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001. cable	Re: Japan-U.S. / Security Relations (4 pages)	12/05/1997	P1/b(1)
002. cable	Re: Japan-U.S. / Okinawa Base Issues (3 pages)	12/08/1997	P1/b(1)
003. cable	Re: National Update (Executive Edition) (12 pages)	12/10/1997	P1/b(1)

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[12/05/1997 - 12/11/1997]

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
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]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO0495 3390433-UUUU--RHEHAAA.
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LINE3: O 050433Z DEC 97
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ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 3977
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INFO: RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
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RUEKJCS/JOINT STAFF WASHDC//J5//
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RUEAWJA/USDOJ WASHDC
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 5

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 09 TOKYO 010495

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 DECEMBER 5

TOP HEADLINES:

ASAHI: FUYO GROUP WILL GIVE FULL SUPPORT TO YASUDA TRUST
BANK ON CONDITION OF DRASTIC RESTRUCTURING;
REORGANIZATION OF "FINANCIAL BUSINESSES"; HOLDING
COMPANIES ENVISIONED

NIHON KEIZAI: YASUDA TRUST BANK WILL WITHDRAW FROM

OVERSEAS BUSINESS; TO CONSTRAIN DOMESTIC LOANS; NEW STREAMLINING STEPS; THREE FIRMS OF THE FUYO GROUP CONSIDERING ADDITIONAL CAPITAL INCREASE

TOKYO SHIMBUN: DEREGULATION SUBCOMMITTEE'S FINAL REPORT; TO ESTABLISH PRIVATE-SECTOR SURVEILLANCE COMMITTEE TO PROMOTE (IMPLEMENTATION); LIBERALIZATION OF RETAIL SALE OF ELECTRICITY; LOWERING OF AGE OF THOSE ELIGIBLE TO GO TO UNIVERSITIES; EXPANSION OF COMPETITIVE BIDDING FOR CONSTRUCTION WORKS PROJECTS

MAINICHI: CENTRAL LABOR COUNCIL COMPILES FINAL REPORT THAT STATES DRASTIC RECONSIDERATION OF LABOR STANDARD LAW; BROADENING OF APPLICATION OF "SYSTEM OF RESULTS-ORIENTED EVALUATION"; DISCRETIONARY EVALUATION SYSTEM FOR LABOR ON CONDITION THAT LABOR AND MANAGEMENT WILL HOLD CONSULTATIONS

YOMIURI: CENTRAL LABOR COUNCIL'S FINAL REPORT; DISCRETIONARY EVALUATION SYSTEM TO EXPAND TO INCLUDE WHITE-COLLAR WORKERS; LEGAL RESTRICTIONS ON "OVERTIME WORK"; EMPHASIS PLACED ON RESULTS, NOT ON WORKING HOURS (ARTICLE IN ENGLISH ED.)

SANKEI: ADMINISTRATIVE REFORM COMMITTEE'S DEREGULATION SUBCOMMITTEE COMPILES FINAL REPORT; PROPOSAL FOR LIBERALIZATION OF RETAIL SALE OF ELECTRICITY; PROMOTION OF ENTRANCE INTO UNIVERSITIES IN AUTUMN; RESALE SYSTEM WILL AGAIN BE DISCUSSED EARLY NEXT WEEK

DEREGULATION PANELQS 3-YEAR PLAN INCLUDES CALL FOR LIBERALIZATION OF ELECTRIC POWER INDUSTRY (NIHON KEIZAI - PAGE 1)

THE SUBCOMMITTEE ON DEREGULATION (HEADED BY YOSHIHIKO MIYAUCHI) OF THE ADMINISTRATIVE REFORM COMMITTEE (CHAired BY YOTARO IIDA) ON THE 4TH RELEASED ITS FINAL REPORT URGING THE GOVERNMENT TO EASE RESTRICTIONS (ON THE ECONOMY). THE PANEL HAS PROPOSED RELAXING REGULATIONS FOR 17 AREAS INCLUDING LIBERALIZATION OF RETAIL SALES OF ELECTRICITY, PROMOTION OF ADMISSION TO COLLEGE IN THE FALL, AND RELAXATION OF RULES FOR APPLICATIONS TO START STEVEDORING SERVICES. THE PANEL ALSO HAS URGED THE GOVERNMENT TO FORMULATE A THREE-YEAR PLAN WITHIN THIS FISCAL YEAR IN PLACE OF THE EXISTING DEREGULATION PROMOTION PROGRAM, WHICH WILL BE CONCLUDED IN NEXT MARCH. THE ADMINISTRATIVE REFORM COMMITTEE WILL INCLUDE THOSE DEREGULATORY MEASURES IN ITS FINAL RECOMMENDATION REPORT, WHICH WILL BE SUBMITTED TO THE GOVERNMENT IN MID-DECEMBER.

-- MAJOR DEREGULATORY MEASURES OF SUBCOMMITTEE'S REPORT

FINANCIAL SECTOR:- TOTALLY LIFTING BAN ON TRUST SERVICES BY ORDINARY BANKS.- LIBERALIZING SALES OF NON-LIFE INSURANCE PRODUCTS.MEDICAL AND WELFARE:- ALLOWING PRIVATE BUSINESSES TO RUN NURSING HOMES FOR THE ELDERLY.EDUCATION:- PROMOTING FALL ADMISSIONS TO

COLLEGES.ENERGY:- LIBERALIZING RETAIL SALES OF ELECTRICITY.

TRANSPORT:- INTRODUCING A NEW SYSTEM FOR FILING APPLICATIONS FOR LAUNCHING STEVEDORING SERVICES, WHILE SCRAPPING THE EXISTING LICENSING SYSTEM (SUPPLY-DEMAND ADJUSTMENT SYSTEM).PUBLIC WORKS:- EXPANDING APPLICATION UNCLAS SECTION 02 OF 09 TOKYO 010495

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 DECEMBER 5

OF COMPETITIVE BIDDING TO PUBLIC WORKS PROJECTS OVER THE LONG TERM.

DEREG PANELQS 26 PROPOSALS INCLUDE EXPANDED OPEN COMPETITIVE BIDDING FOR PUBLIC WORKS (MAINICHI - PAGE 1)

THE DEREGULATION SUBCOMMITTEE UNDER THE GOVERNMENT-SPONSORED ADMINISTRATIVE REFORM COMMITTEE (ARC) (CHAIRER BY YOSHIHIKO MIYAUCHI, PRESIDENT OF ORIX) YESTERDAY COMPILED ITS FINAL REPORT ON ADMINISTRATIVE AREAS WHERE DEREGULATION SHOULD BE PROMOTED, INCLUDING EXPANSION OF THE SCOPE OF PUBLIC WORKS PROJECTS SUBJECT TO OPEN PUBLIC-BIDDINGS. IN VIEW OF THE ARC DISSOLVING IN THE MIDDLE OF THIS MONTH, THE PANEL REQUESTED THE SETTING UP OF A PRIVATE-SECTOR-LED MONITORING ORGAN. NO CONCLUSION WAS REACHED ON THE ISSUE OF REVIEWING THE RESALE PRICE MAINTENANCE SYSTEM APPLIED TO COPYRIGHT PRODUCTS, INCLUDING NEWSPAPERS. NEGOTIATIONS WILL RESUME ON THE 8TH.

THE REPORT POINTS OUT THAT "DANGO (RIGGED BIDDING) AND EXCESSIVELY PREFERENTIAL TREATMENT OF LOCAL COMPANIES HAVE GIVEN RISE TO THE HIGH-COST STRUCTURE" IN THE PUBLIC WORKS PROJECT SECTOR. AS ITEMS FOR CONSIDERATION THE PANEL MADE THE FOLLOWING PROPOSALS: (1) POSITIVE INTRODUCTION OF A "COMPREHENSIVE EVALUATION METHOD," WHICH TAKES INTO ACCOUNT TECHNOLOGY COMPETITIVENESS, INSTEAD OF ADOPTING IN PRINCIPLE THE "AUTOMATIC BIDDING SYSTEM," UNDER WHICH A BIDDER WHO OFFERED THE LOWEST PRICE OBTAINS CONTRACTS; (2) CURRENTLY THE OPEN PUBLIC-BIDDING SYSTEM IS APPLIED TO PUBLIC WORKS PROJECTS WORTH MORE THAN A CERTAIN FIXED AMOUNT ALONE, BUT THE SCOPE OF SUCH SHOULD BE EXPANDED; (3) ESTIMATED PRICES ARE NOT PUBLICIZED NOW, BUT THEY SHOULD BE MADE PUBLIC AT A PROPER TIME, WHICH INCLUDES BEFORE BIDDING, TOO; (4) THE SCRAPPING OF THE MINIMUM PRICE LIMIT SYSTEM; AND (5) A

REVIEW OF THE PRESENT METHOD OF RANKING DESIGNATED COMPANIES, WHICH IS BASED ON THE AMOUNTS OF ORDERS THEY RECEIVED, BY REFLECTING TECHNICAL DIFFICULTY IN THE SYSTEM.

AIM OF DEREGULATION REPORT IS TO RID JAPAN OF CONVOY-FORMULA ADMINISTRATION OF THE ECONOMY (YOMIURI - PAGE 8)

THE DEREGULATION SUBCOMMITTEE UNDER THE GOVERNMENT'S ADMINISTRATIVE REFORM COMMITTEE YESTERDAY COMPILED ITS FINAL REPORT. THE REPORT IS DESIGNED TO CARRY OUT SWEEPING DEREGULATIONS REGARDING SO-CALLED REGULATED INDUSTRY AREAS WHERE THE GOVERNMENT'S "CONVOY" ADMINISTRATION IS PRONOUNCED. THE REPORT REFLECTS THE JUDGMENT THAT DOMESTIC COMPANIES ARE NOW CHALLENGED BY MEGA-COMPETITION WHETHER THEY LIKE IT OR NOT; UNDER SUCH CIRCUMSTANCES CONVOY ADMINISTRATION, WHICH CONTROLS THE MARKET WITH VARIOUS REGULATIONS THAT ARE ONLY VALID DOMESTICALLY, IS NO LONGER POSSIBLE.

AREAS THAT ARE INCLUDED IN THE REPORT AND DEEMED TO HAVE A MAJOR IMPACT ON THE BUSINESS COMMUNITY ARE A REVIEW OF THE BIDDING METHOD FOR PUBLIC WORKS PROJECTS, THE EASING OF RESTRICTIONS ON ENTRY INTO THE CARGO-HANDLING INDUSTRY, THE LIBERALIZATION OF THE ELECTRIC POWER RETAILING INDUSTRY AND A TOTAL REMOVAL OF A BAN ON BANKS FROM ENGAGING IN TRUST SERVICES.

WHAT IS COMMON TO THEM IS THE IDEAL THAT "SURVIVAL OF THE FITTEST IN THE MARKET," BASED ON COMPANIES' OWN RESPONSIBILITY, "WILL ENHANCE INDUSTRIAL EFFICIENCY AND GIVE RISE TO ECONOMIC DEVELOPMENT" (YOSHIHIKO MIYAUCHI, CHAIRMAN OF THE SUBCOMMITTEE AND PRESIDENT OF ORIX CORP.

HOWEVER, EVALUATION OF THE REPORT IS COMPLEX, REFLECTING THE POSITION EACH INDUSTRY IS PLACED IN. A DEEP-SEATED VIEW ON THE PROPOSED TOTAL LIFTING OF A BAN ON ORDINARY BANKS FROM ENGAGING IN TRUST SERVICES IS CAUTIOUS IN THE UNCLAS SECTION 03 OF 09 TOKYO 010495

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 DECEMBER 5

TRUST BANKING INDUSTRY WITH TOYOJI NAKANO, PRESIDENT OF MITSUBISHI TRUST AND BANKING COMMENTING, "GIVEN THE SPECIAL NATURE OF THE BUSINESS, REQUIREMENT FOR HIGH AND UNIQUE MANAGEMENT SKILLS AND THE RELATIONSHIP OF TRUST

WITH CUSTOMERS, IT IS A TYPE OF JOB THAT CANNOT BE DONE BY ORDINARY BANKS AS A SIDE JOB." IN THE MEANTIME, ORDINARY BANKS, FOR WHICH THE REMOVAL OF THE BAN WILL LEAD TO THEIR BUSINESS TERRITORY, TAKE THE STAND: "FROM THE VIEWPOINT OF CONSUMER CONVENIENCE, WE REGARD THE DETAILS OF (THE PROPOSED DEREGULATION) AS VERY PROPER" (LEADING CITY BANK).

CRITICISM WAS ALSO HEARD THAT THE REPORT, WHOSE VIEWPOINT EXCESSIVELY LEANS TOWARD ECONOMIC RATIONALITY, DOES NOT TAKE INTO CONSIDERATION ACTUAL PROBLEMS THAT WILL BE CAUSED AS A RESULT OF DEREGULATION.

IN IMPLEMENTING DEREGULATORY STEPS, THERE ARE MANY TASKS THAT HAVE TO BE STUDIED FROM A MULTIPLE VIEWPOINT IN ORDER TO HAVE SUSTAINABLE DEVELOPMENT OF THE JAPANESE ECONOMY SET IN MOTION, TOO. (REPORTER EIJI HIROSE)

PRIME MINISTER RELIED ON SHADOW SHOGUN TAKESHITA IN COORDINATING ADMINISTRATIVE REFORM
(NIHON KEIZAI - PAGE 2)

"IT APPEARS THAT DAIZAWA EXERTED HIS INFLUENCE AFTER ALL" --. THE HASHIMOTO ADMINISTRATIVE REFORM PROJECT TEAM MANAGED TO ADOPT A FINAL REPORT OF THE CONFERENCE OF ADMINISTRATIVE REFORM AFTER EXPERIENCING AN UPHILL BATTLE. BUT AIDES TO PRIME MINISTER HASHIMOTO POINT TO THE PRESENCE OF FORMER PRIME MINISTER TAKESHITA AS "BEHIND-THE-SCENE" LEADER IN LAST-MINUTE COORDINATION WORK.

ON THE NIGHT OF THE 2ND, WHEN NEGOTIATIONS ENTERED THE HOME STRETCH WITHIN THE GOVERNMENT AND RULING PARTIES OVER STUMBLING ISSUES, INCLUDING WHETHER TO SPLIT THE FINANCIAL AND FISCAL FUNCTIONS FROM MINISTRY OF FINANCE (MOF), MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL OZATO, CHIEF CABINET SECRETARY MURAOKA AND DEPUTY CHIEF CABINET SECRETARY NUKAGA CALLED ON TAKESHITA AT HIS RESIDENCE IN DAIZAWA, TOKYO. RETURNING TO THE PRIME MINISTER'S RESIDENTIAL OFFICE LATE AT NIGHT OF THE DAY, OZATO AND NUKAGA HAD A TETE-A-TETE, WITH SECRETARIES TO THE PRIME MINISTER ALSO INCLUDED. OBSERVATIONS ARE RIFT AMONG THOSE CLOSE TO THE PRIME MINISTER THAT "FREQUENTLY MAKING CONTACT OVER THE PHONE, THE PRIME MINISTER APPARENTLY WAS ADVISED BY MR. TAKESHITA ON SIDESTEPPING A DECISION ON MOF REFORM."

THE PRIME MINISTER ASKED FOR TAKESHITA'S ADVICE OVER THE PHONE ON EVERY OCCASION, SUCH AS AN AGREEMENT ON THE REVERSION OF U.S. MILITARY FUTENMA AIR STATION AND THE HOSTAGE SEIZURE INCIDENT AT THE AMBASSADOR'S OFFICIAL RESIDENCE IN PERU. ON THE ISSUE OF INJECTION OF PUBLIC FUNDS, HE SOLICITED FORMER PRIME MINISTER MIYAZAWA FOR HIS INSTRUCTION. REFLECTING HIS LEADERSHIP WEAKENING SINCE THE FAILURE IN THE EARLIER CABINET RESHUFFLE, THE PRIME MINISTER APPEARS TO BE DEPENDENT ON THE DOYENS."

DIET EXPECTED TO MOVE SMOOTHLY AND PASS KEY LEGISLATION

THANKS TO PLIANT OPPOSITION (NIHON KEIZAI - PAGE 2)

IT HAS NOW BECOME LIKELY THAT A BILL TO AMEND THE SAVINGS INSURANCE LAW THAT WILL ALLOW DIVERSIFIED MEANS TO SAVE TROUBLED FINANCIAL INSTITUTIONS WILL PASS THE DIET DURING THE CURRENT SESSION THAT WILL END ON THE 12TH. IN AN UPPER HOUSE DIET AFFAIRS COMMITTEE CHAIRMEN'S MEETING YESTERDAY, THE OPPOSITION CAMP ACCEPTED THE RULING CAMP'S PROPOSAL TO HOLD EXTRA UPPER HOUSE FINANCE COMMITTEE MEETINGS IN ORDER TO DISCUSS AND PASS THE BILLS. MEANWHILE, THE LOWER HOUSE DECIDED AT ITS FINANCE UNCLAS SECTION 04 OF 09 TOKYO 010495

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 DECEMBER 5

COMMITTEE DIRECTORS MEETING LATE YESTERDAY TO ADOPT THE BILL AT THE CHAIRMAN'S AUTHORITY. IN ADDITION, AN AGREEMENT WAS REACHED IN PRINCIPLE IN THE RULING CAMP TO CARRY OVER THE NON-PROFIT ORGANIZATION (NPO) BILL AND THE SPORTS PROMOTION LOTTERY (SOCCER LOTTERY) BILL TO THE NEXT DIET SESSION. AS A RESULT, THE HANDLING OF IMPORTANT BILLS IN THE LATER HALF OF THE DIET HAS GENERALLY BEEN DECIDED.

THE AMENDMENT TO THE SAVINGS INSURANCE LAW, VALID UNTIL THE END OF FISCAL 2000, IS DESIGNED TO OPEN THE WAY TO DEPOSIT INSURANCE FUNDS ASSISTANCE TO MERGERS BETWEEN TROUBLED BANKS THROUGH FINANCIAL AUTHORITIES. ALL OPPOSITION PARTIES ARE AGAINST SUCH AN APPROACH, PERCEIVING, "AMID A BATTERY OF FINANCIAL FAILURES, THE CONTENTS OF THE BILL IS NOT APPROPRIATE IN VIEW OF THE PRESENT CONDITION."

IN THE UPPER HOUSE DIET AFFAIRS COMMITTEE CHAIRMEN'S MEETING YESTERDAY, THE RULING CAMP SOUGHT THE UNDERSTANDING OF THE HEISEIKAI, A GROUP COMPOSED OF THE SHINSHINTO (NEW FRONTIER PARTY) AND THE KOMEI, ABOUT GIVING PRIORITY TO PASSING THE SAVINGS INSURANCE BILL. AT THE SAME TIME, THE RULING CAMP PROPOSED: 1) CHANGING THE NPO BILL INTO A "SPECIAL NON-PROFIT ACTIVITIES PROMOTION BILL" IN ORDER TO DISCUSS IT CAREFULLY ALONG WITH THE HEISEIKAI'S COUNTERPROPOSAL; AND 2) SPENDING ENOUGH TIME ON EDUCATION COMMITTEE SESSIONS FOR LETTING IT ALLOW TO INVITE EXPERTS TO HEAR VIEWS ABOUT THE SOCCER LOTTERY BILL.

THE ABOVE PROPOSALS INDICATE THAT THE RULING CAMP HAS NOW GENERALLY DECIDED TO CARRY OVER THE NPO AND SOCCER BILLS, ISSUES THE HEISEIKAI HAS BEEN RELUCTANT ABOUT, TO THE NEXT REGULAR DIET THAT WILL START IN JANUARY. ALSO CARRIED OVER WILL BE AN AMENDMENT TO THE DIETMEMBERS TESTIMONY LAW THAT WOULD ALLOW TELEVISION CAMERAS TO COVER DIET TESTIMONY. SUCH MEASURES FROM THE RULING CAMP HAVE HELPED THE HEISEIKAI SOFTEN ITS STANCE. IN THE END, THE HEISEIKAI GAVE ITS CONSENT TO ADOPTING THE SAVINGS INSURANCE BILL DURING THE CURRENT DIET, ONLY IF IT IS SENT TO THE UPPER HOUSE SMOOTHLY WITHOUT, FOR INSTANCE, BEING APPROVED FORCIBLY IN THE LOWER HOUSE.

IN TANDEM WITH THIS MEETING YESTERDAY, THE OPPOSITION CAMP IN THE LOWER HOUSE HELD A MEETING OF SECRETARIES GENERAL OF OPPOSITION PARTIES, EXCLUDING THE JAPAN COMMUNIST PARTY (JCP). IN IT, THE RULING CAMP, OUT OF CONSIDERATION TO THE SHINSHINTO'S CALL FOR REVISING THE SAVINGS INSURANCE BILL FITTING THE REALITY, PROPOSED LAUNCHING A DISCUSSION BODY BETWEEN THE TWO CAMPS IN ORDER TO LOOK INTO FINANCIAL SYSTEM STABILIZATION MEASURES, AIMED AT PASSING THE BILL IN THE NEXT DIET. THE RULING CAMP URGED THE OPPOSITION CAMP TO COOPERATE FOR PASSING THE BILL IN A LOWER HOUSE FINANCE COMMITTEE SESSION.

IN RESPONSE, THE OPPOSITION CAMP SAID REGARDING SETTING UP A JOINT DISCUSSION BODY THAT IT WOULD EXCHANGE VIEWS, ALTHOUGH IT WOULD NOT BEAR JOINT RESPONSIBILITY. AS FOR THE SAVINGS BILL, THE OPPOSITION CAMP REPLIED THAT IT SHOULD BE DISCUSSED AT LOWER HOUSE FINANCE COMMITTEE SESSIONS. AT THE FINANCE COMMITTEE DIRECTORS MEETING LATE YESTERDAY, CHAIRMAN SEIICHIRO MURAKAMI DECIDED TO CARRY OUT INTERPELLATIONS AND A VOTE ON THE 5TH. ALTHOUGH THE OPPOSITION CAMP EXPRESSED RELUCTANCE ABOUT TAKING A VOTE, IT INDICATED TO ATTEND THE INTERPELLATIONS. THE SAVINGS BILL WILL BE ADOPTED LATE ON THE 5TH, IF THINGS GO SMOOTHLY. THE BILL IS EXPECTED TO PASS THE LOWER HOUSE ON THE 8TH.

KYOTO CONFERENCE ON GLOBAL WARMING: CONDITIONAL
ACCEPTANCE OF EU FORMULA IN THE WORKS (ASAHI - PAGE 2)
UNCLAS SECTION 05 OF 09 TOKYO 010495

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;
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FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 5

THE THIRD CONFERENCE OF PARTIES OF THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (KYOTO CONFERENCE FOR PREVENTION OF GLOBAL WARMING) AIMING AT CUTS IN GREENHOUSE GAS EMISSIONS, SUCH AS CARBON DIOXIDE IS NOW IN SESSION IN KYOTO. YESTERDAY JAPAN, THE UNITED STATES AND SOME OTHER COUNTRIES INFORMALLY INDICATED THEIR INTENTION OF ACCEPTING THE FORMULA (SUGGESTED BY THE EUROPEAN UNION) BUT SETTING CONDITIONS. THE FORMULA IS THAT THE EU AS A WHOLE WILL SET ITS REDUCTION TARGETS BUT TARGETS THEMSELVES WILL DIFFER, DEPENDING ON SPECIFIC EU COUNTRIES. THE CONDITION TO BE IMPOSED IS THAT IF A SINGLE COUNTRY IN THE EU IS UNABLE TO ATTAIN THE GOAL, THE EU AS A WHOLE HAS TO TAKE RESPONSIBILITY FOR IT. UNTIL RECENTLY OTHER COUNTRIES, BEGINNING WITH JAPAN AND THE U.S., HAD CRITICIZED THE "EU FORMULA" AS BEING UNFAIR, BUT NOW THEY HAVE SHIFTED THEIR ATTITUDE TOWARD ACCEPTING IT. CONSEQUENTLY DISCUSSION ON NUMERICAL EMISSION REDUCTION TARGETS, THE MAJOR POINT AT ISSUE, IS LIKELY TO MOVE PREMISED ON FOLLOWING THE EU FORMULA. HOWEVER, THE EU IS STRONGLY OBJECTING TO ANY CONDITIONS IMPOSED, SO UNCERTAINTIES STILL LIE AHEAD.

PRIOR TO FULL CONSULTATIONS ON NUMERICAL TARGETS, THE EU IS STILL INSISTING THAT EU COUNTRIES SHOULD BE HANDLED COLLECTIVELY. FOR THIS REASON, IN THE PLENARY SESSION, CHAIRMAN ESTRADA, JUDGING IT INEVITABLE THAT THE EU FORMULA MUST BE ACCEPTED IN ORDER TO REACH A CONSENSUS, INFORMALLY ASKED JAPAN, THE U.S. AND SOME OTHER COUNTRIES WHAT CONDITIONS THEY WOULD ATTACH IF THE EU FORMULA WERE ACCEPTED. THE CONDITIONS SHOWN BY JAPAN AND THE U.S. INCLUDE: 1) REDUCTION TARGETS FOR THE EU SHOULD BE SET AT HIGHER LEVELS THAN THOSE FOR COUNTRIES OTHER THAN THE EU; AND 2) IF A SINGLE COUNTRY IN THE EU IS UNABLE TO ATTAIN ITS GOAL, THE EU AS A WHOLE SHOULD TAKE A COLLECTIVE RESPONSIBILITY.

IN RESPONSE, THE EU CHARGED BOTH JAPAN AND THE U.S.: "IT IS FROM THE BEGINNING AN ARGUMENT OF NOT TRYING TO UNDERSTAND WHAT THE EUROPEAN UNION IS. IT IS TOTALLY UNACCEPTABLE" (LUXEMBOURG'S AMBASSADOR TO JAPAN GRAMEGNA). THERE ARE STILL GAPS, BUT NOW THAT JAPAN AND THE U.S., EVEN WHILE SETTING CONDITIONS, HAVE DECLARED THEIR STANCE OF ACCEPTING THE EU FORMULA, COORDINATION THAT WILL BEGIN FROM NOW ON WILL LIKELY BE MADE, ENVISIONING THAT SOLUTION.

POSTS MINISTRY CHARTS NTTQS RESTRUCTURING COURSE FOR 1999
(MAINICHI - PAGE 9)

THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT) YESTERDAY DECIDED TO WORK OUT A FRAMEWORK FOR REORGANIZING NTT, SCHEDULED FOR 1999. IN RESPONSE, NTT WILL START WORK ON MAPPING OUT A RESTRUCTURING AND IMPLEMENTATION PLAN. STEPS FOR LIBERALIZATION HAVE BEEN TAKEN IN SUCCESSION IN THE JAPANESE TELECOMMUNICATIONS MARKET, SUCH AS AN AMENDMENT TO THE TELECOMMUNICATIONS BUSINESS LAW. RESTRICTIONS ON FOREIGN CAPITAL ALSO WILL

BE SCRAPPED NEXT JANUARY. ON THE HEELS OF SUCH CHANGES, COMPETITION ACROSS NATIONAL BORDERS WILL SOON BE HEATING UP. REGARDING THE NTT REFORM SCHEME, VIEWS HAVE BEEN EXPRESSED BY 23 COMPANIES, INCLUDING NEW COMMON CARRIERS. ATTENTION HAS BEEN TURNED TO WHAT MEASURES WILL COME OUT.

NTT WILL BE SPLIT INTO ONE LONG-DISTANCE CARRIER, WHICH WILL BE OPERATED AS A PRIVATE ONE, AND TWO LOCAL TELECOMMUNICATIONS CARRIERS, WHICH WILL COVER THE EASTERN AND WESTERN PARTS OF THE NATION, UNDER THE HOLDING-COMPANY SYSTEM. MPT RELEASED A DRAFT FOR SPECIFIC MEASURES IN OCTOBER. NEW COMMON CARRIERS HAD CALLED FOR MAKING CONDITIONS FOR CONNECTING THEIR LINES TO NTT NETWORKS MORE TRANSPARENT, BUT SUCH VIEWS WERE NOT REFLECTED IN THE DRAFT.

UNCLAS SECTION 06 OF 09 TOKYO 010495

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 DECEMBER 5

NTT WILL PRODUCE A RESTRUCTURING-IMPLEMENTATION PLAN NEXT YEAR AND FORMALLY ADOPT THE PLAN AT A STOCKHOLDERS' GENERAL MEETING IN 1999. NEW COMMON CARRIERS HAVE TAKEN THE SCHEME AS "BREAKING UP THE NTT GIANT", WHICH HAS BY FAR THE COMPETITIVE EDGE, WHILE NTT HAS VIEWED (ACCEPTANCE OF THE BREAK-UP PROPOSAL) AS "A MEANS TO INITIATE INTERNATIONAL TELECOMMUNICATIONS SERVICES. A PERCEPTION GAP IS EVIDENT BETWEEN THE TWO SIDES.

VIEWS OF 23 COMPANIES ON NTT REORGANIZATION AND MPT'S REPLIES

VIEWS

BAN EXECUTIVES OF HOLDING COMPANIES AND THE REGIONAL AND LONG-DISTANCE CARRIERS FROM ASSUMING ANOTHER POST AT THE OTHER CARRIERS.

REPLIES

SUCH A PRACTICE IS BANNED BETWEEN THE REGIONAL AND LONG-DISTANCE CARRIERS, BUT IS ALLOWED BETWEEN HOLDING COMPANIES AND THE REGIONAL CARRIER AND BETWEEN HOLDING COMPANIES AND THE LONG-DISTANCE CARRIER.

PROHIBIT PROCUREMENT OF MATERIALS JOINTLY BY MATERIALS WILL NOT BE JOINTLY PROCURED.

HOLDING COMPANIES, THE
REGIONAL AND LONG-
DISTANCE CARRIERS.

BAR THE LONG-DISTANCE CARRIER FROM ENTRUSTING ITS BUSINESS ACTIVITIES TO THE LOCAL CARRIERS. THE PRACTICE OF ENTRUSTING SALES ACTIVITIES SHOULD NOT BE PROHIBITED IN ORDER TO KEEP THE BENEFIT OF CUSTOMERS.

BAN JOINT ADVERTISEMENT AND THE USE OF NTT BRANDS, SUCH AS LOGO MARKS (AMONG THE THREE ENTITIES). THE REGIONAL CARRIERS SHOULD NOT USE ADVERTISEMENT FOR THE LONG-DISTANCE CARRIER. THE USE OF LOGO MARKS IS A MATTER OF GENERAL TRANSACTIONS.

ESTABLISH IN MPT A CONTACT OFFICE TO ACCEPT COMPLAINTS AND INQUIRIES IN ORDER TO SECURE FAIR COMPETITION. A CONTACT OFFICE WILL BE SET UP IN MPT.

LDP POLL IN NAGO CITY SHOWS ONLY 33 PERCENT FAVORING HELIPORT CONSTRUCTION (SANKEI - PAGE 3)
THE LIBERAL DEMOCRATIC PARTY (LDP), IN ORDER TO QUERY OPINION IN NAGO CITY TOWARD THE PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT TO ACCOMPANY THE REVERSION OF FUTENMA AIR STATION IN OKINAWA PREFECTURE, CARRIED OUT A TELEPHONE QUESTIONNAIRE SURVEY OF 400 ELIGIBLE VOTERS IN THAT CITY, PRIOR TO ITS CITIZENS' REFERENDUM ON THE 21ST. IT WAS DISCOVERED YESTERDAY THAT THOSE AGAINST THE HELIPORT, INCLUDING CONDITIONALLY, REACHED 61 PERCENT (OF THOSE SURVEYED).

THE POLL WAS CARRIED OUT BETWEEN LATE LAST MONTH AND EARLY THIS MONTH, TARGETING 200 MEN AND 200 WOMEN. THOSE OBJECTING TO THE PLAN NUMBERED 196 PERSONS; THOSE CONDITIONALLY OPPOSING IT TOTALED 46. THOSE APPROVING THE PLAN NUMBERED 32; THOSE CONDITIONALLY APPROVING IT TOTALED 99. THOSE 131 PERSONS MADE UP 33 PERCENT OF THE WHOLE. THERE WERE 27 PERSONS UNDECIDED.

GOVERNMENT READY TO PUMP 150 BILLION YEN INTO 5 OKINAWA PROJECTS, INCLUDING NAGO CITY (YOMIURI - PAGE 2)

UNCLAS SECTION 07 OF 09 TOKYO 010495

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 DECEMBER 5

THE GOVERNMENT ON THE 4TH WORKED OUT A PACKAGE OF PROMOTIONAL MEASURES FOR THE NORTHERN AREA OF OKINAWA PREFECTURE. THE PACKAGE IS MADE UP OF TWO PORTIONS, LAUNCHING A VISION OF DEVELOPMENT FOR THE ISLAND PREFECTURE'S NORTHERN PART AND SPECIFIC BACKUP MEASURES FOR THE CITY OF NAGO ON THE PREMISE OF THE CITY'S ACCEPTING THE GOVERNMENT-PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT AS AN ALTERNATIVE FACILITY FOR THE U.S. FORCES' FUTENMA AIR STATION. THE PACKAGE PRESENTS FIVE PROJECTS TO NAGO CITY, INCLUDING A PLAN TO REDEVELOP ITS URBAN BLOCS. COSTS FOR THOSE PROJECTS ARE ESTIMATED TO TOTAL APPROXIMATELY 150 BILLION YEN, A GOVERNMENT SOURCE SAYS. ON THE 6TH, CHIEF CABINET SECRETARY MURAOKA IS EXPECTED TO BRIEF THE LOCAL MUNICIPALITIES CONCERNED DURING HIS VISIT TO NAGO CITY ON THE PORTION OF PROMOTIONAL MEASURES RELATING TO THE CABINET COUNCILORS' OFFICE ON INTERNAL AFFAIRS. ON THE 8TH, HOKKAIDO/OKINAWA DEVELOPMENT AGENCY DIRECTOR GENERAL SUZUKI IS ALSO GOING TO GIVE EXPLANATIONS THERE TO THE LOCAL COMMUNITIES ABOUT THOSE RELATED TO THE OKINAWA DEVELOPMENT AGENCY.

IN ITS PACKAGE OF PROMOTIONAL MEASURES FOR THE CITY OF NAGO, THE GOVERNMENT MAKES IT CLEAR THAT SUCH PROMOTIONAL MEASURES ARE PREMISED ON THE MATERIALIZATION OF HELIPORT CONSTRUCTION, NOTING: "WHEN AN OFFSHORE HELIPORT IS ACTUALLY CONSTRUCTED THERE, THE GOVERNMENT WILL THEN HAVE TO ASK THE LOCAL COMMUNITY TO TAKE ON AN ADDITIONAL BURDEN. SO, THE GOVERNMENT WILL TACKLE SOME OTHER MEASURES FROM THE PERSPECTIVE OF THE WHOLE NATION'S SHARING THAT BURDEN." BASED ON THIS STANCE, THE GOVERNMENT, IN ADDITION TO URBAN REDEVELOPMENT, POINTS OUT: (1) IMPROVING PORT-HARBOR FACILITIES LOCATED ALONG THE BAY OF NAGO; (2) IMPROVING OR ESTABLISHING PUBLIC FACILITIES IN AREAS ALONG THE BAY OF OURA; (3) SETTING UP A NORTHERN COMMUNITY CENTER FOR WOMEN, ELDERLY CITIZENS, AND YOUTHS; AND (4) CARRYING OUT A "CITY PORT" PROJECT.

GOVERNMENT RULES OUT DIET APPROVAL FOR DISPATCHING SDF TROOPS TO REGIONAL EMERGENCY (TOKYO SHIMBUN - PAGE 1)

THE GOVERNMENT DECIDED ON THE 4TH TO GO AHEAD WITH LEGAL CONSOLIDATION, INCLUDING THE OPTION OF REVISING THE SELF-DEFENSE FORCES LAW, WHILE THINKING THAT THERE IS NO NEED TO GO THROUGH ANY PROCEDURES FOR DIET APPROVAL WHEN ORDERING THE SDF TO GIVE REAR AREA SUPPORT TO U.S. ARMED FORCES OR RESCUE JAPANESE NATIONALS ABROAD IN THE EVENT OF (EMERGENCY) SITUATIONS OCCURRING IN AREAS SURROUNDING JAPAN THAT ARE ANTICIPATED IN A NEWLY ADOPTED SET OF JAPAN-U.S. DEFENSE COOPERATION GUIDELINES. THE DECISION IS BASED ON A COMPREHENSIVE JUDGMENT OF SUCH ELEMENTS AS THAT CONDUCTING SUCH ACTIVITIES DURING EMERGENCIES IN AREAS AROUND JAPAN DOES NOT CORRESPOND TO THE USE OF ARMED FORCE. HOWEVER, IT MEANS THAT THE GOVERNMENT WILL BE ENABLED TO MOBILIZE THE SDF SOLELY AT ITS OWN

DISCRETION. THEREFORE, SUCH AN APPROACH WILL LIKELY BE SIGNIFICANTLY CONTROVERSIAL IN THE FUTURE PROCESS OF LEGAL CONSOLIDATION FROM THE ASPECT OF SECURING CIVILIAN CONTROL.

THE GOVERNMENT, IN PRINCIPLE, NEEDS TO OBTAIN THE DIET'S PRIOR APPROVAL FOR ITS DEFENSE OPERATION ORDERS TO THE SDF AND THE DIET'S EX POST FACTO APPROVAL FOR ITS PUBLIC SECURITY OPERATION ORDERS TO THE SDF. THE AIM IS TO APPLY CIVILIAN CONTROL STRICTLY WITH THE DIET'S APPROVAL OF DEFENSE AND PUBLIC SECURITY OPERATIONS AS THE SUPREME ORGAN OF STATE POWER IN ADDITION TO THE GOVERNMENT'S JUDGMENT.

HOWEVER, THE GOVERNMENT'S JUDGMENT IS THAT CONDUCTING SDF ACTIVITIES IN TIMES OF EMERGENCY IN AREAS AROUND JAPAN DOES NOT CORRESPOND TO THE USE OF ARMED FORCE. THE GOVERNMENT ALSO SAYS THAT THERE IS NO ANTICIPATING ANY OF SUCH SITUATIONS AS THE SDF EXTREMELY VIOLATING THE UNCLAS SECTION 08 OF 09 TOKYO 010495

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 DECEMBER 5

PEOPLE'S RIGHTS IN ITS ACTIVITIES OR IMPOSING ADDITIONAL OBLIGATIONS. FOR THIS REASON, THE GOVERNMENT HAS REACHED A CONCLUSION TO THE EFFECT THAT SUCH SDF ACTIVITIES DO NOT HAVE TO OBTAIN DIET APPROVAL AS WELL AS OFFSHORE DEFENSE ACTIVITIES AND DISASTER RELIEF ACTIVITIES AT THE TIME OF SUCH EVENTS AS EARTHQUAKES.

IN THE EVENT OF A NEIGHBORING EMERGENCY, THE SDF IS HYPOTHESIZED TO ENGAGE IN SUCH ACTIVITIES AS TO CONDUCT SEARCH AND RESCUE OPERATIONS IN JAPAN'S TERRITORY AND NEIGHBORING WATERS, CARRY OUT NONCOMBATANT EVACUATION OPERATIONS IN AFFECTED AREAS (FOR THE RESCUE OF JAPANESE NATIONALS), INSPECT SUSPICIOUS SHIPS AT SEA, GIVE REAR AREA SUPPORT TO U.S. MILITARY OPERATIONS THROUGH SUCH SERVICES AS SUPPLY, TRANSPORTATION, AND SECURITY, AND REMOVE MINES. AMONG THOSE ACTIVITIES, IT IS NECESSARY TO REVISE THE SDF LAW SO AS TO DISPATCH SDF VESSELS FOR SHIP INSPECTIONS AND OVERSEAS JAPANESE EVACUATION OPERATIONS.

FOREIGN MINISTER OBUCHI IN OTTAWA SPEECH PLEDGES TO WORK ON U.S. TO ACCEPT ANTI-MINE TREATY (ASAHI - PAGE 3)

(OTTAWA, DECEMBER 3, HIDEO MATSUSHITA) FOREIGN MINISTER

KEIZO OBUCHI SIGNED A UNIVERSAL TREATY BANNING ANTIPERSONNEL LAND MINES (OTTAWA TREATY) AND IN HIS SPEECH GIVEN AT THE SIGNING CEREMONY, HE STATED HE WOULD WORK ON SUCH POWERS WITH LARGE LANDMINE HOLDINGS AS THE U.S., RUSSIA AND CHINA TO SCRAP THEIR LAND MINES. IT IS UNPRECEDENTED FOR JAPAN TO OPT FOR A COURSE DIFFERENT FROM THAT OF THE U.S. IN DEALING WITH PROBLEMS LINKED TO SECURITY. JAPAN'S AIM IS TO MAKE AN APPEAL BASED ON ITS UNIQUE POSITION, BACKED BY INTERNATIONAL PUBLIC OPINION PURSUING THE ELIMINATION OF LAND MINES, AS RELATIONS AMONG JAPAN, THE U.S., CHINA AND RUSSIA ARE COMING CLOSER TO EACH OTHER IN THE POST-COLD WAR PERIOD. BUT IT IS NOT AN EASY TASK TO ADJUST VIEWS WITH THE U.S. EVEN IN CONNECTION WITH LAND MINES NOW POSSESSED BY THE U.S. FORCES IN JAPAN. JAPAN'S DETERMINATION THAT HAS BEEN JUST SHOWN WILL SOON BE PUT TO THE TEST.

IN HIS SPEECH, THE FOREIGN MINISTER EMPHASIZED, "IT WAS REALLY DIFFICULT TO MAKE UP MY MIND BECAUSE THIS MATTER IS CLOSELY LINKED TO THE PROBLEM OF OUR COUNTRY'S DEFENSE." BY STEAMROLLING THE DEFENSE AGENCY (JDA) AND FOREIGN MINISTER RYUTARO HASHIMOTO, BOTH INSISTING, "LAND MINES ARE NECESSARY IN LIGHT OF DEFENSE POLICY," OBUCHI FINALLY REALIZED THE SIGNING OF THE TREATY.

WHAT HAS MADE IT POSSIBLE FOR HIM TO DO SO IS THE CHANGES IN THE SECURITY ENVIRONMENT IN EAST ASIA SURROUNDING JAPAN. EVEN THE U.S, TOO, ACKNOWLEDGES, "EXCEPT FOR THE KOREAN PENINSULA, ANTIPERSONNEL LAND MINES ARE BECOMING UNNECESSARY" (SENIOR OFFICIAL OF THE MINISTRY OF FOREIGN AFFAIRS (MOFA)).

HOWEVER, THERE IS NO CHANGE IN THE FACT THAT THE U.S. STILL TAKES A STRONG INTEREST IN MOVEMENTS OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA). THE QUESTION IS WHAT TO DO WITH LAND MINES USFJ POSSESS IN THE EVENT OF AN EMERGENCY ON THE KOREAN PENINSULA.

UNDER THE NEW JAPAN-U.S. DEFENSE COOPERATION GUIDELINES SET IN THIS SEPTEMBER BY JAPAN AND THE U.S., "TRANSPORTATION" OF WEAPONS AND MUNITIONS IS ONE OF THE AREAS FOR COOPERATION. BUT THE OTTAWA TREATY PROHIBITS "TRANSFER" OF LAND MINES AND "ASSISTANCE" FOR THE OTHER SIDE TO USE LAND MINES. IN STRICT INTERPRETATION OF THE OTTAWA TREATY, NOT ONLY THE SELF-DEFENSE FORCES BUT ALSO PRIVATE-SECTOR FIRMS AND JAPANESE EMPLOYEES CANNOT ENGAGE IN SUCH "TRANSPORTATION."

JAPAN AND THE U.S. HAVE REACHED AN AGREEMENT ON THE VIEW THAT STORING (OF LAND MINES) IS NOT IN VIOLATION OF THE UNCLAS SECTION 09 OF 09 TOKYO 010495

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 DECEMBER 5

TREATY. BUT ON THE PROBLEM OF WHETHER IT IS POSSIBLE FOR
THE JAPANESE SIDE TO TRANSPORT (LAND MINES), THE TWO
COUNTRIES HAVE CARRIED OVER A CONCLUSION, REASONING, "WE
CANNOT MAKE A JUDGMENT UNLESS THE INTERPRETATIONS OF THE
TREATY BY OTHER COUNTRIES ARE DECIDED" (SENIOR JDA
OFFICIAL). DEPENDING ON THE RESULT OF COORDINATION WITH
THE U.S., JAPAN MAY ENCOUNTER A QUESTION THAT THE
INTERNATIONAL COMMUNITY WILL POSE REGARDING CONFORMITY
WITH THE OTTAWA TREATY. CRANE

SECT: SECTION: 01 OF 09

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 8

TOP HEADLINES:

TEXT:

UNCLAS SECTION 01 OF 11 TOKYO 010531

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 DECEMBER 8

TOP HEADLINES:

ASAHI: KYOTO CONFERENCE MAY ADOPT BINDING ACTION TOWARD
COMPANIES; PRIME MINISTER TO PROPOSE SAVING ENERGY
CRITERIA FOR AUTOS AND HOME ELECTRIC APPLIANCES
(TRANSLATION BELOW)

NIHON KEIZAI: GREENHOUSE GAS EMISSION CUTS; EU -- 5 TO 10 PERCENT; JAPAN, U.S. AND OTHER COUNTRIES -- 0 - 5 PERCENT; NUMERICAL TARGETS OUTLINED; KYOTO CONFERENCE WILL HOLD CABINET-LEVEL SESSION STARTING TODAY (TRANSLATION BELOW)

TOKYO SHIMBUN: RUNS INTO A WALL DUE TO BUREAUCRATS' BEHIND-THE-SCENES MANEUVERS; PRIVATE-SECTOR MEMBERS FOR "HASHIMOTO-LED ADMINISTRATIVE REFORM PANEL" SAY, "FIRMS EARN MONEY THEMSELVES, WHILE THE GOVERNMENT SIDE BELIEVES MONEY WILL BE POURED FROM THE HEAVEN"; SPEAKING IN JARGON AND SEC RET ACTIVITY..., WHILE TEAMING UP WITH GOVERNMENT OFFICES THEY HAIL FROM

MAINICHI: LOCAL GOVERNMENT SERVANTS' EXCESSIVE BURDEN OF PREMIUMS; NOW BECOMES CUSTOMARY AMONG ALL HEALTH INSURANCE UNIONS; 107,000 YEN AS HIGHEST PREMIUM PER MEMBER; A TOTAL OF 30.8 BILLION YEN

YOMIURI: GREENHOUSE GAS PREVENTION; SAVING ENERGY AND GROWTH ARE COMPATIBLE; MINISTERS' SESSION SET FOR TODAY; PRIME MINISTER WILL DELIVER SPEECH AT KYOTO CONFERENCE

SANKEI: KOMEI GROUP WITHDRAWS ITS PLAN FOR JOINING HANDS; CONCLUSION WILL BE CARRIED OVER TO AFTER SHINSHINTO'S PRESIDENTIAL ELECTION; DEEP-SEATED DISTRUST SEEN; "SPLITTING OF THE PARTY" NOW BECOMING MORE LIKELY (TRANSLATION BELOW)

PRIME MINISTER'S COP3 SPEECH TO STRESS FORCING BUSINESS COMPLIANCE WITH GA CUT TARGETS (ASAHI - TOP PLAY) IN A SPEECH TODAY AT THE THIRD CONFERENCE OF PARTIES (COP3) ON THE UNITED NATIONS FRAMEWORK CONFERENCE ON CLIMATE CHANGE, PRIME MINISTER RYUTARO HASHIMOTO IS EXPECTED TO REVEAL A PLAN TO ESTABLISH NEW ENERGY-SAVING STANDARDS ON AUTOMOBILES AND HOME APPLIANCES AND TO APPLY ENFORCEMENT (COMPULSORY MEASURES) -- SUCH AS MAKING PUBLIC OF NAMES OF COMPANIES AND IMPOSING PENALTIES -- ON THOSE WHO FAILED TO MEET THE STANDARDS. SUCH AN APPROACH WAS DEVISED IN AN EFFORT TO ACHIEVE BOTH "PRESERVING THE GLOBAL ENVIRONMENT AND ACCOMPLISHING ECONOMIC GROWTH" (GOVERNMENT SOURCE). BY UNDERLINING THE JAPANESE GOVERNMENT'S POSITIVE STANCE TO FIGHT AGAINST GLOBAL WARMING, THE PRIME MINISTER INTENDS TO BREAK AN IMPASSE IN THE KYOTO CONFERENCE WHICH HAS BEEN AT A STANDSTILL OVER SETTING GREENHOUSE GAS REDUCTION TARGETS AND IMPOSING MANDATORY TARGETS ON DEVELOPING COUNTRIES.

PRIME MINISTER HASHIMOTO IS SCHEDULED TO DELIVER A SPEECH AT THE OUTSET OF THE MINISTERIAL-LEVEL SESSION THIS MORNING.

ACCORDING TO A GOVERNMENT SOURCE, THE PRIME MINISTER WILL CALL FOR SETTING MAXIMUM ENERGY-SAVING STANDARDS THAT ARE TECHNICALLY ATTAINABLE FROM A LONG-TERM VIEWPOINT FOR THE SAKE OF IMPROVING ENERGY EFFICIENCY.

ALTHOUGH THE PRIME MINISTER WILL NOT MENTION ANY TARGET

PERIOD, HE HAS EIGHT TO TEN YEARS IN MIND, ACCORDING TO THE GOVERNMENT SOURCE. SPECIFICALLY, JAPAN'S PLAN IS DESIGNED TO IMPOSE COMPULSORY ENERGY-SAVING TARGETS ON COMPANIES PRODUCING SUCH PRODUCTS AS AUTOMOBILES, HOME APPLIANCES AND PERSONAL COMPUTERS.

THE PRIME MINISTER WILL ANNOUNCE IMPOSING ENFORCEMENT ON UNCLAS SECTION 02 OF 11 TOKYO 010531

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 DECEMBER 8

MANUFACTURERS FOR ACHIEVING THEIR GOAL. HE WILL THEN ADD: "SETTING SUCH A RULE WILL HELP FACILITATE TECHNOLOGICAL DEVELOPMENT, PARE DOWN PRODUCTION COSTS, AND NURTURE NEW INDUSTRIES."

IN ADDITION, THE PRIME MINISTER INTENDS TO STRESS THAT NEW REGULATIONS -- NOT DESIGNED TO CONSTRAIN PRODUCTION ACTIVITIES BUT TO CREATE NEW DEMAND -- WILL HAVE A FAVORABLE EFFECT ON THE OVERALL INDUSTRIAL STRUCTURE AS WELL AS ON THE ECONOMY.

THE PRIME MINISTER WILL CALL FOR SUCH A RESTRICTIVE FRAMEWORK BY JAPAN AS WELL AS FOR SIMILAR STEPS BY DEVELOPING COUNTRIES. AT THE SAME TIME, THE PRIME MINISTER WILL TOUCH ON "FUNDS, HUMAN RESOURCES AND TECHNOLOGIES ASSISTANCE" (GOVERNMENT SOURCE).

SUCH IS TO DEMONSTRATE THAT ECONOMIC GROWTH IS ATTAINABLE UNDER STRICT STANDARDS.

THE APPROACH OF SETTING STRICT REGULATIONS WAS SUGGESTED IN A FINAL REPORT ON GREENHOUSE GAS REDUCTION DOMESTIC MEASURES PRESENTED LAST MONTH TO THE PRIME MINISTER BY THE GLOBAL WARMING JOINT CONFERENCE (CHAIRMAN BY JIRO KONDO, FORMER CHAIRMAN OF THE SCIENCE COUNCIL OF JAPAN).

IN PRINCIPLE, JAPAN IS LIKELY TO AMEND THE ENERGY SAVING LAW TO DEAL WITH CHANGES, BUT IT IS ALSO EXPECTED TO LOOK INTO NEW LEGISLATION, IF NECESSARY.

GENERAL AGREEMENT ON COP3 GAS CUT TARGETS: EU AT 5-10 PERCENT; U.S., JAPAN AT 0-5 PERCENT
(NIHON KEIZAI - TOP PLAY)

THE KYOTO CONFERENCE ON GLOBAL WARMING WILL OPEN ITS

CABINET-LEVEL SESSION TODAY AND ENTER INTO THE FINAL PHASE OF NEGOTIATIONS. PRIOR TO THAT, A GENERAL FRAMEWORK OF NUMERICAL TARGETS FOR REDUCTIONS OF GREENHOUSE GASES HAS BEEN SET. FOR INDUSTRIALIZED COUNTRIES, A "GROUP-SPECIFIC TARGET" HAS BEEN INTRODUCED WHICH WILL DIVIDE SUCH COUNTRIES INTO TWO GROUPS AND ATTACH DIFFERENT REDUCTION RATES. THE EUROPEAN UNION (EU) WILL HAVE A TARGET RANGE OF A 5 TO 10 PERCENT REDUCTION BY 2010, COMPARED TO 1990, WHILE JAPAN, THE U.S., AND THE REST OF THE INDUSTRIALIZED NATIONS WILL HAVE A 0 TO 5 PERCENT RANGE TARGET. FOR DEVELOPING COUNTRIES, IT HAS BEEN DECIDED THAT A CONFERENCE WILL BE HELD, POSSIBLY STARTING IN 1998, TO SET TARGETS FOR GREENHOUSE GAS CONSTRAINT IN THE FUTURE. WITH THE SETTING OF THE PREVIOUSLY STALLED REDUCTION TARGETS, THE MINISTERIAL SESSION WILL ENTER INTO COORDINATION ON SPECIFIC RATES OF REDUCTION FOR EACH GROUP AND ON THE TIMEFRAME FOR SETTING CONSTRAINTS ON DEVELOPING WORLD (EMISSIONS).

LDPQS YAMASAKI: JAPAN MAY SOME RESERVES, INCLUDING T-BILLS, FOR BANK BAILOUT (NIHON KEIZAI - PAGE 1)

REFERRING TO MEASURES TO STABILIZE THE FINANCIAL SYSTEM IN AN INFORMAL MEETING WITH THE PRESS CORPS IN TOKYO YESTERDAY, TAKU YAMASAKI, CHAIRMAN OF THE LIBERAL DEMOCRATIC PARTY (LDP) POLICY AFFAIRS RESEARCH COUNCIL, STATED, "I WOULD LIKE TO GET DOWN TO SPECIFICS ON THE USE OF FOREIGN EXCHANGE RESERVES. I DO NOT MEAN THAT FOREIGN EXCHANGE RESERVES SHOULD BE USED TO BAILOUT FINANCIAL INSTITUTIONS, BUT IT MIGHT BE A GOOD IDEA TO USE SUCH TO STRENGTHEN THEIR MANAGEMENT ARRANGEMENTS." HE THEN INDICATED HIS INTENTION TO INCLUDE, ONCE IT WAS DISCUSSED BY THE LDP, A MEASURE SUPPORTING JAPANESE BANKS IN SUCH A WAY INTO A PACKAGE OF MEASURES TO SUPPORT JAPANESE BANKS WHICH THE LDP IS EXPECTED TO UNVEIL ON THE 16TH, AND TO THEN ASK THE GOVERNMENT TO IMPLEMENT IT.
UNCLAS SECTION 03 OF 11 TOKYO 010531

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 DECEMBER 8

JAPAN PREMIUMS CHARGED ON JAPANESE BANKS ON OVERSEAS MARKETS ARE RISING IN THE CONTEXT OF UNCERTAINTY OVER JAPAN'S FINANCIAL SYSTEM, MAKING IT DIFFICULT FOR THEM TO PROCURE DOLLARS. YAMASAKI'S STATEMENT HAS APPARENTLY

CALLED FOR THE POSITIVE APPLICATION OF A "FOREIGN CURRENCY DEPOSITS" SYSTEM, UNDER WHICH THE GOVERNMENT SELLS PORTIONS OF THE U.S. BONDS THAT ARE IN ITS FOREIGN CURRENCY HOLDINGS AND THEN "DEPOSIT" DOLLAR CAPITAL OBTAINED THAT WAY WITH CITY BANKS, WHICH NOW FIND IT DIFFICULT TO SETTLE ACCOUNTS DUE TO A SHORTAGE OF DOLLARS.

YAMASAKI ADDED, "WHEN PRIME MINISTER RYUTARO HASHIMOTO SAID BEFORE THAT JAPAN WOULD SELL U.S. TREASURY BONDS, THE VALUE OF THE YEN ROSE IN FOREIGN EXCHANGE MARKET. SINCE THE YEN IS SO WEAK NOW, SUCH A MEASURE MAY NOT HAVE A VERY NEGATIVE IMPACT. IT MAY BE ALL RIGHT FOR THE YEN TO APPRECIATE A LITTLE. THE PROPER LEVEL (OF EXCHANGE RATE) WOULD BE 120 YEN TO THE DOLLAR."

ACCORDING TO A RELEASE BY THE FINANCE MINISTRY ON THE 1ST, JAPAN'S FOREIGN EXCHANGE RESERVES AS OF THE END OF NOVEMBER STOOD AT 228.385 BILLION DOLLARS, RESETTING A NEW RECORD HIGH FOR THE 4TH MONTH IN A ROW.

SHARE OF MANUFACTURERS RELIANCE ON EXPORTS RISES TO 23 PERCENT, HIGHEST JUMP IN 11 YEARS
(NIHON KEIZAI - TOP PLAY)

THE MANUFACTURING INDUSTRY IS INCREASINGLY BECOMING DEPENDENT ON EXTERNAL DEMAND. IN AN ANALYSIS OF TREASURY DATA FROM THE INTERIM ACCOUNTS SETTLEMENTS IN SEPTEMBER 1997 BY THIS NEWSPAPER REVEALED THAT THE RATIO OF EXPORTS TO TOTAL SALES HAS REACHED 22.9 PERCENT, TOPPING THE 20.2 PERCENT RECORDED IN THE SAME TERM THE YEAR BEFORE. THE FIGURE IS THE HIGHEST IN 11 YEARS. THE GROWTH IS ATTRIBUTABLE TO THE WEAK YEN SUBSTANTIAL BOOSTING INCREASES IN EXPORTS OF AUTOS AND ELECTRIC MACHINERY DESTINED FOR EUROPEAN COUNTRIES AND THE UNITED STATES. ALTHOUGH THE VALUE OF THE YEN HAS CONTINUED TO DROP DURING THE SECOND HALF OF THIS YEAR, GROWTH OF EXPORTS TO ASIA IS EXPECTED TO SLOW. THE RECOVERY OF CORPORATE EARNINGS AND PROFITS LED BY EXTERNAL DEMAND IS BEGINNING TO REACH ITS PEAK.

WTO INTERIM DECISION FAVORING FUJI CASE TOOK KODAK JAPAN BY SURPRISE (NIHON KEIZAI - PAGE 7, DEC. 7 EDITION)

"NO RESTRICTIONS ON NEW MARKET ENTRANTS ARE OBSERVED IN THE JAPANESE PHOTOFILM AND PRINTING PAPER MARKET" --. HAVING RECEIVED THIS JUDGMENT FROM THE WORLD TRADE ORGANIZATION (WTO), EASTMAN KODAK JAPAN DIRECTOR IRA WOLF RELEASED ON THE 6TH A COMMENT CRITICING THE WTO) FOR ITS FAVORING OF JAPAN: "IT IS AN UNACCEPTABLE RULING. PUTTING MOST OF ITS ENERGY INTO LEGALLY LIMITED DISCUSSION, THE WTO ENDED UP MISREADING THE REAL STATE OF THE MARKET."

YET, THE DOMINANT VIEW IS THAT "NO MATTER WHAT JUDGMENT COMES OUT, IT WOULD HAVE LITTLE IMPACT" ON KODAK'S BUSINESS IN JAPAN. THAT IS BECAUSE EVEN IF A RULING WERE MADE AGAINST JAPAN, "AS LONG AS KODAK IS UNABLE TO OBTAIN

COOPERATION FROM FUJI'S FOUR CONTRACTED DISTRIBUTORS, IT WILL HAVE NO CHOICE BUT TO DEVELOP ITS OWN SALES NETWORKS" (KODAK JAPAN EXECUTIVE).

KODAK HAS STEADILY PREPARED ITS DISTRIBUTION NETWORK, INCREASING CUSTOMERS FOR DIRECT TRANSACTIONS. IN NAGANO PREFECTURE, IT SUCCEEDED IN BOOSTING THE NUMBER OF STORES HANDLING KODAK PRODUCTS, SUCH AS INDEPENDENT SECOND-TIER WHOLESALERS AND CAMERA SHOPS, BY TAKING ADVANTAGE OF ITS UNCLAS SECTION 04 OF 11 TOKYO 010531

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 DECEMBER 8

POSITION OF BEING AN OFFICIAL SPONSOR FOR THE WINTER OLYMPIC GAMES. AS A RESULT, ITS SHARE SHOT UP TO 20 PERCENT, DOUBLING THOSE HELD IN OTHER PREFECTURES.

IF THE UNITED STATES GOVERNMENT, SET OFF BY THE UNILATERAL "VICTORY BY JAPAN" IN THIS CASE, TAKES RETALIATORY MEASURES BY RESORTING TO ARTICLE 301, THE BILATERAL DISPUTE MIGHT BECOME AGGRAVATED. THE REAL INTENTION OF JAPAN KODAK SUPPOSEDLY IS THAT "NOW THAT OUR EFFORTS TO DEVELOP SALES NETWORKS HAVE BEGUN TO BEAR FRUIT AT LAST, WE DO NOT WANT TO SEE THOSE EFFORTS ADVERSELY AFFECTED."

WHEN JAPAN'S FAIR TRADE COMMISSION (FTC) FOUND NO ILLEGALITIES WITH THE JAPANESE DISTRIBUTION MARKET OF PHOTOFILM SENSITIZED PAPER THIS JULY, THE OFFICE OF U.S. TRADE REPRESENTATIVE (USTR) ANNOUNCED A COMMENT THAT "THE FTC IS USELESS," BUT EVEN THE EASTMAN KODAK HEAD OFFICE IN THE U.S. REACTED NEGATIVELY, "AN EMOTIONAL STATEMENT WILL HAVE AN ADVERSE IMPACT."

CHAIRMAN GEORGE FISHER STILL TAKES A TOUGH STANCE, BUT THE EARLIER ENTHUSIASM REGARDING THE PHOTOFILM DISPUTE HAS RAPIDLY WANED INSIDE KODAK.

"AN AMBIGUOUS CONCLUSION IS DESIRABLE," VENTED AN EXECUTIVE OF KODAK JAPAN, REACTING TO THE WTO'S INTERIM REPORT. KODAK HAS JOINED HANDS WITH FUJI IN THE DIGITAL AREA, AND HAS STARTED RESTRUCTURING ITSELF. THE COMPANY MIGHT BE VIEWING THE DISPUTE AT THE WTO AS SOMEWHAT HAMPERING SUCH EFFORTS.

U.S. SKEPTICISM ABOUT WTO AROUSED BY ITS INTERIM

DECISION AGAINST KODAK (YOMIURI - PAGE 8, DEC. 7 EDITION)

(WASHINGTON, DECEMBER 6, TORU KUNIMATSU) WITH A RULING IN FAVOR OF JAPAN ANDED DOWN BY THE WORLD TRADE ORGANIZATION (WTO) N JAPAN-UNITED STATES DISPUTE OVER THE JAPANESE HOTOFILM AND PRINT PAPER MARKET, SKEPTICISM ABOUT THE WTO IS LIKELY TO GROW IN THE U.S.

OUT OF MORE THAN 30 CASES WHICH THE U.S. FILED A COMPLAINT REQUEST WITH THE WTO FOR A DISPUTE SETTLEMENT PANEL TO BE SET UP, THE U.S. WON FIVE AND SAW A CONVICTION IN ITS FAVOR IN SIX CASES (WITH THE REMAINING STILL PENDING). FOR SUCH U.S., THE DEFEAT IN THIS CASE WAS AN UNBELIEVABLE RESULT, IN A SENSE.

PRESIDENTIAL SPOKESMAN MIKE MCCURRY REVEALED ON THE 5TH THAT THE U.S. GOVERNMENT RECEIVED A GREAT SHOCK WITH THIS RESULT. VISIBLY PERPLEXED, HE SAID, "WE ARE VERY DISAPPOINTED."

THE U.S. HAS DEEMED THIS APPEAL WITH THE WTO AS AN "IMPORTANT TEST CASE" (ATTORNEY IN CHARGE OF TRADE AND COMMERCE ON THE U.S. SIDE) TO PRESS JAPAN TO OPEN ITS MARKET BY MAKING USE OF WTO. THIS MEANS THAT THE U.S. WAS ABOUT TO BE USHERED INTO AN AGE OF PLACING EMPHASIS ON MULTINATIONAL PANELS, EMERGING FROM THE AGE OF Prying OPEN THE OTHER SIDE'S MARKET WITH HARD-LINE MEASURES BY BRANDISHING SUCH UNILATERAL SANCTIONS AS ARTICLE 301 OF THE U.S. TRADE ACT.

BUT NOW THAT IT IS PROVED THAT THE WTO WILL NOT WORK IN FAVOR OF THE U.S. IN EVERY CASE, DOUBTS ABOUT THE WTO'S CAPABILITY HAVE BEGUN TO BE VOICED, CHRISTOPHER PARADY (TN: PHONETIC), THE INTERNATIONAL TRADE DEPARTMENT CHIEF OF EASTMAN KODAK REMARKING, "WTO HAS NOT PREPARED THE SATISFACTORY CAPABILITY TO REMOVE TACTFUL, INVISIBLE STRUCTURAL BARRIERS, LIKE THE JAPANESE DISTRIBUTION SYSTEM."

UNCLAS SECTION 05 OF 11 TOKYO 010531

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 DECEMBER 8

THE U.S. GOVERNMENT AS WELL HAS BEGUN TO VOICE HARSH CRITICISM. AN OFFICIAL OF THE OFFICE OF U.S. TRADE REPRESENTATIVE COMMENTED, "DESPITE GROWING CALLS IN JAPAN

FOR DEREGULATION UNDER THE LEADERSHIP OF PRIME MINISTER HASHIMOTO, THE WTO IS UNABLE TO TAKE ANY ACTION REGARDING JAPAN'S PROTECTIONIST MARKET. SO IT HAS NO MEANING." PARTICULARLY IN THE U.S. CONGRESS, A CALL FOR QUESTIONING THE REASON FOR THE WTO'S EXISTENCE IS GAINING INFLUENCE, CENTERED AROUND THE DEMOCRATIC PARTY.

THE CLINTON ADMINISTRATION, WHICH HAS FAILED TO HAVE IT FAST-TRACK BILL PASSED BY THE CONGRESS, WILL FACE NEW DEBATE OVER THE BILL AGAIN AFTER THE NEW YEAR STARTS. THERE, AN ARGUMENT ON THE WTO BEING UNNECESSARY MAY COME UP. THE AFTEREFFECT OF "JAPAN'S VICTORY" IN THIS CASE WILL NOT BE ASSUAGED FOR A WHILE.

WITH AN INTERIM REPORT ISSUED ON THE 6TH BY THE DISPUTE-SETTLEMENT SUBPANEL UNDER THE WTO, THE TWO-YEAR JAPAN-U.S. DISPUTE OVER THE JAPANESE PHOTOFILM AND PRINTING PAPER MARKET SAW AN END TO ONE PHASE. DURING THE PAST TWO YEARS, HOWEVER, MAJOR CHANGES AROSE IN BOTH JAPANESE AND U.S. DISTRIBUTION MECHANISMS, AND A DIGITAL AGE IS NOW SET ON IN THE PHOTOFILM INDUSTRY. UNDER SUCH CIRCUMSTANCES, MANY PERSONS CONCERNED TOOK THE VIEW THAT THE WTO RULING WOULD NOT HAVE A SUBSTANTIAL MEANING.

WHOLESALERS ARE PLACED BETWEEN JAPANESE MANUFACTURERS AND RETAILERS AND HAVE BEEN CRITICIZED BY KODAK AS A SYSTEM TO SALE THEIR OWN PRODUCTS IN A MONOPOLISTIC WAY. BUT WHOLESALERS HAVE BECOME LESS INFLUENTIAL IN INVERSE PROPORTION TO AN INCREASE IN SALES OF MASS SALES STORES.

KODAK, TOO, HAS STEADILY WORKED OUT MEASURES TO BOOST SALES IN JAPAN, PREPARING DIVERSIFIED DISTRIBUTION CHANNELS BY PROVIDING OF ITS OWN PRIVATE BRANDS TO LEADING DISTRIBUTORS AND STRENGTHENING THE BRAND-IMAGE AS A PUBLIC SPONSOR FOR THE NAGANO OLYMPIC GAMES. IN ADDITION, ELECTRICAL MACHINERY AND APPLIANCES BUSINESSES, INCLUDING SONY AND MATSUSHITA DENKI, HAVE ENTERED THE DIGITAL CAMERA MARKET, POSING A THREAT TO THE PHOTOFILM MARKET. SUCH CIRCUMSTANCES HAVE ALSO DILUTED THE SIGNIFICANCE OF THE PHOTOFILM DISPUTE.

THE WTO HAD DRAWN PUBLIC ATTENTION POLITICALLY. BUT THE BUSINESS WORLD HAS UNDERGONE RAPID PROGRESS. SOME POINT OUT, "A RULING BY THE WTO CANNOT CATCH UP WITH RAPID CHANGING MARKETS. EVEN EASTMAN KODAK HAS BEGUN TO BE LESS INTERESTED IN THE RULING" (INDUSTRY SOURCE).

JAPAN WELCOMES WTO RULING BUT MITI STRESSES TRANSPARENCY IN JAPAN NOW UNAVOIDABLE
(MAINICHI - PAGE 7, DEC. 7 EDITION)

THE JAPANESE GOVERNMENT HAS HAILED THE INTERIM REPORT RELEASED BY THE WORLD TRADE ORGANIZATION (WTO) (ON THE FUJI-KODAK PHOTOFILM CASE), FOR IT HAD VIEWED THE UNITED STATES SIDE'S APPEAL TO THE WTO AS "AN ATTEMPT TO FORCEFULLY MAKE BUSINESS TALKS INTO A POLITICAL ISSUE" (MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)). HOWEVER, THE U.S. SIDE SEEMS LIKELY TO FIGHT BACK SOON BY

APPLYING MORE PRESSURE ON JAPAN, SUCH AS TO SCRAP THE LARGE-SCALE RETAIL STORE LAW. REGARDLESS OF WHETHER THERE IS FOREIGN PRESSURE OR NOT, JAPAN CANNOT AVOID THE TASKS OF MODERNIZING ITS DISTRIBUTION SYSTEM AND MAKING BUSINESS PRACTICES MORE TRANSPARENT.

IN THE CONTEXT OF THIS ISSUE, THE AMERICA COMPANY KODAK AND THE U.S. GOVERNMENT HAVE CRITICIZED THE CLOSED NATURE OF FUJI FILM-AFFILIATED DEALERS AND PERSISTENTLY PRESSED THE JAPANESE GOVERNMENT TO HOLD BILATERAL TALKS. BUT UNCLAS SECTION 06 OF 11 TOKYO 010531

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 DECEMBER 8

MITI REJECTED THE OTHER SIDE'S REQUEST, CLAIMING, "IT IS A MATTER INVOLVING COMPETITION POLICY, SO IT IS NOT A SUITABLE TOPIC FOR TRADE NEGOTIATIONS." WELCOMING THE U.S. DECISION TO COMPLAIN TO THE WTO, MITI SHOWED ITS CONFIDENCE IN SETTling THE ISSUE AT AN OPEN FORUM. IN THIS SENSE, JAPAN'S STRATEGY OF PLACING "EMPHASIS ON INTERNATIONAL RULES" HAS PROCEEDED WELL FOR NOW.

THE THINKING IN JAPAN IS THAT THE U.S. WILL NOT RUSH INTO SUCH DRASTIC ACTION LIKE WITHDRAWING FROM THE WTO BECAUSE "IT IS THE U.S. THAT HAS BENEFITED THE MOST FROM ITS APPEALS FILED TO THE WTO UNTIL NOW" (MITI). BUT THE INTERIM REPORT IS NO MORE THAN A "LEGAL" RULING, AND WHAT IT INDICATES IS THAT ADMINISTRATIVE GUIDANCE AND LEGAL RESTRICTIONS ADOPTED BY (THE JAPANESE) GOVERNMENT ARE NOT IN VIOLATION OF INTERNATIONAL RULES. IT IS THUS INCORRECT TO CONCLUDE THAT SUCH BUSINESS PRACTICES (IN JAPAN) AS KEIRETSU (INTERLOCKING BUSINESS AFFILIATIONS) PRESENT NO PROBLEM.

KODAK'S DISGRUNTLEMENT WILL LIKELY REMAIN UNDIMINISHED, AGAINST THE BACKDROP OF FUJI FILM INCREASING ITS SHARE IN THE U.S. BY CONCLUDING CONTRACTS WITH DOMESTIC LARGE MERCHANTISERS.

ADDITIONALLY, TIMED TO THIS COMPLAINT, THE U.S. HAS PRESENTED TWO OTHER CASES TO THE WTO. ONE IS THE ISSUE OF WHETHER JAPAN'S LARGE-SCALE RETAIL STORE LAW IS PROPER AND THE OTHER IS THE PROBLEM RELATED TO BUSINESS PRACTICES NOW ADOPTED IN THE FILM MARKET. MITI IS NOW PLANNING TO ABOLISH THE LARGE-SCALE RETAIL STORE LAW. INSTEAD, IT WILL SET UP A NEW FRAMEWORK TO PLACE

RESTRICTIONS ON OPENING NEW STORES IN TERMS OF THE TRAFFIC AND THE ENVIRONMENTAL ASPECTS, MAKING GOOD USE OF THE U.S. PRESSURE AS A "TAIL WIND."
(TOSHIMITSU KOBAYASHI)

SMALL STORES REACT STRONGLY TO MITI REPORT CALLING FOR END TO LARGE STORE LAW (NIHON KEIZAI - PAGE 4, DEC. 6 EDITION)

THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) PROPOSED IN A REPORT YESTERDAY AT A MEETING OF THE JOINT CONFERENCE OF THE INDUSTRIAL STRUCTURE COUNCIL AND THE SMALL AND MEDIUM-SIZED BUSINESS COUNCIL THAT THE LARGE-SCALE RETAIL STORE LAW BE ABOLISHED AND THAT THERE BE ENACTED IN ITS STEAD NEW LEGISLATION, TENTATIVELY THE "LARGE-SCALE RETAIL STORE LOCATION LAW," WHICH WOULD SCREEN THE IMPACT OF LARGE STORE OPENINGS ON THE ENVIRONMENT OF NEIGHBORING LOCAL AREAS. ALTHOUGH OPINION TOWARD THE PROPOSAL TENDED TO BE THAT SUCH WAS "UNAVOIDABLE," SOME, LIKE THE REPRESENTATIVES OF SMALL RETAIL STORES, WERE OPPOSED, STATING, "WE CANNOT CONSENT TO ITS BEING ABOLISHED." THE JOINT CONFERENCE WILL NOW GO AHEAD WITH ADJUSTMENT OF VIEWS OF THE PARTICIPANTS, WITH THE 19TH AS THE DATE SET FOR FINALIZING THE REPORT.

THE PROPOSAL REGARDING THE LARGE STORE LAW POINTS OUT THAT "AS THE ENVIRONMENT ENVELOPING THE RETAIL INDUSTRY HAS CHANGED, THE LAW HAS LOST ITS EFFECTIVENESS IN CARRYING OUT ADJUSTMENTS IN THE OPERATIONS OF LARGE-SCALE STORES." IN SEEKING ITS ABOLISHMENT, THE REPORT STATES, "THE MISSION THAT THE LAW HAD IN MAKING ADJUSTMENTS IS OVER." IN ADDITION, THE REPORT SUGGESTS THE NEED FOR A NEW LAW THAT GIVES CONSIDERATION TO "RESPONDING TO THE ENVIRONMENTAL QUESTION AND THAT IS INTEGRATED INTO PLANNED LOCAL DEVELOPMENT" AT THE TIME OF THE OPENING OF A LARGE STORE. SPECIFICALLY, IT URGES SETTING UP A FRAMEWORK UNDER WHICH THE LARGE STORE OWNER NOTIFIES THE TOWN OR CITY GOVERNMENT REGARDING THE OPENING OF A NEW LARGE STORE AND EXPLAINS THE OPENING PLAN TO LOCAL RESIDENTS.

UNCLAS SECTION 07 OF 11 TOKYO 010531

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 DECEMBER 8

ACCORDING TO THE PROPOSALS IN THE REPORT, THE CITY OR

TOWN, AFTER CONSIDERING THE VIEWS OF LOCAL RESIDENTS, WILL SCREEN BASED ON SUCH CRITICISM AS "TRAFFIC JAMS," "PARKING PROBLEMS," "GARBAGE," AND "NOISE" THAT WOULD ACCOMPANY THE OPENING OF A NEW LARGE STORE. IN CASE IT IS JUDGED THAT THE ENVIRONMENTAL MEASURES OF THE OWNER ARE INSUFFICIENT, THE SCHEME WOULD ALLOW (THE LOCAL GOVERNMENT) TO SEEK CHANGES. THE REPORT ALSO SEEKS A PARTIAL REVISION OF THE CITY PLANNING LAW TO INCLUDE THE NEED FOR SCREENING FOR COMPATIBILITY WITH THE TOWN OR CITY PLAN OF THE LOCAL GOVERNMENT. THE TIME FRAME FOR THE SCREENING PROCESS WILL BE AT THE LONGEST "WITHIN ONE YEAR AS APPROPRIATE," OR THE SAME AS UNDER THE PRESENT LAW.

AT THE JOINT CONFERENCE YESTERDAY, THE MAJORITY VIEW WAS THAT "THE LARGE STORE LAW IS BEHIND THE TIMES," BUT THE REPRESENTATIVES OF SMALL AND MEDIUM-SIZED BUSINESS ASSOCIATIONS STRONGLY REACTED AGAINST SUCH DEREGULATION.

-- OUTLINE OF THE PROPOSAL TO ABOLISH THE LARGE STORE LAW --

- THE MISSION OF THE CURRENT LARGE STORE LAW IS OVER.
- A NEW LAW -- LARGE-SCALE RETAIL STORE LOCATION LAW (TENTATIVE TITLE) -- IS TO BE ENACTED.
- THE NEW LAW IS TO BE APPLIED BY LOCAL GOVERNMENTS.
- THE PERIOD FOR SCREENING STORE OPENINGS UNDER THE NEW LAW WILL NOT EXCEED ONE YEAR.
- THE SYSTEM UNDER THE CITY PLANNING LAW NEEDS TO BE REVISED.

EMPHASIS OF POST-LARGE STORE LAW POLICY SHIFTS TO DOWNTOWN REDEVELOPMENT (YOMIURI - PAGE 6, DEC. 6 EDITION)

A JOINT CONFERENCE OF THE INDUSTRIAL STRUCTURE COUNCIL (ADVISORY BODY TO THE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY) AND THE SMALL AND MEDIUM-SIZED BUSINESS POLICY COUNCIL (PRIME MINISTER'S ADVISORY PANEL) WHICH HAS BEEN CONSIDERING WAYS TO REVISE THE LARGE STORE LAW OPENED SESSION YESTERDAY TO HEAR A PROPOSAL FROM A NEUTRAL DRAFTING COMMITTEE.

JUDGING THAT UNDER THE EXISTING LARGE STORE LAW IT IS IMPOSSIBLE TO COPE WITH TRAFFIC AND ENVIRONMENTAL PROBLEMS THAT OCCUR IN THE VICINITY OF LARGE-SCALE RETAIL STORES, THE PANEL CALLED IN ITS REPORT FOR ACTUALLY SCRAPPING THE LAW AND ENACTING INSTEAD A "LARGE-SCALE RETAIL STORE LOCATION LAW" (TENTATIVE NAME), WHICH WOULD SCREEN THE OPENINGS OF LARGE STORES FROM THE VIEWPOINT OF THEIR IMPACT ON THE NEIGHBORING ENVIRONMENT AND DOWNTOWN DEVELOPMENT (MACHI-ZUKURI).

THE NEW LAW WOULD TARGET FOR SCREENING "LARGE-SCALE STORES OVER A CERTAIN SIZE WHICH ARE FEARED WILL HAVE A CERTAIN IMPACT ON THE URBAN ENVIRONMENT OF THE NEIGHBORING AREA." THE SPECIFIC SCREENING WILL BE ENTRUSTED TO LOCAL AUTHORITIES, SUCH AS THE TOWNS, WARDS, AND VILLAGES, AND THE CENTRAL GOVERNMENT WOULD NOT GET

INVOLVED.

THE JOINT CONFERENCE WILL MEET AGAIN ON THE 12TH TO CONSOLIDATE VIEWS BASED ON THE SET OF PROPOSALS, AND THEN FINALIZE ITS REPORT BEFORE THE END OF THE YEAR.

IT WAS AT FIRST THE INTENTION TO HAVE FINAL COMPILATION OF THE REPORT CARRIED OUT ON THE 12TH, BUT THE CONCLUSION WAS PUT OFF BECAUSE "WE FELT FROM THE STATE OF THE DEBATE WE HAD TO STUDY IT FURTHER" (MITI).

THE BACKGROUND OF THIS WAS THE SITUATION UNTIL TODAY IN UNCLAS SECTION 08 OF 11 TOKYO 010531

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 DECEMBER 8

WHICH PRESS REPORTS CONTINUED TO COME OUT IN SUCCESSION REGARDING WHAT WAS IN THE ROUGH DRAFT OF THE REPORT, AND THAT THE CONTENTS OF THE PROPOSED NEW LEGISLATION WAS NOT PARTICULARLY CLEAR TO SUCH GROUPS AS THE SMALL BUSINESS ASSOCIATIONS, WHICH WERE PAYING CLOSE ATTENTION TO THE MOVE TO SCRAP THE LARGE STORE LAW. AT THAT POINT, THE SMALL BUSINESS GROUPS WERE REACTING FIERCELY TO THE REPORT BEING FINALIZED (ON THE 12TH).

IMMEDIATELY AFTER THE PRESS REPORTS CAME OUT, MITI WAS FLOODED WITH TELEPHONE CALLS FROM SMALL MERCHANTS PROTESTING THE PLAN. IN ADDITION, THERE WAS A BARRAGE OF PHONE CALLS FROM LIBERAL DEMOCRATIC PARTY DIETMEMBERS FROM THE COMMERCE AND INDUSTRY POLICY CLIQUE (ZOKU-GIIN) WHO PROTESTED OR QUESTIONED THE REPORTS. AMONG THOSE IN THE SMALL BUSINESS ASSOCIATIONS, THERE WERE CASES OF "A CHORUS OF ORDERS WENT OUT ASKING THEM TO WORK ON DIETMEMBERS ELECTED FROM THAT LOCAL AREA" (INFORMED SOURCE).

WITH THE REVISION OF THE LARGE STORE LAW BECOMING A POLITICIZED ISSUE, MITI MINISTER HORIUCHI STATED AT A NEWS CONFERENCE FOLLOWING A CABINET MEETING ON THE 5TH, "EVEN IF IT TAKES TIME, I WOULD LIKE TO PUT OUT A SOLID REPORT." HE EXPRESSED HIS THINKING THAT THE MASSIVE OUTBURST AGAINST THE PROPOSALS IN THE REPORT COULD NOT BE IGNORED. HOWEVER, AT THE JOINT CONFERENCE ON THE 5TH, WHEN THE CONTENT OF THE NEW LAW WAS EXPLAINED -- NAMELY, THAT IT WOULD RESTRICT NEW LARGE-SCALE COMMERCIAL FACILITIES FROM A SOCIAL ASPECT, SUCH AS THE ENVIRONMENT

-- THERE WAS A MOVE TO QUELL THE NEGATIVE REACTIONS.

ONE OF THE MEMBERS WHO REPRESENTED THE SMALL AND MEDIUM SIZED BUSINESSES AT THE JOINT CONFERENCE MADE HIS THINKING CLEAR AFTER THE MEETING: "THERE ARE SOME PARTS WHERE WE WOULD LIKE TO ADD FOOTNOTES, BUT IF THE NEW FRAMEWORK IS SET, WE WILL ACQUIESCE EVEN IF THE LARGE STORE LAW IS ABOLISHED." STILL, THERE REMAINS A STRONG MOVE TO "STOP THE REPORT" FROM WITHIN THE INDUSTRY CONCERNED, SO THERE IS NO PREDICTING WHETHER THE FINAL REPORT WILL REMAIN AS IS OR WHETHER PRESSURE FROM THE INDUSTRY TO CHANGE IT WILL SUCCEED.

JAPAN PLANS TO USE JAPAN EXPORT-IMPORT BANK FINANCING TO UNDERWRITE ITS SHARE OF KEDO PROJECT
(ASAHI - PAGE 1, DEC, 7 EDITION)

ON THE PROBLEM OF HOW TO SHARE THE EXPENSES FOR THE CONSTRUCTION OF LIGHT WATER REACTORS IN THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) BY THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO) CONSISTING OF JAPAN, THE REPUBLIC OF KOREA (ROK), THE UNITED STATES, THE EUROPEAN UNION (EU) AND OTHER COUNTRIES, THE JAPANESE GOVERNMENT ON THE 6TH FIRMED UP ITS POLICY INTENTION OF PAYING FOR JAPAN'S PORTION THROUGH FINANCING FROM THE JAPAN EXPORT-IMPORT BANK. PRIME MINISTER RYUTARO HASHIMOTO GAVE INSTRUCTIONS REGARDING THIS DECISION TO RELEVANT MINISTRIES AND AGENCIES, SUCH AS THE MINISTRY OF FOREIGN AFFAIRS. THE AMOUNT JAPAN WILL SHOULDER IS EXPECTED TO BE OVER 1 BILLION DOLLARS, TO SAY THE LEAST. CONSIDERING THE HARSH SITUATION IN NORTH KOREA DUE TO POOR ECONOMIC CONDITIONS AND OTHER FACTORS, THE JAPANESE GOVERNMENT IS LOOKING INTO A POSSIBILITY OF OFFERING GOVERNMENT GUARANTEES IN SOME WAY IN CONNECTION WITH REPAYMENT OF LOANS TO THE JEXIM BANK.

THE COST FOR THE CONSTRUCTION BY KEDO IS DEFINITELY ESTIMATED TO BE 5,178.5 MILLION DOLLARS (APPROXIMATELY 610 BILLION YEN). JAPAN INTENDS TO SHOULDER A LITTLE MORE THAN 1 BILLION DOLLARS OR NEARLY 20 PERCENT AT MAXIMUM.

UNCLAS SECTION 09 OF 11 TOKYO 010531

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 DECEMBER 8

ON THE OTHER HAND, THE JAPANESE GOVERNMENT HAS DETERMINED TO CUT OFFICIAL DEVELOPMENT ASSISTANCE (ODA) BY MORE THAN 10 PERCENT IN THE NEXT FISCAL YEAR'S BUDGET. ADDITIONALLY, DOMESTIC PUBLIC OPINION IS STILL SEVERE TOWARD NORTH KOREA. FOR THIS REASON, HOW TO SOMEHOW APPROPRIATE THE FUNDS TO COVER JAPAN'S COST REMAINED THE CHALLENGE.

THE REASON WHY FINANCING FROM THE JEXIM BANK HAS BEEN DECIDED ON IS THAT SUCH CREDITS WOULD BE ABLE TO DODGE SUCH A CRITICISM THAT "CONSTRUCTING A NUCLEAR REACTOR IS NOT FIT FOR ODA PROGRAMS. THE RATIONALE IS: 1) THE FUNDING SOURCE WILL BE OBTAINED FROM FISCAL INVESTMENT AND LOAN PROGRAM, SO NO CHANGE THAT AFFECTS FISCAL REFORM IS NECESSARY, SINCE THIS WILL HAVE NO EFFECT ON THE GENERAL ACCOUNT BUDGET, AND 2) LOANS FROM JEXIM BANK, UNLIKE ODA, ARE CATEGORIZED AS "OTHER GOVERNMENTAL FUNDS."

ON OFFERING OF LOANS TO KEDO, THE JAPANESE GOVERNMENT HAS ALREADY DECIDED TO SET INTEREST RATE AT ZERO AND THE TERM OF REDEMPTION AT 20 TO 30 YEARS, A LONG-TERM REIMBURSABLE TERM. THEREFORE, THE GOVERNMENT INTENDS TO SUPPLEMENT THE INTEREST PORTION ON LOANS BY THE EXIM BANK FROM THE NATIONAL TREASURY.

THE GOVERNMENT INTENDS TO DISCUSS THE AMOUNTS EACH COUNTRY WILL SHOULDER AT A MEETING OF THE KEDO BOARD OF DIRECTORS PLANNED FOR NEW YORK ON THE 8TH AND ON OTHER OCCASIONS AND TO DETERMINE THE AMOUNT TO SHOULDER PRIOR TO BUDGET COMPILATION SET FOR LATER THIS MONTH. BUT THE COMPLETION OF THE CONSTRUCTION OF LIGHT WATER REACTORS NOW PLANNED TO BE IN THE YEAR 2003 IS LIKELY TO WIDELY SLIP, SO THE ROK, OUT OF FEAR OF THE CONSTRUCTION EXPENSES EXPANDING EVEN MORE, IS ASKING JAPAN TO SHOULDER A LARGER PORTION THAN EXPECTED.

CHIEF CABINET SECRETARY MURAOKA PREMISES NAGO CITY DEVELOPMENT OF HELIPORT TRANSFER ISSUE
(ASAHI - PAGE 1. DEC. 7 EDITION)

CHIEF CABINET SECRETARY KANEZO MURAOKA ON THE 6TH VISITED THE CITY OF NAGO CITY IN OKINAWA PREFECTURE, WHERE A SEA-BASED HELIPORT IS NOW BEING PLANNED TO BE CONSTRUCTED ALONG WITH THE FUTURE RETURN OF THE U.S. FORCES' FUTENMA AIR STATION SITE. IN THE CITY, MURAOKA PRESENTED TO THE HEADS OF 12 LOCAL MUNICIPALITIES A PACKAGE OF PROMOTIONAL MEASURES MAPPED OUT BY THE GOVERNMENT FOR THE NORTHERN AREA OF OKINAWA'S MAIN ISLAND. IN THE PACKAGE, THE GOVERNMENT CLEARLY SEPARATES ITS PROMOTIONAL MEASURES TO BE IMPLEMENTED FOR THE ISLAND PREFECTURE'S ENTIRE NORTHERN AREA -- REGARDLESS OF THE ISSUE OF ACCEPTING THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT -- FROM ITS ASSISTANCE MEASURES TO BE IMPLEMENTED FOR THE CITY OF NAGO IN CASE BASE RELOCATION IS ACTUALLY ACCEPTED BY THE CITY. REGARDING THE LATTER CASE, THE CHIEF CABINET SECRETARY INDICATED THAT THAT IS CONDITIONED ON BASE

CONSTRUCTION.

GOVERNMENT IN PANIC OVER NAGO CITY REFERENDUM, FEARS THE
WORST COULD SHAKE CABINET
(ASAHI - PAGE 2, DEC. 7 EDITION)

IN OKINAWA PREFECTURE, NAGO CITY WILL SOON HOLD A
REFERENDUM OF ITS RESIDENTS ON THE PROPRIETY OF
RELOCATING THE HELIPORT FUNCTIONS OF THE U.S. FORCES'
FUTENMA AIR STATION TO THE CITY. PRIOR TO THIS SCHEDULED
VOTING, THE GOVERNMENT IS NOW ENTERTAINING A SENSE OF
GROWING CRISIS. IF THE CITY REJECTS THE RELOCATION PLAN
AS A RESULT OF THE POLL, FUTENMA'S REVERSION ITSELF WILL
BE DEADLOCKED. THAT WILL CAUSE ILL EFFECTS ON JAPAN-U.S.
UNCLAS SECTION 10 OF 11 TOKYO 010531

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
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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 8

RELATIONS. FURTHERMORE, IT WILL ALSO SHAKE THE HASHIMOTO
GOVERNMENT. THE GOVERNMENT HAS NOW CLEARLY INDICATED
THAT SOME MEASURES INCORPORATED IN ITS PACKAGE OF
NORTHERN OKINAWA PROMOTIONAL MEASURES WOULD BE
IMPLEMENTED IN EXCHANGE FOR THE CITY'S ACCEPTANCE OF AN
ALTERNATIVE HELIPORT. THE DEFENSE FACILITIES
ADMINISTRATION AGENCY'S NAHA REGIONAL BUREAU PERSONNEL
WILL MAKE DOOR-TO-DOOR VISITS IN THE CITY OF NAGO FROM
THE BEGINNING OF NEXT WEEK (TN: THIS IS A SUNDAY ARTICLE
DATED 12/7/97). THE GOVERNMENT IS THUS DEVOTING ALL ITS
ENERGIES FOR ITS ROLLBACK TACTICS.

-- GOVERNMENT'S "BIGGEST ACHIEVEMENT"

HAVING LEARNED OF A SEVERE ATMOSPHERE PREVAILING THE CITY
OF NAGO OVER THE PLANNED RELOCATION OF HELIPORT
FUNCTIONS, THE GOVERNMENT IS NOW BEGINNING TO VOICE ITS
CONCERN, ONE OF ITS HIGH-RANKING OFFICIALS SAYING: "IF
FUTENMA RELOCATION IS VOTED DOWN, OUR BASE REDUCTION
PROGRAM ITSELF WON'T MAKE HEADWAY." THE FUTENMA PROBLEM
IS A "CENTERPIECE" OF THE BASE REALIGNMENT AND REDUCTION
PLAN WORKED OUT BY THE JAPAN-U.S. SPECIAL ACTION
COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO),
INVOLVING THE TWO COUNTRIES' LEADERS.

AS FOR THE FUTENMA PROBLEM, PRIME MINISTER RYUTARO
HASHIMOTO HIMSELF SET ABOUT COORDINATION AND ANNOUNCED
THE REVERSION DECISION AT A PRESS CONFERENCE PRIOR TO THE

JAPAN-U.S. SUMMIT MEETING IN THE SPRING OF LAST YEAR, AND HE HAS UNDERScoreD IT AS ONE OF HIS GOVERNMENT'S BIGGEST ACHIEVEMENTS.

THE HASHIMOTO GOVERNMENT HAS RECENTLY STRICKEN A SERIES OF SNAGS OVER IMPORTANT ISSUES. IF THE GOVERNMENT SHOULD MAKE ANOTHER MISTAKE IN THE PROCESS OF HANDLING THE OKINAWA PROBLEM, IT MAY BE JOLTED FURTHER.

THE FUTENMA ISSUE, IF IT SHOULD REACH A DEADLOCK, WILL BOUNCE BACK UPON JAPAN-U.S. RELATIONS, TOO. THE FUTENMA AIRFIELD'S CURRENT FUNCTIONS WILL INEVITABLY DECLINE AFTER ITS RELOCATION, PARTLY BECAUSE ITS SIZE WILL BE ONE FIFTH OF THE CURRENT SCALE. EVEN SO, HOWEVER, THE U.S. HAS ACCEPTED FUTENMA REVERSION. THIS IS BECAUSE U.S. PRESIDENT CLINTON AND OTHER U.S. GOVERNMENT LEADERS JUDGED IT WOULD BE BETTER TO RETURN THE AIRFIELD IN MAINTAINING THE U.S. MILITARY PRESENCE IN THE ASIA-PACIFIC REGION, AND HELD DOWN THE MILITARY'S NEGATIVE REACTION.

ALL THE MORE BECAUSE OF SUCH CIRCUMSTANCES, THERE IS A SENSE OF GROWING CRISIS IN THE GOVERNMENT. ONE HIGH-RANKING OFFICIAL SAYS, "THE UNITED STATES WOULD BECOME DISTRUST OF JAPAN." A SENIOR OFFICIAL OF THE FOREIGN MINISTRY HAS ALSO SAID, "IT MAY ROCK THE FOUNDATION OF OUR BILATERAL SECURITY SYSTEM."

-- POLICY SWITCH TO SEEK BREAKTHROUGH

ON THE 6TH, CHIEF CABINET SECRETARY KANEZO MURAOKA VISITED OKINAWA PREFECTURE AND SHOWED A PACKAGE OF GOVERNMENT PROMOTIONAL MEASURES FOR THE ISLAND PREFECTURE. AFTER THAT, MURAOKA MET THE PRESS, AND STATED: "ACCEPTING THE FACILITY WILL BECOME AN ADDITIONAL BURDEN (ON THE LOCAL SIDE), SO THE GOVERNMENT WILL MAKE EFFORTS FROM THE ASPECT OF THE WHOLE NATION'S BURDEN-SHARING AND WANTS TO HAVE THE LOCAL PUBLIC'S UNDERSTANDING FOR THIS STANCE." WITH THIS, MURAOKA INDICATED THAT BASE ACCEPTANCE WILL BE LINKED TO PACKAGE IMPLEMENTATION.

AS FOR WHY THE GOVERNMENT HAS CHANGED ITS COURSE OF ACTION, THAT IS BECAUSE THE GOVERNMENT LEARNED IN LATE UNCLAS SECTION 11 OF 11 TOKYO 010531

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 DECEMBER 8

NOVEMBER THAT "SOME LOCALS ARE SAYING IT WOULD BE BETTER TO INCREASE THE NUMBER OF VOTES AGAINST THE HELIPORT PLAN, BECAUSE THE GOVERNMENT WOULD SPEND MUCH MORE MONEY FOR ITS PROMOTIONAL MEASURES" (ACCORDING TO A GOVERNMENT SOURCE). THE GOVERNMENT'S JUDGMENT IS THAT LAYING EMPHASIS ON THE LINKAGE OF PROMOTIONAL MEASURES AND THE CITIZENS' VOTING WOULD RATHER BACK UP THOSE IN FAVOR OF THE HELIPORT PLAN.

ONE OF THE AIDES TO THE PRIME MINISTER HAS REMARKED: "IF WE CAN SEE A TIE VOTE, THEN WE CAN EXPECT THE MAYOR'S COMPREHENSIVE JUDGMENT." CLINGING TO ITS LAST HOPE IN THAT WAY SEEMS ALL THE GOVERNMENT CAN DO FOR NOW.

SHINSHINTOQS KOMEI GROUP MAY LEAVE PARTY DEPENDING ON OUTCOME OF PARTY HEAD RACE (SANKEI - TOP PLAY)

THE KOMEI GROUP (LED BY TOMIO FUJII), COMPRISED OF THE PORTION OF THE UPPER-HOUSE MEMBERS AND LOCAL ASSEMBLY MEMBERS, HELD YESTERDAY AN EXPANDED CENTRAL COMMITTEE MEETING AT THE KOMEI HEADQUARTERS IN MINAMI MOTO-MACHI, TOKYO. THE GROUP DISCUSSED THE ISSUES OF REVIEWING THE PLAN TO MERGE INTO THE SHINSHINTO (NEW FRONTIER PARTY) AND WHETHER TO FIGHT THE NEXT SUMMER UPPER-HOUSE ELECTION INDEPENDENTLY. AS A RESULT OF THE DISCUSSION, THE KOMEI HAS DECIDED TO PUT OFF A CONCLUSION ON THE ISSUE AFTER THE SHINSHINTO PRESIDENTIAL ELECTION ON THE 18TH BUT WITHIN THE YEAR. THE CHANCE IS SLIM THAT THE GROUP WILL JOIN THE SHINSHINTO BECAUSE MANY MEMBERS OF THE GROUP HARBOR A SENSE OF DISTRUST OF SHINSHINTO PRESIDENT ICHIRO OZAWA. DISSOLUTION OF THE PARTY OR DIVIDING THE PARTY, WHICH ALREADY HAS BEEN SUGGESTED BY OZAWA, WILL LIKELY OCCUR. CRANE

SECT: SECTION: 01 OF 11

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RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 010555

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 DECEMBER 9

TOP HEADLINES:

ASAHI: 10 TRILLION YEN OF GOVERNMENT BONDS AS FINANCIAL
AND PUMP-PRIMING MEASURES; PRIME MINISTER GIVES
INSTRUCTIONS TO LDP, ESSENTIALLY A POLICY SWITCH; IN
RESPONSE TO KAJIYAMA'S PROPOSAL; TO REDEEM THROUGH
PROFITS FROM SALE OF NTT STOCKS (TRANSLATION BELOW)

NIHON KEIZAI: OPINION SURVEY: 58 PERCENT SAY, "CANNOT APPRECIATE" HASHIMOTO'S ADMINISTRATIVE REFORM; CABINET APPROVAL RATING DROPS TO A LOW OF 35 PERCENT; DISCONTENT WITH ECONOMIC MEASURES; MAJORITY CALLING FOR INCOME TAX CUTS (TRANSLATION BELOW)

TOKYO SHIMBUN: TO PROPOSE AGAIN EMISSION CUTS BY DEVELOPING COUNTRIES; CHAIRMAN OKI EXPECTED TO ADOPT "KYOTO RESOLUTION" POSSIBLY TODAY; "LEGAL BINDING" AND OTHER ELEMENTS REGARDING GREENHOUSE GASES WILL BE DELETED

MAINICHI: TO LIFT THE BAN ON HOLDING COMPANIES ON 17TH; ESTABLISHING OF A HOLDING COMPANY WHOSE TOTAL ASSETS. "EXCEED 15 TRILLION YEN" WILL BE PROHIBITED; FAIR TRADE COMMISSION RELEASES GUIDELINES

YOMIURI: PRIME MINISTER GIVES INSTRUCTIONS ON EXAMINATION OF NEW-TYPE GOVERNMENT BONDS ON SCALE OF 10 TRILLION YEN AS FUNDING SOURCES FOR FINANCIAL AND ECONOMIC MEASURES; IN RESPONSE TO KAJIYAMA'S PROPOSAL; SALE OF NTT STOCKS, ETC. AS COLLATERAL

SANKEI: PRIME MINISTER ASKS CONSIDERATION OF THE IDEA OF ISSUING 10-TRILLION-SCALE GOVERNMENT BONDS IN RESPONSE TO KAJIYAMA'S CONCEPT; SALE OF NTT STOCKS, ETC., AS COLLATERAL; GIVES UP THE GOAL OF REDUCING DEFICIT-COVERING GOVERNMENT BONDS

POLITICAL DECISION ON COP3 AGREEMENT POSSIBLE TONIGHT AS U.S., EU TAKE FLEXIBLE STANCES (MAINICHI - PAGE 1)

THE CONFERENCE OF PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (KYOTO CONFERENCE ON PREVENTION OF GLOBAL WARMING) PRACTICALLY WRAPPED UP ITS FULL SESSION YESTERDAY TO DISCUSS THE DETAILS OF A KYOTO PROTOCOL AND COMPILED A DRAFT PROTOCOL IN THE HANDS OF WORKING-LEVEL OFFICIALS. A CONSENSUS HAS BEEN IN PRINCIPLE REACHED ON SUCH MATTERS AS ADOPTION OF VARIOUS IMPLEMENTATION FORMULAS FOR GREENHOUSE EMISSION GASES CUTS AND MEASURES TO REDUCE SUCH EMISSIONS IN DEVELOPING COUNTRIES. THE MAJOR CHALLENGE THAT IS LEFT TO DEAL WITH IS HOW TO SET REDUCTION TARGETS. NEGOTIATIONS ARE CONTINUING BEHIND THE SCENES NOW THAT THE EUROPEAN UNION (EU) AND THE UNITED STATES, WHICH HAD BEEN HEAVILY AT ODDS WITH EACH OTHER, HAVE NOW SHOWN A STANCE OF MAKING CONCESSIONS. A POLITICAL SETTLEMENT WILL BE MADE TONIGHT REGARDING NUMERICAL REDUCTION TARGETS.

AT THE OPENING OF THE MINISTERIAL SESSION YESTERDAY, U.S. VICE PRESIDENT GORE INSTRUCTED THE U.S. GOVERNMENT-LED DELEGATION TO BE FLEXIBLE, AND HIS INSTRUCTION HELPED BRISK NEGOTIATIONS TO UNFOLD AT THE CABINET-LEVEL AMONG INDUSTRIALIZED COUNTRIES, SUCH AS THE U.S., THE EU AND JAPAN AND AMONG INDUSTRIALIZED COUNTRIES AND DEVELOPING COUNTRIES AND ON OTHER OCCASIONS.

AMERICA'S SHIFT TO A FLEXIBLE STANCE TOWARD THE QUESTION OF SETTING THE GOAL FOR GREENHOUSE GASES CUTS HAS BROUGHT

THE SITUATION FORWARD. THE EU DELEGATION NOTES:
"NEGOTIATIONS ARE PROGRESSING." A JAPANESE GOVERNMENT
SOURCE ALSO COMMENTS: "WE ARE NOW IN THE PHASE OF
FINDING A POINT OF COMPROMISE."

ON EMISSION REDUCTION RATES, DISCUSSION IS CONTINUING
BASED ON THE IDEA OF DIVIDING THE INDUSTRIALIZED
UNCLAS SECTION 02 OF 08 TOKYO 010555

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
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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

COUNTRIES INTO THE EU GROUP AND THE NON-EU GROUP WITH THE
FORMER'S REDUCTION RATE BEING 7.5 PERCENT OR SO (5 TO 7
PERCENT) WHILE THE NON-EU GROUP'S BEING 2.5 PERCENT OR SO
(0 TO 5 PERCENT). "THERE IS EVEN A POSSIBILITY OF
SUBDIVIDING THE NON-EU GROUP" (JAPANESE GOVERNMENT
SOURCE).

THE EU WILL HOLD AN EMERGENCY BOARD OF DIRECTORS MEETING
OF ENVIRONMENT MINISTERS THIS MORNING TO DETERMINE A
FINAL NEGOTIATING POLICY LINE.

CHAIRMAN HIROSHI OKI (ENVIRONMENT AGENCY DIRECTOR
GENERAL) IS MOVING AHEAD WITH COORDINATION WITH
GOVERNMENTS OF VARIOUS COUNTRIES IN ORDER TO BRING THE
NUMERICAL REDUCTION TARGET PROBLEM TO A SETTLEMENT
TONIGHT.

IN PARALLEL WITH THE MINISTERIAL SESSION, THE FULL
PLENARY SESSION WAS HELD AND A DRAFT PROTOCOL COMPOSED OF
29 PROVISIONS WAS DISCUSSED. AGREEMENT WAS REACHED ON
DEALS FOR THE EMISSION RIGHT UNDER WHICH COUNTRIES CAN
SELL THEIR EMISSION FRAMEWORKS TO OTHER COUNTRIES AS WELL
AS ON ADOPTION OF A JOINT IMPLEMENTATION OF EMISSION CUTS
-- NAMELY, IF ONE COUNTRY, TOGETHER WITH ANOTHER COUNTRY,
CARRIES OUT EMISSION CUTS MEASURES, A PORTION OF THE
REDUCED EMISSIONS WILL BE COUNTED AS A REDUCTION OF
EMISSIONS FOR THAT COUNTRY.

VICE PRESIDENT GOREQS UNBENDING DEVELOPING COUNTRY STANCE
REFLECTS TOUGH DOMESTIC OPINION (MAINICHI - PAGE 3)

UNITED STATES VICE PRESIDENT GORE YESTERDAY ATTENDED THE
GLOBAL WARMING PREVENTION CONFERENCE NOW BEING HELD IN
KYOTO AND HELD MEETINGS WITH LEADERS OF VARIOUS
COUNTRIES. IN THE CONFERENCE SESSION, THE VICE PRESIDENT

HINTED AT GREATER FLEXIBILITY, BUT AT THE SAME TIME, HE REITERATED THE PREVIOUS ARGUMENT AND CALLED FOR DEVELOPING COUNTRIES' EFFORTS TO REDUCE EMISSIONS. THE VICE PRESIDENT'S FLEXIBLE YET ADAMANT STANCE DERIVED FROM HIS CALCULATION TO GIVE FOREMOST PRIORITY TO THE DOMESTIC SITUATION SO AS NOT TO IRRITATE THE U.S. CONGRESS OR INDUSTRIAL CIRCLES. VICE PRESIDENT GORE SPENT HIS DAY IN JAPAN IN THE FOLLOWING WAY:

IN A CABINET-LEVEL SESSION OPENING SPEECH, VICE PRESIDENT GORE STATED, "I AM INSTRUCTING OUR DELEGATION TO SHOW INCREASED NEGOTIATING FLEXIBILITY." HIS INSTRUCTION WAS TAKEN TO MEAN "SOME PROGRESS TOWARD GAS CUTS" FROM AMERICA'S PREVIOUS PASSIVE PROPOSAL OF STABILIZING GREENHOUSE GAS EMISSIONS IN 2010 AT THE 1990S LEVELS (ZERO REDUCTION).

NEVERTHELESS, HIS URGING "PARTICIPATION BY MAJOR DEVELOPING COUNTRIES" DURING HIS SPEECH DREW NEGATIVE REACTIONS FROM U.S. LAWMAKERS, WHO ARE CALLING FOR PARTICIPATION BY ALL DEVELOPING COUNTRIES, AS WELL AS FROM INDUSTRIAL PRESSURE GROUP MEMBERS.

CONGRESSMAN SENSENBRENNER IN A PRESS CONFERENCE YESTERDAY URGED EVERY COUNTRY TO MAKE EFFORT TO REDUCE EMISSIONS, REMARKING, "IT IS UNREASONABLE FOR AMERICAN CONSUMERS ALONE TO BEAR A GREATER BURDEN, SUCH AS HIGHER ELECTRICITY RATES." SENATOR HAGEL FOLLOWED SUIT, "(THE VICE PRESIDENT) TOUCHED ON THE RIGHTS OF THE PEOPLES OF DEVELOPING COUNTRIES BUT HE FAILED TO MENTION THE RIGHTS OF THE AMERICAN PEOPLE. WE CANNOT SUPPORT AN UNFAIR TREATY."

IN ADDITION, OBJECTIONS ERUPTED FROM INDUSTRIAL CIRCLES, SUCH AS: "UNLESS WE IMPOSE REDUCTION TARGETS ON DEVELOPING COUNTRIES, OUR COMPETITORS, AMERICA'S AGRICULTURE WILL EBB" (AGRICULTURAL LOBBYIST); "SUCH A POLICY DIRECTION WILL PUSH UP ENERGY COSTS AND REDUCE UNCLAS SECTION 03 OF 08 TOKYO 010555

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 DECEMBER 9

JOBS" (MINING LOBBYIST).

LATER IN THE DAY, VICE PRESIDENT GORE HELD A MEETING WITH ENVIRONMENTAL NON-GOVERNMENT ORGANIZATIONS (NGOS). IN

IT, THE VICE PRESIDENT EXPLAINED, "INVOLVEMENT OF DEVELOPING COUNTRIES, WHICH IS A DOMESTIC PROBLEM, IS A PRIORITY ISSUE. FOR BRINGING A SETTLEMENT TO THAT ISSUE, I MET WITH DELEGATIONS FROM VARIOUS COUNTRIES." A JAPANESE SOURCE NOTED, "IT WAS NOT THE VICE PRESIDENT ALONE. ALL OF THE U.S. DELEGATION MEMBERS REMAIN FOCUSED ONLY ON THEIR OWN DOMESTIC SITUATION, EVEN IN KYOTO."

IN A PRESS CONFERENCE LATE YESTERDAY, VICE PRESIDENT GORE REMARKED, "I THINK IT IS POSSIBLE TO RATIFY A (KYOTO PROTOCOL) EVEN IF ONE OR TWO SENATORS OPPOSE IT." HIS REMARKS SUGGESTED THAT WITH PARTICIPATION BY MAJOR DEVELOPING COUNTRIES, THE PROTOCOL COULD WIN PUBLIC SUPPORT.

BUT WHETHER OR NOT DEVELOPING COUNTRIES WILL ACTUALLY PARTICIPATE IN IT REMAINS TO BE SEEN. THE U.S. HAS PROPOSED A "CLEAN DEVELOPMENT SYSTEM" THAT WILL OPEN A PATH FOR FUNDS SUPPORT TO DEVELOPING COUNTRIES. THE U.S. PROPOSAL WON SUPPORT IN PRINCIPLE FROM DEVELOPING COUNTRIES BECAUSE "THEY CAN GET BOTH PROJECTS AND MONEY" (JAPANESE SOURCE). IT CAN BE SAID THAT AS THE LAST RESORT, THE U.S. HAS DEVISED THE "CLEAN DEVELOPMENT SYSTEM" URGING DEVELOPING COUNTRIES' PARTICIPATION IN AN EFFORT TO AVOID DOMESTIC CRITICISM FROM ARISING. (HIDEKAZU SHIRATO, MIYUKI NAKAJIMA)

PRIME MINISTER HASHIMOTO FLITS IN AND OUT OF KYOTO CONFERENCE IN HOUR AND A HALF (TOKYO SHIMBUN - PAGE 3)

"I WILL ASK LEADERS OF VARIOUS COUNTRIES TO MAKE A POLITICAL DECISION." SO SAYING, PRIME MINISTER RYUTARO HASHIMOTO EXPRESSED HIS DETERMINATION, IN A SPEECH DELIVERED AT THE KYOTO CONFERENCE ON GLOBAL WARMING ON THE MORNING OF THE 8TH, TO REACH AN AGREEMENT ON NUMERICAL TARGETS FOR REDUCTIONS OF GREENHOUSE GASES.

HE, INSTEAD, STAYED AT THE CONFERENCE JUST ONE AND A HALF HOURS.

ON ARRIVING AT 9:35 A.M. AT THE KYOTO INTERNATIONAL HALL, WHERE THE CONFERENCE IS TAKING PLACE, THE PRIME MINISTER MET WITH UNITED STATES VICE PRESIDENT GORE FOR ABOUT 20 MINUTES. HE THEN GAVE A SPEECH IN THE CONFERENCE HALL. AS SOON AS HE FINISHED IT, HE LEFT FOR KYOTO STATION. BUT SINCE THE LOWER HOUSE PLENARY SESSION THAT WAS SCHEDULED TO CONVENE AT 2:00 P.M. WAS CANCELLED, HE EXTENDED HIS STAY IN KYOTO 15 MINUTES.

AN AIDE TO THE PRIME MINISTER EXPLAINED: "THE FACT THAT THE PRIME MINISTER HIMSELF WENT TO KYOTO IS A MANIFESTATION OF HIS DETERMINATION." BUT THERE WAS NO SCENE THERE FOR HASHIMOTO TO DISPLAY HIS RESOLVE YESTERDAY.

PRIME MINISTER IN POLICY SWITCH ASKS LDP TO CONSIDER ISSUING 10 TRILLION YEN IN DEFICIT BONDS (ASAHI - TOP PLAY)

PRIME MINISTER RYUTARO HASHIMOTO YESTERDAY ADOPTED A POLICY COURSE OF CONSIDERING THE POSSIBILITY OF STABILIZE THE FINANCIAL SYSTEM AND BOLSTER THE ECONOMY, BY ISSUING 10 TRILLION YEN WORTH OF GOVERNMENT BONDS THAT COLLECT REDEMPTION FUNDS FROM PROFITS ON SALE OF GOVERNMENT HOLDING SHARES, SUCH AS THOSE IN NTT. HE INSTRUCTED SECRETARY GENERAL KOICHI KATO AT YESTERDAY'S EXECUTIVE BOARD MEETING OF THE LIBERAL DEMOCRATIC PARTY (LDP) TO BRING UP THE ISSUE AT A MEETING OF THE EMERGENCY FINANCIAL SYSTEM STABILIZATION COUNTERMEASURES UNCLAS SECTION 04 OF 08 TOKYO 010555

USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

HEADQUARTERS (CHAIRMAN BY FORMER PRIME MINISTER KIICHI MIYAZAWA). A PROPOSAL FOR "ISSUING 10 TRILLION YEN WORTH OF GOVERNMENT BONDS" HAS ALREADY BEEN MADE BY FORMER CHIEF CABINET SECRETARY KAJIYAMA. KAJIYAMA WILL GIVE A BRIEFING ON HIS PROPOSAL AT THE HEADQUARTERS. THE AIM OF THIS DECISION IS TO RECOVER MARKET CONFIDENCE WITH DRASTIC FINANCIAL AND ECONOMIC MEASURES, BUT SINCE THE FLOATING OF A LARGE AMOUNT OF GOVERNMENT BONDS WILL LEAD TO A SWITCH FROM THE PRIME MINISTER'S POLICY LINE OF EXPEDITING FISCAL REFORM, IT IS LIKELY TO BECOME A HEAVY BET FOR THE HASHIMOTO CABINET.

ACCORDING TO KAJIYAMA'S PROPOSAL, GOVERNMENT BONDS WORTH 10 TRILLION YEN CAN BE ISSUED, BY "SECURING" REDEMPTION FUNDS FROM GOVERNMENT HOLDING SHARES IN NTT AND JAPAN TOBACCO INC., FROM WHICH THE GOVERNMENT PROJECT TO GAIN PROFITS WORTH APPROXIMATELY 10 TRILLION YEN, IF IT SELLS THEM IN TEN YEAR'S TIME. KAJIYAMA'S PLAN IS THEN FACILITATING FINANCIAL REFORM AND ECONOMIC STIMULUS MEASURES, BY DEALING WITH FAILED FINANCIAL INSTITUTIONS, FINANCED BY THIS, AND CLEARING UP BAD LOANS, SUCH AS PURCHASES OF PREFERENCE STOCKS FROM FINANCIAL INSTITUTIONS, WITH PUBLIC MONEY.

AT THE EXECUTIVE BOARD MEETING, THE PRIME MINISTER INDICATED HIS INTENTION TO POSITIVELY CONSIDERING THE POSSIBILITY, BY SAYING, "I WANT TO USE ANY MEANS THAT ARE AVAILABLE. IT MAY BE ALL RIGHT TO GIVE A SERIOUS THOUGHT TO THE KAJIYAMA PROPOSAL."

AS A MEASURE TO STABILIZE THE FINANCIAL SYSTEM, THE PRIME

MINISTER HAD INDICATED A POLICY STANCE OF LIMITING PUBLIC SUPPORT FOR THE SAKE OF PROTECTION OF DEPOSITORS. AS FOR SPECIFIC MEASURES FOR THAT, HE HAD LEFT DISCUSSION TO THE LDP COUNTERMEASURES HEADQUARTERS. HOWEVER, HE HAS APPARENTLY INSTRUCTED (SECRETARY GENERAL KATO) TO LOOK INTO THE KAJIYAMA PROPOSAL OUT OF A SENSE OF ALARM THAT IF HE REMAINS UNABLE TO COME UP WITH FULL-FLEDGED FINANCIAL AND ECONOMIC MEASURES, FETTERED BY HIS AVOWED EFFORTS TO CARRY OUT FISCAL RECONSTRUCTION, HIS POLICY LINE WILL THEN NOT LEAD TO THE RECOVERY OF MARKET CONFIDENCE.

REGARDING THE ISSUE OF GOVERNMENT BONDS BY MORTGAGING GOVERNMENT HOLDING SHARES, KAJIYAMA ASSERTS, "SUCH GOVERNMENT BONDS ARE SECURED ON REDEMPTION. THEY ARE DECISIVELY DIFFERENT FROM CONVENTIONAL GOVERNMENT BONDS. IT IS AN EMERGENCY MEASURE, AND SO, THERE WILL BE NO CHANGE IN THE GOVERNMENT'S FISCAL RECONSTRUCTION LINE." HE INSISTS THAT THIS POLICY LINE DOES NOT CONTRADICT THE GOVERNMENT GOAL OF REPAYING DEFICIT -COVERING BONDS OVER SIX YEARS FROM THE NEXT FISCAL YEAR AND TERMINATING THE ISSUE OF SUCH BY THAT YEAR. KAJIYAMA CONVEYED HIS VIEW TO THE PRIME MINISTER WHEN HE MET WITH HIM ON THE 2ND.

MAINTAINING OF COHESIVENESS OF ADMINISTRATION AIMED AT

(COMMENTARY)

PRIME MINISTER HASHIMOTO HAS INSTRUCTED THE LDP TO STUDY FORMER CHIEF CABINET SECRETARY KAJIYAMA'S PROPOSAL FOR "ISSUING GOVERNMENT BONDS WORTH 10 TRILLION YEN." AMID UNCERTAINTY OVER THE FINANCIAL SYSTEM AND THE SAGGING ECONOMY, COMBINED WITH A GROWING CALL FROM ABROAD FOR A "DRASTIC STEP" BY THE JAPANESE GOVERNMENT, THE PRIME MINISTER, LEFT WITH NO OTHER CHOICE, HAD TO DECIDE TO CHANGE HIS POLICY COURSE EVEN AT THE COST OF PUTTING ON THE BACK BURNER THE FISCAL RECONSTRUCTION LINE, THE ADMINISTRATION'S MAJOR POLICY SLOGAN. HOWEVER, WITH THIS DECISION, RATIONALE FOR THE EXISTENCE OF THE PRIME MINISTER, WHOSE POWER BASE IS WEAKENING BECAUSE OF HIS INABILITY TO CARRY OUT ADMINISTRATIVE, FISCAL AND POLITICAL REFORMS, STARTING WITH THE REORGANIZATION OF UNCLAS SECTION 05 OF 08 TOKYO 010555

USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

GOVERNMENT AGENCIES, AS HE INTENDS, MAY BE QUESTIONED FROM THE GROUND UP.

FOLLOWING A SUCCESSIVE FAILURES OF FINANCIAL INSTITUTIONS, THE PRIME MINISTER HAS ANNOUNCED, "I HAVE NO INTENTION WHATSOEVER TO CHANGE MY BASIC POLICY LINE OF IMPLEMENTING FISCAL REFORM," EVEN WHILE SAYING, "I WANT TO USE EVERY AVAILABLE MEANS." THE PRIME MINISTER RECEIVED THE PROPOSAL FROM KAJIYAMA ON THE 21ST OF LAST MONTH, BUT HE HAS STEERED CLEAR OF MAKING ANY FORMAL RESPONSE TO IT. HE HAS APPARENTLY BEEN MULLING OVER THE CONSISTENCY OF THE PROPOSAL WITH HIS USUAL POLICY STANCE.

IN RESPONSE TO THE PRIME MINISTER'S INSTRUCTION, ONE MEMBER OF THE PARTY EXECUTIVE SAID, "I THINK HE IS SERIOUS" AND INDICATED HIS VIEW THAT CRITICISM THAT THE PRIME MINISTER HAS CHANGED HIS FISCAL RECONSTRUCTION LINE WOULD BE "UNAVOIDABLE." A PERSON CLOSE TO THE PRIME MINISTER ADMITTED, "I THINK OUR POLICY SWITCH WILL BE CRITICIZED. WE ARE IN TROUBLE THINKING OF REASONING (THAT (THE FLOATING OF GOVERNMENT BONDS) DOES NOT CONTRADICT THE FISCAL RECONSTRUCTION LINE)."

THE PRIME MINISTER'S LEADERSHIP HAS WEAKENED, OCCASIONED BY THE REMOVAL OF KOKO SATO FROM THE POST OF MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL. HE IS ALSO UNABLE TO RECOVER SUPPORT RATES WITH ADMINISTRATIVE REFORM, WHICH HE REGARD'S HIS ADMINISTRATION'S SHOWCASE. HE ALSO REMAINS UNABLE TO COME UP WITH ANY EFFECTIVE MEASURES FOR THE ECONOMY AND THE FINANCIAL SYSTEM. THE "10 TRILLION YEN WORTH OF GOVERNMENT BONDS" INITIATIVE WAS THE BALL KAJIYAMA HAS THROWN WHEN HE DESPERATELY WANTED TO GET OUT OF THAT TIGHT SPOT. HOWEVER, WILL THE PROPOSAL TURN OUT TO BE A PANACEA? IT MAY INSTEAD CONTAIN A PRECARIOUS NATURE IN THAT IT MIGHT DELIVER THE FATAL BLOW TO THE HASHIMOTO ADMINISTRATION.

GOVERNMENT/LDP TO CANCEL FISCAL 1998 TARGET FOR REDUCING DEFICIT BOND ISSUANCE (NIHON KEIZAI - PAGE 1)

THE GOVERNMENT AND THE LIBERAL DEMOCRATIC PARTY (LDP) REACHED THE JUDGMENT YESTERDAY THAT IN COMPILING THE DRAFT FISCAL 1998 BUDGET, REDUCTIONS WOULD BE MADE IN THE CORPORATE TAX AND TAXES ON SECURITIES AND LAND. AT THE SAME TIME THEY CONCLUDED HAT THEY WOULD HAVE NO CHOICE BUT TO ABANDON THE IDEA OF REDUCING THE 1.25 TRILLION YEN ISSUANCE OF DEFICIT-COVERING GOVERNMENT BONDS, WHICH WAS IN LINE WITH FISCAL STRUCTURAL REFORM. THESE MOVES ARE BASED ON THEIR THINKING THAT EASING THE PACE OF REDUCING THE FISCAL DEFICIT IS UNAVOIDABLE BECAUSE OF A GROWING CONCERN OVER A THE DOWNWARD TREND IN THE ECONOMY. AS A RESULT, THE TARGET FOR REDUCING DEFICIT-COVERING GOVERNMENT BONDS, AS PER THE FISCAL REFORM LAW THAT JUST PASSED THE DIET, WILL BE REVISED IN THE INITIAL YEAR. THIS MEANS THAT THE GOVERNMENT'S POLICY MANAGEMENT WILL TAKE THE FORM OF PRIORITY CONSIDERATION SHIFTING FROM FISCAL STRUCTURAL REFORM TO ECONOMIC RECOVERY.

LAST NIGHT A SENIOR MEMBER OF THE LDP TAX SYSTEM RESEARCH COUNCIL INDICATED THAT IN HIS VIEW, THERE WOULD BE NO OTHER OPTION BUT TO ISSUE DEFICIT-COVERING GOVERNMENT BONDS TO SECURE A FUNDING SOURCE FOR TAX CUTS. HE EXPLAINED:

"IMPLEMENTATION OF TAX CUTS DEPENDS ON TO WHAT EXTENT THE PLANNED SCALE OF 1.25 TRILLION YEN DEFICIT-COVERING GOVERNMENT BONDS UP FOR REDUCTION CAN BE COMPRESSED. THE QUESTION IS WHAT WILL BE A TOLERABLE RANGE FOR PRIME MINISTER HASHIMOTO AND THE MINISTRY OF FINANCE."

THE FISCAL REFORM LAW AIMS AT ATTAINING THE GOAL OF LOWERING NEW ISSUANCES OF DEFICIT-COVERING GOVERNMENT BONDS -- WHICH TOTAL NOW NEARLY 7.5 TRILLION YEN -- ZERO
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USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

IN SIX YEARS BY FISCAL 2003. FOR THAT END, IT IS COMPUTED THAT IF A REDUCTION IS MADE UNIFORMLY EVERY YEAR, THERE WOULD HAVE TO BE A CUT OF 1.25 TRILLION YEN IN DEFICIT-COVERING GOVERNMENT BONDS IN FISCAL 1998. BUT THE ECONOMIC GROWTH RATE FOR FISCAL 1997 IS LIKELY TO FALL TO CLOSE TO ZERO, DOWN FROM THE 1.9 PERCENT IN REAL TERMS AS INITIALLY FORECASTED.

WILL U.S. WELCOME NEW MOVE TO INJECT 10 TRILLION YEN IN GOVERNMENT BONDS INTO ECONOMY? (ASAHI - PAGE 10)

(WASHINGTON, DECEMBER 8, KAZUHIKO YAMASE) THE JAPANESE GOVERNMENT HAS STARTED DISCUSSION ON THE POSSIBILITY OF FLOATING 10 TRILLION YEN WORTH OF GOVERNMENT BONDS TO STIMULATE THE ECONOMY, USING GOVERNMENT-HELD SHARES IN NTT AND OTHER COMPANIES AS COLLATERAL. THIS MEASURE IS EXPECTED TO SATISFY THE UNITED STATES GOVERNMENT, WHICH HAS REPEATEDLY CALLED ON JAPAN TO TAKE STEPS TO PUT ITS ECONOMY ON A RECOVERY TRACK. THE U.S. HAS BEEN CONCERNED THAT THE CURRENT WEAK-YEN, STRONG-DOLLAR TREND WOULD CONTINUE, BECAUSE OF THE GAP BETWEEN THE STATE OF THE JAPANESE AND U.S. ECONOMIES. WITH THIS MOVE, JAPAN WILL SIDESTEP A PROPOSAL OF SELLING U.S. GOVERNMENT BONDS, FOR WHICH SOME OFFICIALS WERE CALLING, AND THE U.S. WILL NOT HAVE TO ALTER THE ONGOING HIGH-GOVERNMENT BOND AND LOW-INTEREST RATE POLICY, WHICH HAS UNDERPINNED ITS STRONG ECONOMY.

SECRETARY OF THE TREASURY RUBIN AND OTHER U.S. GOVERNMENT OFFICIALS HAVE REFRAINED FROM REFERRING TO A "STRONG-DOLLAR POLICY" IN PUBLIC STATEMENTS. THIS STEMS FROM THE JUDGMENT THAT AMID CURRENCY UNEASINESS SWEEPING ACROSS LATIN AMERICA, TO WHICH AMERICAN BANKS HAVE A HUGE AMOUNT OF CLAIMS, A STRONGER DOLLAR WOULD PROMPT INVESTORS TO SELL SOUTH AMERICAN CURRENCIES, ADVERSELY AFFECTING THE U.S. ECONOMY. OBSERVERS HAVE TAKEN THE VIEW THAT THE U.S. DOES NOT WANT TO SEE THE DOLLAR TO RISE FURTHER AGAINST THE YEN, EITHER.

BUT THE RECENT STRING OF FINANCIAL INSTITUTION FAILURES AND UNCERTAINTY OVER THE ECONOMY IN JAPAN HAVE DISCOURAGED INVESTORS TO BUY YEN. REFLECTING SUCH CIRCUMSTANCES, THE THEME OF JAPAN'S EXPANSION OF DOMESTIC DEMAND WAS TAKEN UP IN THE JAPAN-U.S. SUMMIT MEETING HELD IN VANCOUVER IN LATE NOVEMBER. STATING, "A SOLID RECOVERY OF THE JAPANESE ECONOMY IS CRUCIAL FOR THE ASIAN ECONOMIES TO BE ON A STABLE TRACK," PRESIDENT CLINTON REITERATED THE NECESSITY FOR JAPAN TO PLAY A KEY ROLE TO HELP ASIAN ECONOMIES RECOVER.

THE U.S. GOVERNMENT HAS TRANSMITTED TO JAPAN SINCE THIS APRIL THAT JAPAN, EVEN THOUGH IT MAY SLOW DOWN ITS FISCAL RECONSTRUCTION PROCESS, SHOULD FIRST RECOVER FROM ITS ECONOMIC SLUMP BY SPURRING DOMESTIC DEMAND.

NIKKEI POLL: CABINET APPROVAL AT LOW OF 35 PERCENT;
DISGRUNTLEMENT OVER ECONOMIC POLICY
(NIHON KEIZAI - TOP PLAY)

THE GOVERNMENT'S ADMINISTRATIVE REFORM PANEL (CHAIRLED BY PRIME MINISTER RYUTARO HASHIMOTO) HAS NOW MAPPED OUT ITS FINAL REPORT FEATURING ITS RECOMMENDATION OF THE GOVERNMENT TO RESTRUCTURE THE ORGANIZATION OF ITS MINISTRIES AND AGENCIES. IN THE WAKE OF THIS FINALIZATION, THE NIHON KEIZAI SHIMBUN CONDUCTED A NATIONWIDE PUBLIC OPINION SURVEY FROM THE 5TH THROUGH THE 7TH. ASKED ABOUT THE PANEL'S FINAL REPORT, 58 PERCENT OF THOSE POLLED GAVE BITTER MARKS TO IT, CALLING FOR THE HASHIMOTO CABINET TO MAKE EVEN MORE POSITIVE EFFORTS. REFLECTING SUCH ECONOMIC DIFFICULTIES AS THE RECENT SUCCESSIVE MANAGEMENT FAILURES OF MAJOR FINANCIAL INSTITUTIONS, IT ALSO BECAME KNOWN FROM THE RESULTS OF THE SURVEY THAT MORE THAN HALF OF THOSE POLLED WERE UNCLAS SECTION 07 OF 08 TOKYO 010555

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 9

URGING THE GOVERNMENT TO CARRY OUT FULL-FLEDGED ECONOMIC STIMULUS MEASURES, SUCH AS AN INCOME TAX REDUCTION. THE RATE OF PUBLIC SUPPORT FOR THE HASHIMOTO CABINET WAS DOWN TO 35.0 PERCENT (A DROP OF 7.8 PERCENTAGE POINTS OVER THE LAST SURVEY CONDUCTED IN SEPTEMBER), MARKING THE LOWEST EVER SINCE THE HASHIMOTO GOVERNMENT'S COMING INTO OFFICE. THE RATE OF NONSUPPORT WAS 44.6 PERCENT (UP 9.0 PERCENTAGE POINTS OVER THE LAST SURVEY), LIKEWISE THE HIGHEST EVER SINCE ITS INAUGURATION.

FUJI-SANKEI POLL: CABINET DISAPPROVAL RATE AT 47.8 PERCENT; MOST CRITICAL OF REFORM LEADERSHIP (SANKEI - PAGE 1)

INCIDENT TO THE ADMINISTRATIVE REFORM PANEL'S FINALIZATION OF ITS REPORT REGARDING CENTRAL GOVERNMENT REORGANIZATION, THE SANKEI SHIMBUN HAS CONDUCTED A JOINT NATIONWIDE PUBLIC OPINION SURVEY WITH FUJI NEWS NETWORK (FNN) BY THE 8TH. AS A RESULT, THE RATE OF PUBLIC SUPPORT FOR THE (HASHIMOTO) CABINET WAS 34.0 PERCENT, THE SAME AS IN THE LAST SURVEY (CONDUCTED IMMEDIATELY AFTER THE SEPTEMBER CABINET RESHUFFLE). ON THE OTHER HAND, HOWEVER, THE RATE OF NONSUPPORT WAS 47.8 PERCENT, SHOWING A RISE OF AS MUCH AS 3.9 PERCENTAGE POINTS OVER THE LAST TIME. PARTICULARLY, RESPONDENTS WERE ASKED ABOUT PRIME MINISTER RYUTARO HASHIMOTO'S LEADERSHIP IN THE ONGOING PROCESS OF ADMINISTRATIVE REFORM. AS A RESULT, THE PERCENTAGE OF THOSE WHO ANSWERED THAT THEY "DON'T APPRECIATE" AND THAT OF THOSE WHO ANSWERED THAT THEY "DON'T APPRECIATE VERY MUCH" TOTALED ABOUT 70 PERCENT. AS SEEN FROM SUCH RESULTS, THE PUBLIC'S CAUSTIC RATING OF THE PRIME MINISTER'S POLITICAL ABILITY WAS CONSPICUOUS.

POLL OF NAGO CITY IN OKINAWA SHOWS ONLY A THIRD SUPPORTING SEA-BASE FACILITY CONSTRUCTION (ASAHI - PAGE 1)

NAGO CITY IN OKINAWA PREFECTURE WILL SOON HOLD A REFERENDUM OF ITS RESIDENTS ON THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT (IN WATERS OFF THE CITY) AS AN ALTERNATIVE FACILITY TO REPLACE THE U.S. FORCES' FUTENMA AIR STATION. WITH THE CITY'S REFERENDUM BEING SCHEDULED TO BE OFFICIALLY ANNOUNCE ON THE 11TH, THE ASAHI SHIMBUN CONDUCTED A TELEPHONE-BASED PUBLIC OPINION SURVEY OVER A PERIOD OF TWO DAYS, DECEMBER 6-7, TO PROBE INTO THE ATTITUDE OF NAGO CITY'S RESIDENTS, WITH COOPERATION OBTAINED FROM THE OKINAWA TIMES. AS A RESULT, THE CITY'S ANTI-HELIPORT RESIDENTS REFUSING TO APPROVE THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT ACCOUNTED FOR A MAJORITY AT 54 PERCENT -- HIGHER THAN THE RATE OF PRO-HELIPORT RESIDENTS AT 33 PERCENT. THE GOVERNMENT HAS BEEN ASKING FOR (THE CITY'S APPROVAL OF) HELIPORT CONSTRUCTION WHILE LINKING IT TO ITS PACKAGE OF PROMOTIONAL MEASURES ANNOUNCED ON THE 6TH FOR THE

NORTHERN AREA OF OKINAWA PREFECTURE. CONCERNING SUCH A WAY OF DOING THINGS, HOWEVER, MORE THAN HALF OF THOSE POLLED ANSWERED THAT THE GOVERNMENT "SHOULD MAKE IT IN ANOTHER WAY."

IN THE SURVEY, THE RATE OF THOSE INTERESTED IN THE SCHEDULED REFERENDUM REACHED 90 PERCENT. THE RATE OF THOSE WHO ANSWERED THAT THEY "WILL GO TO THE POLLS WITHOUT FAIL" REACHED 72 PERCENT.

CONCERNING THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT, 48 PERCENT OF THOSE POLLED ANSWERED THAT THEY WERE "OPPOSED" TO THE PLAN, AND 6 PERCENT ANSWERED THAT THEY WERE "OPPOSED TO THE HELIPORT CONSTRUCTION BECAUSE THERE IS NO EXPECTING ANY ENVIRONMENTAL MEASURES OR ECONOMIC EFFECTS." ASKED WHY, 31 PERCENT ANSWERED THAT THEY WERE "WORRIED ABOUT SUCH POSSIBLE BASE-CAUSED DAMAGE AS NOISE, ENVIRONMENTAL DISRUPTION, AND INCIDENTS," TOPPING ALL OTHER CITED REASONS. ADDITIONALLY, 15 UNCLAS SECTION 08 OF 08 TOKYO 010555

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 DECEMBER 9

PERCENT VOICED THEIR WORRY, SAYING THAT "IT WILL LEAD TO MAKING ANOTHER BASE."

ON THE OTHER HAND, THE RATE OF PRO-HELIPORT RESIDENTS WAS 8 PERCENT. IN ADDITION, 25 PERCENT ANSWERED THAT THEY WERE "IN FAVOR OF IT BECAUSE ENVIRONMENTAL MEASURES AND ECONOMIC EFFECTS CAN BE EXPECTED." ASKED WHY, 23 PERCENT CITED THE REASON THAT "IT WILL LEAD TO NORTHERN DEVELOPMENT." FOLLOWING THIS REASON, MANY GAVE A NEGATIVE REASON, SAYING THAT "SOMEWHERE IN THIS PREFECTURE WILL HAVE TO ACCEPT IT."

IN REPLY TO A QUESTION ASKING RESPONDENTS IF THEY THINK THAT THEIR ISLAND PREFECTURE'S NORTHERN AREA, INCLUDING THE CITY OF NAGO, IS FALLING BEHIND THE MIDDLE AND SOUTHERN PARTS OF THE PREFECTURE IN ECONOMIC GROWTH, 72 PERCENT ANSWERED "YES." HOWEVER, THEY REACTED NEGATIVELY TO THE GOVERNMENT AGAINST ITS HAVING COME UP WITH NORTHERN PROMOTIONAL MEASURES "IN EXCHANGE FOR" THEIR ACCEPTANCE OF THE HELIPORT CONSTRUCTION PLAN. EVEN AMONG THOSE WHO ANSWERED THAT "IT WILL LEAD TO NORTHERN DEVELOPMENT" AS THEIR REASON FOR FAVORING THE HELIPORT CONSTRUCTION PLAN, ONE OUT OF ALMOST EVERY FOUR PERSONS

MAINTAINED THAT BASE CONSTRUCTION AND LOCAL DEVELOPMENT
"SHOULD BE SEPARATED" FROM EACH OTHER.

THE GOVERNMENT, IN ITS OFFSHORE HELIPORT PLAN, SAYS THE
POSSIBLE EFFECTS ON THE NATURAL ENVIRONMENT WILL BE
"MINIMIZED." HOWEVER, 65 PERCENT OF ALL THOSE SURVEYED
ANSWERED THEY "CAN'T BELIEVE IT." CRANE

SECT: SECTION: 01 OF 08

<^SECT>SECTION: 02 OF 08
<^SECT>SECTION: 03 OF 08
<^SECT>SECTION: 04 OF 08
<^SECT>SECTION: 05 OF 08
<^SECT>SECTION: 06 OF 08
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<^SECT>SECTION: 08 OF 08

SSN: 0555

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RUEHKOF/AMCONSUL FUKUOKA 7823
RUEHKOS/AMCONSUL SAPPORO 4000
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TEXT:
UNCLAS SECTION 01 OF 14 TOKYO 010579

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E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

INDEX:

(1) Nikkei Poll: Hashimoto Administrative Reform "Can't Be Appreciated" -- 58 Percent; Cabinet Support Rate Lowest Ever at 35 Percent

(2) Scope Column: Three Possible Scenarios About Nago City Referendum on Heliport Construction: Government Will Cancel Futenma Reversion Plan If a Majority Oppose the Heliport Project

(3) Financial M&A's toward Japan; U.S. State Deputy Assistant Secretary to Ask Japan in Investment Negotiations to "Consolidate Environment"

(4) More Companies Now Ready to Offer Jobs to Employees of Crippled Financial Institutions; 9,000 Job Offered by 1,000 Companies to Yamaichi Securities

(5) Yamaichi Securities and Hokkaido-Takushoku Bank Eligible to Receive Employment-Adjustment Subsidies; Labor Ministry to Ease Standards as Emergency Employment Measure

(6) Interview with Fuji Photo Film Chairman Minoru Onishi: With Decision Given in Favor of Fuji in WTO Interim Report, Reveals Intention to Maintain Cooperative Relations with Kodak

ARTICLES:

(1) Nikkei Poll: Hashimoto Administrative Reform "Can't Be Appreciated" -- 58 Percent; Cabinet Support Rate Lowest Ever at 35 Percent; Public Dissatisfied with Economic Policy; More than Half Call for Income Tax Reduction

NIHON KEIZAI (Top Play, Pages 2&3)
(Full Translation & Excerpts)
December 9, 1997

The government's administrative reform panel (chaired by Prime Minister Ryutaro Hashimoto) has now mapped out its final report featuring its recommendation of the government to restructure the organization of its ministries and agencies. In the wake of this finalization, the Nihon Keizai Shimbun conducted a nationwide public opinion survey from the 5th through the 7th. Asked about the panel's final report, 58 percent of those polled gave bitter marks to it, calling for the Hashimoto cabinet to make even more positive efforts. Reflecting such economic difficulties as the recent successive management failures of major financial institutions, it also became known from the results of the survey that more than half of those polled were urging the government to carry out full-fledged economic stimulus measures, such

as an income tax reduction. The rate of public support for the Hashimoto cabinet was down to 35.0 percent (a drop of 7.8 percentage points over the last survey conducted in September), marking the UNCLAS SECTION 02 OF 14 TOKYO 010579

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TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

lowest ever since the Hashimoto government's coming into office. The rate of nonsupport was 44.6 percent (up 9.0 percentage points over the last survey), likewise the highest ever since its inauguration.

The drop in the rate of public support for the Hashimoto cabinet shows the public's dissatisfaction with the Hashimoto cabinet's way of addressing administrative reform. At the same time, such also can be taken as a result of its having strongly reflected a sense of crisis out of the public's feeling of uneasiness about the financial system as symbolized by the management failures of such financial institutions as Yamaichi Securities Co., Ltd. and the Hokkaido Takushoku Bank, Ltd. Prime Minister Hashimoto is now being urged by the general public to launch effective economic measures immediately -- in addition to attaining visible achievements in the ongoing process of his administrative reform initiative, including such approaches as to simplify and streamline the structure of administrative bodies.

As for the public rating of the administrative reform panel's final report, the rate of those who "can't appreciate very much" was 45.2 percent, and that of those who "can't appreciate at all" at 12.8 percent. On the other hand, the rate of those who "can appreciate somewhat" was 32.5 percent, and that of those who "can highly appreciate " at 1.8 percent.

However, asked about the proposed idea of reducing the number of government ministries and agencies from the current setup of one office and 21 other bodies to a structure of one office and 12 other bodies, opinions for and against it was split into 40.7 percent and 40.9 percent. In the process of

the panel's finalization of its report, Liberal Democratic Party and Soc)l Democratic Party policy cliques called zoku giin -- literally tribal parliamentarians or lawmakers acting to protect the interests of particular government ministries and agencies -- showed up with their resistance (to the panel's report). The public deems itself dissatisfied with the zoku-giin's resistance and they are discontent with the Prime Minister's way of coping with such, but many are apparently thinking highly to a certain extent of the final report's having paved the way to a reform of the administrative structure.

On the other hand, respondents were asked (for multiple answers) about policy measures they wanted the Hashimoto cabinet to take. In reply to this question, the rate of those who pointed out business and economic stimulus measures reached 52.2 percent, showing a rise of as much as 11.1 percentage points over the last survey. This rate came on top as well as that of those desiring pension and welfare measures. Of those who preferred business and economic stimulus measures, 55.2 percent were males. In the age-grouped UNCLAS SECTION 03 OF 14 TOKYO 010579

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WHITE HOUSE FOR NSC, NEC
JUSTICE FOR DAVID BOLING IN ANTI-TRUST DIVISION
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TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

breakdown of those male respondents, those in their 40's accounted for 58.2 percent, topping all other generations. This figure shows that workers in the prime of life were entertaining a sense of growing crisis particularly about the recent economic situation in the wake of such factors as the sequential bankruptcies of businesses.

The rate of opinion calling for administrative reform was still high at 42.5 percent in spite of a drop of 3.5 percentage points over the last survey. However, the rate of opinion hoping for urgent business and economic stimulus measures appears higher now.

Asked (for multiple answers) about specific economic stimulus measures all those respondents wanted the government to take, 51.5 percent cited

an income tax reduction, topping all other answers. Other than income tax cuts, the rate of those calling for a stabilized financial system -- as well as that of those calling for policy-based tax cuts in such areas as education and housing -- was higher than 30 percent.

The survey was assigned to Nikkei Research, and it was conducted over the telephone on a total of 3,000 persons who were sampled out at random across the nation. The rate of effective respondents was 60.9 percent.

The lowest rate of support for the cabinet: The Prime Minister urged to take "action"; people discontent with his policies but anxious for policies

In the survey conducted by the Nihon Keizai Shimbun, the rate of public support for the Hashimoto cabinet has plummeted. The primary cause of the drop of more than 7.0 percentage points in the cabinet support rate is the impact of the successive management failures of Yamaichi Securities and other leading businesses and the public's sense of crisis about the future trends of economic activity. It may safely be said that the nation's general public has been signaling an SOS, which is pregnant with the possibility of Prime Minister Ryutaro Hashimoto seeing a further decline in the public rating of his cabinet if he should do nothing for the task of stimulating the domestic economy.

One of the noticeable findings from the results of the survey -- in connection with the public's downrating of the Hashimoto cabinet -- is the public's citing of different reasons for their supporting the cabinet. Among the reasons cited by respondents for their support of the Hashimoto cabinet, there were such answers as "because he's an LDP prime minister" and "he's trustworthy" -- almost at the same rates as in the last survey conducted in September. "He (or his cabinet) is clean" was up from the last time.

UNCLAS SECTION 04 OF 14 TOKYO 010579

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TAGS: PGOV, PINR, JA

SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

Compared with the last poll, a conspicuous drop was seen in the rates of such reasons as "he has leadership" (down from 23.0 percent to 18.0 percent) and "his cabinet is stable" (down from 30.5 percent to 20.2 percent). Such figures can be taken also as indicating the frustration of people who are thinking that the Prime Minister and his cabinet are slow in taking action to cope with the economic crisis.

Even among the reasons given by LDP supporters for their support of the Hashimoto cabinet, the rate of those citing the Prime Minister's "personality" and the rate of those pointing out his "sense of international affairs" were higher than the that of those giving his "leadership," as a matter of fact. The situation is serious for the Prime Minister, who will have to wrestle with the task of materializing administrative reform with the backing of public opinion.

On the other hand, there will be prospects for the future of the Hashimoto cabinet if it takes the "help" signal from public opinion as a hidden sign indicating public expectations. The rate of support in terms of 35 percent is higher than that for the preceding Murayama cabinet (31.2 percent) at the time of a survey that was conducted right before its general resignation. A majority of people want (the Hashimoto government to implement) business and economic stimulus measures. This fact, in itself, can be taken also as meaning that there are that many people attaching their expectations on the cabinet's action so as to break away from the current difficulties.

What is important now for the Prime Minister would be to realize that his cabinet is about to reach the "watershed" -- and is to do his best to carry out economic policy measures that have been long awaited by the general public. The dropping rate of support, on the one hand, is even likely to recover the public trust of the Prime Minister's leadership and open up a new road for his administrative reform and fiscal restructuring initiative.

Public support for political parties (percent)

-- New Frontier Party (NFP or Shinshinto)	5.0*
-- Liberal Democratic Party (LDP)	41.8 (-1.2)
-- Japan Communist Party (JCP)	7.4 (-0.8)

-- Democratic Party of Japan (DPJ or Minshuto)	5.6 (+0.7)
-- Social Democratic Party (SDP or Shaminto)	5.9 (-1.1)
-- "No political party to support"	26.2**

* The NFP was at an all-time low.
UNCLAS SECTION 05 OF 14 TOKYO 010579

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
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E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

** The rate of those having "no political party to support" was the highest ever since the Hashimoto government's coming into office.

(2) Scope Column: Three Possible Scenarios About Nago City Referendum on Heliport Construction: Government Will Cancel Futenma Reversion Plan If a Majority Oppose the Heliport Project; Nago Major's Decision Critical, If "Approval" Fails to Reach 50 Percent

TOKYO SHIMBUN (Page 2) (Excerpts)
December 7, 1997

There are only two more weeks to go before the (December 21) Nago City referendum on the sea-based heliport construction project to replace the one at the U.S. Marines Futenma Air Station. How will the outcome affect the heliport project? The following are three possible scenarios about the project.

(Yoichi Toyoda)

Scenario One: A Majority Favor the Project

The voters have four options: approval; disapproval; approval because environmental measures and economic effects can be expected (conditional approval); and disapproval because no favorable effects can be expected (conditional disapproval).

If "approval" and "conditional approval" account

for more than 50 percent when combined, Nago Mayor Tetsuya Higa will give his consent to the heliport project. The Government will then begin full-fledged work for compiling an implementation program.

The off-shore heliport project will be put on the right track aimed at completion five to seven years from now. This will help Prime Minister Hashimoto, who has been pushing ahead with the Futenma reversion program as his one of the priorities, weather the critical phase.

The focus will then shift to determining the construction method -- the QIP (quick-installation platform) or the pontoon methods.

Scenario Two: Less Than 50 Percent Approve the Project

In the event "disapproval" and "conditional disapproval" exceed 50 percent when combined, although "disapproval" alone does not reach 50 percent, the project's fate will differ greatly depending on how to interpret "conditional disapproval." The Prime Minister has made it clear that the Government would not construct a heliport by by-passing local opinion. Given the condition, Mayor Higa's decision will be vital.

UNCLAS SECTION 06 OF 14 TOKYO 010579

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TAGS: PGOV, PINR, JA

SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

If conditional disapproval is taken to mean "approval if (the Government) promises to take sound environmental and economic measures," then road to the heliport project will be still open. In turn, Mayor Higa will urge the Government to come up with solid measures to improve the environment and economy of Nago. The Government is certain to comply with such a request. However, the anti-heliport group might set off a recall movement, reasoning, "The Mayor has made a decision contrary to the outcome of the referendum."

In contrast, if conditional disapproval is taken to

mean "rejection of the heliport project," the path to the off-shore heliport will be closed in essence.

Scenario 3: A Majority Vote against the Heliport Plan

If "disapproval" marks over 50 percent, Mayor Higa will not be able to give the go-ahead to the heliport construction, and the project will hit a snag.

Since the Government thinks the spot off Camp Schwab is the one and only site suitable for the project, reversion of the Futenma Air Station will go down the drain. Undoubtedly, such will cloud the leadership and capability of the Prime Minister. The likelihood of delivering on the reversions of other bases, agreed upon in the final report by the Special Action Committee on Okinawa (SACO), might diminish as well.

Governor Ota will become increasingly dissatisfied with the stalled base reversion project. Reversely, the Government will become more critical of Governor Ota who failed to take action swiftly, reasoning, "To begin with, (the Government) worked hard to have the Futenma back at the Governor's strong request."

(3) Financial M&A's toward Japan; U.S. State Deputy Assistant Secretary to Ask Japan in Investment Negotiations to "Consolidate Environment"

NIHON KEIZAI (Page 2) (Full)
December 6, 1997

(Washington, December 5, Reporter Ryosuke Harada)

Prior to Japan-United States investment talks to be held in Tokyo from the 10th, Deputy Assistant Secretary B. Griffith of the U.S. State Department revealed that the U.S. is highly interested in improvement of the investment environment in Japan's financial sector. The Deputy Assistant Secretary indicated a view that investments and the offering of know-how by foreign firms will help Japan facilitate financial reform, by saying, "Until now Japan has not benefited from M&A's with foreign firms."

UNCLAS SECTION 07 OF 14 TOKYO 010579

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TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

The bilateral investment talks were launched in 1995 as one sector of the framework talks, considering that Japan's acceptance of direct investments is extremely small in comparison with its economic size.

Deputy Assistant Secretary Griffith stated, "Japan's financial system is now at a stage where it is being pressed to deal with its structural problem. Direct investments from abroad will increase employment opportunities in Japan, and it can obtain know-how as a result. It is very good for Japan." He then underscored, "I would like to discuss this issue on a priority basis" in the negotiations this time around. American financial institutions have heightening interest in "asset management" in Japan with its pension market in mind.

(4) More Companies Now Ready to Offer Jobs to Employees of Crippled Financial Institutions; 9,000 Job Offered by 1,000 Companies to Yamaichi Securities; Mostly for Younger Personnel and Experts

NIHON KEIZAI (Page 3) (Full)
December 5, 1997

Moves are afoot for replacing employees of failed financial institutions, such as Yamaichi Securities and Hokkaido-Takushoku Bank (Takugin). Yamaichi yesterday announced that it has received as of the 3rd a total of 9,000 job offers from about 1,000 companies. The Takugin Bank, Sanyo Securities and Kokuyo City Banks are also preparing to help their employees find jobs. In many cases, job offerers attach various conditions, such as age limits and expert knowledge. The situation of the replacement of those in the middle and upper-age bracket is bleak.

The number of jobs offered to Yamaichi exceeds that of its employees -- 7,500. However, the securities industry says, "Jobs offered are mainly for women, experts on trading and young salesmen" (Universal Securities) and "Mainly for sales at branches" (Okasan Securities). Job offerers from areas other than the securities industry set specific age-limits with Japan Education Research Association

seeking "people younger than 50" and Fauval (TN: phonetic) specifying, "People younger than 35."

Many of the employees of Yamaichi say, "We do not have time for job hunting," because they are busy with the work of repaying its customers. Yamaichi intends to disclose job-offer information evenhandedly to all its employees when the liquidation work has eased, so that "those who are engaging in the liquidation work will not be left behind job-seeking activities."

Since Sanyo Securities has applied for the application of the Corporate Rehabilitation Law,
UNCLAS SECTION 08 OF 14 TOKYO 010579

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DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

there are no visible moves seen, but job offers to salesmen are coming in.

The Takugin Bank has received as of the 4th 998 job offers from 298 companies -- 510 jobs from 156 companies in Hokkaido and 483 jobs from 142 companies from outside Hokkaido. Offers have been made by companies in a variety of industries. In the local area, local governments announced their intention to accept Takugin employees. Otaru City plans to accept several people who "are in the age bracket of up to 30's and live Otaru City" The Hokkaido Government Office has increased the hiring of midcareer job switchers to 50 -- five times more than the usual year.

Tokuyo City Banks on the 4th revealed that it has received about 100 job offers from 35 companies, but only Sendai Bank has announced its intention to accept its employees.

Major Companies That Have Announced Their Plan to Hire Employees of Failed Financial Institutions

- 1) -- Company
- 2) -- Number
- 3) -- Types of Jobs and Personnel Required

(Yamaichi Securities)

- 1) Electronic Data Systems
- 2) Approx. 600
- 3) All employees of Yamaichi Information System

- 1) American Family Life Insurance
- 2) Approx. 500
Several dozen
- 3) Female canvassers People in charge of financial and general affairs in aged bracket of up to early 40's

- 1) Universal Securities
- 2) 300
- 3) 100 men and 200 women, such as investment advisors and investment bonds saleswomen

- 1) Okasan Securities
- 2) 250
- 3) Sales

- 1) Misawa Home Group
- 2) 230
- 3) Those in charge of sales, accounting and general affairs. Includes new hires for next year.

- 1) Temp Staff Group
- 2) Approx. 200
- 3) Includes those who received job offers for next year

- 1) Nichiei
- 2) Approx. 200
- 3) Sales

UNCLAS SECTION 09 OF 14 TOKYO 010579

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E.O. 12958: N/A
 TAGS: PGOV, PINR, JA
 SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

- 1) Ace Trading
- 2) Possibly 100
- 3) Together with Sanyo employees

- 1) Koyo Group
- 2) Approx. 100
- 3) Salesmen, management personnel, analysts

- 1) Yutaka Trading
- 2) Approx. 60
- 3) Mainly salesmen

- 1) Fauval
- 2) 50
- 3) (Junior) salesmen

- 1) Tokai-Maruman Securities
- 2) 50
- 3) Dealer, fund manager, women

- 1) Yasuda Fire & Marine Insurance
- 2) 30 - 40
- 10 - 20
- 3) General office workCarrier jobs

- 1) Globery
- 2) 50
- 3) Sales and clerical work

- 1) Fuji Bank
- 2) Several dozen
- 3) Negotiations with Yamaichi under way

- 1) KOBE Securities
- 2) --
- 3) 4 - 5 branch offices, together with employees

- 1) Japan Education Research Association
- 2) 30 -50
- 3) Sales and financial affairs (those in the age bracket of up to 40's)

- 1) Japan Unicom
- 2) 30 - 50
- 3) Together with Sanyo employees

- 1) Kanetsu Trading
- 2) Approx. 20
- 3) --

- 1) Sumitomo Capital Securities
- 2) Close to 20
- 3) --

- 1) Kosei Securities
- 2) 10 - 20
- 3) Derivative traders

- 1) Yutaka Securities
- 2) 10 - 20
- 3) Sales

- 1) Ark Securities
- 2) 10 - 15

UNCLAS SECTION 10 OF 14 TOKYO 010579

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 TAGS: PGOV, PINR, JA
 SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

3) Sales, dealers

- 1) National Federation of Credit Cooperatives
- 2) Over 10
- 3) Dealers, commodity development, derivative-related work

- 1) Chuo Trust & Banking
- 2) Approx. 10
- 3) From asset management sector and investment trust sales

- 1) Marubeni
- 2) Around 10
- 3) --

- 1) Saison Information System
- 2) Several - 10
- 3) Information engineers

- 1) Matsushita Electric Works
- 2) Several
- 3) Accounting, financial affairs and overseas planning

- 1) Niigata Central Bank
- 2) Several
- 3) To deal with diversification of financial commodities. Those who come from Niigata Prefecture

- 1) Ando Securities
- 2) Several
- 3) Sales

- 1) Sakamoto-Hokuriku Securities
- 2) Several
- 3) Sales

- 1) Iijima Corporation
- 2) Several
- 3) Accounting

- 1) Iida Securities
- 2) 2

3) Canvasser on commission basis. Middle and upper-aged employees acceptable

- 1) Hanaten
- 2) Not specified
- 3) Not specified

- 1) Yasuda Life Insurance
- 2) Not decided
- 3) Under study

- 1) Daiwa Securities
- 2) Not decided
- 3) Under study within company

- 1) Nikl Securities
- 2) Not decided
- 3) Under study within company

UNCLAS SECTION 11 OF 14 TOKYO 010579

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
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 TREASURY FOR OASIA/IMI/JAPAN
 DEPT PASS USTR FOR PUBLIC AFFAIRS OFFICE
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E.O. 12958: N/A
 TAGS: PGOV, PINR, JA
 SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

- 1) Kokusai Securities
- 2) Not decided
- 3) International, research, commodities and other special sectors

- 1) Wako Securities
- 2) Not decided
- 3) Experts

- 1) Kankaku Securities
- 2) Not decided
- 3) Mainly for sales at branches

- 1) Yamatane Securities
- 2) Not decided
- 3) Now under study within company

- 1) Cosmo Securities
- 2) Not decided
- 3) Canvassers on commission basis

- 1) Dai-Ichi Securities
- 2) Not decided
- 3) Female canvassers of investment trusts and bonds

and those in charge of over-the-counter sales

- 1) Tokyo Securities
- 2) Not decided
- 3) New hires for next year and over-the-counter saleswomen

(Sanyo Securities)

- 1) Business Brain Ota-Showa
- 2) 250
- 3) All employees of Sanyo Software Service

- 1) Ace Trading
- 2) Possibly 100
- 3) Together with Yamaichi employees

- 1) Japan Unicom
- 2) 30 - 50
- 3) Together with Yamaichi employees

- 1) Sakamoto-Hokuriku Securities
- 2) Several
- 3) Sales

(Takugin)

- 1) Kushiro Credit Cooperative
 - 2) Not decided
 - 3) Experts on assets management and computer operations who come from Hokkaido
- 1) Obihiro Credit Cooperative
 - 2) Not decided
 - 3) People in the age bracket of up to 30's who have special knowled on foreign exchange

(Tokuyo City Bank)

- 1) Sendai Bank
- UNCLAS SECTION 12 OF 14 TOKYO 010579

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 12/09/97

- 2) In proportion to assets it accepts
- 3) Not decided

(5) Yamaichi Securities and Hokkaido-Takushoku Bank Eligible to Receive Employment-Adjustment Subsidies; Labor Ministry to Ease Standards as Emergency Employment Measure

NIHON KEIZAI (Page 3) (Full)
December 5, 1997

In order to deal with a successive management failures of leading companies, as seen in that Yamaichi Securities has filed for voluntary closure, the Ministry of Labor (MOL) on the 5th compiled a "package of comprehensive emergency measures" to prevent uncertainty over employment from escalating as a result of those corporate failures. The package was unveiled by MOL Minister Bunmei Ibuki in a press conference held after a Cabinet meeting that day.

According to the package, standards for designating business entities eligible for receiving employment-adjustment subsidies -- subsidies for portions of the wages relevant companies pay -- will be eased. In addition, job consulting offices will be opened at student vocational centers as a countermeasure to help college students who have lost job offers to find new jobs. Support will also be extended to job-seeking activities by employees of crippled companies by such means as expanding the receiving setup of vocational capability development facilities. In line with these new standards, MOL will designate Yamaichi Securities and Hokkaido-Takushoku Bank as cases of large-scale bankruptcies.

Standards for designating corporate entities eligible for employment-adjustment subsidies have so far targeted the manufacturing and construction industries, which have many medium and small-size businesses under their wings, but those standards have now been eased so that they can cover bankruptcies of large-scale financial institutions, too. Conditions for application for such have been limited to bankruptcy, the commencement of "wagi" composition and the commencement of procedures for rehabilitation, but under the new package, those conditions have been eased to a "state that corresponds to such" so that those standards can be applied to the case of the filing of voluntary closure, like that of Yamaichi, too. Furthermore, the conventional standards have stipulated that the capital and the number of employees of companies eligible for those subsidies should be below the level set, classified by types of business, but those rules will be scrapped. As a result, companies in the services industry can also be designated flexibly. As a measure to deal with college students who have lost job offers, a job

consultation office will be established. In addition, job-placement interviews will be held for them, and information on such will be sent to UNCLAS SECTION 13 OF 14 TOKYO 010579

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USIA FOR MR AND REA
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JUSTICE FOR DAVID BOLING IN ANTI-TRUST DIVISION
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TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

relevant students by mail. Fine-line measures have been proposed, such as that in case there are only a small number of job offers, MOL will work on industry organizations to make efforts to hire more.

(6) Interview with Fuji Photo Film Chairman Minoru Onishi: With Decision Given in Favor of Fuji in WTO Interim Report, Reveals Intention to Maintain Cooperative Relations with Kodak

NIHON KEIZAI (Page 15) (Full)
December 9, 1997

A dispute-settlement subpanel under the World Trade Organization (WTO) released an interim report that went: "No evidence was found of Japan thwarting foreign access to its photofilm and printing paper market." The ruling favoring Japan in effect has dealt a blow to the United States Government and Eastman Kodak. This newspaper asked Fuji Photo Film President Minuru Onishi for his views about the ruling's impact and perspectives.

-- The WTO interim report totally turned down U.S. accusations.

"The Office of U.S. Trade Representative's (USTR) accusations were somewhat groundless. Before discussing the question of which side will win the case, there is no barrier in the Japanese photofilm market. When a former top executive of Kodak visited Japan, he also told us, 'There are no restrictions on new market entrants in Japan. What we need to do now is to step up efforts to boost our sales'."

"The share of Kodak film at one time shot up to 20 percent in the Japanese market, but the company diversified management resources into the disk

camera and instant camera sectors. At the time of the yen's surge in value in the late 1980's, prices were jacked up instead of brought down. During that period, our company put its efforts into solidifying our brand image and upgrading quality, putting a 400-ISO film and film equipped with lens on the market ahead of any other company in the world. As a result, the gap between the two companies' shares became pronounced. The conventional wisdom in the industry is that such differences in approaches by the two companies created the gulf between their market shares."

-- Eastman Kodak Japan Director Ira Wolf has emphasized "the benefit of consumers, focusing on prices and the range of options."

"Taking up a 100-ISO film of 24 exposures, we find in the Japanese market Fuji's roll set at 315 to 400 yen per roll and a set of three rolls at 187 to 225 yen per roll. Meanwhile, Kodak prices a roll at 260 to 400 yen and one of the set of three rolls at 185 to 240 yen. In the average value, there is not such a big gulf between them as pointed out by UNCLAS SECTION 14 OF 14 TOKYO 010579

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TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/09/97

Wolf. Kodak has attached higher prices in the U.S. market than in the Japanese market. How can it explain the benefit to consumers in the U.S.?"

-- Is there a possibility that the U.S. Government will invoke Article 301 of the Trade Act as a retaliation measure?

"I cannot comment about hypothetical questions. The WTO will issue a final report next February, but should the U.S. Government file a petition with a higher panel, a final conclusion is expected to come next summer. Regardless of what decision is made, international rules should be respected."

-- You have joined hands with Kodak in the digital picture sector.

"In terms of consumers' benefit+ unifying digital

picture standards is desirable. Making use of DPE (developing, printing and enlarging) infrastructure established by the two countries is to their advantage. No matter what ruling the WTO hands down, we are going to maintain cooperative relations with Kodak."

Reporter's Analysis: (Fuji) Emphasizing Court Strategy for Its Own Advantage

Fuji Photo Film was fully aware that a court strategy would carry weight at WTO, a legal organization. Kodak, asking an American law firm for its advice, had the advantage first, but Fuji succeeded in turning the tables. Looking at its intensifying attack beneath the surface, a lawyer for Kodak said, "The other side has been formidable."

Yet, both Kodak and Fuji have increased their interdependence in their business operations. In disseminating digital picture standards and APS (Advanced Photo System), cooperation between the two companies has become indispensable. It seems that they are anticipating to see the Japanese and U.S. Governments meet half way, reaching common ground on such deregulatory measures as abolishing the Large-scale Retail Store Law.

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SECT: SECTION: 01 OF 14

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<^SECT>SECTION: 02 OF 14
<^SECT>SECTION: 03 OF 14
<^SECT>SECTION: 04 OF 14
<^SECT>SECTION: 05 OF 14
<^SECT>SECTION: 06 OF 14
<^SECT>SECTION: 07 OF 14
<^SECT>SECTION: 08 OF 14
<^SECT>SECTION: 09 OF 14
<^SECT>SECTION: 10 OF 14
<^SECT>SECTION: 11 OF 14
<^SECT>SECTION: 12 OF 14
<^SECT>SECTION: 13 OF 14
<^SECT>SECTION: 14 OF 14
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TEXT:
UNCLAS SECTION 01 OF 06 TOKYO 010612

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E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/10/97

INDEX:

(1) Announcement of Nago City Citizens' Referendum Tomorrow; Government's Desperate Efforts: "Please Approve"; Okinawa Development Agency Chief Pleads on Talk Show; Vice Defense Minister Makes the Rounds of Banks

(2) Keizai Kyoshitsu (Economic Classroom): Large-Scale Retail Stores Should Be Controlled under City Planning Schemes; Urges Mechanism for Participation by Average Citizen, to Reflect Situation in Local Areas.

ARTICLES:

(1) Announcement of Nago City Citizens' Referendum Tomorrow; Government's Desperate Efforts: "Please Approve"; Okinawa Development Agency Chief Pleads on Talk Show; Vice Defense Minister Makes the Rounds of Banks

ASAHI (Full) (Page 31)
December 10, 1997

In connection with the upcoming citizens' referendum in Nago City in Okinawa Prefecture on the propriety of constructing a sea-based heliport there to replace the facility at Futenma Air Station, the Government has leapt into action to gather "approval votes." The reason is because if the proposal to move the facility offshore falls apart, the problem of reverting Futenma returns to what it was last year in April. The suggestion of a local development package as collateral also has become shaky. Prior to the announcement of the referendum on the 11th, staff from the Defense Facilities Administration Agency (DFAA) started to make door to door calls on the 9th. Since an item agreed on between the Japanese and American governments will be queried, this referendum appears to be an unprecedented combination not seen in previous referendums that were connected to nuclear power plants or industrial waste disposal. The vote will take place on December 21.

On the 2nd, Defense Agency Vice Minister Masahiro Akiyama made the rounds of the main offices of the three major banks in the prefecture, such as the Bank of the Ryukyus, and pleaded, "I am asking your help so that we can get more prefectural citizens, even one more person, to understand our basic plan." A DFAA staffer made it clear: "Looking toward the citizens' referendum, our intention is to obtain as much organized support as possible." However, Ryukyu Bank Chairman Akira Sakima was cautious: "I fully understand the Government's thinking of wanting to move forward with the base problem, but the referendum is a local issue, and as a financial institution, we find it difficult to

cooperate."

On November 29th, Okinawa Development Agency
Director General Muneo Suzuki appeared on a
UNCLAS SECTION 02 OF 06 TOKYO 010612

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USIA FOR MR AND REA
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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 12/10/97

singer's talk show held in Nago City by a group
approving of the construction of the base. In
front of an audience of nearly 1,000 persons, he
equated the promotional plan to collateral for the
base facility construction and forcefully stated,
"I am counting on you."

The Government on the 6th announced its package of
local promotional measures, which centers on Nago.
Included in it are such projects as downtown
redevelopment and construction of port facilities,
but it also warns: "Contingent on acceptance of the
sea-based facility." This would seem to be a major
change from what Prime Minister Hashimoto said when
he attended the 25th anniversary of the reversion
of Okinawa in November. He said that it would be
"very sad" to link together the promotional package
and the base construction project.

Moreover, the local community promotional package
will go ahead between the central government and
Nago City, ignoring Okinawa Prefecture. The total
construction cost of the sea-based facility project
has been rumored to be between several hundred
billion yen and one trillion yen. Only the main
project(s) which the city is seeking will polish
off 100 billion yen. One senior prefectural
officials wondered, "In Japan today, where can we
find such kind of money?"

The Government has circulated 40,000 pamphlets in
Nago City calling on the citizen's understanding of
the construction project. DFAA has dispatched
about 200 of its staff to make door-to-door calls.

Although there has been an increasing call for
"conditional approval," citing the reason of the
economic promotional package, the opposition to the
(construction project) remains as deep-seated as

before. As a result, among those connected to the Government, the view can be heard that "we don't care now how it looks."

One senior defense official said, "Considering how much effort Prime Minister Hashimoto has put into Okinawa until now, if (the project) is rejected, there's no denying his image will suffer." On the other hand, another senior official analyzed it this way: "The U.S. forces will not be in trouble even if the status quo remains at Futenma. Furthermore, even the Americans must know that the referendum was in compliance with the democratic process. A rejection by referendum will never undermine the basis of the security treaty arrangements."

(2) Keizai Kyoshitsu (Economic Classroom): Large-Scale Retail Stores Should Be Controlled under City Planning Schemes; Urges Mechanism for Participation by Average Citizen, to Reflect Situation in Local Areas

(Article by Tomoo Noguchi, Professor at Waseda University)

UNCLAS SECTION 03 OF 06 TOKYO 010612

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USIA FOR MR AND REA
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E.O. 12958: N/A

TAGS: PGOV, PINR, JA

SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/10/97

NIHON KEIZAI (Page 31) (Excerpts)
November 27, 1997

1. The Large-Scale Retail Store Law in reality functions solely to protect small and medium-sized businesses. It is outmoded. As a way of regulating commerce in local areas, it is desirable to impose regulations suited to the specific circumstances in each area, instead of uniformly placing regulations throughout the nation under the Large-Scale Retail Store Law.

2. The presence of large stores is not only economic but also social in the sense that they are concerned with local environments and local residents' welfare. As it stands, large stores should be controlled under city planning schemes

that have such an aspect in view.

3. Efforts should be made for an early repeal of the Large-Scale Retail Store Law. But what is needed before that is consolidating a mechanism that allows the average citizens to voluntarily take part in city planning and for municipal assemblies to make decisions. It would be appropriate to allow the Law to exist until then.

Sole Function of Large-Scale Retail Store Law Is to Protect Small to Medium-Sized Businesses

Discussion of the easing or scrapping of the Large-Scale Retail Store Law has now entered the final stage. A joint conference of the Industrial Structure Council and the Small and Medium Business Policy Council is expected to come up with a report on December 12. However, this kind of report tends to be ambiguous, giving consideration to the wishes of different interest groups. The author would like to make proposals from a neutral position on what should be done about future restrictions on large stores. All of Japan's laws designed to make adjustments in the retail industry -- the First Department Store Law in 1937, the Second Department Store Law in 1956 and the Large-Scale Store Law in 1973 -- were created for a practical purpose, to protect small to medium-sized retailers.

As it stands, although the Large Store Law advocates "healthy development of the national economy" and "protection of consumer interests" as well as "securing of adequate business opportunities for small to medium-sized retail stores," it has in reality functioned solely to protect small to medium-sized retailers.

Needless to say, circumstances have changed greatly from the time the law was enacted. The age that required adjustments in commercial operations under the premise of protection is long gone.

We are now in an age in which market mechanisms should function as much as possible through the easing of economic restrictions and the laying of
UNCLAS SECTION 04 OF 06 TOKYO 010612

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SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/10/97

emphasis on market trends and competition. The Large-Scale Retail Store Law naturally is not immune from the waves of change in such an age.

Close Relation to the Environment and Social Welfare

In considering what should be done about the Large-Scale Retail Store Law, it would probably be necessary to think about what meaning the presence of "large stores" has as a key concept.

The extremely simplistic grasping of such a concept would be that large stores, armed with their large sizes, have the competitive edge in terms of quality and price, and contribute to the development of local economies through their high business performances and creation of jobs. However, at the same time, they also bring about disadvantages, such as traffic congestion, illegal parking, noise, waste, and environmental destruction. In view of future changes in populational organization, openings of large stores are pregnant with extremely important problems. The estimate is that in Japan the ratio of those aged 65 years and over will reach 17.24 percent in the year 2000 -- making it the highest level in the world. Let's assume that shopping centers centered around suburban large stores are booming and neighborhood shopping districts are at an ebb when the nation has entered an super-old age society.

Large stores cannot be innocent of depriving purchasing opportunities of transportation-handicapped people, such as elderly people and those who do not have a driver's license. The presence of large stores has, therefore, a social context.

Under such a situation, when consideration is given to restrictions on large stores, a dichotomy between "economic and social regulations" will emerge -- an issue that cannot be settled with consideration to the economic aspect alone. A city planning system is a mechanism for regulations that can embrace the social aspects of large stores, too.

Then, what should be our primary concern in actually carrying out city planning? It is undoubtedly the interests of the average citizens. Let me cite some key points needed for city planning aimed at realizing the interests of the average citizens.

Core

In the age of mega-competition, as well as regional competition, we must create highly dense commercial districts with characteristic features and drawing attractions. One conceivable way to achieve this end would be opening a nationwide bank for vacant stores, which are a major issue at this time, on the Internet and calling on those venture-capital

UNCLAS SECTION 05 OF 06 TOKYO 010612

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USIA FOR MR AND REA
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JUSTICE FOR DAVID BÖLING IN ANTI-TRUST DIVISION
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E.O. 12958: N/A
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retailers who meet the conditions offered.

Environment

In the United States, the New York Court of Appeal in December, 1996 handed down a ruling calling on the retailer Toys 'R Us to abandon its plan to open a store in Manhattan, citing that it would destroy the high quality of living in that area's environment. In Japan, too, Kawasaki City issued a guideline on prior negotiation procedures, which makes it a condition to give consideration to the living environment. Arakawa Ward, Tokyo also issued a guideline on the openings of large-scale stores, which includes an environmental assessment. These cases indicate that giving consideration to the environment is becoming an important policy task.

Convenience

In Japan, where the average lifespans of men and women are the highest in the world, there are a large number of transportation-handicapped people. They need integrated shopping areas accessible on foot without the aid of cars, tradesmen's coming for orders, home-delivery services and barrier-free facilities.

Software Side

In consolidating downtown shopping areas in the future, it is vital to improve the software side in a drastic way as well as to improve the hardware

side. Just as Freemont Street in Los Vegas came to life like a phoenix by opening cinemas in the shopping malls, efforts to offer services from the software side that are different from the conventional ones are sought here.

History

Each town has its own culture and historical heritage. If they are used for downtown development, it would be possible to bring back the life to downtown areas as new sightseeing spots.

Unrestrained Large Stores Can Be Prevented, by Turning the Large-Scale Retail Store Law into a Time-Limited One

In actually formulating city planning schemes, laws and mechanisms on which such schemes are based need to be effective. As a result of the promotion of decentralization and consolidation of the administrative procedures law, a shift of authority to municipal governments is gradually taking place in Japan, too,. The 1992 amendment to the City Planning Law (establishment of Article 18 - 2) allows each municipal government to draft its own city plan as a master plan.

However, the schemes they draft have no independent nature as a legal development plan. In addition,
UNCLAS SECTION 06 OF 06 TOKYO 010612

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 COUNCIL'S OFFICE, DAS
TREASURY FOR OASIA/IMI/JAPAN
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SUBJECT: JAPANESE DAILY PRESS SUMMARY 12/10/97

Japan has yet consolidate various channels for participation by local residents, following the case of the United States. Many tasks have yet to be settled before such a mechanism functions.

If the Large-Scale Retail Store Law is scrapped without adding an adequate mechanism, such as rules and systems, the result will only be the destruction of towns, as large stores open unrestrained. When it comes to the question of what to do about the present Large-Scale Retail Store Law, this writer's view is: We should turn the Law into a kind of time-limited law until a

time when a mechanism under which local government assemblies can decide their own downtown development plans and the average citizen can take part in such process on their own. Once such a mechanism is created, it should be scrapped.

In addition, I think that the remaining laws should be for the time being tasked with the work of investigating and discussing a possible impact of large stores on the interests of the average citizen; their function should be complementing downtown development plans. Those forums of inspection and discussion should be attended by representatives of the average citizen chosen from among local residents alone.

Such a method will bring the average citizen a step closer to city planning by the average citizen for the average citizen through the channel of large stores.

Tomoo Noguchi: Born in 1956. Graduated from the Hitotsubashi University post graduate course. Specializing in distribution measures and theory of distribution system.

FOLEY

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RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEAWJA/USDOJ WASHDC
RUEBBEA/USDOT WASHDC
RUEHRC/USDA FAS WASHDC 4123
RUCPDOG/USDOC WASHDC
RUEAIIA/CIA WASHDC
RHEHAAA/WHITE HOUSE WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 11

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 11 TOKYO 010621

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 DECEMBER 11

TOP HEADLINES:

ASAHI: KYOTO COP3: PROPOSAL SHOWN FOR "6 PERCENT CUT FOR
INDUSTRIALIZED COUNTRIES"; AGREEMENT REACHED ON 8 PERCENT
FOR EU, 7 PERCENT FOR U.S., 6 PERCENT FOR JAPAN;
COMMITTEE OF THE WHOLE TO ADOPT DRAFT PROTOCOL; PRIME
MINISTER DECIDES JAPAN'S PORTION

NIHON KEIZAI: KYOTO CONFERENCE TO CLOSE; INDUSTRIALIZED COUNTRIES AGREE ON GREENHOUSE GAS CUT TARGETS; 6 PERCENT FOR JAPAN, 7 PERCENT FOR U.S., 8 PERCENT FOR EU; SIX GASES SUBJECT TO EMISSION REDUCTIONS; READJUSTMENT LIKELY DUE TO OBJECTIONS FROM DEVELOPING COUNTRIES

TOKYO SHIMBUN: KYOTO CONFERENCE TO ADOPT PACT IN PREDAWN HOURS; 6 PERCENT FOR JAPAN, 7 PERCENT FOR U.S., 8 PERCENT FOR EU; WAY FOR DEVELOPING COUNTRIES SHOWN IN SEPARATE PAPER ON GREENHOUSE GAS CUTS; 6 PERCENT CUT FOR ALL INDUSTRIALIZED COUNTRIES

MAINICHI: KYOTO CONFERENCE ADOPTS PROTOCOL IN EARLY HOURS OF THE MORNING; 6 PERCENT FOR JAPAN, 7 PERCENT FOR U.S., 8 PERCENT FOR EU AS GREENHOUSE GAS CUT TARGETS; CONSENSUS REACHED AMONG INDUSTRIALIZED COUNTRIES; DEVELOPING COUNTRIES SIDE REQUEST ADDITIONAL REDUCTION

YOMIURI: AFTER CONSENSUS REACHED IN IN PRINCIPLE ON GREENHOUSE GAS REDUCTION, CONFERENCE AGAIN THROWN INTO TURMOIL; 6 PERCENT FOR JAPAN, 7 PERCENT FOR U.S., 8 PERCENT FOR EU; OBJECTIONS COME FROM EU COUNTRIES; KYOTO CONFERENCE DELAYING IN ADOPTING PROTOCOL

SANKEI: COP3 IN KYOTO; "KYOTO PROTOCOL TO BE ADOPTED; 6 PERCENT CUT AMONG ALL INDUSTRIALIZED COUNTRIES; SIX GASES SUBJECT TO REDUCTION TARGETS; GOAL YEARS FROM 2008 TO 2012

WITH COP3 PACT, PRIME MINISTER AVOIDS PERSONAL DAMAGE BUT HEAVY DOMESTIC PRICE TO PAY (SANKEI - PAGE 2)

WITH A CONSENSUS NOW HAVING BEEN REACHED IN NEGOTIATIONS AT THE KYOTO COP3, PRIME MINISTER RYUTARO HASHIMOTO WAS NOT ONLY ABLE TO AVOID THE DAMAGE TO HIS ADMINISTRATION THAT WOULD HAVE BEEN SUSTAINED BY A FAILED CONFERENCE, HE WAS ALSO ABLE TO NARROWLY HOLD ON TO THE TRUST PUT IN JAPAN AS THE HOST NATION. BUT THE 6-PERCENT GREENHOUSE-GAS EMISSION REDUCTION TARGET NOW SET FOR JAPAN IS TOUGHER TO MEET THAN THE INITIAL ONE OF 2.5 PERCENT IN REAL TERMS. CONSEQUENTLY, THE PRIME MINISTER WILL BE FORCED TO ADOPT STRICTER RESPONSE MEASURES NOW IN ORDER TO REDUCE SUCH GASES IN JAPAN. THE LOAD HAS BECOME MUCH HEAVIER FOR HIM TO BEAR.

THE PRIME MINISTER'S SENSE OF ALARM INCREASED WHEN NO HEADWAY HAD BEEN MADE AT THE COP3 PREPARATORY MEETING HELD IN OCTOBER IN BONN, GERMANY. FOR THIS REASON, AFTER THE PREPARATORY MEETING, THE PRIME MINISTER HIMSELF, TAKING ADVANTAGE OF SUCH OCCASIONS AS THE JAPAN-RUSSIA SUMMIT, HIS TRIP TO SAUDI ARABIA AND HIS ATTENDANCE AT THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM, STRONGLY ASKED OTHER COUNTRIES TO WORK TOGETHER TO BRING ABOUT A SUCCESSFUL COP3. ADDITIONALLY HE DISPATCHED SPECIAL ENVOYS WITH HIS PERSONAL LETTERS TO MAJOR COUNTRIES. HAVING A SUCCESSFUL COP3 WAS A PRIORITY TASK FOR THE HASHIMOTO ADMINISTRATION.

THE PRIME MINISTER HAS PLACED EMPHASIS ON JAPAN'S PLAYING AN ACTIVE ROLE IN DEALING WITH THE GLOBAL ENVIRONMENTAL PROBLEM, AS SEEN IN HIS TAKING THE LEAD IN UPGRADING THE ENVIRONMENT AGENCY TO A MINISTRY DURING THE DEBATE OVER GOVERNMENT REORGANIZATION, A SHOWPIECE IN ADMINISTRATIVE REFORM. HE INTENDED, IN BRINGING TO FRUITION COP3 HOSTED UNCLAS SECTION 02 OF 11 TOKYO 010621

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 DECEMBER 11

BY JAPAN, TO UNDESCORE HEAVILY THE PRESENCE OF JAPAN AS "AN ADVANCED COUNTRY IN TERMS OF PRESERVING THE GLOBAL ENVIRONMENT."

IF NEGOTIATIONS WERE TO RUPTURE AND END UP SHELVING THE ADOPTION OF A PROTOCOL, "A DROP IN INTERNATIONAL CONFIDENCE OF JAPAN" WOULD BE INEVITABLE (GOVERNMENT SOURCE). SINCE A FAILURE OF THE COP3 WOULD DAMAGE HIS ADMINISTRATION, THE PRIME MINISTER HAD TO ELIMINATE ANY NEGATIVE FACTOR, PARTICULARLY DIFFICULT AT A TIME WHEN HE HAS BEEN STRUGGLING WITH OTHER ISSUES, SUCH AS AN ECONOMIC STIMULUS PACKAGE AND FINANCIAL BAILOUT MEASURES, WHILE HIS ADMINISTRATION'S BASE REMAINED FRAGILE.

ON THE NIGHT OF THE 9TH, WHEN NEGOTIATIONS (AT THE COP3 IN KYOTO) HAD HIT A SNAG, THE PRIME MINISTER HURRIEDLY TELEPHONED LEADERS OF FOUR COUNTRIES, BEGINNING WITH U.S. PRESIDENT CLINTON, AND PROMPTED THEM TO MAKE A POLITICAL DECISION. AGAINST THE BACKDROP OF HIS STRONG SENSE OF ALARM, HE IN A WAY HAS DISPLAYED A CERTAIN LEVEL OF LEADERSHIP CAPABILITY.

MEANWHILE, JAPAN'S PROPOSAL FOR THE 2.5 PERCENT EMISSION REDUCTION RATE IN REAL TERMS CAME OUT AS A RESULT OF ACCUMULATION OF SECTOR-BY-SECTOR REDUCTION MEASURES SUCH AS INDUSTRY, TRANSPORT AND CIVILIAN AREAS BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY. THIS RATE IS PREMISED ON NEW CONSTRUCTION OF 20 NUCLEAR POWER PLANTS. BUT NOW THAT THIS REDUCTION RATE IS TO BE HIKED EVEN FURTHER, JAPAN WILL BE PRESSED TO RECONSIDER THOSE REDUCTION MEASURES.

THE PRIME MINISTER HAS REVEALED HIS POLICY COURSE OF MAKING IT LEGALLY OBLIGATORY TO OBSERVE SAVING-ENERGY STANDARDS AND OTHER MATTERS, BUT THESE RESTRICTIONS ALSO

NEED TO BE MORE TIGHTENED THAN THEY ARE SET INITIALLY.
OBJECTIONS FROM INDUSTRY CIRCLES WILL BE UNAVOIDABLE.

HASHIMOTO DISPLAYS LEADERSHIP IN COP3, COORDINATING BY
PHONE WITH WORLD LEADERS (NIHON KEIZAI - PAGE 2)

AIMING AT NAILING DOWN AN AGREEMENT ON THE PROBLEM OF
GREENHOUSE GAS EMISSION REDUCTION TARGETS, PRIME MINISTER
RYUTARO HASHIMOTO ASSUMED A LEAD ROLE ALL DAY LONG
YESTERDAY, OPERATING FROM HIS OFFICIAL RESIDENCE ON THE
LAST DAY OF THE KYOTO CONFERENCE ON PREVENTION OF GLOBAL
WARMING.

"EVERYONE SHARES THE SAME FEELING IN THE SENSE THEY ARE
AWARE THAT SOMETHING SHOULD BE DONE. BUT EVERY NATION HAS
THEIR OWN CIRCUMSTANCES, SO IT IS FAR FROM EASY TO REACH
A CONCLUSION," THE PRIME MINISTER SAID IMPATIENTLY TO THE
PRESS CORPS AT NOON YESTERDAY, REFERRING TO HIS TELEPHONE
CONVERSATIONS HELD WITH UNITED STATES PRESIDENT CLINTON
AND LEADERS OF THE UNITED KINGDOM, GERMANY AND ITALY THAT
CONTINUED SINCE THE LATE HOURS OF THE PREVIOUS DAY.

HIS TELEPHONE CONSULTATIONS WITH THE LEADERS OF THE ABOVE
FOUR COUNTRIES OCCURRED IN FITS AND STARTS FOR NEARLY TWO
HOURS AND A HALF UNTIL THE PREDAWN HOURS YESTERDAY. THE
MOMENT HE FINISHED HIS TELEPHONE CONVERSATIONS, HE
INSTRUCTED HIS STAFF ENGAGED IN NEGOTIATIONS IN KYOTO TO
DEVOTE ALL THEIR ENERGIES TO REACHING A CONSENSUS WITHIN
THE DAY. BEFORE NOON YESTERDAY, HE MET WITH PRESIDENT
FIGUERES OF COSTA RICA AND DISCUSSED WITH HIM THE PROBLEM
OF PLACING DEVELOPING COUNTRIES UNDER AN OBLIGATION TO
REDUCE GREENHOUSE GAS EMISSIONS.

WHILE ELEVENTH-HOUR NEGOTIATIONS IN KYOTO CONTINUED TO
PROBE FOR AREAS OF COMPROMISE, THE PRIME MINISTER
RECEIVED A TELEPHONE CALL FROM VICE PRESIDENT GORE. THE
TWO THERE REACHED AN UNDERSTANDING THAT "OUR COUNTRIES
UNCLAS SECTION 03 OF 11 TOKYO 010621

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
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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 11

WILL MAKE THE NECESSARY POLITICAL DECISION WHILE WORKING
TOGETHER."

THE PRIME MINISTER'S VIGOROUS COORDINATION EFFORTS
RECEIVED SIMILAR WORDS OF APPRECIATION FROM PRESIDENT

CLINTON AND BRITISH PRIME MINISTER BLAIR: "WE APPRECIATE JAPAN'S EFFORTS. PRIME MINISTER HASHIMOTO IS DOING A GOOD JOB." THROUGH THESE NEGOTIATIONS, THE PRIME MINISTER HAS CERTAINLY DEEPENED HIS TRUST RELATIONSHIPS WITH THE LEADERS OF OTHER COUNTRIES.

JAPANESE BUSINESS CIRCLES APPALLED BY COP3 PACT SETTING HIGHER TARGETS THAN EXPECTED (SANKEI - PAGE 2)

NEGOTIATORS YESTERDAY AT THE KYOTO CONFERENCE ON GLOBAL WARMING AGREED ON A PACT THAT WOULD SET JAPAN'S TARGET FOR REDUCTION OF GREENHOUSE GAS EMISSIONS AT 6 PERCENT BELOW THE 1990 LEVEL, A HIGHER NUMBER THAN EXPECTED. THE REACTIO ACROSS JAPANESE BUSINESS CIRCLES HAS BEEN BEWILDERMENT. ONE EXECUTIVE COMPLAINED, "THIS IS A STRINGENT TARGET, A HIGH HURDLE."

THIS IS A FIGURE WORKED OUT WITH NO CALCULATIONS DONE BEFOREHAND REGARDING HOW FAR ENVIRONMENTAL COUNTERMEASURES AND TARGETS FOR ENERGY CONSERVATION ARE NECESSARY. HOW JAPAN CAN ATTAIN THE TARGET THEREFORE REMAINS UNCLEAR.

PRIME MINISTER RYUTARO HASHIMOTO HAS INDICATED A WILLINGNESS TO ADOPT "ENFORCEMENT" MEASURES, SUCH AS AN ANNOUNCEMENT OF THE NAMES OF COMPANIES THAT FAILED TO ACHIEVE THE TARGET OR TO EVEN IMPOSE PUNITIVE MEASURES. THE WORDING "ENVIRONMENT" NOW WEIGHS HEAVILY ON THE MINDS OF MEMBERS OF THE BUSINESS COMMUNITY.

"IT IS WRONG TO THINK THAT A TARGET SHOULD COME FIRST. WE NEED TO CONSIDER FIRST WHAT WE CAN DO AND THEN SET A TARGET."

LOOKING ACROSS THE CONVENTION HALL LAST NIGHT AS THE TARGETS WERE GRADUALLY BEING RATCHETED UP, LIKE PRICES AT AN AUCTION, WORLD ENVIRONMENT BUSINESS COUNCIL MANAGING DIRECTOR BYON STINGSON (TN: PHONETIC) MADE THE ABOVE CAUSTIC REMARK.

THE COUNCIL IS COMPOSED OF 150 COMPANIES INTERESTED IN THE ENVIRONMENT FROM 30 COUNTRIES. STINGSON GRUMBLED: "UNATTAINABLE LEVELS CANNOT BE TARGETS."

A SHOCK WAVE HAS SWEPT ACROSS JAPAN. THE JAPANESE GOVERNMENT HAD INSISTED ON A 2.5 PERCENT CUT IN EFFECT. SEEING THE TARGETS GRADUALLY SURGING, ONE OF THE JAPANESE NEGOTIATORS MUTTERED THAT JAPAN, INVOLVED IN TACTICAL NEGOTIATIONS BETWEEN THE UNITED STATES AND EUROPEAN UNION (EU), "MAY RECEIVE THE MOST SERIOUS BLOW."

FACING A TOUGH TARGET, THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) HAS ALSO BEEN INCREASING CONCERNED. A JUNIOR MITI OFFICIAL OF THE ENVIRONMENTAL PROTECTION AND INDUSTRIAL LOCATION BUREAU REMARKED, "THIS TARGET CANNOT BE REALIZED EVEN AS AN INTERNATIONAL COMMITMENT. JAPAN NEEDS TO AMEND THE ENERGY-SAVING LAW FIRST, BUT THE SITUATION WILL BECOME CONSIDERABLY SEVERE."

THIS COULD CAUSE THE ECONOMY TO SLOW MORE SHARPLY."

TOKIO KANO (TOKYO ELECTRIC POWER COMPANY VICE PRESIDENT),
GLOBAL ENVIRONMENT DEPARTMENT CHAIRMAN OF KEIDANREN
(JAPAN FEDERATION OF ECONOMIC ORGANIZATIONS), WHICH HELD
ITS OWN SYMPOSIUM AT THE KYOTO CONFERENCE, COMMENTED:
"THE TARGET IS EXCESSIVELY HIGH. THE BUSINESS COMMUNITY
WILL DO ITS BEST TO ENHANCE ENERGY EFFICIENCY AND DEVELOP
ENVIRONMENT-FRIENDLY PRODUCTS, BUT THE PROBLEM IS HOW THE
UNCLAS SECTION 04 OF 11 TOKYO 010621

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
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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 11

GAP BETWEEN REALITY AND THAT FIGURE CAN BE BREACHED. THE
CHALLENGE IS NOW THRUST BEFORE ALL THE JAPANESE PEOPLE."

IT WILL BECOME DIFFICULT TO REALIZE THE PLAN TO ESTABLISH
20 NEW ATOMIC PLANTS BY THE YEAR 2010, PUT FORTH IN THE
GOVERNMENT'S INITIAL DRAFT PROPOSAL.

THE BUSINESS INDUSTRY IS WORRIED ALSO ABOUT
"ENFORCEMENT," DECLARED BY THE PRIME MINISTER IN THE
KYOTO CONFERENCE. KEIDANREN COUNCILOR HAJIME OTA STATED:
"IT REMAINS UNCLEAR WHAT KIND OF BINDING POWER IT HAS,
BUT ENVIRONMENT-PRESERVATION MEASURES SHOULD BE WORKED
OUT VOLUNTARILY BY COMPANIES. WE CANNOT ACCEPT THE
STRENGTHENING OF REGULATIONS."

STRONG NEGATIVE REACTION FROM RULING CAMP TO ISSUING 10
TRILLION YEN IN NEW-TYPE BONDS (NIHON KEIZAI - PAGE 2)

A PROPOSAL FOR ISSUING A NEW TYPE OF GOVERNMENT BOND TO
THE TUNE OF 10 TRILLION YEN MADE BY FORMER CHIEF CABINET
SECRETARY SEIROKU KAJIYAMA IS NOW SHOWING SIGNS OF
RATTLING THE POLITICAL SITUATION. THE SOCIAL DEMOCRATIC
PARTY (SDP) AND THE SAKIGAKE PARTY WILL EXPRESS THEIR
OBJECTIONS TO THE INITIATIVE TO PRIME MINISTER RYUTARO
HASHIMOTO AT A MEETING OF THE HEADS OF THE RULING PARTIES
SCHEDULED FOR TODAY. IN THE LIBERAL DEMOCRATIC PARTY
(LDP), TOO, DISCORD BETWEEN THE EXECUTIVE, WHICH LAYS
EMPHASIS ON THE COALITION, WHICH GROUPS TOGETHER THE LDP,
THE SDP AND THE SAKIGAKE, AND IS THEREFORE CAUTIOUS ABOUT
THE PROPOSAL, AND ANTI-EXECUTIVE MEMBERS, IS BECOMING
FIERCE. AMID THE SITUATION THAT MAY SEND THE COMPILATION
OF THE FY1998 BUDGET INTO A TAILSPIN, THE PRIME MINISTER
IS GEARED UP TO REALIZE THE ISSUE OF THE "KAJIYAMA BONDS"

WITH THE POLICY APPROACH OF CONFINING THE USE OF FUNDS TO THE STABILIZATION OF THE FINANCIAL SYSTEM.

CRITICAL REMARKS AGAINST THE "KAJIYAMA BONDS" CAME OUT ONE AFTER ANOTHER AT YESTERDAY'S MEETING BETWEEN THE HEADS OF THE SDP AND THE SAKIGAKE, SUCH AS "FUNDING RESOURCES SHOULD, FOR THE TIME BEING, BE COLLECTED, BY SLASHING WASTEFUL EXPENDITURES, SUCH AS PUBLIC WORKS PROJECTS" AND "THE ISSUE OF SUCH BONDS IS UNREASONABLE, FOR WE HAVE JUST SET A NUMERICAL TARGET FOR FISCAL REFORM." THE OBJECTION STEMS FROM THE PERCEPTION THAT ACCORDING TO THE PROPOSAL, GOVERNMENT-HELD NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) SHARES AND JAPAN TOBACCO INDUSTRY (JT) SHARES, WHICH TOTAL 12.8 TRILLION YEN IN TERMS OF CURRENT MARKET PRICES, WILL BE MORTGAGED TO SECURE REDEMPTION FUNDS, BUT CERTAIN PORTIONS OF PROFITS ON SALE OF SUCH SHARES HAVE ALREADY BEEN DECIDED TO BE APPROPRIATED FOR THE REDEMPTION OF GOVERNMENT BONDS, AND SO, THEY "CANNOT BE TAKEN AS COLLATERAL."

AT A MEETING OF THE LDP FINANCIAL SYSTEM STABILIZATION MEASURES SUBCOMMITTEE, TOO, OPPOSITION WAS VOICED SUCCESSIVELY, ONE ARGUING, "THERE IS CONCERN ABOUT THE CONSISTENCY OF THE PROPOSAL WITH THE ONGOING FISCAL REFORM." SINCE THE KAJIYAMA INITIATIVE WILL ENABLE THE SALE OF ALL GOVERNMENT-HELD SHARES BY MEANS OF AMENDING THE PRESENT LAW, WHICH MANDATES THE GOVERNMENT HOLDS PORTIONS OF OUTSTANDING NTT AND JT SHARES, THE POSTAL SERVICE DIET CLIQUE ("ZOKU-GIIN") IS NEGATIVELY REACTING TO IT, FEARING THAT THEY WILL LOSE ITS GROUNDS FOR "RULING NTT." IN CONTRAST, THE PUBLIC WORKS PROJECT DIETMEMBER CLIQUE, WHICH HAS BEEN INACTIVE UNDER THE FISCAL RECONSTRUCTION LINE, IS PICKING UP STEAM, CALCULATING, "CONSIDERABLE PORTIONS OF THE 10 TRILLION YEN SHOULD BE CHANNELED TO PUBLIC WORKS PROJECTS." THE EXECUTIVE IS FROWNING ON THE SITUATION WITH THE COMMENT "THE BUDGET COMPILATION MAY BE UPSET."

UNCLAS SECTION 05 OF 11 TOKYO 010621

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASWTO 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 DECEMBER 11

THE LDP EXECUTIVE IS HEIGHTENING A SENSE OF ALARM TO THIS "KAJIYAMA COUP," CITING, "IT IS THE REVIVAL OF THE HASHIMOTO-KAJIYAMA LINE BYPASSING THE EXECUTIVE" AND "IT

IS THE REEMERGENCE OF THE CASE OF THE AMENDMENT TO THE SPECIAL LAND-LEASE LAW FOR THE U.S. FORCES IN JAPAN, ON WHICH THE PRIME MINISTER'S RESIDENTIAL OFFICE (KANTEI) REACHED AGREEMENT WITH THE SHINSHINTO (NEW FRONTIER PARTY) UNDER A TOP-DOWN FORMULA." AMID SUCH A TREND, THE PRIME MINISTER YESTERDAY CALLED IN SHIZUKA KAMEI, A KEY ANTI-EXECUTIVE MEMBER, AND HEARD HIS VIEWS ON ECONOMIC STIMULUS MEASURES AND THE LIKE.

PRIME MINISTER: "I HIGHLY EVALUATE THE KAJIYAMA PLAN."

KAMEI: "IT IS IMPORTANT TO STABILIZE THE FINANCIAL SYSTEM, BUT FOR REINVIGORATING THE ECONOMY, FISCAL DISBURSEMENTS, INCLUDING A SUPPLEMENTARY (PUBLIC WORKS PROJECTS), SHOULD BE CARRIED OUT."

PM: "I HAVE LEFT THOSE ISSUES TO MY PARTY."

THE PRIME MINISTER STEERED CLEAR OF MAKING ANY CLEAR-CUT COMMENT ON KAMEI'S ADVICE THAT THE "KAJIYAMA BONDS" SHOULD ALSO BE USED FOR PUBLIC WORKS PROJECTS. THE PRIME MINISTER HAD IN FACT CONSULTED ON THE MATTER WITH SECRETARY GENERAL KOICHI KATO AND FINANCE MINISTER HIROSHI MITSUZUKA AT THE PLENARY SESSION HALL OF THE LOWER HOUSE ON THE EVENING OF THE 9TH AND REAFFIRMED THE POLICY LINE OF SEARCHING FOR A SOFT LANDING WITH A SETTLEMENT PLAN IN WHICH "THE KAJIYAMA BONDS WOULD BE USED ONLY FOR THE STABILIZATION OF THE FINANCIAL SYSTEM."

HOWEVER, THE MEETING WITH KAMEI WAS SET BY THE PRIME MINISTER HIMSELF, WHO TELEPHONED HIM ON THE 4TH, AFTER HEARING KAJIYAMA'S VIEW ON THE 2ND. IT CAN BE TAKEN IN EFFECT THAT THE PRIME MINISTER HAS STARTED MOVING AHEAD TO BRING INTO THE FOLD ANTI-EXECUTIVE MEMBERS, WHO ARE AT ALL TIMES POISED TO RATTLE HIS ADMINISTRATION, BUT HIS INTERNAL MANEUVERING IS SO PRECARIOUS THAT IT COULD INSTEAD GENERATE SUSPICION IN THE EXECUTIVE.

THE SDP IS DETERMINED TO CHECK THE ISSUE OF THE "KAJIYAMA BONDS:" IF THE GOVERNMENT DECIDES TO ADOPT THE KAJIYAMA PLAN, IT WILL DEMAND OF THE PRIME MINISTER AT TODAY'S MEETING OF THE HEADS OF THE COALITION PARTIES THAT LARGE-SCALE TAX BREAKS SHOULD BE IMPLEMENTED INSTEAD OF BAILING OUT FINANCIAL INSTITUTIONS. ARMED WITH SUCH A STANCE BY THE SDP, SOURCES RELATED TO THE LDP EXECUTIVE HAVE REQUESTED THE SDP AND THE SAKIGAKE "TO OPPOSE THE KAJIYAMA PROPOSAL TO THE LAST AT THE MEETING OF THE HEADS OF THE COALITION PARTIES." IN THE MEANTIME, ANTI-EXECUTIVE MEMBERS HAVE CONVEYED THIS TO PERSONS CLOSE TO HASHIMOTO: "WE WILL NOT ALLOW THE PRIME MINISTER TO BACKSLIDE DUE TO THE OPPOSITION OF THE SDP AND THE SAKIGAKE." HAGGLING BETWEEN THE TWO FORCES IS GETTING FIERCER AND FIERCER.

KAJIYAMA, THE VERY PERSON IN QUESTION, ON THE AFTERNOON OF THE 10TH DELIVERED A SPEECH IN TOKYO AND APPEALED FOR THE REALIZATION OF HIS PLAN, REITERATING, "WHAT SHOULD BE DONE FIRST IS TO DISPEL UNCERTAINTY OVER THE FINANCIAL

SYSTEM. UNLESS THE GOVERNMENT SENDS OUT A MESSAGE TO THE WORLD ON ITS DETERMINATION TO WIPE OUT THE UNCERTAINTY, JAPAN SELLING WILL CONTINUE." HOWEVER, A MEETING OF THE LDP EMERGENCY FINANCIAL SYSTEM STABILIZATION MEASURES HEADQUARTERS, WHICH WAS SUPPOSED TO HEAR A BRIEFING FROM KAJIYAMA, WAS PUT OFF TO THE 11TH FOR THE REASON OF TIGHT DIET SCHEDULES.

LDPQS YAMASAKI: IF POLICY SWITCH ON FISCAL RECONSTRUCTION, 3 PARTY EXECS SHOULD STEP DOWN
(ASAHI - PAGE 2)
UNCLAS SECTION 06 OF 11 TOKYO 010621

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 DECEMBER 11

LIBERAL DEMOCRATIC PARTY (LDP) POLICY AFFAIRS RESEARCH COUNCIL (PARC) CHAIRMAN TAKU YAMASAKI DELIVERED A SPEECH AT A TOKYO HOTEL YESTERDAY. IN IT, YAMASAKI TOUCHING ON FORMER CHIEF CABINET SECRETARY SEIROKU KAJIYAMA'S PROPOSAL FOR OF ISSUING GOVERNMENT BONDS WORTH 10 TRILLION YEN, STRESSED THAT (THE GOVERNMENT) SHOULD HOLD STEADY ON ITS POLICY COURSE OF FISCAL RECONSTRUCTION POLICY. YAMASAKI THEN STATED, "FISCAL RECONSTRUCTION WAS A DECISION BY PRIME MINISTER RYUTARO HASHIMOTO. IF HE DECIDES TO SHIFT THIS POLICY DIRECTION, THEN THAT WOULD MEAN THE MISSION OF THE THREE PARTY EXECUTIVES, WHO WERE APPOINTED BY THE PRIME MINISTER, IS NOW OVER." HE THUS INDICATED THAT HE WOULD OPPOSE (THE PRIME MINISTER'S DECISION) IF HE ADOPTS THE KAJIYAMA PROPOSAL AND ANY REVERSAL OF THE FISCAL RECONSTRUCTION POLICY LINE.

YAMASAKI POINTED OUT THIS ABOUT FISCAL RECONSTRUCTION: "LOOKING AT THE STATE OF DEBT THAT THE CENTRAL AND LOCAL GOVERNMENTS FIND THEMSELVES IN, WE POLITICIANS SHOULD NOT LEAVE THIS PROBLEM TO FUTURE GENERATIONS." IN ADDITION, REGARDING KAJIYAMA'S PROPOSAL TO INJECT PUBLIC FUNDS FOR STABILIZING THE FINANCIAL SYSTEM, YAMASAKI REMARKED, "IN THE SENSE OF GIVING A SENSE OF RELIEF TO THE PEOPLE, IT IS THE SAME AS GOVERNMENT GUARANTEES (NOW BEING DISCUSSED IN THE LDP). AT THE SAME TIME, YAMASAKI COMMENTED ON THE USE OF PROFITS FROM SALES OF NTT SHARES: "USING (NTT SHARES) FOR FINANCING GOVERNMENT BONDS IS QUITE CONTROVERSIAL. WE NEED TO CONDUCT AN IN-DEPTH DISCUSSION."

RULING CAMP FORCING UPPER HOUSE DELIBERATIONS; OPPOSITION TO CAST NO-CONFIDENCE MOTION (NIHON KEIZAI - PAGE 2)

THE DIET HELD AN PLENARY SESSION AND FINANCE COMMITTEE MEETING OF THE UPPER HOUSE LAST NIGHT, DESPITE A BOYCOTT BY THREE OPPOSITION PARTIES INCLUDING THE HEISEIKAI, AND STARTED DISCUSSION ON A BILL AMENDING THE DEPOSIT INSURANCE LAW. REACTING FIERCELY, THE OPPOSITION CAMP IS DETERMINED TO BOYCOTT ALL THE DISCUSSIONS ON THE BILL TO BE HELD TODAY AND BEYOND. THE SHINSHINTO WILL SUBMIT A NO-CONFIDENCE MOTION AGAINST THE HASHIMOTO CABINET TODAY. BUT THE RULING CAMP IS POISED TO GO AHEAD WITH DISCUSSIONS ON THE BILL, DESPITE THE OPPOSITION PARTIES' BOYCOTT, AND RAM THROUGH THE BILL BEFORE THE DIET CLOSES TOMORROW.

THE OPPOSITION SHINSHINTO PROPOSED IN A MEETING OF THE THREE OPPOSITION PARTIES' SECRETARIES GENERAL YESTERDAY A PLAN TO PRESENT JOINTLY A NO-CONFIDENCE MOTION AGAINST THE CABINET. BUT WITH THE MINSHUTO'S (DEMOCRATIC PARTY OF JAPAN) RELUCTANCE, THE SHINSHINTO WILL SUBMIT IT INDEPENDENTLY. IN A LOWER HOUSE PLENARY SESSION TODAY, THE MINSHUTO, TAIYO PARTY AND THE JAPAN COMMUNIST PARTY (JCP) ARE SET TO AGREE WITH THE MOTION, BUT IT IS LIKELY TO BE VOTED DOWN.

MEANWHILE, THE THREE OPPOSITION PARTIES JOINTLY SUBMITTED A RESOLUTION CALLING FOR THE DISMISSAL OF LOWER HOUSE STEERING COMMITTEE CHAIRMAN YOSHIYUKI KAMEI AND FINANCE COMMITTEE CHAIRMAN SEIICHIRO MURAKAMI, BUT THE RESOLUTION WAS VOTED DOWN AT THE LOWER HOUSE PLENARY SESSION THE SAME DAY.

IN THE UPPER HOUSE YESTERDAY, PRESIDENT JURO SAITO CALLED IN REPRESENTATIVES OF RULING AND OPPOSITION PARTIES SEPARATELY AND SOUGHT THEIR EFFORTS TO BREAK THE DEADLOCK. BUT THE REPRESENTATIVES OF THE THREE OPPOSITION PARTIES REPLIED, "AS THE PROCESS OF VOTING FOR THE REVISED DEPOSIT INSURANCE LAW WAS INADEQUATE, WE WILL NOT ATTEND DISCUSSIONS AT THE UPPER HOUSE." THE COORDINATION WORK THUS ENDED IN FAILURE.
UNCLAS SECTION 07 OF 11 TOKYO 010621

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 DECEMBER 11

ELECTION OF SHINSHINTO PARTY HEAD MAY BE POSTPONED AS
RELATIONS WITH KOMEI TEETER ON EDGE
(NIHON KEIZAI - PAGE 2)

A CALL FOR POSTPONING THE SHINSHINTO (NEW FRONTIER PARTY)
PRESIDENTIAL ELECTION, ORIGINALLY SCHEDULED FOR THE 18TH,
IS GAINING GROUND AMONG PARTY FORCES WHO SUPPORT
PRESIDENT ICHIRO OZAWA. THEY THINK THE PARTY SHOULD
FIRST RESOLVE THE PROBLEM OF THE PARTY'S MERGER WITH THE
KOMEI, AN UPPER HOUSE GROUP COMPOSED OF FORMER KOMEITO
MEMBERS, AS WELL AS LOCAL POLITICIANS. THEY HAVE BEGUN
COORDINATION TO HOLD A JOINT PLENARY MEETING OF PARTY
MEMBERS OF BOTH HOUSES OF THE DIET ON THE 12TH TO PROPOSE
POSTPONING THE PLANNED ELECTION, DEPENDING ON WHAT WILL
COME OUT OF TODAY'S MEETING BETWEEN OZAWA AND KOMEI
REPRESENTATIVE TOMIO FUJII. THE ANTI-OZAWA GROUP IS
CERTAIN TO OPPOSE THE OUTCOME, AND THE SHINSHINTO MIGHT
BE THROWN INTO A STATE OF SERIOUS CONFUSION.

MANY SHINSHINTO MEMBERS REMAIN UNDECIDED WHETHER TO BACK
OZAWA OR MICHIIHIKO KANO, WHO HAS ANNOUNCED HE WILL RUN IN
THE RACE. MIDDLE-ROADERS IN THE OZAWA CAMP ARE HOPING TO
POSTPONE THE ELECTION IN ORDER TO STAVE OFF A SPLITTING
OF THE PARTY. THE OZAWA CAMP IS POISED TO CONSIDER EVEN
FORMING A NEW CONSERVATIVE PARTY IN CASE A UNIFIED
OPINION IS NOT REACHED ABOUT POSTPONEMENT. NEVERTHELESS,
WITH DISCORD WITH THE FORMER KOMEITO GROUP BECOMING
OBVIOUS, IT IS UNCLEAR JUST HOW MUCH SUCH A MOVE CAN WIN
SUPPORT.

OZAWA THINKS KOMEI'S MERGER WITH THE SHINSHINTO IS VITAL
BECAUSE WITHOUT IT, FORMER KOMEITO MEMBERS WILL NOT BLEND
INTO THE PARTY AND THAT WOULD WORK AS A MAJOR LIMITATION
ON THE UNITY OF THE PARTY.

IN HIS MEETING WITH FUJII YESTERDAY, OZAWA STRESSED: "WE
HAVE TO SETTLE THE MERGER PROBLEM FIRST BEFORE CARRYING
OUT THE PRESIDENTIAL ELECTION." OZAWA ADDED: "I THINK
IT WOULD BE BETTER FOR ALL FORMER KOMEITO MEMBERS IN THE
UPPER HOUSE TO FIGHT AS KOMEI MEMBERS." HE THUS
SUGGESTED THE OPTION OF "SPLITTING THE LOWER AND UPPER
HOUSES" BY LETTING ALL KOMEITO-AFFILIATED UPPER HOUSE
MEMBERS JOIN THE KOMEI, IF THE GROUP CANNOT JOIN THE
SHINSHINTO. OZAWA COMPLAINED, "IF THINGS GO LIKE THIS,
WE CANNOT COMPILE AN ELECTION LIST."

NEVERTHELESS, THE KOMEI, FUJII INCLUDED, THAT HAD
REVEALED ITS INTENTION TO FIGHT THE UPPER HOUSE ELECTION
INDEPENDENTLY AS THE KOMEI, REPLIED TO OZAWA THAT THE
GROUP WAND SHINSHINTO ELECTORAL DISTRICTS. THE REASON
IS BECAUSE THE GROUP THINKS "SPLITTING THE TWO HOUSES IN
THE DIET" IS A STEP FOR FORMING A NEW PARTY.

A PERSON CLOSE TO OZAWA HAS INDICATED, "IF THE SHINSHINTO
AND THE KOMEI FIGHT THE UPPER HOUSE ELECTION ON THEIR
OWN, WHICH WILL THE KOMEITO-AFFILIATED MEMBERS IN THE
SHINSHINTO VOTE FOR?" OZAWA PERHAPS CALCULATES THAT IF
THE TWO HOUSES ARE SPLIT, THE UNNATURAL CONDITION WILL

NOT LAST LONG AND THE RIGHT ENVIRONMENT TO DISSOLVE THE SHINSHINTO WILL BE ARRANGED SOONER OR LATER. THAT WOULD BE A "PURIFICATION POLICY DIRECTION," IN THE OPPOSITE SENSE OF MERGING COMPLETELY WITH THE FORMER KOMEITO GROUP.

BUT THE VAST MAJORITY OF SHINSHINTO MEMBERS ARE COUNTING ON THE SOKA GAKKAI'S MASSIVE VOTE-COLLECTION POWER, AND THEY DEFINITELY WANT TO AVOID LOCKING HORNS WITH THE KOMEITO GROUP. THE PURIFICATION POLICY DIRECTION MIGHT END UP CHOKING OZAWA.

SIX LIKE-MINDED MEMBERS OF THE FORMER DEMOCRATIC UNCLAS SECTION 08 OF 11 TOKYO 010621

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 DECEMBER 11

SOCIALIST PARTY, SUCH AS AOYAMA, MET WITH OZAWA YESTERDAY AT THE PARTY HEADQUARTERS, AND REQUESTED THAT HE RUN IN THE PRESIDENTIAL ELECTION. OZAWA SIMPLY REPLIED, "I APPRECIATE YOUR SUGGESTION," BUT HE DID NOT REVEAL WHAT HE WAS GOING TO DO.

ANNOUNCEMENT OF NAGO CITY REFERENDUM ON HELIPORT CONSTRUCTION TODAY (YOMIURI - PAGE 2)

THE CITY OF NAGO IN OKINAWA PREFECTURE WILL OFFICIALLY ANNOUNCE A REFERENDUM OF ITS RESIDENTS TODAY ON THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT (IN WATERS OFF THE CITY). IN OKINAWA, A PREFECTURAL REFERENDUM WAS HELD IN SEPTEMBER OF LAST YEAR ON THE PROPRIETY OF SUCH ISSUES AS REALIGNING AND REDUCING U.S. MILITARY BASES THERE. IN OUR COUNTRY, HOWEVER, THIS IS THE FIRST CASE WHERE THE RESIDENTS OF A LOCAL MUNICIPALITY WILL EXPRESS THEIR OPINION IN A VOTE ON A PLAN TO CONSTRUCT A SPECIFIC U.S. MILITARY BASE. VOTING IS SCHEDULED FOR THE 21ST, WITH VOTE COUNTING ON THE SAME DAY.

IN THE CITY, OO- AND ANTI-HELIPORT PEOPLE ARE NOW ACTIVELY CAMPAIGNING FOR VOTES.

THOSE AGAINST THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT ARE LED BY A GROUP OF CITIZENS TO PROMOTE THE CITY'S REVITALIZATION (REPRESENTED BY SEIFUKU ARAGAKI).

SINCE THE CITY ESTABLISHED ITS PLEBISCITE ORDINANCE IN

OCTOBER, ITS LOCAL PRO-HELIPORT GROUP HAS BEEN APPEALING FOR CONDITIONAL APPROVAL WHILE IN CONSIDERATION OF THE PREFECTURAL PEOPLE'S SENSITIVITY TO U.S. MILITARY BASES, SAYING: "THAT IS A FACILITY DOWNSIZED ON A LARGE SCALE AS COMPARED WITH THE FUTENMA AIRFIELD. THEY'RE GIVING CONSIDERATION TO OUR SAFETY AND ENVIRONMENT AS WELL, AND WE CAN EXPECT LOCAL PROMOTIONAL MEASURES." PARTICULARLY, THE PRO-HELIPORT FACTION HAS BEEN EXERTING ITSELF TO COLLECT GROUP MEMBERS' SIGNATURES AND HOLD MEETINGS WHILE UNDERSCORING THE CENTRAL GOVERNMENT'S PROMISE OF PROMOTIONAL MEASURES FOR SUCH PROJECTS AS URBAN REDEVELOPMENT AND PORT-HARBOR IMPROVEMENT, WHICH ARE PREMISED ON THE CITY'S ACCEPTANCE OF THE OFFSHORE HELIPORT PLAN.

LOCAL CITIZENS OPPOSING THE HELIPORT CONSTRUCTION PLAN HAVE BEEN ORGANIZED INTO THE CONSULTATIVE COUNCIL AGAINST HELIPORT BASE CONSTRUCTION (REPRESENTED BY YASUHIRO MIYAGI), WHICH WAS DEVELOPED FROM ITS PREDECESSOR BODY CALLED THE CONSULTATIVE COUNCIL FOR THE PROMOTION OF MUNICIPAL VOTING, WHICH HAS MATERIALIZED THE CITY'S ESTABLISHMENT OF ITS PLEBISCITE ORDINANCE WITH A COLLECTION OF 17,539 SIGNATURES.

THE ANTI-HELIPORT GROUP IS NOW AGAIN COLLECTING SIGNATURES WHILE EMPHASIZING THAT "CONSTRSCTING AN OFFSHORE HELIPORT MEANS A BASE BUILDUP IN THE NAME OF RELOCATION WITHIN THE PREFECTURE, AND SUCH RUNS COUNTER TO OUR EARNEST WISH FOR THE REALIGNMENT AND REDUCTION OF THOSE U.S. MILITARY BASES HERE." AT THE SAME TIME, THE GROUP IS ALSO HOLDING MEETINGS TO STUDY BASE-CAUSED ENVIRONMENTAL POLLUTION AND HOLDING RALLIES WITH THE PARTICIPATION OF CITIZENS. IN ADDITION TO BASE NOISE AND ACCIDENTS, THE GROUP HAS BEEN STRESSING POSSIBLE EFFECTS ON THE NATURAL ENVIRONMENT FOR SUCH CREATURES AS SEA PIGS NOW CONFIRMED ALSO IN THE SEA OFF THE COAST OF HENOKO IN THE CITY -- THE CANDIDATE SITE FOR HELIPORT CONSTRUCTION.

NAGO CITY OPINION SPLIT ON HELIPORT ISSUE
(MAINICHI - PAGE 26)

THE CITY OF NAGO IN OKINAWA PREFECTURE WILL OFFICIALLY ANNOUNCE A REFERENDUM OF ITS RESIDENTS ON THE 11TH FOR UNCLAS SECTION 09 OF 11 TOKYO 010621

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 DECEMBER 11

THEIR OPINION ON THE PROPRIETY OF CONSTRUCTING AN ALTERNATIVE SEA-BASED HELIPORT ACCOMPANYING THE TIMETABLED RETURN OF THE U.S. FORCES' FUTENMA AIR STATION SITE. VOTING IS SCHEDULED FOR THE 21ST. THIS IS THE FIFTH REFERENDUM OF LOCAL RESIDENTS IN THE NATION OVER THE PROPRIETY OF (THE CENTRAL GOVERNMENT'S) POLICY. IN OKINAWA, IT FOLLOWS THE PREFECTURAL REFERENDUM (IMPLEMENTED IN SEPTEMBER OF LAST YEAR) ON THE PROPRIETY OF REALIGNING AND REDUCING THE U.S. MILITARY BASES THERE. THIS TIME, HOWEVER, THE CITY'S REFERENDUM WILL ASK FOR LOCAL PUBLIC OPINION REGARDING THE PLANNED CONSTRUCTION OF A SPECIFIC BASE. ACCORDING TO FINDINGS FROM A TELEPHONE-BASED NATIONWIDE PUBLIC OPINION SURVEY CONDUCTED BY THE MAINICHI SHIMBUN AND OTHER MEDIA, MORE THAN HALF OF THOSE POLLED WERE AGAINST THE HELIPORT CONSTRUCTION PLAN. THE OUTCOME OF THE CITIZENS' VOTING WILL LIKELY AFFECT EVEN THE FUTURE COURSE OF THE FUTENMA AIRFIELD'S REVERSION ON WHICH JAPAN AND THE U.S. HAVE REACHED AN INTERGOVERNMENTAL AGREEMENT.

-- ANTI-HELIPORT FACTION

"I'VE RECEIVED 50,000 YEN PER PERSON (FROM THE PRO-HELIPORT GROUP), TOTALING HUNDREDS OF THOUSANDS OF YEN FOR MY FAMILY. WHAT SHALL I DO ..."

IN LATE NOVEMBER, ONE OF NAGO CITY'S MUNICIPAL ASSEMBLY MEMBERS OPPOSING THE HELIPORT CONSTRUCTION PLAN HAD A TELEPHONE CALL FROM SOMEONE HE KNOWS. THE PRO-HELIPORT GROUP, OF COURSE, DENIES SUCH MONEY OFFERING. BUT ANY MUNICIPAL REFERENDUM DOES NOT COME UNDER THE PUBLIC OFFICES ELECTION LAW.

IN THE AREA OF HENOKO, WHICH IS SITUATED NEAR THE WATERS WHERE AN OFFSHORE HELIPORT IS PLANNED TO BE CONSTRUCTED, THERE IS AN ANTI-HELIPORT GROUP CALLED THE "INOCHI O MAMORU KAI" (OR A GROUP TO PROTECT LIVES). ITS REPRESENTATIVE, MASAO NISHIKAWA (53), HAS SO FAR BACKED UP NAGO CITY'S MAYOR TETSUYA HIGA AND THE CITY'S MUNICIPAL ASSEMBLY MEMBERS WITH THE LIBERAL DEMOCRATIC PARTY IN THEIR ELECTION CAMPAIGNING. THIS TIME, HOWEVER, NISHIKAWA HAS NOW JOINED AN ANTI-HELIPORT MOVEMENT BECAUSE "NOTHING CAN REPLACE OUR LIVES."

IN LATE NOVEMBER, A SPONTANEOUS GROUP OF ABOUT 30 WOMEN IN THEIR 20'S TO 70'S CAME INTO BEING AMONG THE LOCALS OPPOSING THE HELIPORT CONSTRUCTION PLAN. THE GROUP'S REPRESENTATIVE, AIKO NAKAMURA (45), IS A HOUSEWIFE. IN 1975, THE OKINAWA OCEAN EXPOSITION WAS HELD MAINLY IN THE NEIGHBORING TOWN OF MOTOBU, SITUATED NORTH OF NAGO CITY. THE TOWN WAS THEN BUSY PREPARING SITES FOR THE WORK OF CONSTRUCTING A HOTEL AND COTTAGES, AND THE CITY'S MAIN STREET WAS ALSO IMPROVED. HOWEVER, RED CLAY AFTER LAND RECLAMATION FLOWED INTO THE SEA, AND THE CORAL DIED.

"THE SCALE OF NAGO CITY IS NOW BEST FIT FOR OUR LIVELIHOOD. WE LOVE THIS PLACE. WE DON'T WANT TO DO

ANYTHING LIKE BEFORE," SAYS NAKAMURA. SHE HAS A QUESTION ABOUT LOCAL PROMOTION WITH CONSTRUCTION PROJECTS. OF COURSE, HER OPPOSITION TO THE HELIPORT CONSTRUCTION PLAN ORIGINATES FROM HER FEELINGS AGAINST ANY WAR. SHE REMARKED, "WEN AND CHILDREN WILL BE VICTIMIZED AT FIRST. WE CAN'T GET ALONG WITH MILITARY TROOPS."

-- PRO-HELIPORT FACTION

"LET ME ASK YOU ALL TO HELP THE COMPANY SURVIVE." THE SCENE WAS AT A MEETING PLACE NEAR A STONE PIT IN THE TOWN OF MOTOBU. ON THE EVENING OF NOVEMBER 2, A PLANT MANAGER FROM A CEMENT MANUFACTURING COMPANY SO CRIED OUT THERE IN THE PRESENCE OF ABOUT 150 EMPLOYEES WITH HIS COMPANY'S SUBCONTRACTORS. THE PLANT MANAGER CONTINUED, "IF WE UNCLAS SECTION 10 OF 11 TOKYO 010621

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 DECEMBER 11

DON'T HAVE A PORT AND A POWER PLANT NEAR HERE, THEN OUR MANAGEMENT WILL BE IN A FIX. I WANT YOU ALL TO VOTE FOR CONDITIONAL ACCEPTANCE IN THE CITIZENS' VOTING."

THE PRO-HELIPORT GROUP'S VOTE HUNTING CAMPAIGN IS CENTERED ON SUCH SMALL-SCALE TOWN MEETINGS, AND MAYOR HIGA ALSO ATTENDS SUCH MEETINGS FROM TIME TO TIME.

ON THE NIGHT OF THE 5TH, THE PRO-HELIPORT GROUP HELD A RALLY OF ONLY WOMEN, TOTALING MORE THAN 1,000 PERSONS, AT A HOTEL IN THE CITY OF NAGO. ON THAT OCCASION, MAYOR HIGA REMARKED: "THE GOVERNMENT SAYS ITS PACKAGE OF NORTHERN PROMOTIONAL MEASURES IS LINKED TO THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT. IN THIS WAY, THE GOVERNMENT HAS NOW GIVEN A PROMISSORY NOTE. AS FOR WHETHER TO HONOR THAT BILL OR OTHERWISE PREFER A LONG-TERM ONE, THAT'S UP TO YOUR POWER. I'M ALWAYS THINKING TO MYSELF THAT I'LL NEVER GIVE UP."

-- PREFECTURAL AND CENTRAL GOVERNMENTS

OKINAWA PREFECTURE'S GOVERNOR MASAHIDE OTA, REGARDING ALL THE BASES LOCATED IN HIS PREFECTURE, IS IN A POSITION TO "OPPOSE ANY RELOCATION WITHIN THE PREFECTURE, BASICALLY." HOWEVER, THE GOVERNOR HAS NEVER CLARIFIED HIS ATTITUDE ABOUT THE PROPRIETY OF RELOCATING ANY SPECIFIC BASE'S FUNCTIONS WITHIN HIS PREFECTURE. SO, THERE IS EVEN AN

OBSERVATION SAYING THAT "THAT'S BECAUSE HE'S THINKING OF OKAYING RELOCATION, DEPENDING ON CIRCUMSTANCES."

THE CENTRAL GOVERNMENT IS NOW DESPERATELY TRYING TO SECURE FAVORABLE VOTES BY LINKING THE HELIPORT CONSTRUCTION PLAN TO ITS PACKAGE OF LOCAL PROMOTIONAL MEASURES, ONE OF ITS OFFICIALS SAYING: "IF THE HELIPORT IS CONSTRUCTED THERE, THE GOVERNMENT'S PROMOTIONAL MEASURES WILL BE CARRIED OUT EARLY." ABOUT 200 PERSONNEL FROM THE DEFENSE FACILITIES ADMINISTRATION AGENCY'S NAHA REGIONAL BUREAU HAVE NOW BEGUN TO MAKE DOOR-TO-DOOR VISITS IN THE CITY. THE CENTRAL GOVERNMENT HAS ALSO ROCKED THE LOCALS AS A SENIOR OFFICIAL OF THE JAPAN DEFENSE AGENCY HAS IMPLIED THAT "(FUTENMA'S) REVERSION WILL BE DIFFICULT" IF THE NUMBER OF VOTES AGAINST THE HELIPORT PLAN IS LARGER THAN THAT OF VOTES FOR IT." (SHUNJI NOZAWA, HIROYUKI MAEDA)

NAGO CITY MAYOR REITERATES HE WILL TAKE REFERENDUM RESULTS INTO SERIOUS CONSIDERATION (YOMIURI - PAGE 2)

TETSUYA HIGA, THE MAYOR OF NAGO CITY IN OKINAWA PREFECTURE, STATED HIS VIEWS BEFORE NAGO CITY'S MUNICIPAL ASSEMBLY DURING ITS SESSION ON THE 10TH REGARDING THE CITY'S REFERENDUM OF ITS RESIDENTS SCHEDULED FOR DECEMBER 21 ON THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT (IN WATERS OFF THE CITY) AS AN ALTERNATIVE FACILITY TO REPLACE THE U.S. FORCES' FUTENMA AIR STATION. ON THIS ISSUE, THE MAYOR AGAIN EXPRESSED HIS INTENTION OF MAKING A FINAL DECISION AT HIS OWN DISCRETION AS THE CITY'S MAYOR.

MAYOR HIGA STATED, "WE'LL HAVE TO CONSIDER THIS MATTER FROM THE POSITION OF ALL PEOPLE IN THIS PREFECTURE. GOVERNOR MASAHIDE OTA AND THE MAYOR OF GINOWAN CITY (WHERE THE FUTENMA AIRFIELD IS LOCATED) HAVE SAID THAT THEY WERE OPPOSED TO THE IDEA OF RELOCATING THE AIRFIELD'S FUNCTIONS TO SOMEWHERE IN THIS PREFECTURE. HOWEVER, WHAT IF (THE AIR STATION AT) FUTENMA IS NOT REMOVED? SUCH ALSO IS ONE OF THE POSSIBLE FACTORS FOR MY COMPREHENSIVE JUDGMENT." REFERRING TO THE PACKAGE OF NORTHERN PROMOTIONAL MEASURES PRESENTED BY THE CENTRAL GOVERNMENT, MAYOR HIGA REMARKED: "THE GOVERNMENT IS NOW BEGINNING TO SAY THAT THAT SUCH IS LINKED TO CONSTRUCTION, BUT THAT ALSO MEANS THAT THE GOVERNMENT HAS UNCLAS SECTION 11 OF 11 TOKYO 010621

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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