HE IS BEARING SUCH A POSSIBILITY IN MIND. IT SEEMS THAT THAT STATEMENT WAS A TRIAL BALLOON TO SEE A MARKET RESPONSE. THE PRIME MINISTER HAS DECIDED TO LOOK INTO SUCH A POSSIBILITY, SEEING A SHARP RISE ON THE STOCK MARKET, WHICH FAVORABLY RECEIVED HIS STATEMENT.
UNCLAS SECTION 04 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

THE REASONS THE PRIME MINISTER HAS CHOSEN THIS TIMING ARE BECAUSE THE PROBLEM OF DISPOSING OF NON-PERFORMING LOANS CANNOT BE PUT OFF ANY LONGER AND THE INFORMAL MINISTERIAL CONFERENCE OF THE ASIA-PACIFIC ECONOMIC COOPERATION FORUM IN VANCOUVER, CANADA, IS SCHEDULED TO BE HELD FROM THE 24TH.

THE JAPAN-UNITED STATES SUMMIT MEETING TO BE HELD IN THE WINGS OF THE APEC CONFERENCE IS EXPECTED TO FOCUS ON JAPAN'S PUMP-PRIMERS AND ITS TRADE DEFICIT WITH THE U.S., WHICH POSTED THE 13TH MONTH-ON-MONTH RISE IN OCTOBER. THE U.S. HAS ASKED JAPAN TO EXPAND DOMESTIC DEMAND THROUGH FISCAL DISBURSEMENTS. IT HAS RECENTLY CALLED FOR THE INJECTION OF PUBLIC FUNDS, TOO.

UNDER SUCH CIRCUMSTANCES, GOVERNMENT SOURCES HAVE INDICATED THAT IT WOULD BE DESIRABLE FOR THE PRIME MINISTER TO MAKE A DECISION ON THE INTRODUCTION OF PUBLIC FUNDS BEFORE ATTENDING THE APEC CONFERENCE.

HOWEVER, IT APPEARS THAT THE PRIME MINISTER PROBABLY BECAUSE OF HIS BITTER EXPERIENCE OF BECOMING THE TARGET OF CRITICISM REGARDING THE HANDLING OF JUSEN MORTGAGE LENDERS IS NERVOUS ABOUT PUBLIC FUNDS TO BE USED FOR THAT PURPOSE BEING TAKEN AS THE USE OF FISCAL FUNDS FROM THE GENERAL ACCOUNT (TAX PAYERS' MONEY). AFTER MEETING WITH FORMER PRIME MINISTER KIICHI MIYAZAWA ON THE 20TH TO EXCHANGE VIEWS ON THE ISSUE OF INFUSING PUBLIC FUNDS, JOURNALISTS ASKED HIM ABOUT THE SUBJECT OF THE MEETING: HE REPLIED, "WE TALKED ABOUT MEASURES TO DEAL WITH

CRIPPLED FINANCIAL INSTITUTIONS," REJECTING USING THE WORDS "PUBLIC SUPPORT." THAT GIVES GLIMPSES OF HIS BEING SENSITIVELY NERVOUS ABOUT THE IDEA OF INJECTING PUBLIC FUNDS. HOWEVER, MEASURES TO STRENGTHEN THE DEPOSIT INSURANCE CORPORATION SUGGESTED BY MIYAWASA, WHICH THE PRIME MINISTER HAS HIGHLY EVALUATED, CITING, "HIS PROPOSAL IS INDEED GREAT," INCLUDE CONTENTS THAT COVER THE POSSIBILITY OF INJECTING FISCAL FUNDS. LDP POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI HAS ALSO POINTED OUT THE POSSIBILITY OF PUMPING FISCAL FUNDS.

IT IS APPARENT THAT HALF-BAKED BAD LOAN CLEARING-UP MEASURES WILL INCUR THE DISAPPOINTMENT OF THE MARKET AND HAVE A REVERSE EFFECT. IN THE MEANTIME, THE EASY-GOING INFUSION OF PUBLIC FUNDS WILL INCUR NEGATIVE REACTION FROM THE PEOPLE. THE PRIME MINISTER HAS INSTRUCTED THE LDP TO LOOK INTO THE POSSIBILITY OF USING PUBLIC FUNDS. IS HE RESOLVED TO CARRY THAT OUT AT THE COST OF SUCH RESULTS?

LDP STARTS LOOKING INTO PUBLIC BAILOUT OF SHAKY BANKS
(TOKYO SHIMBUN - PAGE 1)

THE LIBERAL DEMOCRATIC PARTY (LDP) YESTERDAY HELD THE FIRST MEETING OF ITS "FINANCIAL SYSTEM STABILIZATION MEASURES SUB-COMMITTEE" (CHAIRMAN BY DEPUTY POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN OKIHARU YASUOKA), CONSISTING OF MEMBERS OF THE FINANCIAL PROBLEMS RESEARCH COUNCIL. THE PANEL TOOK AS A PREMISE THE INFUSION OF PUBLIC FUNDS IN LOOKING INTO CONCRETE MEASURES TO LIQUIDATE NON-PERFORMING LOANS, A PROBLEM THAT HAS SURFACED BECAUSE OF THE CRASH OF THE HOKKAIDO-TAKUSHOKU BANK, AND RECONFIRMED THAT SUCH MEASURES ARE TO BE INCLUDED IN THE THIRD ECONOMIC STIMULUS PACKAGE.

DISCUSSION ON THE INTRODUCTION OF PUBLIC FUNDS IS LIKELY TO BE PURSUED, INCLUDING THE POSSIBILITY OF DRAWING FUNDS FROM THE GENERAL ACCOUNT AS WELL AS FROM THE FISCAL INVESTMENT AND LOANS PROGRAM (FILP) AND THE BANK OF JAPAN.

FORMER PRIME MINISTER MIYAZAWA POSSIBLY TODAY FOR CAPITAL
UNCLAS SECTION 05 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

ASSISTANCE TO TACKLE FINANCIAL CRISIS (MAINICHI - PAGE 9)

FORMER PRIME MINISTER KIICHI MIYAZAWA YESTERDAY RELEASED HIS OWN PRIVATE PLAN ON PUBLIC BAIL-OUT MEASURES, ON WHICH HE HAS ASKED THE GOVERNMENT AND THE LIBERAL DEMOCRATIC PARTY FOR CONSIDERATION.

THE PLAN INCLUDES MEASURES' (1) TO PROCURE FISCAL INVESTMENT AND LOAN FUNDS FROM THE TRUST FUND BUREAU BY FLOATING GOVERNMENT GUARANTEE BONDS, IN ORDER TO MAKE UP FOR THE SHORTAGE OF CAPITAL OF THE DEPOSIT INSURANCE INSTITUTION, AND TO REPAY WITH INCOME FROM DEPOSIT INSURANCE PREMIUMS; (2) TO UNDERTAKE SUBORDINATED DEBTS HELD BY FINANCIAL INSTITUTIONS WITH SELF-OPERATION CAPITAL, SUCH AS POSTAL SAVINGS, THE AIM BEING TO SECURE FINANCIAL INSTITUTIONS' SELF-OWNED CAPITAL. THESE MEASURES ARE AIMED TO "PROTECT DEPOSITORS AND RECOVER CREDIT IN THE JAPANESE FINANCIAL SYSTEM" BY USING FISCAL INVESTMENT AND LOAN FUNDS.

BASED ON THE VIEW THAT AN EARLY-CORRECTION MEASURE PLANNED TO BE INTRODUCED NEXT FISCAL YEAR HAS CAUSED FINANCIAL INSTITUTIONS TO BE RELUCTANT TO OFFER LOANS AND TO SELL THEIR BANKS' SHARES, MIYAZAWA PROPOSES THAT THE INTRODUCTION OF THE MEASURE BE DELAYED BY FIVE YEARS."

ROK TO ASK BANK OF JAPAN POSSIBLY TODAY FOR CAPITAL ASSISTANCE TO TACKLE FINANCIAL CRISIS
(NIHON KEIZAI - PAGE 1)

(SEOUL, NOVEMBER 20, REPORTER TAKAHIRO HASHIMOTO) IN AN INTERVIEW WITH A NIHON KEIZAI SHIMBUN REPORTER YESTERDAY DEPUTY PRIME MINISTER AND FINANCE AND ECONOMY MINISTER IM CHANG-YOL OF THE ROK REVEALED THE GOVERNMENT'S INTENTION TO SEEK FINANCIAL SUPPORT FROM THE BANK OF JAPAN IN ORDER TO FIND A BREAKTHROUGH IN THE NATION'S FINANCIAL WOES. HE IS EXPECTED TO DISCUSS THE ISSUE WITH FINANCE MINISTER HIROSHI MITSUZUKA ON THE PHONE AND MAKE SUCH A REQUEST THROUGH HIM. ACCORDING TO A KOREAN NEWS AGENCY, DEPUTY PRIME MINISTER IM YESTERDAY MADE A SIMILAR REQUEST TO A HIGH-RANKING AMERICAN OFFICIAL OF THE TREASURY DEPARTMENT. A CREDIT CRUNCH HAS PLUNGED THE ROK IN DIFFICULTIES PROCURING FOREIGN CURRENCY. AMID THE GROWING SPECULATION THAT IT WOULD BE UNAVOIDABLE FOR IT TO ASK FOR SUPPORT FROM THE INTERNATIONAL MONETARY FUND (IMF), THE GOVERNMENT NOW INTENDS TO TIDE OVER THE SETBACK, BY OBTAINING SUPPORT FROM JAPAN AND THE U.S.

GOVERNMENT TO NAIL DOWN FINAL SET OF ADMINISTRATIVE REFORM PROPOSALS TODAY (NIHON KEIZAI - TOP PLAY)

THE GOVERNMENT AND RULING PARTIES YESTERDAY GENERALLY FINALIZED THE REPORT OF THE CONFERENCE ON ADMINISTRATIVE REFORM (CAR; CHAIRED BY PRIME MINISTER RYUTARO HASHIMOTO) ON RESTRUCTURING THE CENTRAL GOVERNMENT OFFICES IN THE YEAR 2001. THE THREE POSTAL SERVICES, REFORM OF WHICH IS THE TOP PRIORITY ISSUE, WILL BE OPERATED AS A "POSTAL ADMINISTRATION AGENCY" UNDER A "POSTAL PLANNING AND

MANAGEMENT BUREAU" (TENTATIVE NAME), WHICH WILL BE ESTABLISHED IN A "GENERAL AFFAIRS MINISTRY." THE POSTAL ADMINISTRATION AGENCY WILL BE TRANSFERRED TO A NEW TYPE OF A PUBLIC CORPORATION IN APRIL, 2003, FINANCED BY THE GOVERNMENT. AS IT STANDS, EXCEPT FOR THE QUESTION OF WHETHER TO DIVIDE THE FISCAL AND FINANCIAL SECTORS OF THE MINISTRY OF FINANCE, THE PLAN FOR RESTRUCTURING THE PRESENT ONE OFFICE, AND 21 MINISTRIES AND AGENCIES TO ONE OFFICE, 12 MINISTRIES AND AGENCIES HAS BEEN DECIDED. ALTHOUGH IT TOOK TIME YESTERDAY TO COORDINATE VIEWS IN THE RULING PARTIES, THE PRIME MINISTER INTENDS TO FINALIZED THE PLAN TODAY.

PRIME MINISTER IN OKINAWA SPEECH TO ANNOUNCE DEVELOPMENT PLAN FOR NORTHERN AREA (ASAHI - PAGE 3)
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

PRIME MINISTER RYUTARO HASHIMOTO WILL DELIVER A SPEECH AT A CEREMONY TO BE HELD IN GINOWAN CITY, OKINAWA PREFECTURE, ON THE 21ST FOR THE 25TH ANNIVERSARY OF OKINAWA'S REVERSION TO JAPAN. IN HIS SPEECH, THE PRIME MINISTER WILL LAUNCH THE GOVERNMENT'S INTENTION OF GIVING PRIORITY FROM NOW ON TO (ECONOMIC) PROMOTIONAL MEASURES FOR THE NORTHERN AREA OF THE MAIN ISLAND OF OKINAWA AND ALSO TO "MEASURES FOR PROTECTING OKINAWA'S CULTURE AND TRADITIONS." FURTHERMORE, THE PRIME MINISTER WILL TOUCH ON A JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON OKINAWA) (SACO) AGREEMENT FEATURING THE PLANNED RELOCATION OF THE U.S. FORCES' FUTENMA AIR STATION SITE, AND WILL REMARK THAT "IT WILL HAVE TO BE IMPLEMENTED IN A STEADY WAY." WITH THIS; THE PRIME MINISTER WILL CALL ON OKINAWA TO PROMOTE ITS ACCEPTANCE OF THE PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT AS AN ALTERNATIVE FACILITY THERE.

IN HIS ANNOUNCEMENT OF OKINAWA PROMOTIONAL MEASURES, THE PRIME MINISTER WILL MAKE MUCH OF MEASURES PARTICULARLY FOR THE NORTHERN AREA OF OKINAWA'S MAIN ISLAND. IN THE BACKGROUND IS APPARENTLY HIS CONSIDERATION FOR THE GOVERNMENT'S GOING AHEAD WITH ITS PLAN TO CONSTRUCT SUCH A HELIPORT IN THE CITY OF NAGO SITUATED IN THE ISLAND PREFECTURE'S NORTHERN PART.

JDA DIRECTOR TELLS DIET HOW JAPAN WOULD RESPOND TO SHIP

INSPECTIONS UNDER DEFENSE GUIDELINES (YOMIURI - PAGE 5)

JAPAN DEFENSE AGENCY DIRECTOR GENERAL KYUMA, AT A MEETING OF THE LOWER HOUSE SECURITY AFFAIRS COMMITTEE ON THE 20TH, REFERRED TO SHIP INSPECTIONS THAT ARE TO BE CONDUCTED FOR ECONOMIC SANCTIONS WITH THE PARTICIPATION OF MARITIME SELF-DEFENSE FORCE AND OTHER VESSELS UNDER A NEWLY ADOPTED SET OF GUIDELINES FOR DEFENSE COOPERATION BETWEEN JAPAN AND THE U.S., AND REVEALED FOR THE FIRST TIME AN IMPLEMENTATION PLAN NOW BEING CONSIDERED BY THE GOVERNMENT.

ACCORDING TO THAT PLAN, JAPAN IS TO TAKE STEPS IN THE ORDER OF SUCH COUNTERACTIONS AS ENGAGING IN WARNING AND SURVEILLANCE ACTIVITIES AT SEA, CALLING ON SUSPICIOUS SHIPS TO STOP, BOARDING AND INSPECTING SUCH SHIPS, AND TELLING THEM CHANGE THEIR COURSE. AGAINST SUSPICIOUS SHIPS REFUSING TO CHANGE THEIR COURSE, JAPANESE VESSELS WILL NOT FIRE ANY LIVE-SHELL WARNING SHOTS AT THE WATER'S SURFACE AROUND THEM BUT WILL INSTEAD LAUNCH SIGNAL BOMBS OR FLARES OR WILL OTHERWISE FIRE BLANK SHOTS FROM FAR IN ORDER TO MAKE THEM BECOME AWARE OF THE INSPECTOR VESSEL'S PRESENCE. JAPANESE VESSELS WILL ALSO CHASE THEM FOR PERSUASION.

JDA DIRECTOR GENERAL KYUMA EXPLAINED: "JAPAN CANNOT CARRY OUT ANY THREAT OF FORCE AS SUCH IS PROHIBITED IN ARTICLE 9 OF THE CONSTITUTION. BUT WE ARE NOW STUDYING HOW FAR WE CAN MAKE IT WITHIN THE POSSIBLE LIMITS."

KYUMA WAS REPLYING TO A QUESTION ASKED BY SHIGEKI SATO (OF THE NEW FRONTIER PARTY (SHINSHINTO)).

U.S. CONGRESS SENDING OBSERVER DELEGATIONS TO COP3
(NIHON KEIZAI - PAGE 9)

(WASHINGTON, NOVEMBER 20, YASUHIKO OTA) THE UNITED STATES CONGRESS IS HEIGHTENING ITS OBJECTION TO EMISSION CONTROL OF GREENHOUSE GASES. IN THE CONGRESS, CONSERVATIVE FORCES INFLUENTIAL IN THE ENVIRONMENTAL POLICY ARE OVERPOWERING ENVIRONMENTALISTS, AS HIGH-POWERED INDUSTRIES, SUCH AS AUTOS, COAL AND ELECTRIC POWER GENERATION, ARE EXERTING A CLOUT ON LEGISLATORS WITH THE MID-TERM ELECTION COMING IN 1998. THE CONGRESS WILL SEND A "U.S. CONGRESSIONAL OBSERVERS MISSION" TO THE KYOTO CONFERENCE FOR PREVENTION OF GLOBAL WARMING TO
UNCLAS SECTION 07 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

PRESSURE THE U.S. GOVERNMENT ON THE PLEA OF THE RIGHT TO RATIFY A TREATY AT THE SCENE OF NEGOTIATIONS. CHANCES ARE BECOMING STRONGER *!UM5eMQI%-I%955)M%9%9AI=Q==1Q==AQeQ!=9I955)A9%9=9Q!=9Q!A=M%Q%=9=55)I)Q%9AI=Q==1%9I59Q%MI!]%Q!=UQ55)9eAIQ%AQ%=9=Y1=A%9=U9QI%M=I%9:9!M1IeY=QQ==AQ55)IM=1UQ%=9Q!Q%91UMQ!MQ]==9%Q%=9Me955)=YI!15%95)=I%Qe=Q=iI=Q%Q%=9M55))%Q%MaAQQ!QQ!=BSERVERS MISSION TO THE KYOTO CONFERENCE WILL BE PARTICIPATED IN BY 30 OR SO BIPARTISAN LEGISLATORS FROM BOTH THE SENATE AND THE HOUSE. CENTRAL TO THE MISSION IS, FOR EXAMPLE, (JOHN) DINGELL, A MEMBER OF THE HOUSE OF REPRESENTATIVES (DEMOCRATIC PARTY), WHO HAILS FROM DETROIT, THE STRONGPOINT FOR THE AUTO INDUSTRY. THE MISSION IN THIS RESPECT ASSUMES A STRONG ASPECT OF SPEAKING FOR THE INTERESTS OF AMERICAN INDUSTRIES AND LABOR UNIONS, WHICH ARE OPPOSING IMPOSITION OF MORE TIGHT RESTRICTIONS. MEANWHILE, AMONG ENVIRONMENTALISTS, SENATOR (JOHN) KERRY (DEMOCRATIC PARTY) ELECTED FROM MASSACHUSETTS HAS PLAYED A LEADING ROLE, BUT HIS VOICE ABOUT THE GLOBAL WARMING PROBLEM HAS SCARCELY BEEN HEARD.

COMING UNDER PRESSURE FROM THE CONGRESS, THE U.S. GOVERNMENT IS RAPIDLY LOSING STEAM TOWARD THE KYOTO CONFERENCE. AND IN THE U.S. ADMINISTRATION AS WELL, ENVIRONMENTALISTS ARE CONSPICUOUSLY RETREATING, AND ONE EXAMPLE IS SEEN IN A RUMOR ON AN EARLY RESIGNATION OF UNDER SECRETARY OF STATE WIRTH, WHO IS EXPECTED TO LEAD A U.S. NEGOTIATING MISSION. THINKING THAT THERE IS A SLIM POSSIBILITY OF DEVELOPING COUNTRIES, AS IS REQUESTED BY THE U.S. CONGRESS, PARTICIPATING (IN APPROVING AN ACCORD), MANY (HERE) TAKE THE VIEW THAT IT WILL BE DIFFICULT TO GO AS FAR AS TO SIGN (A TREATY) EVEN IF THE U.S. GIVES APPROVAL TO ADOPTING A PROTOCOL.

SENATOR HAGEL: JAPAN WILL NOT BE BLAMED IF NO AGREEMENT;
COP3 WILL NOT BE A FAILURE (NIHON KEIZAI - PAGE 9)

THE NIHON KEIZAI SHIMBUN INTERVIEWED SENATOR HAGEL (REPUBLICAN PARTY), WHO HAS A STRONG VOICE IN THE UNITED STATES CONGRESS REGARDING THE GLOBAL WARMING ISSUE, ABOUT THE POLICY APPROACH OF THE U.S. CONGRESS TOWARD THE KYOTO CONFERENCE FOR PREVENTION OF GLOBAL WARMING. THE SENATOR WILL BE A MEMBER REPRESENTING THE SENATORS WHO WILL JOIN THE PLANNED CONGRESSIONAL DELEGATION TO JAPAN AND AS AN OBSERVER WILL ATTEND THE KYOTO CONFERENCE. THE FOLLOWING ARE QUESTIONS AND ANSWERED.

QUESTION: WHAT WILL YOU EXPECT OF THE GOVERNMENT OF JAPAN AS CHAIR?

ANSWER: "IT IS UNWISE TO TAKE THE RESPONSIBILITY OF THE CHAIRING NATION OVERLY SERIOUSLY. JAPAN IS ALSO A PARTICIPATING COUNTRY ON AN EQUAL FOOTING TO THE U.S. AND EUROPEAN COUNTRIES. FIRST OF ALL IT SHOULD FULFILL ITS RESPONSIBILITY AS A PARTICIPANT AND THEN WORK TO DEEPEN

DISCUSSION IN EARNEST. EVEN IF AN AGREEMENT IS NOT REACHED, THAT DOES NOT MEAN THE KYOTO CONFERENCE ENDS IN FAILURE. EVEN IN SUCH A CASE, THE U.S. CONGRESS WILL NOT PURSUE THE RESPONSIBILITY OF THE JAPANESE GOVERNMENT."

QUESTION: THE CONGRESS HAS ASKED FOR DEVELOPING COUNTRIES' PARTICIPATION, BUT SPECIFICALLY WHAT DOES IT UNCLAS SECTION 08 OF 08 TOKYO 010147

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 21

MEAN?

ANSWER: "WE HAVE NO OBJECTION TO DIFFERENT NUMERICAL TARGETS REGARDING GREENHOUSE GASES CUTS. BUT IT IS NECESSARY TO IMPOSE THE SAME LEGAL BINDING ON (DEVELOPING COUNTRIES) AS TOWARD INDUSTRIALIZED COUNTRIES. IF AN EMISSION CUTS TARGET FOR 2010 IS SET BASED ON THE LEVELS OF 1990, 134 DEVELOPING COUNTRIES ALSO NEED TO ABIDE BY THE SAME TIMEFRAME. 'MEANINGFUL PARTICIPATION' AS IS SHOWN IN A PROPOSAL BY PRESIDENT CLINTON IS NOT SUFFICIENT."

QUESTION: HOW ABOUT A PROSPECT OF RATIFYING AGREEMENT AT THE KYOTO CONFERENCE?

ANSWER: "IT DEPENDS ON WHAT CONTENTS IT WILL BE LIKE, BUT AS FAR AS WE SEE THE ONGOING DEBATES THAT CANNOT EXPECT PARTICIPATION OF DEVELOPING COUNTRIES, THOSE WHO WILL VOTE FOR WILL BE NO MORE THAN 20. RATIFICATION NEEDS 67 VOTES, MORE THAN TWO-THIRDS OF THE WHOLE. THE CLINTON ADMINISTRATION WILL NOT SIGN IF IT IS WELL AWARE THAT RATIFICATION IS IMPOSSIBLE; OTHERWISE HE WILL LOSE CONFIDENCE IN THE CONGRESS AND THE NATION."

QUESTION: WHAT DO YOU THINK ABOUT A REQUEST BY THE GOVERNMENT TO FIRMS FOR INDEPENDENT EMISSIONS CUTS?

ANSWER: "I UNDERSTAND WELL THE MOTIVE OF JAPANESE FIRMS TO TRY TO SHOW A MODEL FOR GREENHOUSE GASES REDUCTION TO THE REST OF THE WORLD, BUT THAT IS NOT NECESSARY. JAPANESE FIRMS WILL BE RATHER PLACED IN A DISADVANTAGEOUS POSITION IN COMPETITION ON THE GLOBAL MARKET AND THIS IS UNFAIR. IN JAPAN, 'INDEPENDENT PROGRAMS' CARRIES MORE GRAVE MEANING THAN IN JAPAN. OUR CONCERN IS THAT IT MAY RESULT IN STEPPING UP THE AUTHORITY OF THE JAPANESE

GOVERNMENT OVER INDUSTRIES."
(YASUHIKO OTA IN WASHINGTON) CRANE

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RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUEHOK/AMCONSUL OSAKA KOBE 4547
RUHBBMA/AMCONSUL NAHA 0657
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RUEHKOF/AMCONSUL FUKUOKA 7621
RUEHKOS/AMCONSUL SAPPORO 3812
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RUCWAAB/FBIS RESTON VA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUATJHU/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
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SUBJ: JAPANESE DAILY PRESS SUMMARY 11/21/97
TEXT:
UNCLAS SECTION 01 OF 11 TOKYO 010177

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC, NEC
JUSTICE FOR DAVID BOLING IN ANTI-TRUST DIVISION
COMMERCE FOR JEAN GRIER IN GENERAL COUNCILQS OFFICE, DAS
TREASURY FOR OASIA/IMI/JAPAN
DEPT PASS USTR FOR PUBLIC AFFAIRS OFFICE
DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/21/97

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NIHON KEIZAI (Page 2) (Full)
November 21, 1997

The Government will be holding today the ceremony to celebrate the 25th anniversary of Okinawa's reversion to Japan at Ginowan City (in Okinawa). Now that the special land-lease law for United States forces stationed in Japan has been amended, the Okinawa bases problem no longer attracts a great deal of attention across the nation as in the past, but Okinawa Prefecture is falling into disarray over the referendum to be held by Nago City to approve or disapprove the planned construction of an alternative heliport to the one at Futenma Air Station, the functions of which are being relocated. Many people are perhaps hoping that the burden from the bases will be reduced and that favorable progress will emerge through a package of economic promotional measures for Okinawa designed to revitalize the region. Taking these matters all into consideration, the Government, Okinawa Prefecture, Nago City and its residents need to hand down a decision after cool-headed deliberation.

The reason for picking November 21 as the date of the ceremony for the 25th anniversary of the reversion is because that was when mutual agreement to revert Okinawa was reached in the Sato-Nixon communique, released on that day in 1969. In the

true sense of the term, May 15th of this year was the date for the anniversary, but the political situation in the prefecture was not ripe for it on that day, partly because the day happened to
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coincide the date for the amended special land-lease law coming into effect. Among political parties, some are turning their backs on date picked, November 11, claiming it is "a day of insult in the sense that was when the bases landed on us." These groups refused to attend the ceremony. This, too, mirrors the agony of Okinawa.

Sparked by a rapet of a school girl that occurred in September 1995, calls for reducing U.S. forces' bases on Okinawa surged up and resting on the accord reached between Japan and the U.S., efforts are being continued. The major challenge for now is what will happen to Futenma Air Station, the return of which is a showcase in the Japan-U.S. accord.

Constructing an alternative heliport under the floating-body method in waters off Camp Schwab is included in the Japan-U.S. agreement, but cries against this plan are growing stronger. so a municipal referendum is to be carried out on December 21 to see how many are for or against the plan. The outcome of this referendum is significantly important because if it is found opponents hold a majority as a result of voting, the concord on the return of Futenma Air Station may go nowhere.

Using the sites of the broad Futenma base facilities is a centerpiece of the Okinawa economic promotional scheme. If no prospects for an alternative heliport come into sight, this promotional plan will unavoidably make no headway. The problems that Okinawa, an island of base, are facing are so complex that they cannot be solved in one swoop.

The view urging for "peace rather than economic

wealth" has some truth. It is also a fact that residents cannot enhance their happiness if no measures to develop the regional economy are taken. What will benefit Okinawa? Taking the opportunity of the celebration of the 25th anniversary, we all need to think hard about that question.

(2) Fear of Japanese Economy Reaching New Lows
Expressed during Discussion in Kanagawa

NIHON KEIZAI (Page 7) (Full)
November 21, 1997

A discussion on the Japanese economy was held in Kanazawa City yesterday, sponsored by the Nihon Keizai Shimbun and Japan Economic Research Center. The participants shared the view that the economy is now in a serious situation. Many voiced concern about the possibility of the economy reaching new lows. Participants were Gakushuin University Professor Hirohiko Okumura, Bank of Japan's Kanazawa Branch Office Head Susumu Katagi, Japan Research Institute senior executive economist Isao Nishimura and Japan Research Center for the Economy advisor Hisao Kanamori. Tsutomu Hado, Osaka Branch
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Office Deputy Chief Editor and First Economic
Section Chief; served as moderator.

Emcee: How do you view the present economic
situation?

Nishimura: The economy has already taken a
downward turn. If no measures are taken, it would
fall through the bottom. The current state of
recession has been largely caused by such policy
measures as the consumption tax hike.

Okumura: Since the Government has constrained
public investments and applied brakes (on injection
of public funds) in order to prevent an increase in
the people's burden, the situation has become quite
serious. Once the ongoing financial crunch sweeps
across the real economy, Japan may face a major

recession. I think the probability of such is 20 percent.

Kanamori: With the economy being on a downward slide since April, we now should be alert to its future course. Exports, which have underpinned (the basis of economic recovery), will also likely drop due to such factors as the monetary crisis in Southeast Asia.

Katagi: The economy now face a severe situation. But the basis for an economic recovery is still in place. Capital investments and corporate profits have shown a steady tone, and stagnant consumption is not seen everywhere.

Emcee: What measures do you think are necessary for the future?

Nishimura: The Government should choose the option of using taxpayers' money to stabilize the financial system and lower the corporation tax rate.

Kanamori: It is necessary to generate demand by means of a 5 trillion yen-level income tax break, which corresponds to the increased portion of government funds caused by the consumption tax hike, as well as added public investments. Injecting public funds is also indispensable in order to protect depositors.

Katagi: It is significant for the Government to look into public funds-injection measure after obtaining public consensus. The increased portion from an income tax cut is expected to be turned to savings, so a considerable impact cannot be expected.

Okumura: The growing uncertainty over the financial system should be dispelled by injecting 10 trillion yen in public funds. Priority should be given to measures to use taxpayers' money. I oppose the idea of tax breaks.

Emcee: What is your prospect for real economic
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growth rates in fiscal 1997 and 1998?

Nishimura: The rate for this year is expected to be 0.5 percent, at most. Unless the Government comes up with effective economic pump-priming and structural reform measures, the rate in the next fiscal year will likely stay at 0.5 percent.

Okumura: If the present trend continues, the growth rate will stay at 0.5 percent both in fiscal 1997 and 1998. Yet, if the Government decides to infuse a 10 trillion yen level of public funds, the rate is considered to shoot up to 1.5 percent in next fiscal year.

Kanamori: No growth is expected for this fiscal year. But I estimate that the rate for next fiscal year will swell to 3 percent, because the aftereffect of the consumption tax hike will disappear and also because the Government is expected to take policy measures that would help create demand.

(3) Board of Audit Points out "Impropriety" of OECF Loan to Assist China; Approximately One Billion Yen Unrecoverable Because Loan Provided without Obtaining Bank Guarantee

ASAHI (Top Play) (Full)
Eve., November 19, 1997

The Overseas Economic Cooperation Fund (OECF, headquartered in Otemachi, Tokyo), a governmental financial institution, has been unable to recover a loan extended to China for an aid project. In that connection, the Board of Audit (BOA) as of the 19th decided to slap the OECF with its most onerous "improper conduct" penalty on the grounds that the organization had conducted extremely careless procedures in screening and deciding to provide that loan to China. The uncollectible funds total 1.5 billion yen. Despite such resources being public money, the OECF had offered the loan to China without obtaining the proper guarantee of obligation, a violation of its internal policy. The BOA has been auditing the OECF's statements of account since 1985, but this is the first time for it to find such a wrongdoing.

The OECF provides yen loans to developing countries' governments directly, as well as makes overseas investments and loans to Japanese companies and joint ventures.

The loan in question was extended in March 1994 to

a joint venture between Nissei Sangyo (Narashino City, Chiba Prefecture), a Japanese company importing eels, and the government of Kuangtung Province in China. In 1988, Nissei Sangyo established an eel culture farm in Kuangtung Province in cooperation with the Chinese side. It intended to process and export eels to Japan. The loan money was supposedly appropriated for constructing the eel culture farm.

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The OECF's internal policy stipulates that when a loan is offered, collateral and a bank guarantee of obligation is required. However, the BOA has found it in its survey that the OECF had extended the loan based on the judgment that it would be possible to secure the bank's guarantee. But it reportedly found out three months later that it would not be able to obtain the Chinese People's Bank's guarantee due to the mismanagement of the joint venture company.

One and a half years later the loan was provided, Nissei Sangyo applied composition and went into bankrupt in effect owing to its domestic business failure. The venture company, which lost the contact point in Japan, also went into bankruptcy. As it stands, the loan cannot be collected.

As a result of the on-the-spot survey and other means, the BOA has recognized that although there are elements that should be given consideration to the OECF such as direct loan being offered for the first time, as well as differences in commercial practices between Japan and China, the OECF's procedures for the loan was extremely careless. Attaching importance to the fact that the entire procedure was conducted by the only one section, the BOA intends to seek improvement of the screening system.

This problem was taken up also at a meeting of the Upper House Foreign Affairs Committee in May. The OECF suspended three persons in June, including the

section chief in charge of loan affairs at that time from duty.

Regarding the irrecoverable loan, the Economic Planning Agency, the competent authorities, is likely to call the OECF to clear up the loss by using redemption reserve for non-performing loans.

The BOA's actions include "request to correct item" and "warning notice," but "improper conduct" is the heaviest, indicating its judgment an illegal was carried out.

Overseas Economic Cooperation Fund (OECF) is an aid project implementation organ providing loans to developing countries' governments. The Economic Planning Agency (EPA) supervises the fund. OECF discusses with the Foreign, Finance and International Trade and Industry ministries whether to extend loans to an aid project. As of March this year, the outstanding balance of yen loans and overseas investments and loans totaled 9.723 trillion yen.

(4) Government Bond Futures and Options Markets;
Report on Large Accounts to Be Made Mandatory;
Tokyo Stock Exchange Notifies Market Reform Plan

NIKKEI KINYU SHIMBUN (Full)
November 15, 1997
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The Tokyo Stock Exchange (TSE) on the 14th notified its member firms of its plan to reform the government futures and options markets. The plan includes introduction of a reporting system for large bond positions, adoption of a "night trading" system, under which trading to be placed to account for the following day is carried out after 3:00 p.m. and the shortening of the settlement term for futures. The proposals will be formally decided at the directors' meeting to be held on the 18th.

The proposed accounts reporting system will

mandates as part of the TSE's market monitoring efforts reports on large accounts exceeding a certain fixed amount. A major aim of the introduction of such a system is to constrain "short-squeeze" trading aimed at gaining capital gains, by forming a corner in scarce descriptions designed for futures settlement.

Accounts that will become subject to such a system are a case where the balance between the short account and the long account in long-term government bond futures exceeds 100 billion yen and a case where such a balance exceeds 50 billion yen in medium and ultra-long-term government bond futures either in a company's own account or in its consignment account. As for consignment portions, it will also become mandatory to report the names of investors who entrusted selling on a consignment basis.

The establishment of night trading stems from consideration to the facts that spot bonds are traded on the enterprisers market after the TSE closes and that the trading of Japanese government bond futures is increasing on the London International Financial Futures Exchange (LIFFE), which starts at 4:00 p.m., Japan time.

The shortening of settlement term for futures is a measure in response to the shortened settlement term for government bonds from eight operating days to four operating beginning in April. The settlement term for futures is now nine operating days, but the TSE intends to lighten settlement risk, by shortening the term to seven operating days.

(5) Can NTT Become the Telecom Leader in Asia with Its Strategy to Join the International Market?
Subsidiary to Obtain License in November; "His Lordship's Commercial Code" Not Accepted in Competition for Supremacy with Western Carriers

TOKYO SHIMBUN (Page 3) (Full)
November 20, 1997

The international strategy designed by Nippon Telegram and Telephone Corporation (NTT) has now been set in motion. With its 100 percent-financed subsidiary to receive a license in November to operate a business, the company will make its debut
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on the international stage at last as it has earnestly desired. It will do so under the unified brand name of "Arcstar". Its aim is to become the telecom leader of Asia in this multimedia age. In the international telecommunications market, consortiums of European and American mega-telecom carriers are now vying for supremacy. How far will "Japan's NTT" be accepted? The road is likely to be rocky in order for the company to become a "global NTT."

Basic Strategy

"Our company aims to advance into the international multimedia market, leaving the telephone service sector to the incumbent carriers."

NTT President Junichiro Miyazu has disclosed his desire at every opportunity to transform NTT from a "telephone company" into an "information distribution business." That is indisputably the company's basic strategy in playing in the global arena.

In the global telecommunications market, which reportedly is worth approximately 70 trillion yen, the international telephone business commands no more than a 10 percent share. The scale of telephone services connected with Japan is at the 400 billion yen level. That market share is already been held by Japanese and foreign telecom carriers, including KDD.

For NTT, which enjoys annual sales of more than 6 trillion yen, the global telephone service market is less lucrative. The company therefore has focused on the computer telecom sector as represented by the Internet, in an attempt to open up a new pathway.

"NTT International Network," for which a business license will be issued shortly, will provide companies across the world with international high-speed digital leased circuit services for the Internet, with the "submarine optical cable linking Japan, the United States and China" as the major circuits.

Steady Preparations

NTT has been making preparations for playing in the global market.

As the first step, NTT laid out telephone networks (1.5 million circuits) in Thailand in 1992. It then launched into the telephone service business in the Philippines and Indonesia. Since then, it has invested capital and transfer technology in these countries as its strategic partners. In 1997, the company established a joint venture with the Posts and Telephone Services Control Bureau of Shanghai City, China. Furthermore, it has participated in Sri Lanka Telecom's business management. In Vietnam, it has constructed

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telephone networks in Hanoi. In addition, the company has decided to take part in the Super Corridor Program designed to construct in Malaysia the largest-scale telecom service platform in Asia.

Of its activities, however, the most notable is the Asia Multimedia Forum (AMF), designed to carry out joint research on next-generation technology. This was established in June, led by NTT. Thirty four companies from nine countries have so far revealed their willingness to join. The forum will pursue "moderate cooperation" through joint tests in the multimedia area but will gradually step up efforts to develop into an "Asia telecom federation."

In Western countries, NTT has started international network services connecting third countries, excluding Japan, by making full use of its subsidiaries NTT America and NTT Europe. It has obtained licenses to operate a computer telecom business in Britain, Germany and France. In the U.S., the company got a license in September. It has filed an application for services bound for Japan.

Barrier to Market Entry

Telecom services are borderless, so mega-carriers have struggled for commercial supremacy by

concluding uneasy trans-border alliances in the international market.

Cited as representative cases are World Partners, set up with the American carrier AT&T joining hands with KDD and Europe's telecom consortium, and Global One by the American carrier Sprint involving France Telecom and Germany Telecom. There is also Concern, which is on the verge of bankruptcy due to the British Telecom's failure in buying up the American carrier MCI Communications.

The major stage for mega-telecom competition is set on the U.S. market, which is worth about 20 trillion.

Drawing a line with the above three existing groups, NTT is determined to establish a "fourth force." This idea is based on the judgment that "if our company enters the U.S. market after solidifying our footing in the potential markets of Asia, we will be able to put up a good fight with Western telecom carriers."

But the U.S. barriers to new-entry access have been erected high, because the Government and the private sector in unity have placed emphasis on the telecom business as a national strategy, hoping for taking the lead in the global market. The U.S. has expressed its sense of alarm to NTT, which is labeled as the world's largest telecom carrier.

The U.S. Government this spring adopted a tactic of withholding licenses for NTT and KDD to operate international services in the U.S., intertwining it
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with the issue of extension of an accord on NTT's procurement of foreign products. It also unilaterally determined international connection charges. It has persisted with an unreasonable "logic of exclusion."

NTT will find it difficult to have its "lordship" attitude, which has been unchallenged in Japan,

accepted in the international market, which directly reflects each country's national policy. In order for the company to survive in international competition, it will have to completely abandon that thinking, starting with recognizing the need to secure personnel with international sense.

(6) Reconsideration of Okinawa (Part 4): Regional Economic Promotion; Looking for Ways to Stand on Its Own Feet

ASAHI (Page 2) (Abridged)
November 20, 1997

Since the beginning of November, Nago City in Okinawa has experienced a series of visits by politicians, beginning with former chief cabinet secretary Seiroku Kajiyama, Chief Cabinet Secretary Kanezo Muraoka and Okinawa Development Agency Director General Muneo Suzuki. The city is now in an atmosphere similar to that of election-campaigning, with campaign vehicles briskly moving about spewing out propaganda.

20-Year-Long Friendship Now Affected

A referendum among Nago citizens is to take place on December 21 to consider the pros and cons of a plan to construct an offshore heliport as an alternative site for the soon-to-be-returned U.S. military base, Futenma Air Station. In anticipation of economic promotional measures expected of the central government, the "citizens association to promote the revival of Nago City," a group aiming at increasing the number of "votes favoring construction" with some conditions attached, declared on the 11th that the number of signatures collected topped 22,000. This force is vying with another group opposing construction, which has already collected 17,500 signatures or so. There are roughly 38,000 citizens entitled to vote.

The sea-based construction issue, which has divided Nago citizens, is affecting also the 20-year friendship between Nago Deputy Mayor Tateo Kishimoto (53) and Mr. Kazuo Kamiyama (57).

Kamiyama moved there from Tokyo in 1976, whipped up by "a paradoxical theory of accepting differences." The theory was laid out in 1973, the year following Okinawa's reversion, by residents of Nago City. Kamiyama learned about it in an article he read in weekly magazine about the city's comprehensive plan and its basic ideas.

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The moment it was reverted to Japan, Okinawa Prefecture began rushing to even out its economic differences with mainland Japan. In reaction, Nago City declared "a paradoxical theory accepting differences," which proclaims, "Wealth in the real sense of the term is living on only a small amount of cash while surrounded by nature as much as possible."

He now is an activist working against the construction of a heliport.

Meanwhile, Deputy Mayor Kishimoto at that point took the lead in promoting that theory in the city government's planning office.

In fact, at the time of the Marine Exposition in 1995, the city government, despite its being the host of the exhibition, did not allow any outside capital to build a hotel, even once. About 34 hectares of reclaimed land for housing lots have now turned a quarter of parks, cultural facilities and various types of athletic grounds, thanks to a plan for "The Forest in the 21st Century."

But in 1988 Nago City turned around and adopted a development-oriented policy line in its new comprehensive plan hammered out that year, as the central and southern parts of the main Okinawa island that include Naha City were attaining economic growth.

South-North, East-West Differences

Nago is located in the north part of the main Okinawan island. Senior officials of the city government lamented the existence of "south-north gaps" with Naha City and other areas located in the central and south parts of the Okinawa main island. Until five years ago, Nago prided itself on its agriculture for its largest production of agricultural goods in the prefecture, but since then its agriculture has been hovering around owing to a drop in the production of sugar cane and

pineapples.

The candidate site for a sea-based facility is the waters off the east coast of the city where U.S. military facilities occupy a large part of land. Residents living on the east coast wear an expression showing mixed feelings. The deep irritation among them is "east-west gaps," that is, the west coast across the mountains has been evolving into an urban area at the sacrifice of the east coast which has been forced to house military bases.

Not a few residents therefore have high hopes for a scheme of regional economic promotional steps in return for the construction of an offshore heliport. The central government has stated, "The bases problem is one thing but promotional measures are another," but nonetheless it plans to show at UNCLAS SECTION 11 OF 11 TOKYO 010177

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the end of this month a package of economic stimulus steps that will include establishing a national technical college in Nago City.

But Deputy Mayor Kishimoto comments, "We'd better be more cool-headed." "I think it difficult to promote our town just by inviting a base facility. But we cannot bring a halt to that move." What he has in mind apparently is his notion that "Even now, I don't think the paradoxical theory accepting differences is wrong. However, any techniques for the administrative side to take have yet to be established."

Creating Town "With Efforts by All Residents"

There are about 40 households of nearly 120 persons living in the Kayo (?) district on the east coast of Nago City. Forty percent of them are aged 70 years old or over. Several years ago, a move cropped up to construct a golf course, but that plan was aborted due to the three years of an anti-citizens movement against it.

Koshiishi and some like-minded persons as early as next month will invite members of the study conference on sustainable growth of Okinawa" composed of academics to their forum with the theme being "the paradoxical theory accepting differences and a concept of forming an international city."

(Masahiro Ova of the Naha Branch Bureau)

(To be continued.)

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RUEHKON/AMCONSUL NAGOYA 3457
RUATJHU/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUHBBMA/AMCONSUL NAHA 0677
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUEHKOS/AMCONSUL SAPPORO 3838
RUEHOK/AMCONSUL OSAKA KOBE 4576
RHHMUNA/USCINCPAC HONOLULU HI
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TEXT:

//////////////////// INCOMPLETE MESSAGE //////////////////////

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(5) Japanese Economy Entering "Danger Zone" --
Part 1; Time for Settlement with Public Funds;
Transparency Urged for Liquidating Bad Loans

(6) Urgent Interview with Former Prime Minister
Kiichi Miyazawa on the Economy: Now Is a Good Time
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Conclusion): Prime Minister Hashimoto's Mind
Oscillates between Okinawa and the U.S

ARTICLES:

(5) Japanese Economy Entering "Danger Zone" --
Part 1; Time for Settlement with Public Funds;
Transparency Urged for Liquidating Bad Loans

NIHON KEIZAI (Page 1) (Full)
November 18, 1997

The Japanese economy is entering a "danger zone." The recent epidemic of financial failures as seen in the cases of Hokkaido-Takushoku Bank (Takugin) and Sanyo Securities has fueled uncertainty over the nation's financial system. There is fear that a heightening uncertainty over the financial system could further act as a drag on the already worsened economy, leading to an economic crisis. The government will today release a package of economic stimulus measures, but basic policy has yet to be found. What would be the best way then for Japan to rebuild its economy?

Plunging Stockmarket Suggests Japan's Challenge

Stock prices on the 17th rallied sharply, favorably responding to the government handling of the failed Takugin Bank. Last weekend, uncertainty was gripping the market, causing fear among most that "the plunging stockmarket may affect the banks willingness to finance, speeding up the vicious downward spiral of credit contraction." The situation may trigger a financial crunch, resulting in the economy finding new lows. At work behind the sudden shar recovery of stock prices were expectations brought about by the special unsecured loans provided by the Bank of Japan (BOJ).

Yoshikazu Takao, researcher and director at the Nomura Research Center, pointed out, "The plummeting of stock prices suggests that that Japan's challenge is to stabilize its financial

system."

The problem is one that is peculiar to Japan: a vicious circle in which a plunge in the stock market directly hits banking operations, resulting in bank stocks falling and the selling off of bank stocks. This leads to a further drop in the stock market.

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handling of banks by the use of the Deposit and Insurance Corporation but also a similar action for securities houses and life insurers would be needed.

In order for Japan not to trigger global-scale financial woes, too, it is time for it to settle the issue of liquidating non-performing loans by introducing public funds. At the same time, it should also normalize the relationship between banks, the real estate market and the stock market and eventually ban banks from holding stocks. Unless our country takes the first and full-scale step toward the stabilization of the financial system, recovery of the stock market will slip away like a phantom. Then we will probably be get what we deserve from the market.

To be continued

(6) Urgent Interview with Former Prime Minister Kiichi Miyazawa on the Economy: Now Is a Good Time to Carry out Fiscal Reform; Funding of Deposit Insurance Corporation Should Be Increased

YOMIURI (Page 2) (Full)

November 20, 1997

The recent series financial failures in Japan are creating widespread uncertainty in the securities market. There is mounting concern also over the stalled economy. The government has started taking action to bolster the economy by issuing an emergency economic stimulus package, but the

package undeniably lacks quick fixes. This newspaper asked a former prime minister his prescription for averting a crisis situation.

-- What do you think the government should do now?

"The situation can be compared to cataract, for example. As you will see when you get old, a cataract operation cannot or should not be done on patients who still have their sight, but if done too late, you will lose your eyesight. So, it is very difficult to find the right timing. In my view, the move for reform which started after last year's lower house election stems from a feeling of constriction. I also thought that if we miss this opportunity, we would never be able to carry out fiscal structural reform. I believe that Prime Minister Hashimoto has boldly taken action for reform, exercising his political leadership. He knew it would not be easy. The consumption tax hike and the cancellation of special tax cuts are all deflation-inducing elements. My basic view is that if we give up on efforts (for fiscal reform), we will leave behind a source of trouble for the 21st century."

-- The economy is stagnant. Some think that the recession we are experiencing now can be compared to the financial panic that occurred in the Showa
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period.

"In my view, how to promote land liquidity and raise expectations of the market, or the psychological aspect of those two issues, is working extensively. Economic stimulus measures should focus on such aspects."

-- What steps are needed for the tax system?

"Regarding the land-related area, measures will have to be taken on taxation on land transfer profits. As for securities, the securities trading

tax (should be revised). Every year (the Liberal Democratic Party = LDP) and the Social Democratic Party (SDP) clash over tax issues. It is not possible to criticize the basic thinking of redistributing income, by levying more taxes on the well-to-do, but this thinking does not sit well with our usual thinking. Even more so at an emergency time like this. However, this time, we have to complete reform. (Fiscal reform) should be the centerpiece of the measures the government will carry out. It may not have an immediate impact on the economy, but I think it will create the opportunity for that."

-- There is a strong call for income tax cuts in the ruling and opposition camp.

"I think that (the government) has already decided (not to implement tax breaks, drawing on the issuance of deficit-covering bonds)."

-- Do you think that the LDP might have lost its pioneer spirit?

"If I may defend ourselves, we had never expected that the economic recession would drag on for such a long time and a currency crisis would occur in Asia. However, aren't we supposed to be aware of deflation? I think that things will be all right as long as the employment side is well taken care of."

What would be the next step to take?

"As a second step, there is the issue of what to do about the Deposit Insurance Corporation. Bad loans held by 20 (leading) banks stand at approximately 20 trillion yen. Since the Corporation's yearly profits come to 4 trillion yen, those non-performing loans can presumably be liquidated over five years. We have to depend on the Deposit Insurance Corporation for the handling of failed banks. For liquidating bad loans or clearing up insolvent financial institutions, it is absolutely necessary for the Corporation to have proper amounts of financial resources to protect depositors. We had better make preparations properly so that the Corporation can be well equipped with such funding resources. Such a measure will not invoke criticism in the sense that

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it is aimed at protecting depositors. I will propose to Prime Minister Hashimoto that the LDP expedite studies on the issue."

"Another problem is an early correction measure (to prevent the management of banks from worsening). Banks will have to self-evaluate as to 'how many bad loans they have' or 'to what extent they can pay off.' When they do that, they will retrench loans in order to raise capital adequacy ratios (which indicate the stability of the management of banks).

"In readiness for the time when this measure is taken, banks are already becoming extremely unwilling to lend money. In industry circles, some banks are lamenting, 'Our main bank told us that it wants to stop transactions with us. We have to find some other bank.' The situation is even worse for medium and small businesses in provincial districts. I want to ask Prime Minister Hashimoto to order to look into this problem (measures on banks' unwillingness to lend money)."

-- Deputy Treasury Secretary Summers of the United States has urged the Japanese Government to further expand domestic demand, including fiscal disbursements. There is the view that the U.S. will ask for fiscal disbursements at the bilateral summit meeting to be held on the sidelines of the upcoming conference of the Asia-Pacific Economic Cooperation forum.

"(The position of) the Prime Minister is different from that of the Treasury Secretary. The Prime Minister considers policy in view of the course of the nation as a whole. I am in favor of the fiscal structural reform as advocated by Prime Minister Hashimoto this time. He should go along with that line as long as possible. I think that there are still more he can do. It is necessary for him to make statements at the APEC conference like 'I have ordered to study such and such things.' That order should not be for the sake of helping banks to survive. He has to obtain national understanding."

-- Prime Minister Hashimoto is facing difficulties regarding administrative reform, too.

"There are more than 20 government agencies. It is

a tough job to halve that number. It is significant to discuss the issue or make efforts for that purpose. Some say that his reform efforts will thin out, but in my view, Prime Minister Hashimoto need not mind such criticism."

(Interviewer: Political News Section Deputy Chief Nobuo Asami)

(7) Reconsideration of Okinawa (Part 5 Conclusion): Prime Minister Hashimoto's Mind Oscillates between Okinawa and the U.S

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ASAHI (Page 2) (Full)
November 25, 1997

"For the development of Okinawa for the 21st century ..." "In the special sense of commemorating Okinawa's new, strong starting point ..."

In a speech at the 25th anniversary of the reversion of Okinawa to Japan, held on November 21, Prime Minister Ryutaro Hashimoto in this way emphasized the significance of the ceremony. But many difficulties lay before the Prime Minister.

Miscalculated Scenario

"Does this mean I have to kneel down on the ground and beg the Governor?" the Prime Minister barked at his aides.

His irritation obviously resulted from the U.S. Marines Futenma Air Station relocation project that has shown no bright prospects recently.

The Government has hammered out the best Okinawa revitalization package it could think up at present in response to requests from Governor Masahide Ota. "What is preventing the Governor from accepting it?" the Prime Minister must have felt.

Returning Futenma Air Station was agreed upon with the United States under the Prime Minister's strong leadership. It was an event symbolizing the Government's consideration to Okinawa in an effort to quell local anti-U.S. military sentiments that erupted over the schoolgirl rape by U.S. military personnel in September 1995.

The Prime Minister has remarked with confidence in the Diet about the Government's decision to shift facilities to an off-shore heliport: "It will pose no danger to residential areas and it can be removed whenever it becomes unnecessary. There is no solution better than this."

The Government's scenario was to elicit consent from Governor Ota through (then) vice governor Masanori Yoshimoto, who has served as a mediator between the Government and Okinawa, and pave the way for an acceptance of the heliport project by the mayor of Nago City where the heliport will be constructed.

The Government's scenario was ruined by two events. First, Nago City on October 2 adopted an ordinance allowing a referendum on the heliport project. Second, the re-appointment of vice governor Yoshimoto was voted down by the prefectural assembly.

On November 7, the Prime Minister met with Governor Ota in the Diet building.

Prime Minister: "You called so loudly for a
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reversion of Futenma Air Station. I am afraid that if you fail to proceed with (the heliport project), the U.S. will harden its stance. Sentiments in the Government toward Okinawa might cool down and the overall condition might become even more difficult."

Governor: "With a (Nago City) referendum

approaching, the present situation does not allow me to make any comment as the governor of Okinawa."

For Okinawa, where 75 percent of U.S. military facilities in Japan is located, relocating a U.S. base within the prefecture is not a "reversion" but a "construction of new facilities." Constructing an off-shore heliport might minimize the fear of local residents getting involved in accidents as well as to reduce noise pollution. Yet, the Governor could not accept so easily the plan to construct "another heliport" although that was "better than nothing." The Prime Minister miscalculated such thoughts of Governor Ota.

Discontent Building in the U.S.

The U.S. has been watching calmly developments in Japan, but dissatisfaction has been growing beneath its calm.

A final report by the Special Action Committee on Okinawa (SACO) stipulates that alternative facilities will be equipped with the present level of operation capabilities but the area space will be reduced to one fifth. "It is clear that capabilities there will drop in reality," according to a source related to the U.S. Defense Department. The Japanese Government has held down America's discontent, arguing, "If the space is bigger than this, we will not be able to obtain local understanding."

The stalemated heliport plan has re-ignited discontent in the U.S. One U.S. Government official snapped, "The U.S. military feels it can no longer stand being jerked about by Japan." The source also suggested there might be some distrust of the Prime Minister's political management, "Is prolonging the life of his government more important than keeping his promises to the U.S.?"

No Congratulatory Comment

More than two years have passed since the unfortunate rape incident occurred. Characterizing the Okinawa problem its foremost priority, the Hashimoto Administration has strengthened the Japan-U.S. alliance.

In their joint security statement in April last year, the two countries redefined the bilateral security arrangement of the postwar period. This September, the two countries adopted a new bilateral security cooperation guidelines. In
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addition, Japan has amended the special land lease law for the U.S. forces in Japan despite Okinawa's strong opposition.

Strengthened bilateral relations stand out. Nevertheless, with the Futenma reversion plan still at a standstill, the SACO agreement reached late last year seems to have lost its glow. It seems that the only hope for the Government to have bright prospects is to achieve a victory in the Nago City referendum on December 21.

A quarter century has passed since Okinawa was handed back to Japan. The Okinawa base problem, often referred to as a "splinter in the bilateral security arrangement," weighs heavily upon the Hashimoto Government.

Sensing the severe atmosphere over Okinawa during the 25th anniversary, the Prime Minister took precautions and noted, "I do not use the phrase 'celebration.'" In fact, the Prime Minister's speech included such words as "self-reflection" and "requests" but no congratulatory expressions.

(Masao Yazaki, Political Department)

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

TOP HEADLINES:

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ASAHI: ATM LINK-UPS BETWEEN TRUST BANKS AND POSTAL
SAVINGS; FIRST TIE-UPS POSSIBLY NEXT YEAR; PROPOSAL TO BE
MADE TODAY

NIHON KEIZAI: USE OF FISCAL FUNDS FOR FAILED BANKS, TOO;
LIBERAL DEMOCRATIC PARTY HURRIEDLY OUTLINES INTRODUCTION

OF PUBLIC FUNDS; DEPOSIT INSURANCE TO BE STRENGTHENED;
AMENDMENT BILL TO BE SUBMITTED TO NEXT REGULAR DIET
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TOKYO SHIMBUN: TOKUYO CITY BANK ALSO FAILS; TRANSFER OF
OPERATIONS EITHER TO NANAJUNA BANK OR TO SENDAI BANK TO
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MAINICHI SHIMBUN: HITACHI, MITSUBISHI REAL ESTATE
SUSPECTED OF MAKING ILLEGAL PAYOFFS IN NAME OF FEES FOR
USE OF SUMMER BEACH HOUSE; THREE EMPLOYEES IN CHARGE OF
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YOMIURI: TOKUYO CITY BANKS GOES BUST, TOO, LEAVING BAD
LOANS WORTH 59 BILLION YEN; OPERATIONS LIKELY TO BE
TRANSFERRED TO SENDAI BANKS

SANKEI: TOKUYO CITY BANK GOES UNDER; RECONSTRUCTION GIVEN
UP; OPERATIONS LIKELY TO BE TRANSFERRED TO SENDAI BANKS

TOPICS IN CLINTON-HASHIMOTO SUMMIT MOSTLY ECONOMIC;
SECURITY DISCUSSION SUBDUED (YOMIURI - PAGE 2)

(VANCOUVER, NOVEMBER 24, SATORU OISHI) IN THE JAPAN-U.S.
SUMMIT MEETING ON THE 24TH, LITTLE ATTENTION WAS GIVEN TO
SECURITY ISSUES, A MAJOR THEME IN SUCH TALKS IN THE PAST,
NOW THAT NEW BILATERAL DEFENSE GUIDELINES WERE ADOPTED IN
SEPTEMBER. THE REASON IS BECAUSE FOCUS IS SHIFTING TO
DOMESTIC COORDINATION IN JAPAN, SUCH AS LEGAL ADJUSTMENT
IN LINE WITH THE NEW DEFENSE GUIDELINES AND THE PLANNED
NAGO CITY REFERENDUM ON THE HELIPORT CONSTRUCTION
PROJECT.

IN THE SESSION, PRIME MINISTER HASHIMOTO INDICATED
REGARDING THE SECURITY AREA THAT JAPAN WOULD TAKE
NECESSARY STEPS SPECIFICALLY IN ORDER TO IMPLEMENT THE
NEW DEFENSE GUIDELINES, INCLUDING A "MUTUAL COOPERATION
PROGRAM" THAT HYPOTHESIZES EMERGENCIES IN AREAS
SURROUNDING JAPAN, AS WELL AS TO COOPERATE WITH THE U.S.
FOR RESOLVING THE OKINAWA BASE PROBLEM. IN RESPONSE,
PRESIDENT CLINTON'S TONE WAS CALM, AND HE SOON TURNED HIS
ATTENTION TO THE ECONOMIC SECTOR, SUCH AS FINANCIAL
CRISIS IN JAPAN AND ASIA AND JAPAN'S TRADE SURPLUS WITH
THE U.S.

"THEY CAN NOW CONCENTRATE ON ECONOMIC ISSUES THANKS TO
THE NEW DEFENSE GUIDELINES THAT HELPED STRENGTHENED THE
JAPAN-U.S. ALLIANCE," ACCORDING TO A FOREIGN MINISTRY
SOURCE.

NEVERTHELESS, IF THE GOVERNMENT LEANS TOWARD EMERGENCY
LEGISLATION BY TRANSCENDING EMERGENCIES IN JAPAN'S
VICINITY IN SUBMITTING A BILL TO THE NEXT REGULAR DIET,
THE SOCIAL DEMOCRATIC PARTY (SDP) MIGHT OPT TO LEAVE THE
RULING CAMP.

FURTHERMORE, IF A MAJORITY VOTE AGAINST THE HELIPORT
CONSTRUCTION PROJECT IN NAGO CITY'S REFERENDUM ON

DECEMBER 21, THE GOVERNMENT MIGHT HAVE TO "GIVE UP THE FUTENMA AIR STATION REVERSION PROGRAM" (GOVERNMENT SOURCE).

PRESIDENT CLINTON NOTED DURING THE SUMMIT MEETING, "(THE U.S.) HAS BEEN HANDLING SECURITY ISSUES WELL IN COLLABORATION WITH JAPAN." BUT DEPENDING ON HOW THE UNCLAS SECTION 02 OF 07 TOKYO 010251

USIA

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E.O. 12958: N/A

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OKINAWA PROBLEM WILL UNFOLD, SUCH AN OPINION OF PRESIDENT CLINTON MIGHT SHIFT ALL AT ONCE AND THE SECURITY ARGUMENT MIGHT FLARE UP AGAIN AS WELL.

U.S. PRESIDENT SHOWS NO SIGNS OF CONCESSION ON EMISSIONS ISSUE; HASHIMOTO IN BIND AT COP3 (YOMIURI - PAGE 3)

(VANCOUVER, NOVEMBER 24, AKINORI UCHIDA) IN THE JAPAN-U.S. SUMMIT MEETING ON THE 24TH, PRIME MINISTER HASHIMOTO SOUGHT U.S. COOPERATION TOWARD JAPAN'S TARGET TO REDUCE CO2 EMISSIONS BY 5 PERCENT FOR THE THIRD CONFERENCE OF PARTIES ON THE U.N. FRAMEWORK CONVENTION ON CLIMATE CHANGE (GLOBAL WARMING PREVENTION KYOTO CONFERENCE) IN DECEMBER. IN RESPONSE, PRESIDENT CLINTON EXPRESSED RELUCTANCE, GIVING AS THE REASON THE DOMESTIC SITUATION. IT IS SERIOUS MATTER THAT THERE ARE NO BRIGHT PROSPECTS FOR U.S. CONCESSIONS, WITH THE KYOTO CONFERENCE JUST FIVE DAYS AWAY. JAPAN IS LIKELY TO BE DRIVEN INTO A CORNER AS CHAIR.

"I HOPE THE PRESIDENT WILL DISPLAY GREATER LEADERSHIP." SO REMARKING, PRIME MINISTER HASHIMOTO IN THE SUMMIT MEETING CALLED STRONGLY FOR PRESIDENT CLINTON'S POLITICAL DECISION TO IMPROVE THE U.S. PLAN THAT SHOWED ZERO GREENHOUSE GAS REDUCTION FROM THE 1990 LEVEL. THE PRIME MINISTER IS AWARE THAT STRONG RESISTANCE EXISTS IN THE U.S. CONGRESS ABOUT THEIR GOVERNMENT MAKING CONCESSIONS. DESPITE THAT, PRIME MINISTER HASHIMOTO NUDGED PRESIDENT CLINTO, PERCEIVING, "SUPERPOWER AMERICA'S COOPERATION IS ESSENTIAL" FOR BRINGING A SUCCESS TO THE KYOTO CONFERENCE (FOREIGN MINISTRY SOURCE).

PRESIDENT CLINTON APPRECIATED THE JAPANESE PLAN TO A CERTAIN EXTENT, BUT HE DID NOT MENTION ANYTHING ABOUT THE POSSIBILITY OF AMERICA MAKING ANY CONCESSION ON NUMERICAL

TARGETS. IN ADDITION, REGARDING DEVELOPING COUNTRIES, THE PRESIDENT HELD FIRM ON HIS PREVIOUS ARGUMENT, "A MAJORITY OF DEVELOPING COUNTRIES NEED TO JOIN A KYOTO CONFERENCE PROTOCOL."

ALSO IN A BREAKFAST MEETING WITH PRESIDENT CLINTON THAT MORNING, LEADERS OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN) WERE RELUCTANT ABOUT THE PLAN TO MAKE IT OBLIGATORY TO REDUCE EACH COUNTRY'S GREENHOUSE GAS EMISSIONS.

ONLY BRIGHT NEWS IN THE DAY WERE THAT JAPAN AND THE U.S. REACHED CONSENSUS TO TAKE JOINT STEPS TO SEEK THE EUROPEAN UNION (EU) TO TAKE APPROPRIATE MEASURES TO ALTER ITS "UNREALISTIC" TARGET OF REDUCING GAS EMISSIONS BY 15 PERCENT ACROSS THE BOARD, AND THAT CANADIAN PRIME MINISTER CHRETEN, WHO IS EXPECTED TO COME UP WITH A PLAN IN BETWEEN THE JAPANESE AND U.S. PLANS, INDICATED THAT HE WAS "CLOSE TO JAPAN."

PRIME MINISTER HASHIMOTO WILL AGAIN CALL FOR MEMBERS' COOPERATION FOR THE KYOTO CONFERENCE AT THE LUNCHEON MEETING OF THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM ON THE 25TH. IN ORDER TO "REACH AN AGREEMENT ON NUMERICAL TARGETS AND VARIOUS OTHER ELEMENTS" DURING THE APEC FORUM, COORDINATING THE COMPLEX INTERESTS OF ALL MEMBER NATIONS IS ESSENTIAL. MANY CHALLENGES LIE AHEAD FOR JAPAN.

TIME ZONE TRAVEL MAKES MRS. HASHIMOTOQS LOSE HER BIRTHDAY (YOMIURI - PAGE 2)

"ON OUR TRIP TO CANADA THIS TIME, MY WIFE'S BIRTHDAY WILL DISAPPEAR." PRIME MINISTER HASHIMOTO USED THIS JOKE TO BREAK THE ICE DURING HIS PRE-APEC FORUM BILATERAL TALKS WITH THE LEADERS OF THE COUNTRIES AND REGIONS ATTENDING THE CONFERENCE. HE SAID THIS BECAUSE HIS WIFE, KUMIKO'S BIRTHDAY IS ON THE 27TH BUT ON THAT DAY HE WILL BE
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USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

TRAVELLING BACK TO JAPAN FROM OTTAWA, LOSING A DAY BY CROSSING THE INTERNATIONAL DATE LINE.

WHEN THE PRIME MINISTER WAS TRAVELLING FROM AMERICA IN

APRIL TO VISIT AUSTRALIA, FOR THE SAME REASON HE "LOST" HIS WEDDING ANNIVERSARY, SO HE AND HIS WIFE TOASTED THEIR ANNIVERSARY WITH WINE ABOARD THE OFFICIAL AIRPLANE. TODAY, AUSTRALIAN PRIME MINISTER HOWARD DREW HIM OUT BY SAYING, "IT WAS A SHAME THAT TIME (YOU LOST YOUR ANNIVERSARY)." HASHIMOTO REPLIED, "THIS TIME, I WILL DEARLY, I'M AFRAID."

LDP READIES SCHEME TO PUMP PUBLIC MONEY INTO BANK BAILOUTS (NIHON KEIZAI - TOP PLAY)

FOLLOWING A SUCCESSION OF MANAGEMENT FAILURES, SUCH AS THE CASES OF YAMAICHI SECURITIES AND HOKKAIDO-TAKUSHOKU BANK, THE LIBERAL DEMOCRATIC PARTY (LDP) YESTERDAY HAD THE FINANCIAL SYSTEM STABILIZATION COUNTERMEASURES SUB-COMMITTEE UNDER THE POLICY RESEARCH AFFAIRS COUNCIL (CHAIRIED BY OKIHARU YASUOKA) HURRIEDLY SET A MEASURE TO STRENGTHEN FUNDING RESOURCES OF THE DEPOSIT INSURANCE CORPORATION WITH THE AID OF PUBLIC FUNDS. ACCORDING TO THE ADOPTED OUTLINE, AS A TIME-LIMITED MEASURE APPLICABLE UNTIL THE YEAR 2000, GOVERNMENT GUARANTEE WILL BE ATTACHED TO BORROWINGS FROM THE BANK OF JAPAN (BOJ) UNDER THE "SPECIAL ACCOUNT FOR GENERAL FINANCIAL INSTITUTIONS" DESIGNED TO PROVIDE FOR POSSIBLE FAILURES OF GENERAL FINANCIAL INSTITUTIONS. UNDER THIS SYSTEM, IN CASE THIS ACCOUNT FALLS INTO A STATE OF HAVING EXCESSIVE BORROWINGS AT THE END OF MARCH, 2001, THE SHORTFALL WILL BE COVERED WITH FISCAL FUNDS FROM THE GENERAL ACCOUNT. THIS IS A MAJOR POLICY TURNABOUT FOR THE HASHIMOTO ADMINISTRATION, WHICH HAS MADE IT A PRINCIPLE THAT FISCAL FUNDS SHOULD NOT BE USED OTHER THAN FOR THE CLEARING UP OF THE NOW DEFUNCT JUSEN MORTGAGE LENDERS AND FAILURES OF CREDIT COOPERATIVES. THE GOVERNMENT INTENDS TO MAKE ALL-OUT EFFORTS TO DISPEL FINANCIAL UNCERTAINTY.

13 OF 19 MAJOR BANKS IN THE RED (NIHON KEIZAI - PAGE 7)

OF 19 LEADING BANKS (EXCLUDING HOKKAIDO-TAKUSHOKU BANK), 13 BANKS ARE ANTICIPATED TO CLOSE THEIR LEDGERS FOR THE MARCH 1998 TERM IN THE RED, WITH THEIR CURRENT ACCOUNTS AND FINAL PROFIT-AND-LOSS ACCOUNTS RUNNING DEFICITS. THE ANTICIPATED RESULTS STEM FROM THE FACT THAT WITH AN EYE ON THE INTRODUCTION OF A EARLY CORRECTION MEASURE, UNDER WHICH FINANCIAL AUTHORITIES GIVE MANAGEMENT GUIDANCE, ACCORDING TO THE BANKS' FINANCIAL STANDING (SCHEDULED FOR APRIL 1998), BANKS WILL STEP UP THE AMOUNTS TO BE DISPOSED OF DURING THIS TERM, BY ADOPTING A STRICTER STANCE TOWARD THE ASSESSMENT OF BAD LOANS. THE AMOUNT OF NONPERFORMING LOANS TO BE DISPOSED OF DURING THE CURRENT TERM WILL TOTAL 7.7 TRILLION YEN, THE SECOND LARGEST SIZE EVER, FOLLOWING THAT OF THE MARCH 1996 TERM. THE AGGREGATE TOTAL OF BAD LOANS AT THE END OF THE MARCH 1997 TERM IS ESTIMATED AT 16.5 TRILLION YEN. VARIOUS BANKS STATED THAT "PROSPECTS FOR LIQUIDATING BAD LOANS WILL BE OBTAINED DURING THIS TERM," BUT IN A SITUATION WHERE MANAGEMENT FAILURES ARE SUCCESSIVELY OCCURRING AMONG GENERAL CONSTRUCTION CONTRACTORS AND FINANCIAL INSTITUTIONS, EMERGENCE OF NEW BAD LOANS ARE EXPECTED IN

THE FUTURE, TOO.

-- MANAGEMENT HEALTH LIKELY TO SHARPLY DETERIORATE --

(COMMENTARY)

THE HEALTH OF THE MANAGEMENT OF THE NATION'S NINETEEN LEADING BANKS IS EXPECTED TO SHARPLY DETERIORATE AS A RESULT OF THE LIQUIDATION OF NONPERFORMING LOANS TOPPING 7.7 TRILLION YEN IN TOTAL. THE AMOUNTS OF BAD LOANS TO BE LIQUIDATED BY THOSE NINETEEN BANKS ARE ESTIMATED TO UNCLAS SECTION 04 OF 07 TOKYO 010251

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SUBJECT: APANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

LAGELY EXCEED THEIR NET OPERATING PROFITS, WHICH BY ND LARGE INDICATE PROFITS FROM THEIR MAINSTAY BUINESS OPERATIONS. AS IT STANDS, THE LIKELIHOOD S THAT THEIR RESERVES, SUCH AS STOCK LATENT PROFIS AND PORTIONS OF OWNED CAPITAL, WILL LARGELY DEREASE. THEY WILL BE PRESSED TO CURTAIL THEIR ASETS AND FURTHER STRENGTHEN THEIR RESTRUCTURING EFORTS FOR MORE EFFICIENT MANAGEMENT.

THE NINEEEN BANKS' STOCK LATENT PROFITS (NIKKEI STOCK AVEAGE EQUAL 17,887 YEN) AS OF THE END OF SEPTEMBERSTOOD AT 7.5493 TRILLION WITH THE END OF MARCH. IT IS A DROP CLOSETO 40 PERCENT IN COMPARISON WITH THE LEVEL SEEN T THE END OF SEPTEMBER 1995.

THEY PROJECT THATTHE AVERAGE STOCK PRICE AT THE END OF MARCH 1997 WOULD BE IN THE RANGE OF 16,000 TO 16,500 YEN. IF THE PROJECTION TURNS OUT TO BE CORRECT, THE POSSIBILITY IS HIGH THAT THAT THEIR STOCK LATENT PROFITS WILL FURTHER SHRINK BY ABOUT 10 PERCENT. IF THAT IS THE CASE, STOCK-ASSESSMENT LOSSES WILL OCCUR, ONCE AGAIN NECESSITATING THE DISGORGING OF HUGE AMOUNTS OF STOCK LATENT PROFITS. AS A RESULT, CHANCES ARE THAT THOSE BANKS' LATENT PROFITS WILL DROP SUBSTANTIALLY.

THE BANKS EXPLAIN, "WE WILL NEARLY COMPLETE THE LIQUIDATION OF NONPERFORMING LOANS IN THE MARCH 1998 TERM," BUT IF BAD LOANS ARE TO INCREASE AS A RESULT OF CORPORATE FAILURES, THEIR ACCOUNTS SETTLEMENT FOR THE MARCH 1999 TERM AND AFTER WILL BECOME EVEN MORE DIFFICULT, BECAUSE THEIR FINANCIAL HEALTH WILL CONTINUE

TO DETERIORATE.

OPPOSITION CAMP PLANS NO-CONFIDENCE MOTION AGAINST
CABINET FOR FINANCIAL POLICY FAILURE
(NIHON KEIZAI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY), MINSHUTO (DEMOCRATIC PARTY OF JAPAN) AND THE TAIYO (SUN) PARTY IN A MEETING OF DIET STEERING COMMITTEE CHAIRMEN YESTERDAY AGREED TO MOVE DISCUSSIONS IN THE DIRECTION OF FILING A NO-CONFIDENCE RESOLUTION AGAINST THE HASHIMOTO CABINET FOR THE GOVERNMENT'S "CLAPTRAP" (SHINSHINTO SECRETARY GENERAL TAKEO NISHIOKA) ECONOMIC POLICIES THAT HAVE INVITED A STRING OF FINANCIAL INSTITUTION FAILURES, SUCH AS THE VOLUNTARY SHUTDOWN OF YAMAICHI SECURITIES.

IN THE MEETING OF STEERING COMMITTEE CHAIRMEN, IT WAS DECIDED THAT THREE REQUESTS WOULD BE MADE OF THE RULING CAMP ON THE FINANCIAL PROBLEM: 1) CONCENTRATED INTERPELLATIONS IN A FULL SESSION OF THE LOWER HOUSE ON DECEMBER 2; 2) A MINIMUM OF THREE DAYS OF INTENSIVE DELIBERATIONS IN THE LOWER-HOUSE BUDGET COMMITTEE; AND 3) GENERAL QUESTIONING IN THE LOWER-HOUSE FINANCE COMMITTEE. THIS REQUEST WILL BE SUBMITTED TO THE LIBERAL DEMOCRATIC PARTY'S STEERING COMMITTEE CHAIRMAN, KOSUKE HORI.

ADMINISTRATIVE REFORM: LDP SHELVES DECISION ON FINANCE
MINISTRY SPLIT; JDA TO STAY AN AGENCY (ASAHI - PAGE 6)

MEETING THE PRESS YESTERDAY AT THE PARTY HEADQUARTERS, POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI OF THE LIBERAL DEMOCRATIC PARTY (LDP) REFERRED TO THE QUESTION OF WHETHER TO DIVIDE THE FINANCIAL SECTOR FROM THE MINISTRY OF FINANCE (MOF). HE STATED THAT THERE WAS A GOOD POSSIBILITY THAT A FINAL DECISION ON THE ISSUE WOULD BE POSTPONED UNTIL THE JAPANESE VERSION BIG BANG" FINANCIAL REFORM, WHICH WILL BE IMPLEMENTED IN 2001, IS CONCLUDED.

THE SOCIAL DEMOCRATIC PARTY (SDP) ALSO HAS CALLED FOR SUCH A NOTION. THE PARTY ENVISAGES A PLAN IN WHICH SUCH
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR
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TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER
IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC
FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

SECTIONS AS THE FINANCIAL CONTROL PLANNING AND EXCHANGE

MARKET AND CURRENCY CONTROL WILL BE RETAINED IN THE MOF.

YAMASAKI'S REMARKS SEEM TO BE AIMED AT MAINTAINING THE FRAMEWORK OF THE RULING PARTIES, WHILE AVOIDING A DEFINITE CONFRONTATION WITH THE SAKIGAKE PARTY, WHICH HAS INSISTED THE NEED FOR COMPLETE SEPARATION.

YESTERDAY, THE RULING CAMP'S ADMINISTRATIVE REFORM COUNCIL (ARC) CONFIRMED TO RESUME ITS DISCUSSIONS AFTER THE 28TH, WHEN PRIME MINISTER RYUTARO HASHIMOTO RETURNS HOME FROM THE ASIA-PACIFIC ECONOMIC CONFERENCE (APEC), AS WELL AS TO REACH A CONCLUSION ON THE ISSUE BEFORE THE CONFERENCE ON ADMINISTRATIVE REFORM (CAR) RELEASES A FINAL REPORT ON DECEMBER 3.

IN ADDITION, ON THE QUESTION OF WHETHER TO UP-GRADE THE DEFENSE AGENCY TO A "MINISTRY," THE RULING PARTIES' ARC HAS REACHED THE VIEW THAT "IN CONTRAST TO THE RESTRUCTURING OF THE CENTRAL GOVERNMENT MINISTRIES AND AGENCIES, THIS ISSUE IS A HIGH POLITICAL-PROFILE REFORM ISSUE" (LDP SECRETARY GENERAL KOICHI KATO). THE PANEL AGREED NOT TO TAKE IT UP AS AN AGENDA ITEM. PRIME MINISTER HASHIMOTO HAS REVEALED HIS POLICY INTENTION OF SHELVEING THE ISSUE OF UPGRADING THE DEFENSE AGENCY. THE ARC, TOO, HAS AGREED TO HIS POLICY LINE. AS IT STANDS, THE FOCUS IS NOW ON COORDINATION BETWEEN THE PRIME MINISTER AND THE LDP.

AT AN LIAISON MEETING OF THE LDP EXECUTIVES, DEPUTY SECRETARY GENERAL HIROMU NONAKA TOOK A CAUTIOUS STANCE, NOTING "THE PEOPLE HAVE YET TO AGREE TO THE NOTION OF UPGRADING THE DEFENSE AGENCY. SO I AM ILL AT EASE ABOUT DISCUSSING THE ISSUE, FEELING SOME KIND OF MANIPULATION." UPPER HOUSE SECRETARY GENERAL MASAKUNI MURAKAMI SUGGESTED SEPARATING THE ISSUE FROM THE ADMINISTRATIVE REFORM EFFORT, SAYING, "IT IS NOT AN ISSUE THAT THE CAR CAN DISCUSS."

LDP TO PROPOSE REPLACING LARGE STORE LAW WITH LAW THAT LIMITS FREEDOM TO OPEN NEW STORES (NIHON KEIZAI - PAGE 5)

THE LIBERAL DEMOCRATIC PARTY (LDP) ASSEMBLED A MEETING OF ITS STUDY GROUP FOR REVITALIZATION OF DOWNTOWN SHOPKEEPERS ROWS (CHAIRIED BY TAKU YAMASAKI) YESTERDAY, IN WHICH A POLICY DECISION WAS REACHED TO PROPOSE SETTING UP A LEGAL FRAMEWORK TO ENABLE EACH MUNICIPALITY TO LIMIT THE AREAS WHERE RETAILERS COULD OPEN STORES FREELY. THE STUDY GROUP HAS ALSO DECIDED TO DROP THE EXISTING LARGE-SCALE RETAIL STORE LAW. IT WILL FORMALLY ANNOUNCE IT IN EARLY DECEMBER.

UNDER THIS PROPOSAL, THE RIGHT FOR STORE-OPENING ADJUSTMENT WOULD BE TRANSFERRED FROM THE CENTRAL GOVERNMENT AND PREFECTURES TO MUNICIPALITIES, AND MUNICIPALITIES WOULD SPECIFY AREAS WHERE RETAILERS WOULD BE ALLOWED TO OPEN STORES ON THEIR OWN VOLITION IN ACCORDANCE WITH THEIR DOWNTOWN DEVELOPMENT PLANS.

THE STUDY GROUP IS PLANNING TO SCRAP THE EXISTING LARGE-SCALE RETAIL STORE LAW, WHICH REQUIRES ADJUSTMENT OF CONDITIONS FOR OPENING STORES WITH FLOOR SPACE OF 500 SQUARE METERS OR OVER. BUT UNDER THE NEW LAW, LARGE-SCALE STORE OPENINGS WOULD BECOME MORE DIFFICULT.

PANEL RECOMMENDS DOMESTIC LIBERALIZATION OF AVIATION AS PART OF DEREGULATION PACKAGE (SANKEI - PAGE 10)

THE STRUCTURAL REFORM WORKING GROUP UNDER THE ECONOMIC COUNCIL, AN ADVISORY PANEL TO THE PRIME MINISTER, YESTERDAY FINALIZED A REPORT THAT ADDED 11 NEW DEREGULATORY MEASURES, INCLUDING THE ESTABLISHMENT OF A SYSTEM FOR CROSS-SERVICING OF TELECOMMUNICATIONS AND UNCLAS SECTION 06 OF 07 TOKYO 010251

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

BROADCASTING AND ABOLISHMENT OF RESTRICTIONS ON NEW MARKET ENTRANTS AND AIRFARE PRICING IN THE DOMESTIC AVIATION SECTOR.

IN ADDITION TO INFORMATION AND TELECOMMUNICATIONS, THE REPORT TOOK UP GOODS DISTRIBUTION (TRANSPORTATION), FINANCIAL SERVICES, LAND AND HOUSING, EMPLOYMENT AND LABOR, AS WELL AS MEDICAL AND WELFARE SERVICES. REGARDING THESE SECTORS, IT STRESSED THE NEED TO STUDY THE MEASURES THAT WERE PROPOSED LAST YEAR BUT HAS YET TO SHAPE. NEW MEASURES WERE ALSO INCORPORATED.

FOCUSING ON A SERIES OF FINANCIAL INSTITUTIONS' FAILURES, THE REPORT REITERATED "THE NEED TO TAKE PERFECT MEASURES TO PROTECT DEPOSITORS AND TO STABILIZE THE DOMESTIC FINANCIAL SYSTEM ALSO IN THE FUTURE," URGING THE GOVERNMENT TO COME UP WITH EFFECTIVE STEPS TO DEAL WITH THE NONPERFORMING LOAN ISSUE.

OF NEW DEREGULATORY MEASURES IN THE GOODS-DISTRIBUTION AREA, THE REPORT PROPOSED THAT MARKET-ENTRY REGULATIONS SHOULD BE ABOLISHED AT AN EARLY DATE AND THAT AIRFARE RESTRICTIONS BE PHASED OUT IN THE DOMESTIC AVIATION FIELD, WHERE REGULATIONS TO ADJUST SUPPLY AND DEMAND WILL BE DROPPED BY FISCAL 1999. IT ALSO CALLED FOR AN EXTENSION OF THE SHAKEN (AUTO SAFETY INSPECTION) PERIOD FROM THE PRESENT ONE YEAR TO TWO YEARS FOR SUCH BUSINESS VEHICLES AS TRUCKS IN ORDER TO REDUCE THE COST.

BUDGET OVERRUN DUE TO MONEY SPENT FOR TRANSPORTING USFJ TROOPS TO MAINLAND FOR DRILLS (MAINICHI - PAGE 3)

IT HAS NOW BECOME CERTAIN THAT THE AMOUNT OF ACTUAL COSTS FOR THE RELOCATION OF U.S. MILITARY LIVE-FIRE ARTILLERY TRAINING FROM OKINAWA TO MAINLAND PREFECTURES WILL BREAK ITS BUDGETARY SLOT OF 370 MILLION YEN ALREADY EARMARKED FOR A TOTAL OF FOUR LIVE-SHELL FIRING EXERCISES SCHEDULED FOR THE CURRENT FISCAL YEAR. THERE IS STILL TRAINING LEFT TO BE CARRIED OUT IN THE (GROUND SELF-DEFENSE FORCE'S) HIGASHIFUJI FIRING RANGE IN SHIZUOKA PREFECTURE IN FEBRUARY OF NEXT YEAR.

UP TO NOW, SUCH LIVE-FIRE TRAINING WAS CONDUCTED IN THE KITAFUJI RANGE OF YAMANASHI PREFECTURE IN JUNE, IN THE YAUSUBETSU RANGE OF HOKKAIDO IN SEPTEMBER, AND IN THE OJOJIHARA RANGE OF MIYAGI PREFECTURE IN NOVEMBER. FOR THE MOVEMENT OF THOSE TRAINING TROOPS, SDF AIRCRAFT WAS EMPLOYED ON THE OCCASION OF THE SECOND TRAINING THAT WAS CARRIED OUT AT YAUSUBETSU. ON THE OTHER OCCASIONS, DOMESTIC AND FOREIGN AIRLINES WERE CHARTERED. MATERIALS SUCH AS WEAPONS AND AMMUNITION WERE SHIPPED BY SEA. AS FOR THE CAUSE OF BREAKING THE BUDGETARY SLOT, IT IS PARTLY DUE TO UNEXPECTEDLY HIGH COSTS FOR THE CHARTERS OF CIVILIAN AIRCRAFT, OFFICIALS SAY. AN OFFICIAL OF THE DEFENSE FACILITIES ADMINISTRATION AGENCY'S COMPENSATION AND OPERATION DIVISION SAYS, "WE'RE GOING TO FIX ACCOUNTS AT THE END OF THE CURRENT FISCAL YEAR, SO AT THIS POINT WE CAN'T TELL HOW MUCH MONEY ...". A SENIOR OFFICIAL OF THE DFAA EXPLAINS, "OUR INITIAL ESTIMATE WAS EASYGOING. ALSO, IT SEEMS THAT THAT WAS PARTLY BECAUSE OF OUR EXPECTATION OF THEIR MOVING AROUND ON U.S. MILITARY AIRCRAFT."

TRAINING RELOCATION COSTS WERE NOT FIGURED INTO THE DEFENSE BUDGET. INSTEAD, SUCH COSTS HAVE BEEN INCLUDED IN ANOTHER BUDGETARY ESTIMATE RELATING TO THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO), WHICH IS NOW IN THE PROCESS OF REALIGNING AND REDUCING THE U.S. MILITARY BASES ON OKINAWA. IN ORDER TO HOLD DOWN THE BUDGETARY EXCESS TO THE MINIMUM EXTENT FROM NOW ON, THE JAPANESE GOVERNMENT WILL ASK THE U.S. MILITARY TO USE ITS AIRCRAFT FOR MOVING. HOWEVER, ONE SAYS: "WE ASKED THEM TO DO THAT (TRAINING) SOMEWHERE ELSE, AND THEY'RE DOING UNCLAS SECTION 07 OF 07 TOKYO 010251

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 26

SO. THEREFORE, NOW WE CAN HARDLY TELL THEM TO MOVE AT THEIR OWN EXPENSE." NO SOLUTION IS YET TO BE IN SIGHT.

DEFENSE AGENCY DIRECTOR GENERAL KYUMA SAYS CONTINGENCY LEGISLATION WILL BE ONE PACKAGE (TOKYO SHIMBUN - PAGE 3)

REGARDING "EMERGENCIES LEGISLATION" IN PREPARATION FOR AN ARMED ATTACK ON JAPAN (OR "JAPAN EMERGENCY"), JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA STATED BEFORE THE UPPER HOUSE CABINET COMMITTEE AT ITS MEETING ON THE 25TH, "WE NEED TO DISCUSS IT FROM NOW ON, GOING FURTHER THAN A MERE STUDY OF THE MATTER. AS FOR THE DEFECTS OF LAWS IN TIMES OF EMERGENCY IN JAPAN, WE WILL HAVE TO HOLD DISCUSSIONS IN CONNECTION WITH THE QUESTION OF HOW TO RESPOND TO (EMERGENCY) SITUATIONS IN AREAS SURROUNDING JAPAN."

ALONG WITH ITS ADOPTION OF A NEW SET OF JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, THE GOVERNMENT IS GOING TO INTRODUCE BILLS TO THE DIET AT ITS ORDINARY DIET SESSION NEXT YEAR AT THE EARLIEST FOR ESTABLISHING NEW LAWS OR REVISING RELEVANT LAWS TO MEET NEIGHBORING EMERGENCIES. THE JDA DIRECTOR GENERAL HAS THUS CLARIFIED THE GOVERNMENT'S INTENTION OF PRESENTING AND CONSOLIDATING EMERGENCIES LEGISLATION IN A PACKAGE WITH THOSE BILLS.

KYUMA INDICATES SHIP INSPECTIONS WILL NOT BE PREFACED BY LIVE WARNING SHOTS (TOKYO SHIMBUN - PAGE 3)

JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA, AT AN UPPER HOUSE BUDGET COMMITTEE MEETING HELD ON THE 25TH, REVEALED AN IMPLEMENTATIONAL OUTLINE OF SHIP INSPECTIONS, INCORPORATED IN A REVISED SET OF JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, FOR ECONOMIC SANCTIONS BASED ON A UNITED NATIONS RESOLUTION.

ACCORDING TO THAT OUTLINE, JAPAN IS TO GO THROUGH SUCH STEPS AS ENGAGING IN WARNING AND SURVEILLANCE TO WATCH NAVIGATION, CALLING ON (UNIDENTIFIED) SHIPS, MAKING RADIO INQUIRIES ABOUT THEIR NATIONALITY, OWNER, CARGO, DESTINATION, ETC., BOARDING THESE SHIPS TO CHECK DOCUMENTS, AND TELLING THEM TO CHANGE THEIR COURSE. AGAINST SHIPS THAT WILL NOT RESPOND TO JAPAN'S CALL FOR STOPPING OR CHANGING THEIR COURSE, JAPANESE VESSELS WILL THEN USE SIGNAL BOMBS, FLARES, OR BLANK CARTRIDGES FROM THE FAR, OR WILL OTHERWISE CHASE SUCH UNKNOWN SHIPS, RUN ALONG THEM, OR STAND READY UP AHEAD IN THEIR WAY FOR PERSUASION. HOWEVER, JAPAN, ACCORDING TO THE OUTLINE, WILL NOT FIRE ANY LIVE-SHELL WARNING SHOTS AT THE WATER'S SURFACE AROUND THEM.

CHINAQS NUMBER 2 PLA OFFICER TO VISIT JAPAN
(TOKYO SHIMBUN - PAGE 3)

YASUHIRO OGOSHI, DIRECTOR OF THE JAPAN DEFENSE AGENCY
DIRECTOR GENERAL'S SECRETARIAT, MET THE PRESS ON THE 25TH
AND REVEALED THAT XIONG GUANGKAI, VICE CHIEF OF THE
GENERAL STAFF OF THE PEOPLE'S LIBERATION ARMY OF CHINA,
WHO IS THE NUMBER-TWO MAN IN THE CHINESE MILITARY, WILL
VISIT JAPAN FROM THE 30TH TO DECEMBER 2 TO MEET WITH JDA
DIRECTOR GENERAL FUMIO KYUMA, JDA ADMINISTRATIVE DEPUTY
DIRECTOR GENERAL MASAHIRO AKIYAMA, JOINT STAFF COUNCIL
CHAIRMAN KAZUYA NATSUKAWA, AND SOME OTHER OFFICIALS.
CRANE

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RHAKAAA/COMFLEACTS OKINAWA JA
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RHHMUNA/USCINCPAC HONOLULU HI
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RHLBAAF/CDR470THMIGP COROZAL PM//IAPP-O-AS//
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RUADPDA/DET 611 AFOSI OSAN AB KOR//IVO//
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RUEHBD/AMEMBASSY BANDAR SERI BEGAWAN
RUEHBJ/AMEMBASSY BEIJING
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RUEHC/SECSTATE WASHINGTON DC//STR//
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RUEHIA/USIA WASHINGTON DC//B/VOA/F//
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RUEHME/AMEMBASSY MEXICO
RUEHSG/AMEMBASSY SANTIAGO
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RUESFB/FBIS ASUNCION PA
RUESFG/FBIS BANGKOK TH
RUESPF/FBIS CHIVA CHIVA PM
RUESTO/AMEMBASSY TOKYO
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INFO: ////

SUBJ: Take 3 of 3 -- Hashimoto News Conference in Vancouver

TEXT:

UNCLAS 4A

WARNING: ATTN BANGKOK BLOCAL

WARNING: ATTN BANGKOK BAE

WARNING: TOPIC: ECONOMIC, INTERNATIONAL, LEADER, POLITICAL

SERIAL: OW2611102497

PASS: ATTN BBC LR04R

COUNTRY: JAPAN

SUBJ: Take 3 of 3 -- Hashimoto News Conference in Vancouver

REF: OW2611102297 Tokyo NHK General Television Network in
Japanese 0207 GMT ///learned good lessons.

TEXT:

[FBIS Translated Text] [Moderator] Next, a Japanese reporter please.

[Reporter] I am Oishi from the Yomiuri Shimbun. I would like ask about global warming. Through a series of APEC meetings, how much response did you get in preparation for the forthcoming Kyoto conference in December and how much confidence do you have now in reaching an agreement although there are such difficult problems as a numerical target to cut greenhouse gas emissions? In addition, the APEC members agreed to allow Russia, who is also scheduled to attend the Kyoto confab, to become a new APEC member. In this connection, what is your view in that respect and how do you think Russia's obtaining an APEC membership will affect Japan-Russia relations and the Asia-Pacific region?

[Hashimoto] Your question is becoming wide-ranging [laughter]. Well, first, each leader takes a strong interest in the Kyoto conference. In this sense, I was greatly encouraged.

Yet, when we think of the fact that each nation has its own domestic problems, we can see why this issue is difficult to solve. One may think why only our country has to shoulder heavy burden or to be affected. No country wants to accept that situation so easily. So, advanced nations have their own domestic problems, and so do developing countries. Although it is not always easy to come to agreement, the numerical target should be realistic and fair. Based on such a position, we have to continue to make efforts as much as possible.

APEC leaders have sent a strong message to the effect that they will vigorously support the success of the Kyoto conference and that energy efficiency will be important as a measure to prevent global warming. In that sense, I feel that substantial progress has been made. Nevertheless, the negotiations are expected to face rough going in setting numerical targets for reducing CO2 [carbon dioxide] emissions and working out the way of having developing countries join these efforts. This is because there is still a large gap in views between various countries. However, I intend to make utmost efforts to reach an agreement.

At this APEC summit, Russia was admitted to APEC. I told Mr. Yeltsin in a meeting in Krasnoyarsk that, if Russia is ready to join APEC, I will support its entry into APEC and will positively persuade other countries to approve Russia's membership. Today, I myself just proposed that Russia be admitted to APEC, and then other APEC leaders agreed on Russia's entry. I genuinely welcome the agreement.

In terms of CO2 emissions by the APEC region, the United States is the largest country, followed by China. However, Japan cannot blame other countries because it is the fourth largest country in CO2 emissions in the world. The amount of CO2 emissions by the APEC region accounts for nearly half of the total world amount. Given this situation, Russia will join APEC. I think that our responsibility will be much heavier in the environmental issue as well. Russia is now making considerable efforts to change its

industrial structure. How can we cooperate with that country in promoting changes in various fields, including environment? We have to think about this in the future. However, I believe that making such efforts will directly contribute to better relations between the Japanese and Russian people and that this will greatly help us create conditions for concluding a peace treaty.

[Reporter] I am from Reuters' Financial Television. The value of the yen has been declining, and it has reached the lowest level in five years. Are you concerned about this? Also, what is your view of the Clinton administration's remark that Japan should not seek to boost the economy by increasing exports?

[Hashimoto] President Clinton and I held another tete-a-tete meeting yesterday, following the Denver summit meeting. At the meeting, the president did not make such a remark you mentioned. At least, he did not give me an order. We know that Japan itself has to shift to domestic demand-led economy. Japan has made efforts to change the whole systems by promoting the structural reform of the economy and deregulation. In fact, we have made those efforts for our own sake. I hope you understand this. The United States was and is sensitive to trade balance. It is natural for the United States to feel concern about a possible increase in Japan's exports given a situation where the yen is becoming weaker. In other words, if Japan's exports increase drastically, the two nations may have to start very troublesome arguments again over economic issues. We do not want this to happen. Even so, the Japanese and US Governments cannot control the yen-dollar exchange rates because they are determined by the market. There is a limit on what we can do about the exchange rates. The weaker the yen becomes, the more likely Japan's exports will increase. This theory is applicable to not only exports between Japan and the United States but also those between Japan and APEC member nations, or between APEC members and the United States. So, the important thing is that each nation should not take a hostile attitude but should continue efforts to maintain good relations with other countries.

[Reporter] I am from The Washington Post. Do you think Japan has a special responsibility to play a role as a locomotive economy, as well as the biggest economy in Asia, to help the region get out of its crisis by increasing growth in Japan with economic stimulus measures?

[Hashimoto] We Japanese are not arrogant enough to call our nation a locomotive economy in the Asia-Pacific region. But we think it is a matter of course for Japan to play a role suitable to its ability. I hope you understand that Japan has no desire to forcibly lead other Asian countries as a locomotive economy.

Japan is interested in other Asian countries' economic situations, and it intends to fulfill its role.

After the currency crisis occurred, some countries held framework talks with the IMF. Japan is actively extending helping hands to those which have concluded the talks. I think this fact tells what Japan intends to do.

APEC member countries are all free in terms of economic policies. They respect each other's economic policies and measures. No one forces its policies on others. But if other countries seek Japan's cooperation, we will actively give them support. Japan will continue to give expertise it learned from past mistakes and cooperate with other countries to create better economic and environmental conditions.

[Moderator] I know there are more who want to ask questions, but the time is up. We now conclude this news conference.

[Hashimoto] Thank you very much.

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 06 TOKYO 010293

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER
IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC
FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

TOP HEADLINES:

ASAHI: FUNDS MANAGEMENT COUNCIL'S FINAL REPORT CALLS FOR
USING CORPORATE AND FILP BONDS INSTEAD OF POSTAL SAVINGS
AND PENSION FUNDS IN RAISING FISCAL RESOURCES

MAINICHI: YAMAICHI SECURITIES' AUSTRALIAN SUBSIDIARY
ENGAGED IN "TOBASHI" OFF-THE-BOOK TRANSACTIONS AS WELL;

OUT OF FEAR OF DISCLOSURE OF LINKED ACCOUNT SETTLEMENT?

YOMIURI: GOVERNMENT PLANS TO INCLUDE SEVERAL HUNDRED-BILLION YEN IN GOVERNMENT GUARANTEES IN NEXT FISCAL YEAR'S BUDGET IN ORDER TO STRENGTHEN SAVINGS AND INSURANCE FISCAL BASE

NIHON KEIZAI: LDP TAX SYSTEM RESEARCH COUNCIL TO FREEZE LAND VALUE TAX IN UTILIZING TAXATION SYSTEM FOR STABILIZING FINANCIAL SYSTEM (TRANSLATION BELOW)

SANKEI: FUNDS MANAGEMENT COUNCIL'S FINAL REPORT URGES ELIMINATION OF DEPOSITING SYSTEM AND INTRODUCTION OF FILP BONDS FOR RAISING FUNDS INDEPENDENTLY

TOKYO SHIMBUN: NATIONAL PENSION COUNCIL'S INTERIM REPORT CALLS FOR REVIEWING PAYMENT CRITERIA, SUGGESTING LOWERING PENSION PAYMENTS AND RAISING ELIGIBLE AGE

HASHIMOTO RETURNS TO FINANCIAL CRISIS, ADMINISTRATIVE REFORM FIGHT, AND IZUI'S DIET TESTIMONY
(MAINICHI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO WRAPPED UP HIS SCHEDULE IN CANADA ON THE 27TH (JAPAN TIME, EARLY MORNING OF THE 28TH), INCLUDING THE INFORMAL SUMMIT OF THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM. DURING THE INFORMAL SUMMIT AND JAPAN-UNITED STATES SUMMIT MEETING, DISCUSSION WAS FOCUSED ON A SERIES OF COLLAPSES OF JAPANESE FINANCIAL INSTITUTIONS, INCLUDING YAMAICHI SECURITIES, SETTING ASIDE SUCH FOREIGN POLICY ISSUES AS THE REALIZATION OF RUSSIA'S PARTICIPATION IN APEC. THE PRIME MINISTER IS SCHEDULED TO RETURN HOME THIS EVENING, BUT DIFFICULT ISSUES THAT MIGHT RESULT IN JOLTING THE POLITICAL WORLD ARE AWAITING HIM, SUCH AS THE ISSUE OF STABILIZING THE NATION'S FINANCIAL SYSTEM, FINAL COORDINATION ON THE POSSIBILITY OF SEPARATING THE FISCAL AND FINANCIAL FUNCTIONS FROM THE MINISTRY OF FINANCE (MOF) AND THE SUMMONING OF JUNICHI IZUI TO THE DIET WITNESS STAND. (HIROSHI YAMAZAKI)

THE TOP PRIORITY POLITICAL TASK THAT THE PRIME MINISTER SHOULD ADDRESS IMMEDIATELY AFTER RETURNING TO JAPAN IS TO WORK OUT MEASURES TO STABILIZE THE FINANCIAL SYSTEM AND STIMULATE THE ECONOMY. THE GOVERNMENT AND THE LIBERAL DEMOCRATIC PARTY (LDP) ARE CONSIDERING THE POSSIBILITY OF USING PUBLIC FUNDS TO AVOID FINANCIAL UNCERTAINTY FROM SPREADING FURTHER. BUT BEARING IN MIND THE FIERCE PUBLIC REACTION SHOWN WHEN FISCAL FUNDS WERE USED FOR THE JUSEN (HOUSING LOAN COMPANIES) BAILOUTS LAST YEAR, THEY HAVE BEEN SOMEWHAT HESITANT ABOUT MAKING A FINAL DECISION. AMID CALLS GROWING FOR FISCAL DISBURSEMENTS AS AN ECONOMIC PUMP-PRIMING MEASURE, THE PRIME MINISTER WILL BE PLACED IN A GREAT QUANDARY OVER THIS MEASURE BEING INCONSISTENT WITH HIS FISCAL STRUCTURAL REFORM SCHEME.

LABELING "THE PRESENT SITUATION AS THE FAILURE OF PRIME MINISTER HASHIMOTO, WHO HAS PUSHED AHEAD WITH FISCAL

STRUCTURAL REFORM IN DEFIANCE OF THE REAL ECONOMIC SITUATION" (SENIOR SHINSHINTO OFFICIAL), THE OPPOSITION CAMP IS POISED TO PURSUE THE PRIME MINISTER'S RESPONSIBILITY, AIMING TO "TOPPLE THE CABINET" (SAME). THE VIEW IS ALSO BECOMING DOMINANT THAT ONCE THE FISCAL STRUCTURAL REFORM BILL IS ADOPTED AND ENACTED ON THE 28TH, THE GOVERNMENT AND RULING CAMP MIGHT HAVE TO REVISE UNCLAS SECTION 02 OF 06 TOKYO 010293

USIA

FOR: USIA D/P, I/GEA, I/RF, I/REW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

THEIR POLICY COURSE TO APPROVING FISCAL DISBURSEMENTS.

IN THE PROCESS OF PUSHING AHEAD WITH ADMINISTRATIVE REFORM, THE ISSUES OF WHETHER TO SEPARATE THE MOF'S FISCAL AND FINANCIAL SECTIONS AND TO UPGRADE THE JAPAN DEFENSE AGENCY (JDA) TO A MINISTRY REMAIN UNRESOLVED. THE SAKIGAKE PARTY IS DETERMINED "TO SECEDE FROM THE RULING CAMP IF THE TWO FUNCTIONS ARE NOT BROKEN AWAY COMPLETELY FROM MOF." REGARDING JDA'S FUTURE STATUS AS WELL, A STANDOFF IS INTENSIFYING WITHIN THE LDP OVER WHAT DIRECTION TO TAKE.

IZUI WILL BE SUMMONED TO TESTIFY BEFORE THE LOWER HOUSE BUDGET COMMITTEE TODAY. IN THIS CONNECTION, THE FOCUS IS ON WHETHER THIS ISSUE WILL DEVELOP INTO DEMAND FOR SUMMONING OF POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI TO THE DIET WITNESS STAND. ON THE ISSUE OF CONSTRUCTION OF AN OFF-SHORE HELIPORT FACILITY TO REPLACE THE U.S. MILITARY'S FUTENMA INSTALLATION ON OKINAWA AS WELL, CONCERN IS GROWING OVER THE NAGO CITY REFERENDUM SCHEDULED FOR DECEMBER 21, A GOVERNMENT SOURCE REMARKING: "UNDER THE PRESENT SITUATION, THE CONSTRUCTION PLAN WILL LIKELY BE VOTED DOWN BY AN OVERWHELMING MARGIN."

PRIME MINISTERQS APEC RESULTS TALLIED (MAINICHI - PAGE 2)

(OTTAWA, NOVEMBER 27, MASAHIRO MARUYAMA) IN THE INFORMAL APEC SUMMIT, PRIME MINISTER RYUTARO HASHIMOTO HAD IN MIND A PLAN TO COMPLETE HIS "NOVEMBER SUMMIT DIPLOMATIC OFFENSIVE," WHICH STARTED WITH THE SUCCESS IN THE JAPAN-RUSSIA MEETING. HE WAS MANEUVERING TO (1) REALIZE RUSSIA'S APEC MEMBERSHIP; (2) ANNOUNCE A "KYOTO INITIATIVE" TO BACK UP DEVELOPING COUNTRIES' COUNTERMEASURES AGAINST GLOBAL WARMING, AS A STEP TO LAY THE GROUNDWORK TO BRING ABOUT AN AGREEMENT AT THE

UPCOMING UN CONFERENCE ON CLIMATE CHANGE IN KYOTO; AND
(3) PUT FORTH JAPAN'S DECISION TO SIGN A TREATY ON A
TOTAL BAN ON ANTIPERSONNEL MINES AND MEASURES TO REMOVE
MINES AND HELP THE VICTIMS BY DISBURSING 10 BILLION YEN.

BUT THEN CAME A SERIES OF COLLAPSES OF FINANCIAL
INSTITUTIONS, BEGINNING WITH SANYO SECURITIES CO.,
STARTING JUST AFTER THE JAPAN-RUSSIA SUMMIT MEETING. THE
JAPANESE AND AMERICAN TOP LEADERS DURING THEIR MEETING IN
VANCOUVER SPENT MOST OF THEIR TIME DISCUSSING THE
JAPANESE AND ASIAN ECONOMIES. YET, SOME OBSERVERS
ANALYZE THAT BECAUSE JAPAN WAS IMMEDIATELY ABLE TO
EXPLAIN THE PRESENT JAPANESE ECONOMIC SITUATION, IT MAY
HAVE PREVENTED ANY UNNECESSARY SPREAD OF UNCERTAINTY.

IN THE LATTER HALF OF THE APEC FORUM, JAPAN SOMEHOW
MAINTAINED ITS FACE BY ATTAINING ALL THE JAPANESE
GOVERNMENT'S INITIAL DIPLOMATIC GOALS, INCLUDING RUSSIAN
MEMBERSHIP, BUT IT WAS NOT ABLE TO EXERT ANY INFLUENCE ON
JAPANESE AND FOREIGN AUDIENCES AS IT HAD EXPECTED. IN
THE KYOTO INTERNATIONAL CONFERENCE ON GLOBAL WARMING
STARTING ON DECEMBER 1, TOO, IT SEEMS DIFFICULT TO REACH
AN ACCORD THAT WOULD INCLUDE A NUMERICAL TARGET.
DIFFICULTIES THUS LIE AHEAD FOR THE JAPANESE GOVERNMENT
ON BOTH DOMESTIC AND FOREIGN ISSUES.

PRIME MINISTER HASHIMOTO IN OTTAWA PROMISES TO SIGN ANTI-
MINE TREATY (NIHON KEIZAI - PAGE 2)

(OTTAWA, NOVEMBER 27, REPORTER HIROSHI YAMAMOTO) PRIME
MINISTER RYUTARO HASHIMOTO, NOW ON A STATE VISIT TO
CANADA, YESTERDAY MORNING (EARLY HOURS OF THE 28TH, JAPAN
TIME) MET WITH PRIME MINISTER CHRETEN IN OTTAWA AND
FORMALLY ANNOUNCED HIS INTENTION TO SIGN THE TREATY THAT
TOTALLY BANS ANTI-PERSONNEL LAND MINES.

AIMING TO APPEAL TO THE PUBLIC REGARDING JAPAN'S POSITIVE
STANCE TOWARD CONTRIBUTING INTERNATIONALLY TO RESOLVE THE
UNCLAS SECTION 03 OF 06 TOKYO 010293

USIA

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WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER
IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC
FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

ISSUE OF ANTI-PERSONNEL LAND MINES, PRIME MINISTER
HASHIMOTO PREVIOUSLY INDICATED HIS INTENTION TO EXEMPT
FROM THE TREATY EQUIPMENT FOR REMOVING AND DETECTING LAND
MINES, WHOSE EXPORTS FROM JAPAN ARE NOW BANNED UNDER THE

"THREE PRINCIPLES ON WEAPONS EXPORTS." HIS DECISION WAS BASED ON THE NOTION THAT SUCH EQUIPMENT IS TANTAMOUNT TO THE TREATY'S "WEAPONS THAT INCAPACITATE WEAPONS."

THE PRIME MINISTER ALSO ANNOUNCED A PLAN TO PROVIDE OVER FIVE YEARS A TOTAL OF 10 BILLION YEN IN SUPPORT OF COUNTRIES THAT HAVE BEEN MINED, INTERNATIONAL ORGANS AND NON-GOVERNMENTAL ORGANS (NGO) SUING FOR REMOVAL OF LAND MINES, AND AID TO HELP VICTIMS OF SUCH.

DEFENSE AGENCY ADJUSTING BUDGET TO COPE WITH BAN OF ANTI-PERSONNEL LAND MINES (SANKEI - PAGE 3)

JAPAN DEFENSE AGENCY ADMINISTRATIVE DEPUTY DIRECTOR GENERAL MASAHIRO AKIYAMA MET THE PRESS ON THE 27TH AND INDICATED JDA'S INTENTION OF SUBMITTING A REVISED BUDGETARY ESTIMATE FOR FY1998 AS AN ALTERNATIVE MEASURE FOR (JAPAN'S SIGNING OF) A TREATY FOR THE TOTAL BAN OF ANTIPERSONNEL LAND MINES.

JDA HAS NOW SUBMITTED A BUDGETARY ESTIMATE OF 80 MILLION YEN IN ITS BUDGET REQUEST FOR FY1998 TO PURCHASE SELF-DESTRUCTING LAND MINES FOR TRAINING USE, BUT JDA WILL NOT BE ALLOWED TO BUY THEM ONCE JAPAN SIGNS THE TREATY. AKIYAMA STATED, "I CAN'T SAY IT'S APPROPRIATE TO MANAGE IT WITHIN THE SLOT OF OUR BUDGETARY ESTIMATE WE'VE NOW SUBMITTED. WE'LL HAVE TO REVIEW IT, BOTH QUALITATIVELY AND QUANTITATIVELY." AKIYAMA HAS THUS INDICATED HIS VIEW THAT JDA WILL NEED A NEWLY COMPILED BUDGET FOR ITS DEVELOPMENT OF ALTERNATIVE SYSTEMS. JDA HAS NOW FROZEN ITS CURRENT FISCAL YEAR BUDGETARY DISBURSEMENT OF 700 MILLION YEN THAT WAS ONCE APPROVED FOR ITS PROCUREMENT OF ANTIPERSONNEL LAND MINES, BUT AKIYAMA AVOIDED CLARIFYING WHAT TO DO ABOUT THAT FROZEN BUDGET SLOT.

AS FOR ALTERNATIVE SYSTEMS NOW IN THE PROCESS OF DEVELOPMENT, AKIYAMA SAID: "WE'RE THINKING OF AVOIDING ANY VACUUM IN OUR DEFENSE CONCEPT AS FAR AS POSSIBLE." ON THE OTHER HAND, HOWEVER, HE ADDED: "BUT THAT DOES NOT MEAN WE WILL BE ABLE TO DEVELOP SUCH ALTERNATIVES RIGHT AWAY."

GOVERNMENT TO SCRAP FUTENMA AIR STATION MOVE IF NAGO CITY REFERENDUM REJECTS HELIPORT PLAN (SNKEI - PAGE 1)

THE GOVERNMENT AS OF THE 26TH HAS DECIDED TO DROP THE OFFSHORE HELIPORT CONSTRUCTION PROJECT TO REPLACE THE ONE AT THE U.S. MARINES FUTENMA AIR STATION IF THE PROJECT IS VOTED DOWN IN NAGO CITY'S REFERENDUM ON DECEMBER 21.

THE GOVERNMENT HAS PRESENTED TO OKINAWA PREFECTURE AND NAGO CITY A PLAN TO CONSTRUCT A HELIPORT OFF CAMP SCHWAB ALONG WITH TWO CONSTRUCTION METHODS. EVEN IF THE GOVERNMENT'S PLAN IS VOTED DOWN, IT WILL NOT LOOK FOR OTHER SITES.

SHIFTING HELIPORT FUNCTIONS IS BASED ON A REVERSION OF FUTENMA AIR STATION AGREED UPON BETWEEN JAPAN AND THE

UNITED STATES. AS A RESULT, THE BILATERAL AGREEMENT ITSELF MIGHT GO INTO THE DRAIN AND THAT WILL UNDOUBTEDLY HAVE A SERIOUS IMPACT ON BILATERAL COOPERATION IN REALIGNING AND REDUCING U.S. BASES.

ACCORDING TO THE GOVERNMENT'S PLAN PRESENTED LAST MONTH, THE OFFSHORE HELIPORT WILL BE: 1) 1,500 METERS LONG AND 600 METERS WIDE; 2) USED BY ABOUT 60 HELICOPTERS AND 2,500 PERSONNEL FROM THE FUTENMA AIR STATION; AND 3) CONSTRUCTED EITHER BY THE QIP METHOD OR THE PONTOON FORMULA.

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USIA

FOR: USIA D/P, I/GEA, I/REF, I/REFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

THE GOVERNMENT'S PLAN WILL BE JUDGED IN THE UPCOMING NAGO CITY REFERENDUM. NAGO MAYOR TETSUYA HIGA HAS REMARKED, "I WOULD LIKE TO MAKE A DECISION ON THE HELIPORT PROJECT BASED ON WHAT WILL COME OUT OF THE REFERENDUM." OKINAWA GOVERNOR MASAHIRO OTA HAS ALSO INDICATED THAT HE WOULD MAKE UP HIS MIND AFTER SEEING THE PLEBISCITE. IN ADDITION, THE GOVERNMENT HAS REVEALED, "WE WILL NOT PUSH AHEAD WITH THE PROJECT BY JUMPING OVER THE HEAD OF THE PREFECTURE AND PEOPLE THERE" (CHIEF CABINET SECRETARY KANEZO MURAOKA).

A DOMINANT VIEW IN THE GOVERNMENT IS: "LOCAL OPPOSITION IS EXTREMELY STRONG. THE OVERALL CONDITION IS GLOOMY." FURTHERMORE, SEVERE ANALYSIS WAS MADE IN A SESSION HELD AT THE PRIME MINISTER'S OFFICIAL RESIDENCE ON THE 26TH TO DISCUSS AN OKINAWA REVITALIZATION PACKAGE AMONG CHIEF CABINET SECRETARY MURAOKA, PRIME MINISTERIAL ASSISTANT YUKIO OKAMOTO AND OTHER RELEVANT MEMBERS.

IN CASE THE HELIPORT PROJECT IS VOTED DOWN IN THE REFERENDUM, CHANCES ARE EXTREMELY SMALL FOR GOVERNOR OTA AND MAYOR HIGA TO MAKE FINAL DECISIONS TO ACCEPT THE PROJECT. A GOVERNMENT SOURCE HAS CATEGORICALLY REMARKED, "IN SUCH A CASE, THE FUTENMA PLAN WILL BE OVER. WE WILL NOT LOOK FOR OTHER SITE."

DEFENSE AGENCY DIRECTOR EXHORTS SDF PERSONNEL FROM OKINAWA TO PROMOTE NEW HELIPORT (MAINICHI - PAGE 1)

WITH A REFERENDUM OF LOCAL RESIDENTS BEING SCHEDULED TO

BE HELD IN THE CITY OF NAGO IN OKINAWA PREFECTURE ON THE 21ST OF NEXT MONTH OVER THE PROPRIETY OF THE PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT IN WATERS OFF THE CITY, THE JAPAN DEFENSE AGENCY DECIDED ON THE 27TH TO DISTRIBUTE A LETTER AND A PAMPHLET IN THE NAME OF JDA DIRECTOR GENERAL FUMIO KYUMA TO ABOUT 3,000 OF ITS PERSONNEL, INCLUDING SELF-DEFENSE FORCE MEMBERS WHO WERE BORN IN OKINAWA PREFECTURE, IN ORDER TO SEEK THEIR COOPERATION IN GAINING FAVORABLE VOTES AND EXPLAIN THE CONSTRUCTION PLAN. SUCH A VOTE-HUNTING CAMPAIGN INVOLVING THE WHOLE OF JDA'S ORGANIZATION WILL LIKELY BECOME CONTROVERSIAL, BUT THAT UNUSUAL COURSE OF ACTION TAKEN BY JDA CLEARLY SHOWS THE GOVERNMENT'S SENSE OF CRISIS ABOUT THE POSSIBILITY OF ITS BEING URGED TO CALL OFF THE CONSTRUCTION PLAN WITH A POSSIBLE MAJORITY OF VOTES AGAINST IT OVER THOSE FOR IT IN THE CITIZENS' VOTING.

JDA DIRECTOR GENERAL KYUMA COMMENTS: "IT'S PART OF THE GOVERNMENT'S PUBLIC RELATIONS INTENDED TO MAKE ITS COURSE OF ACTION KNOWN TO THE PUBLIC, AND I DON'T THINK IT CORRESPONDS TO ANY OF POLITICAL ACTIVITIES (PROHIBITED BY THE SDF LAW). IN THE PAST AS WELL, THE GOVERNMENT HAS EXPLAINED ITS PLAN IN OKINAWA, AND IT CONNOTES THAT I WANT THE SDF MEMBERS TO UNDERSTAND IT AND COOPERATE."

CHIEF CABINET SECRETARY MURAOKA PROMOTES HELIPORT CONCEPT (SANKEI - PAGE 3)

A REFERENDUM IS SCHEDULED TO BE CARRIED OUT IN THE CITY OF NAGO IN OKINAWA PREFECTURE ON THE 21ST OF NEXT MONTH TO POLL THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT THERE THAT WOULD ACCOMPANY THE GENERAL REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE. ON THAT ISSUE, CHIEF CABINET SECRETARY KANEZO MURAOKA AT A PRESS CONFERENCE YESTERDAY AFTERNOON SOUGHT THE CITY'S UNDERSTANDING, REMARKING: "THINGS ARE NOW VERY DIFFICULT, BUT WE'VE BEEN ASKING FOR COOPERATION SO AS TO PROTECT (THE LOCAL COMMUNITY'S SAFETY) FROM DANGER AND (AIRCRAFT) NOISE. WE WANT THEIR UNDERSTANDING BY ALL MEANS. AT PRESENT, HELIPORT CONSTRUCTION IN NAGO CITY IS THE BEST OPTION."

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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

CONCERNING THE PLANNED CONSTRUCTION OF SUCH AN OFFSHORE HELIPORT, THE GOVERNMENT THINKS THAT "THERE IS NO MORE TIME LEFT" (ACCORDING TO A GOVERNMENT SOURCE'S ACCOUNT). ON THE 5TH OF NEXT MONTH THE GOVERNMENT WILL LAUNCH A PACKAGE OF PROMOTIONAL MEASURES FOR THE NORTHERN AREA OF OKINAWA PREFECTURE, INCLUDING NAGO CITY, AND ON THE 6TH CHIEF CABINET SECRETARY MURAOKA WILL VISIT THERE TO EXPLAIN THE GOVERNMENT'S MEASURES.

MINSHUTO (DEMOCRATIC PARTY OF JAPAN) ADOPTS NEW SECURITY POLICY STANCE (SANKEI - PAGE 3)

THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN) YESTERDAY FINALIZED ITS BASIC SECURITY POLICY, WHICH CALLS FOR THE PROMOTION OF A UN-CENTERED DIPLOMACY THAT HAS NO MILITARY-CONTRIBUTION OPTION AND AIMS AT HAVING A SECURITY TREATY "WITHOUT THE REGULAR STATIONING OF TROOPS." THE POLICY LINE FEATURES A "PREVENTIVE DIPLOMACY" THAT WOULD STOP CONFLICT BEFORE IT BROKE OUT, AND IT ALSO CALLS FOR WIDENING (FOREIGN POLICY) SUBJECTS TO INCLUDE THE ELIMINATION OF POVERTY AND FAMINE AND THE PROTECTION OF HUMAN RIGHTS. REGARDING NATIONAL DEFENSE, THE PARTY PROPOSES THE REMOVAL OF U.S. MARINES FROM OKINAWA, BREAKING AWAY FROM DEFENSE THINKING HYPOTHESIZED ON INVASION FROM THE FORMER SOVIET UNION, AND SHIFTING INSTEAD TO A SEA- AND AIR-CENTERED DEFENSE SYSTEM.

THE POLICY STATEMENT, TITLED "BASIC SECURITY POLICY DIRECTION OF THE DEMOCRATIC PARTY OF JAPAN" WILL GO INTO THE PARTY'S CONCEPTS FOR ADMINISTERING THE GOVERNMENT TO BE COMPILED NEXT JANUARY. THE PARTY'S GOAL IS TO ELIMINATE A BUREAUCRACY-DRIVEN DIPLOMACY AND CONSTRUCT A MULTIPLE-LAYERED DIPLOMATIC AND SECURITY SYSTEMS BASED ON ITS "GLOBAL CITIZENSHIP CONCEPT" THAT TAPS NON-GOVERNMENT ORGANIZATIONS (NGOS), POLITICAL PARTIES, LAWMAKERS, INDUSTRIES, AND PRIVATE-SECTOR THINK TANKS.

IN THE SECTION ON DEFENSE POLICY, THE PAPER CALLS FOR ENHANCING THE FUNCTIONS OF THE JOINT STAFF COUNCIL OF THE SELF-DEFENSE FORCES. AT THE SAME TIME, IT SUGGESTS IT BE MADE OBLIGATORY FOR THE GOVERNMENT TO OBTAIN DIET APPROVAL IN OPERATING THE NEW JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, AS WELL AS TO NULLIFY SOME PARTS OF THEM IF DIET APPROVAL IS NOT OBTAINED WITHIN A CERTAIN PERIOD OF TIME.

PRIME MINISTER WILL GIVE COPS SPEECH IN KYOTO ON DECEMBER 8 (SANKEI - PAGE 3)

CHIEF CABINET SECRETARY KANEZO MURAOKA, AT A PRESS CONFERENCE HELD YESTERDAY AFTERNOON, REVEALED THAT PRIME MINISTER RYUTARO HASHIMOTO WOULD GIVE A SPEECH ON THE MORNING OF THE 8TH AT THE "KYOTO CONFERENCE ON PREVENTION OF GLOBAL WARMING" (COP3), WHICH WILL OPEN ON DECEMBER 1.

THE CONFERENCE WILL TAKE PLACE FROM DECEMBER 1 TO 10 AT THE KYOTO INTERNATIONAL HALL IN SAKYO WARD, KYOTO.

ACCORDING TO THE MINISTRY OF FOREIGN AFFAIRS (MOFA), 132 COUNTRIES HAVE NOW CONVEYED THEY WOULD SEND DELEGATIONS COMPRISING OF ENVIRONMENT MINISTERS AND OTHER OFFICIALS. COSTA RICA, NAURU, AND THE MARSHALL ISLANDS WILL DISPATCH THEIR PRESIDENTS. THE NUMBER OF PARTICIPANTS WILL TOTAL SOME 7,000 INCLUDING THOSE CONNECTED TO NON-GOVERNMENT ORGANIZATIONS AND THE PRESS.

FOLLOWING A PREPARATORY MEETING ON NOVEMBER 30, THE CONFERENCE WILL PICK ENVIRONMENT DIRECTOR GENERAL HIROSHI OKI AS CHAIRMAN AT THE OPENING CEREMONY ON DECEMBER 1, AND THERE FOREIGN MINISTER KEIZO OBUCHI WILL GIVE A SPEECH. THE CLIMAX OF THE CONFERENCE WILL BE CABINET MINISTER-LEVEL TALKS STARTING ON THE 8TH. THERE, FINAL NEGOTIATIONS WILL BE CARRIED OUT. AND ON THE AFTERNOON UNCLAS SECTION 06 OF 06 TOKYO 010293

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 28

OF THE 10TH, THE CONFERENCE WILL ADOPT AN AGREEMENT.

LDP TAX PANEL PLANS TO ACTIVATE TAX SYSTEM, FOCUSING ON LAND, TO STABILIZE FINANCIAL SYSTEM
(NIHON KEIZAI - TOP PLAY)

THE LIBERAL DEMOCRATIC PARTY (LDP) TAX SYSTEM RESEARCH COUNCIL (CHAIRMANED BY YOSHIRO HAYASHI) YESTERDAY ENTERED FINAL COORDINATION WITH THE POSSIBILITY OF FREEZING THE LAND-VALUE TAX (ZERO TAX RATE) IN THE FY1998 TAX REFORM PACKAGE. THE JUDGMENT IS THAT THE LAND-VALUE TAX IS A SYMBOL IN SOLVING LAND-RELATED PROBLEMS, WHICH LIE AT THE BASIS OF UNCERTAINTY OVER THE FINANCIAL SYSTEM AND THE BELEAGUERED ECONOMY. IN THE MEANTIME, IN AN INTERVIEW WITH THE NIHON KEIZAI SHIMBUN, FORMER PRIME MINISTER KIICHI MIYAZAWA, WHO HAS TAKEN OFFICE AS CHIEF OF THE LDP'S EMERGENCY FINANCIAL SYSTEM STABILIZATION MEASURES HEADQUARTERS, PROPOSED EASING LAND AND SECURITIES-RELATED TAX SYSTEMS, SUCH AS THE LAND-VALUE TAX, THE LAND TRANSFER PROFITS TAX AND THE SECURITIES AND TRADING TAX. AT THE SAME TIME, HE CLARIFIED HIS VIEW THAT IT IS ABSOLUTELY NECESSARY TO DECIDE ON THE INFUSION OF FISCAL FUNDS FOR THE LIQUIDATION OF FAILED FINANCIAL INSTITUTIONS.

FORMER PRIME MINISTER MIYAZAWA CALLS FOR FISCAL POLICY USE TO CLEAN UP BAD LOANS MESS (NIHON KEIZAI - TOP PLAY)

REFERRING TO ECONOMIC MEASURES IN AN INTERVIEW WITH THE NIHON KEIZAI SHIMBUN, FORMER PRIME MINISTER KIICHI MIYAZAWA (CHIEF OF THE LDP EMERGENCY FINANCIAL SYSTEM STABILIZATION MEASURES HEADQUARTERS) POINTED OUT, "IF THE ASSETS HELD BY FINANCIAL INSTITUTIONS ARE DULY APPRAISED, THEY DO NOT HAVE TO BE SO EXTREME IN HOLDING BACK ON PROVIDING LOANS. I THINK THE SOLUTION IS THE TAX SYSTEM APPLIED TO REAL ESTATE AND STOCKS." HE THEN UNDERScoreD THE NEED TO (1) FREEZE OR SCRAP THE LAND-VALUE TAX; (2) REDUCE THE LAND TRANSFER PROFITS TAX; AND (3) DO AWAY WITH THE SECURITIES AND TRADING TAX. AS TO THE DISPOSAL OF NONPERFORMING LOANS HELD BY FINANCIAL INSTITUTIONS, HE REVEALED HIS VIEW THAT THE NATION SHOULD BE PREPARED FOR THE INJECTION OF FISCAL FUNDS FROM THE GENERAL ACCOUNT IN THE END, BY SAYING, "WHEN WE ARE ENTERING THE AGE OF BIG-BANG FINANCIAL DEREGULATION, THE INDUSTRY CIRCLES ARE LIMITED IN THE AMOUNTS OF BURDEN THEY CAN TAKE OVER FROM OTHER COMPANIES. THE GOVERNMENT HAS TO BEAR THE TACKLING OF THE AFTERMATH OF THE ECONOMIC BUBBLE." CRANE

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