

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Nago Referendum (3 pages)	12/11/1997	P1/b(1)
002. cable	Re: Support cable for European Brief 97/288 (7 pages)	12/12/1997	P1/b(1)
003. cable	Re: Okinawa Economic Incentive Package (6 pages)	12/16/1997	P1/b(1)
004. cable	Re: Nago Referendum and Host Nation Support (4 pages)	12/16/1997	P1/b(1)
005. cable	Re: Nago Referendum - Draft Press Guidance (2 pages)	12/17/1997	P1/b(1)
006. cable	Re: Nago Referendum - Eve of Vote (6 pages)	12/17/1997	P1/b(1)
007. cable	Re: Okinawa Referendum (5 pages)	12/17/1997	P1/b(1)
008. cable	Re: Bilateral Security Issues (3 pages)	12/18/1997	P1/b(1)
009. cable	Re: After Nago Referendum (2 pages)	12/18/1997	P1/b(1)
010. cable	Re: Okinawa Referendum: Challenges for US Basing (6 pages)	12/18/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1997-Dec 1998 ([Futenma])
OA/Box Number: 520000

FOLDER TITLE:

[12/11/1997 - 12/18/1997]

2016-0420-F

sb1918

RESTRICTION CODES

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

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]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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Cable

PREC: IMMEDIATE
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LINE1: OAAUZYUW RUEHKO A0661 3460354-UUUU--RHEHAAA.
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ORIG: AMEMBASSY TOKYO
TO: RUEHIA/USIA WASHDC IMMEDIATE 8034
RUEHC/SECSTATE WASHDC IMMEDIATE 4200
INFO: RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEAWJA/USDOJ WASHDC
RUEBBEA/USDOT WASHDC
RUCPDOG/USDOC WASHDC
RUEAIIA/CIA WASHDC
RHEHAAA/WHITE HOUSE WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 12

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 09 TOKYO 010661

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 12

TOP HEADLINES:

ASAHI: EXCESS OF CLOSE TO 1 TRILLION YEN IN DEBTS AT
HOKKAIDO TAKUSHOKU BANK; DEPOSIT INSURANCE ORGAN FACES
SHORTAGE OF FUNDS; AFFECTED BY A CHAIN OF FAILURES OF
AFFILIATIONS

NIHON KEIZAI: COORDINATION UNDERWAY ON 500-BILLION-YEN

SCALE TAX CUT; LDP WILL BOOST ECONOMY IN TAX SYSTEM REFORM NEXT FISCAL YEAR; DECISION LIKELY TO BE MADE ON 16TH (TRANSLATION BELOW)

TOKYO SHIMBUN: MITSUBISHI ELECTRIC CORPORATION MAKES BONUS ALLOWANCE IN "KIND"; 20,000 YEN PORTION FOR MANAGER LEVELS WHILE 8,000 YEN PORTION FOR RANK AND FILE IN FORM OF GIFT CERTIFICATES; DUE TO SLUMP IN BUSINESS PERFORMANCE; PRESIDENT'S "LETTER OF APOLOGY" ATTACHED (TRANSLATION BELOW)

MAINICHI: THAI ECONOMIC CRUNCH; "SECURITY OF EMPLOYMENT" THROUGH ODA; JAPANESE-AFFILIATED FIRMS' SURPLUS EMPLOYEES -- 1,000 PERSONS -- WILL BE SENT TO JAPAN FOR TRAINING

YOMIURI: FREEZE ON ENFORCEMENT OF LAND VALUE TAX FOR THREE YEARS; PLANNED BY GOVERNMENT, LDP; TAX CUTS FOR FISCAL 1998 EXPECTED TO AMOUNT TO 150 BILLION YEN; SHOWCASE IN PUMP-PRIMING MEASURES

SANKEI: TO ISSUE "10-TRILLION-YEN SCALE GOVERNMENT BONDS"; LDP INCLUDES IT IN FINANCIAL PACKAGE; LIMITED TO PROTECTION OF DEPOSITORS

OPPOSITIONQS NO-CONFIDENCE MOTION VOTED DOWN IN THE DIET (TOKYO SHIMBUN - PAGE 2)

A NO-CONFIDENCE MOTION FILED INDEPENDENTLY BY THE SHINSHINTO (NEW FRONTIER PARTY) AGAINST THE HASHIMOTO CABINET WAS VOTED DOWN BY A MAJORITY VOTE OF THE LIBERAL DEMOCRATIC PARTY, SOCIAL DEMOCRATIC PARTY AND THE SAKIGAKE PARTY IN THE LOWER HOUSE PLENARY SESSION YESTERDAY AFTERNOON. THE LAST TIME A NO-CONFIDENCE MOTION WAS VOTED DOWN OCCURRED TWO AND A HALF YEARS AGO, IN JUNE 1995, DURING THE MURAYAMA CABINET. THIS IS THE FIRST TIME FOR THE HASHIMOTO CABINET TO FACE A NO-CONFIDENCE MOTION SINCE IT WAS LAUNCHED IN JANUARY LAST YEAR.

SHINSHINTOQS OZAWA CITES PRIME MINISTERQS ALLEGED AFFAIR AS REASON FOR NO-CONFIDENCE MOTION (ASAHI - PAGE 2)

SHINSHINTO PRESIDENT ICHIRO OZAWA, IN EXPLAINING THE RATIONALE FOR HIS PARTY'S FILING A NO-CONFIDENCE MOTION AGAINST THE CABINET YESTERDAY IN THE FULL SESSION OF THE LOWER HOUSE, CITED AS ONE REASON FOR IT THE ISSUE OF PRIME MINISTER RYUTARO HASHIMOTO'S AFFAIR WITH A CHINESE WOMAN. OZAWA POINTED OUT:

"THE PRIME MINISTER HAS ACKNOWLEDGED HAVING A RELATIONSHIP WITH A WOMAN WHO HAS WORKED FOR THE PUBLIC SECURITY BUREAU OF THE CITY OF BEIJING, CHINA. WHETHER SHE IS AN INTELLIGENCE AGENT WHO PENETRATED THE CABINET OR WHETHER SHE HAD CONNECTIONS WITH SUCH AGENTS IS A MATTER RELATED TO OUR STATE SECRETS."

IN RESPONSE TO THE PRIME MINISTER WHO SAID IT HAD NEVER BEEN INVESTIGATED TO SEE WHETHER SHE WAS AN INTELLIGENCE

AGENT, OZAWA CRITICIZED:

"WE HAVE PUBLICIZED TO THE WORLD OUR COUNTRY'S INABILITY TO INVESTIGATE (SUCH A MATTER); WE ARE PERCEIVED TO BE A COUNTRY FULL OF SPIES. THIS IS A FAILURE ON THE PART OF THE PERSON WITH THE HIGHEST RESPONSIBILITY IN THIS COUNTRY."

UNCLAS SECTION 02 OF 09 TOKYO 010661

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 12

HASHIMOTO AVOIDS QDECEMBER CRISISQ AS DIET AND COP3 END
(TOKYO SHIMBUN - PAGE 2)

NOW THAT A SHINSHINTO-FILED NO-CONFIDENCE MOTION AGAINST THE CABINET WAS VOTED DOWN YESTERDAY, PRIME MINISTER RYUTARO HASHIMOTO HAS WEATHERED THE RUMORED "DECEMBER CRISIS" FOR THE TIME BEING. IN ADDITION, HE WAS ABLE TO SAVE FACE THANKS TO THE CLIMATE CHANGE KYOTO CONFERENCE THAT MANAGED TO REACH AN AGREEMENT. NEVERTHELESS, SUCH AN FACTOR IS UNLIKELY TO BECOME A REASON FOR HIS CABINET APPROVAL RATINGS TO RISE. THE HASHIMOTO ADMINISTRATION IS STILL BESET WITH MANY CHALLENGES, SUCH AS THE SHAKY FINANCIAL SYSTEM AND THE GLOOMY ECONOMY. THERE HAS BEEN NO CHANGE IN THE OVERALL CONDITION THAT FORCES PRIME MINISTER TO CONTINUE A "LOW-ALTITUDE FLIGHT" IN RUNNING HIS ADMINISTRATION.

WHAT WAS FORTUNATE FOR THE PRIME MINISTER WAS THAT NO ONE IN THE SOCIAL DEMOCRATIC PARTY (SDP) OR THE SAKIGAKE PARTY "REBELLED" AGAINST THE CABINET IN VOTING ON THE NO-CONFIDENCE MOTION. THE PRESENT LDP-SDP-SAKIGAKE ARRANGEMENT CAN SAID TO HAVE BEEN REINFORCED.

THE THREE PARTIES ARE IN ACCORD ON FY1998 BUDGET COMPILATION AS WELL AS ON CLOSE COOPERATION IN DRAFTING A CENTRAL GOVERNMENT AGENCIES REORGANIZATION BILL THE GOVERNMENT IS GOING TO SUBMIT TO THE NEXT REGULAR DIET SESSION. IF NO TROUBLE OCCURS, THE PRESENT TRIPARTITE ARRANGEMENT WILL CONTINUE UNTIL NEXT JUNE WHEN THE REGULAR DIET SESSION ENDS.

THE MOOD HAS NOW TOTALLY SHIFTED FROM OCTOBER WHEN THE SDP THREATENED TO DISSOLVE THE NON-CABINET COOPERATION ARRANGEMENT BEFORE PASSING THE BUDGET FOR THE SAKE OF THE

UPPER HOUSE ELECTION NEXT JULY. IT WAS ONLY NATURAL FOR THE SDP TO VOTE AGAINST THE NO-CONFIDENCE MOTION AGAINST THE CABINET. BUT AN OBSERVATION IS AFLOAT THAT THE SDP INTENDS TO FACE THE UPPER HOUSE ELECTION AS A RULING PARTY BECAUSE IT IS AWARE THAT EXPANDING FORCES IS DIFFICULT EVEN IF IT BECOMES AN OPPOSITION PARTY.

MEANWHILE, HASHIMOTO'S CAPABILITY WAS TESTED INTERNATIONALLY BY THE KYOTO CONFERENCE. THE PRIME MINISTER KNEW THAT FAILING TO REACH AN AGREEMENT IN THE CONFERENCE WOULD DRIVE HIM TO A TIGHT CORNER. HE ENERGETICALLY CONDUCTED TELEPHONE CONFERENCES WITH U.S. PRESIDENT CLINTON, GERMAN CHANCELLOR KOHL AND OTHER MAJOR WESTERN LEADERS IN AN EFFORT TO ELICIT COMPROMISE FROM THEM.

NEVERTHELESS, THE PRIME MINISTER HAS YET TO COME UP WITH ANY DYNAMIC MEANS TO BOLSTER THE ECONOMY, HIS PRIORITY. THE OPTION OF ISSUING "NEW-TYPE GOVERNMENT BONDS" HAS SURFACED FOR STABILIZING THE FINANCIAL SYSTEM, BUT THAT TOO MIGHT NOT BE CONSISTENT WITH THE FISCAL RECONSTRUCTION POLICY DIRECTION. SUCH A METHOD FOR BAILING OUT FINANCIAL INSTITUTIONS IS UNDER PUBLIC CRITICISM. MAKING MISTAKES IN TAKING ECONOMIC MEASURES COST HIS ADMINISTRATION.

SHINSHINTO ON VERGE OF BREAKING UP; OZAWA IN LAST DITCH EFFORT TO KEEP KOMEI ON BOARD (NIHON KEIZAI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY) IS NOW ON THE VERGE OF BREAKING UP INTO TWO -- THE GROUP SUPPORTING PRESIDENT ICHIRO OZAWA AND THE ANTI-OZAWA GROUP. OZAWA WILL HOLD A THIRD ROUND OF TALKS WITH KOMEI GROUP LEADER TOMIO FUJII THIS MORNING. AS LONG AS THE ISSUE OF THE KOMEI GROUP'S MERGING INTO THE SHINSHINTO DOES NOT SEE A SETTLEMENT AT THE MEETING THIS MORNING, THE OZAWA LEADERSHIP INTENDS TO PROPOSE POSTPONING THE SCHEDULED DECEMBER 18 PRESIDENTIAL ELECTION AT A GENERAL MEETING OF THE UPPER AND LOWER UNCLAS SECTION 03 OF 09 TOKYO 010661

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 12

HOUSES MEMBERS, WHICH WILL TAKE PLACE THIS AFTERNOON. DIETMEMBERS CRITICAL OF OZAWA ARE NEGATIVELY REACTING, CLAIMING "SUCH A NOTION IS AIMED AT THE CANCELLATION OF THE PRESIDENTIAL RACE." APPARENTLY THE GENERAL MEETING

WILL BECOME COMPLICATED. THE OZAWA-LED GROUP HAS JUDGED THAT IN ORDER TO MAINTAIN THE POLITICAL COHESION IT WOULD BE BETTER FOR THE GROUP TO BREAK AWAY FROM THE FORCE CRITICAL ABOUT OZAWA. GIVEN CIRCUMSTANCES, IT WOULD BE HOPELESS TO EXPECT INTERNAL RECONCILIATION.

IN HIS MEETING WITH FUJII YESTERDAY MORNING, OZAWA INSISTED: "UNLESS THE MERGER ISSUE IS SETTLED, WE HAVE TO PUT OFF THE PRESIDENTIAL ELECTION." HIS REASON IS BECAUSE SINCE THE MOVEMENT OF DIETMEMBERS BETWEEN THE SHINSHINTO AND THE KOMEI GROUP WILL BE POSSIBLE, ELECTORS OF THE PRESIDENTIAL RACE CANNOT BE DECIDED.

THE BACKDROP OF HIS HIGH-HANDED MANNER OF TRYING TO PUTTING OFF THE PRESIDENTIAL RACE IS HIS JUDGMENT THAT IT WOULD BE DIFFICULT TO RECONCILE WITH THE KOMEI GROUP "KOYUKAI," AND THAT SPLITTING OF THE PARTY CANNOT BE AVOIDED IN THE END.

UNDER THE POLITICAL PARTY SUBSIDIZATION LAW, IF THE OZAWA-LED GROUP BOLTS THE PARTY WITHOUT SUBMITTING A DISSOLUTION AGREEMENT NOTE, IT WILL RECEIVE LESS SUBSIDIES THAN THE OTHER GROUP. SO OZAWA VIEWS THAT IT WOULD BE WISE FOR HIM TO URGE THE ANTI-OZAWA GROUP TO LEAVE THE PARTY.

WITH COP3 PACT, PRIME MINISTERQS SAYS QTOP PRIORITYQ NOW TO REVISE ENERGY SAVING LAW (TOKYO SHIMBUN - PAGE 2)

ON THE HEELS OF THE FORMAL ADOPTION YESTERDAY OF A PROTOCOL BY THE KYOTO CONFERENCE ON PREVENTION OF GLOBAL WARMING, PRIME MINISTER RYUTARO HASHIMOTO MET THE PRESS AT THE HIS OFFICIAL RESIDENCE, AND REFERRING TO JAPAN'S GREENHOUSE GAS EMISSION REDUCTION GOAL, WHICH HAS BEEN SET AT SIX PERCENT, HE EXPRESSED HIS DETERMINATION TO ATTAIN THIS TARGET, NOTING, "IT IS THE HIGHEST FEASIBLE FIGURE WE CAN ATTAIN. PUTTING THIS MATTER HIGH ON AGENDA FOR THE CABINET, I WILL CRAFT EFFECTIVE MEASURES."

SPECIFICALLY, HE INDICATED HIS PLAN TO MAKE A DRASTIC AMENDMENT TO THE LAW FOR RATIONALIZATION OF ENERGY USE AND GRAPPLE WITH THE SETTING OF NEW ENERGY CONSUMPTION STANDARDS.

THE PRIME MINISTER PRAISED THE PROTOCOL, COMMENTING, "IT OFFERS MOST FEASIBLE EMISSION REDUCTION GOALS, TAKING INTO CONSIDERATION THE ACTUAL SITUATIONS IN VARIOUS COUNTRIES." HE ALSO EMPHASIZED: "DIFFERENTIATION (TO SET TARGETS BY COUNTRY) AS WAS SOUGHT BY JAPAN WAS SUCCESSFULLY ADOPTED. WE AS THE HOST NATION HAVE BEEN ABLE TO FULFILL THE ROLE."

A SOLUTION OF THE PROBLEM OF EMISSION REDUCTION EFFORTS BY DEVELOPING COUNTRIES HAS BEEN CARRIED OVER, AND IN THIS CONNECTION, THE PRIME MINISTER STATED: "BY PROMPTING DEVELOPING COUNTRIES TO TACKLE THE PROBLEM WITH THEIR OWN INITIATIVE, WE HAVE BEEN ABLE TO TAKE AN IMPORTANT STEP FORWARD TOWARD PREVENTING GLOBAL WARMING."

MITI VICE MINISTER SAYS Q6 PERCENT (EMISSIONS CUT)
ACHIEVABLEQ (TOKYO SHIMBUN - PAGE 2)

THE KYOTO CONFERENCE ON PREVENTION OF GLOBAL WARMING,
WHICH HAD BEEN HELD IN KYOTO CITY, HAS SET THE GREENHOUSE
GAS EMISSION CUT TARGET FOR JAPAN AT 6 PERCENT, ALTHOUGH
THE INITIAL GOAL SHOWN BY JAPAN WAS 2.5 PERCENT.
REFERRING TO THIS MATTER, ADMINISTRATIVE VICE MINISTER
OSAMU WATANABE OF THE MINISTRY OF INTERNATIONAL TRADE AND
INDUSTRY (MITI) TOLD A PRESS CONFERENCE HELD YESTERDAY
UNCLAS SECTION 04 OF 09 TOKYO 010661

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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CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER
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FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 12

THAT "WE WON'T CHANGE THE FRAMEWORK THAT WAS DETERMINED
IN NOVEMBER," AND REVEALED THAT (THE GOVERNMENT) DID NOT
INTEND TO ASK THE INDUSTRY WORLD TO TAKE ADDITIONAL
SAVING-ENERGY MEASURES AND THE LIKE.

ON SPECIFIC STEPS FOR EMISSION CUTS TO BE TAKEN IN THE
FUTURE, THE VICE MINISTER STATED, "THE 6 PERCENT GOAL IS
ATTAINABLE," THROUGH THE MEASURES ALREADY SHOWN BY THE
GOVERNMENT (SUCH AS A 7 PERCENT CUT IN EMISSIONS BY
INDUSTRY CIRCLES) AND ALSO CONTRIVANCES THAT WERE ALLOWED
BY THE KYOTO PROTOCOL THIS TIME, SUCH AS ABSORPTION OF
CARBON DIOXIDE WITH AFFORESTATION AND JOINT
IMPLEMENTATION. ADDITIONALLY, ON THE PLAN FOR
CONSTRUCTING 20 NUCLEAR POWER PLANTS, WHICH HAS BEEN MADE
A PREMISE FOR JAPAN TO REDUCE GREENHOUSE GAS EMISSIONS,
HE STRESSED (THE GOVERNMENT) HAD NO INTENTION OF
REVIEWING IT.

LDP PANEL AGREES TO KAJIYAMA PROPOSAL FOR 10 TRILLION YEN
IN BONDS FOR BANK CRISIS (NIHON KEIZAI - PAGE 1)

THE LIBERAL DEMOCRATIC PARTY (LDP) YESTERDAY EVENING HELD
A BOARD OF DIRECTORS MEETING AND PLENUM OF ITS EMERGENCY
FINANCIAL SYSTEM STABILIZATION MEASURES HEADQUARTERS
(CHAIRIED BY FORMER PRIME MINISTER KIICHI MIYAZAWA) AND
REACHED A CONSENSUS ON THE VIEW THAT IT IS IMPERATIVE TO
INJECT FISCAL FUNDS WORTH 10 TRILLION YEN FOR
STABILIZATION OF THE NATION'S FINANCIAL SYSTEM. CONCRETE
ARRANGEMENT, SUCH AS BUDGETARY MEASURES AND AN AMENDMENT
TO A RELEVANT LAW NEEDED IN IMPLEMENTING THE PLAN HAS
BEEN LEFT TO MIYAZAWA TO WORK OUT. THE LDP WILL HURRY

COORDINATION IN AN EFFORT TO REFLECT IN ITS PACKAGE OF MEASURES FOR THE UTILIZATION OF PUBLIC FUNDS TO BE ADOPTED ON THE 16TH THE 10 TRILLION YEN "NEW-TYPE BOND" INITIATIVE PROPOSED BY FORMER CHIEF CABINET SECRETARY KAJIYAMA.

THE MAIN ELEMENT OF THE KAJIYAMA PLAN IS ISSUING A NEW TYPE OF GOVERNMENT BOND WORTH 10 TRILLION YEN MORTGAGING GOVERNMENT HOLDINGS OF NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) STOCKS FOR REDEMPTION FUNDS. UNDER THE PLAN, 10 TRILLION YEN WILL BE APPROPRIATED AS A PACKAGE IN THE FY1997 SUPPLEMENTARY DRAFT BUDGET TO BE ADOPTED AT A CABINET MEETING ON THE 20TH AND INJECTING FISCAL FUNDS GARNERED THAT WAY INTO A NEW FUND ESTABLISHED IN THE DEPOSIT INSURANCE CORPORATION (DIC) TO ENSURE THE CLEANING UP OF FINANCIAL FAILURES AND PROTECTION OF DEPOSITORS.

HOWEVER, THE PARTY EXECUTIVE, SUCH AS SECRETARY GENERAL KOICHI KATO, IS CAUTIOUS ABOUT THE PROPOSAL, CITING THAT A SUBSTANTIAL INCREASE IN THE ISSUE OF GOVERNMENT BONDS RUNS COUNTER TO THE FISCAL STRUCTURAL REFORM LAW AND MAY BRING ABOUT THE ISSUE OF PRIME MINISTER HASHIMOTO'S RESPONSIBILITY. THEY ARE INSTEAD RECOMMENDING A PLAN FOR SECURING THE FUTURE INJECTION OF FISCAL FUNDS, BY ATTACHING GOVERNMENT GUARANTEES TO BORROWINGS FROM THE BANK OF JAPAN BY THE DIC. A PROPOSAL FOR SETTING A CEILING ON GOVERNMENT GUARANTEES AT 10 TRILLION YEN AND SPECIFYING IT IN A STATEMENT OF THE BUDGET AND LEGISLATION IS LIKELY TO EMERGE.

THE LDP AGREED ON A GENERAL ARGUMENT FOR THE INJECTION OF 10 TRILLION YEN, BUT COORDINATION IS STILL NEEDED OVER SPECIFIC COURSE FOR ITS REALIZATION.

KAJIYAMA EXPLAINED HIS NEW-TYPE GOVERNMENT BOND PROPOSAL TO THE HEADQUARTERS' BOARD OF DIRECTORS MEETING AND INDICATED HIS VIEW THAT FUNDS OBTAINED THROUGH THE ISSUE OF SUCH SHOULD BE USED FOR (1) PROTECTION OF DEPOSITORS; (2) PREVENTION OF FINANCIAL INSTITUTIONS FROM UNNECESSARILY GOING BUST DUE TO SPECULATIVE OPERATIONS BY FOREIGN COMPANIES; (3) AND MEASURES ON BANKS' REDUCING UNCLAS SECTION 05 OF 09 TOKYO 010661

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 12

THEIR LENDING. THE PRIME MINISTER AND LDP OFFICIALS, SUCH AS KATO, HELD A JOINT PRESS CONFERENCE IMMEDIATELY AFTER THE CLOSE OF THE DIET SESSION AND PROPOSED, "WE SHOULD EXPRESS OUR RESOLVE BOTH TO DOMESTIC AND OVERSEAS AUDIENCES."

BUT ISSUING 10 TRILLION YEN IN NEW-TYPE BONDS MAY BE EASIER SAID THAN DONE (TOKYO SHIMBUN - PAGE 7)

THE LIBERAL DEMOCRATIC PARTY'S (LDP) FINANCIAL SYSTEM STABILIZATION HEADQUARTERS AT A PLENUM HELD YESTERDAY ADOPTED A POLICY LINE OF EMPLOYING A PROPOSAL PUT FORWARD BY FORMER CHIEF CABINET SECRETARY SEIROKU KAJIYAMA FOR ISSUING 10 TRILLION YEN WORTH OF NEW-TYPE GOVERNMENT BONDS. HOWEVER, THERE IS THE HIGH POSSIBILITY OF THE KAJIYAMA PLAN RUNNING COUNTER TO THE FISCAL REFORM LINE ADVOCATED BY THE HASHIMOTO CABINET. IN ADDITION, THE APPLICATION OF FUNDS OBTAINED THAT WAY AND HOW TO SECURE REDEMPTION FUNDS HAVE YET TO BE WORKED OUT FROM A SCRATCH. THE FATE OF THE PLAN IS STILL OPAQUE, STRAPPED WITH A MOUNTAIN OF PROBLEMS TO BE SOLVED FROM NOW.

(INCONSISTENCY WITH FISCAL RECONSTRUCTION)

THE GREATEST ISSUE IS CONSISTENCY WITH THE ONGOING FISCAL REFORM.

THE FISCAL REFORM LAW, WHICH IS AIMED AT "ZERO ISSUE OF DEFICIT-COVERING BONDS IN FY2003," STIPULATES AN ANNUAL REDUCTION IN THE AMOUNT OF THE ISSUE OF DEFICIT-COVERING BONDS STARTING FROM THE NEXT FISCAL YEAR. UNDER THE FISCAL REFORM LAW, A "NEW-TYPE GOVERNMENT BOND" IS CLASSIFIED AS A DEFICIT-COVERING BOND. IF 10-TRILLION YEN BONDS ARE ISSUED NEXT YEAR, THIS WILL APPARENTLY RUN COUNTER TO THE FISCAL REFORM LAW, MANDATING AN AMENDMENT TO THE LAW.

A PLAN TO ISSUE SUCH BONDS, BY CREATING A NEW SPECIAL ACCOUNT, INSTEAD OF UNDER THE GENERAL ACCOUNT, IS BEING FLOATED IN THE LDP. IN THIS CASE, THE PROPOSED NEW-TYPE GOVERNMENT BOND IS, LEGALLY SPEAKING, NOT REGARDED AS A DEFICIT-COVERING BOND. THE MINISTRY OF FINANCE (MOF) EXPLAINED, "WITH THIS, THE NEW-TYPE GOVERNMENT BOND CAN CLEAR THE FISCAL REFORM LAW."

HOWEVER, REDEMPTION FUNDS FOR THE NEW-TYPE GOVERNMENT BOND ARE TO BE "SECURED" FROM NTT AND JT SHARES, WHICH THE GOVERNMENT HOLDS UNDER THE SPECIAL NATIONAL BOND CONSOLIDATION ACCOUNT. ORIGINALLY, PROFITS ON SALE OF THESE SHARES ARE SUPPOSED TO BE USED FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST OF THE WHOLE OF GOVERNMENT BONDS. THE USE OF SUCH PROFITS FOR THE REDEMPTION OF THE NEW-TYPE GOVERNMENT BONDS WILL DELAY THE REPAYMENT OF OTHER GOVERNMENT BONDS, CARRYING OVER THE BURDEN TO FUTURE GENERATIONS.

(APPLICATION OF FUNDS)

ANOTHER PROBLEM IS HOW TO USE THE FUNDS PROCURED THROUGH THE ISSUE OF THE NEW-TYPE GOVERNMENT BONDS. FORMER CHIEF CABINET SECRETARY KAJIYAMA MADE IT A "PRINCIPLE TO USE SUCH FUNDS FOR PROTECTION OF DEPOSITORS." BUT AT THE SAME TIME, HE INDICATED THE INTENTION TO USE SUCH FOR PURCHASING PREFERRED STOCKS BY BANKS, CITING, "IN ORDER TO PROTECT REGIONAL ECONOMIES, TOO, A MECHANISM THAT ALLOWS TO INJECT CAPITAL TO BANKS SHOULD BE CREATED." HOWEVER, THERE IS CONCERN THAT PURCHASES OF PREFERRED STOCKS WILL LEAD TO "BAILING OUT" BANKS.

IN ADDITION, FORMER CHIEF CABINET SECRETARY KAJIYAMA STRESSED THE EFFECTS OF THE NEW-TYPE BONDS AS "SHOW MONEY," ADDING, "IF THE GOVERNMENT INDICATES ITS RESOLUTION TO USE 10 TRILLION YEN, IT WILL LEAD TO UNCLAS SECTION 06 OF 09 TOKYO 010661

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 12

STABILIZING THE FINANCIAL SYSTEM, EVEN IF TEN TRILLION YEN IS NOT ACTUALLY SPENT." HOWEVER, THE "SHOW MONEY" IS BOUND TO LOSE ITS EFFECTS, UNLESS A WORKABLE SCHEME IS ACTUALLY DEvised.

LDP COORDINATING 500 BILLION YEN TAX CUT AS ECONOMIC STIMULUS, ANNOUNCEMENT ON 16TH (NIHON KEIZAI - TOP PLAY)

THE LIBERAL DEMOCRATIC PARTY'S (LDP) TAX SYSTEM RESEARCH COUNCIL (CHAIRD BY YOSHIRO HAYASHI) YESTERDAY DECIDED ON A POLICY COURSE OF IMPLEMENTING TAX CUTS THAT WOULD TOTAL APPROXIMATELY 500 BILLION YEN IN THE FISCAL 1998 TAX REFORM PACKAGE IN ORDER TO PRIME THE ECONOMY. FINAL COORDINATION WILL BE HEADING IN THE DIRECTION OF A REAL REDUCTION IN THE CORPORATE INCOME TAX OF BETWEEN 140 TO 150 BILLION YEN, A LOWERING OF THE SECURITIES TRANSFER TAX RATE (NOW 0.21 PERCENT) TO APPROXIMATELY 0.1 PERCENT, AND SETTING THE LAND VALUE TAX RATE AT ZERO PERCENT. ON THE OTHER HAND, THE LDP'S EMERGENCY FISCAL STABILIZATION POLICY HEADQUARTERS (HEADED BY FORMER PRIME MINISTER KIICHI MIYAZAWA) IN ITS MEETING YESTERDAY AGREED TO THE VIEW THAT IT WAS NECESSARY TO INJECT FISCAL RESOURCES AT A 10-TRILLION YEN SCALE FOR STABILIZING THE FINANCIAL SYSTEM. THE OUTLINE OF THE TAX REFORM PACKAGE FOR NEXT FISCAL YEAR AND THE POLICY MEASURES TO USE PUBLIC FUNDS WILL BOTH BE DECIDED ON THE 16TH.

MITSUBISHI ELECTRIC CURTAILS PART OF WINTER BONUS;
EMPLOYEES GET GIFT CERTIFICATES AND APOLOGY
(TOKYO SHIMBUN - TOP PLAY)

IT WAS LEARNED YESTERDAY THAT MITSUBISHI ELECTRIC CORPORATION, A LEADING ELECTRICAL MACHINERY MANUFACTURER, PROVIDED ABOUT 48,000 EMPLOYEES WITH "GIFT CERTIFICATES" FOR ITS OWN PRODUCTS AS PART OF THE WINTER BONUS PAID OUT ON THE 10TH. THE PORTION OF THE COUPONS WAS TAKEN AWAY FROM THEIR INITIAL PAY, ALTHOUGH THIS IS PAYMENT IN KIND. IN THE ELECTRICAL MACHINERY INDUSTRY, SOME COMPANIES PAID IN KIND WHEN THE ECONOMY WAS AT AN EBB AMID THE YEN'S WEAKNESS AGAINST THE DOLLAR IN THE 1980'S. BUT THIS MEASURE HAS RARELY BEEN TAKEN IN RECENT YEARS. THE CASE OF AN LEADING MANUFACTURER HAVING TROUBLE IN PAYING BONUSES PROVES HOW SERIOUS THE PRESENT ECONOMIC SITUATION IS.

TOSHIBA, NEC RAIDED BY FAIR TRADE COMMISSION FOR ALLEGED BID-RIGGING (NIHON KEIZAI - PAGE 39)

ON SUSPICION OF TOSHIBA AND NEC, LEADING ELECTRICAL MACHINERY MANUFACTURERS, HAVING RIGGED BIDDING FOR POSTAL CODE NUMBER-READ MACHINES TO BE PURCHASED BY THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT), THE FAIR TRADE COMMISSION (FTC) HAS INSPECTED THEIR HEAD AND OTHER OFFICES AS OF THE 11TH. WITH SEVEN-DIGIT ZIP CODE NUMBERS TO BE INTRODUCED NEXT FEBRUARY, ORDERS FOR NEW-TYPE MACHINES EQUIPPED WITH READ MEMORY ARE INCREASING. THE TWO COMPANIES HAVE DENIED THE SUSPICION, CLAIMING, "THERE IS NO TRUTH TO OUR VIOLATION OF THE ANTIMONOPOLY LAW."

-- INCREASE IN ORDERS FOR NEW-TYPE SEVEN DIGIT-READ MACHINES

POSTAL CODE NUMBER-READ MACHINERY HAS BEEN MANUFACTURED ONLY BY TOSHIBA AND NEC, AND THE TWO COMPANIES ARE SUSPECTED OF HAVING RIGGED THE OPEN COMPETITIVE BIDDING OFFERED BY MPT, ACCORDING TO INFORMED SOURCES.

POSTAL CODE NUMBER-READ MACHINES ARE INSTALLED AT MAJOR POST OFFICES ACROSS THE NATION. TOSHIBA AND NEC HAVE DELIVERED 10 TO 30 MACHINES EQUIPPED WITH FIVE DIGIT-READ MEMORY EACH EVERY YEAR.

UNCLAS SECTION 07 OF 09 TOKYO 010661

USIA

FOR: USIA D/P, o/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 12

BEFORE THE SEVEN DIGIT-ZIP CODE SYSTEM IS INTRODUCED NEXT FEBRUARY, MPT WILL SET 350 NEW-TYPE MACHINES AT 200 POST OFFICES THROUGHOUT THE NATION BY YEAR END. IN ADDITION, IT HAS PLANS TO INSTALL 1,500 UNITS AT 1,100 OFFICES IN THE NEXT 10 YEARS.

IN THE BIDDING HELD THIS MAY, MPT PLACED ORDERS WITH TOSHIBA FOR 80 UNITS (ABOUT 18.5 BILLION YEN, AND WITH NEC FOR 95 UNITS (ABOUT 17.8 BILLION YEN).

-- COMMENT BY A TOSHIBA EXECUTIVE

OUR OFFICES WERE INSPECTED BY FTC, BUT I BELIEVE THE ALLEGATION IS GROUNDLESS. WE WILL OFFER COOPERATION FOR ITS INVESTIGATIONS, BUT I CANNOT COMMENT ON THE DETAILS.

-- COMMENT BY A NEC EXECUTIVE

IT IS TRUE THAT FTC INVESTIGATED OUR OFFICES. IN-HOUSE INSPECTIONS FOUND NO PROOF OF COLLUSIVE PRACTICES (DANGO). DANGO PRACTICES BETWEEN TOSHIBA AND NEC ARE IMPOSSIBLE AS THEIR PRODUCTS' FORMULAS ARE DIFFERENT.

NAGO REFERENDUM: TUG OF WAR ON HELIPORT VOTE, BUT GOVERNMENT ALREADY RESIGNED TO DEFEAT (ASAHI - PAGE 3)

ON DECEMBER 11, THE CITY OF NAGO IN OKINAWA PREFECTURE OFFICIALLY ANNOUNCED A REFERENDUM OF ITS RESIDENTS -- THE FIRST CASE AMONG ALL LOCAL PUBLIC ENTITIES IN THE NATION TO IMPLEMENT PUBLIC VOTING ON THE PROPRIETY OF CONSTRUCTING A U.S. MILITARY BASE. THE GOVERNMENT, NOW STAKING NATIONAL PRESTIGE ON THE FUTENMA AIR STATION SITE'S REVERSION ON WHICH JAPAN AND THE U.S. HAVE REACHED AN INTERGOVERNMENTAL AGREEMENT, IS DESPERATELY TRYING TO OBTAIN "LOCAL CONSENT" THROUGH SUCH TACTICS AS DOOR-TO-DOOR VISITS ON LOCAL RESIDENTS. YET OKINAWA'S ILL FEELINGS STILL REMAIN DEEP-ROOTED AGAINST THE PLANNED RELOCATION OF THE AIRFIELD'S BASE FUNCTIONS TO SOMEWHERE WITHIN THE ISLAND PREFECTURE. THE ISSUE OF FUTENMA REVERSION HAS SHOWN NO PROGRESS. MEANWHILE, HOWEVER, THE DIVERGENCE BETWEEN TOKYO AND OKINAWA IS NOW SHOWING SIGNS OF SUBTLE CHANGE. (NAHA BRANCH BUREAU, WESTERN LOCAL NEWS SECTION, POLITICAL SECTION)

-- CITIZENS COMPLAINING ABOUT PR ON PROMOTIONAL MEASURES

"PUBLIC SERVANTS LIVE ON TAXPAYERS' MONEY, SO I WONDER IF THEY'RE ALLOWED TO MEDDLE UNREASONABLY IN THE CITIZENS' VOTING." ON THE MORNING OF THE 11TH, RIGHT BEFORE NAGO CITY'S OFFICIAL ANNOUNCEMENT OF THE CITIZENS' VOTING, THERE WAS SUCH A TELEPHONE CALL FROM A CITIZEN TO THE OFFICE OF AN OKINAWA PREFECTURAL ASSEMBLY MEMBER, WHO HAS BEEN ELECTED FROM THE CITY OF NAGO AND IS ON THE SIDE OF OPPOSITION OR LEFTIST PARTIES. THE CITIZEN COMPLAINED

OVER THE TELEPHONE ABOUT A ROLLER TACTIC CALLED THE "YUIMARU CAMPAIGN," WHICH WAS STARTED ON THE 9TH BY THE DEFENSE FACILITIES ADMINISTRATION AGENCY'S NAHA REGIONAL BUREAU PERSONNEL IN ORDER TO SEEK THE LOCAL PUBLIC'S UNDERSTANDING FOR THE PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT (IN WATERS OFF THE CITY AS AN ALTERNATIVE FACILITY TO REPLACE THE FUTENMA AIRFIELD'S FUNCTIONS).

YUIMARU IS A WORD OF OKINAWA, MEANING "MUTUAL AID" OR "INTERDEPENDENCE." ONE ON THE GOVERNMENT SIDE STRESSES "THOROUGHGOING PUBLIC INFORMATION ABOUT THE CITIZENS' VOTING." HOWEVER, LEAFLETS DISTRIBUTED BY DFAA PERSONNEL TO LOCAL RESIDENTS SAY THAT "CONSTRUCTING AN OFFSHORE HELIPORT IS UNAVOIDABLE AS THE ONLY PRAGMATIC WAY."

-- GOVERNOR OTA: "IT'S A GOVERNMENT PROBLEM" GINOWAN MAYOR ALSO "SANDWICHED"

AN OKINAWA PREFECTURAL ASSEMBLY MEMBER WITH AN OPPOSITION UNCLAS SECTION 08 OF 09 TOKYO 010661

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 12

PARTY PURSUED, "THE CITIZENS OF NAGO ARE NOW DIVIDED UP INTO TWO. THAT'S YOUR RESPONSIBILITY, BECAUSE YOU'VE NEVER CLARIFIED YOUR ATTITUDE."

GOVERNOR MASAHIDE OTA REPLIED, "I'M SORRY THE CITY HAS NOW CHOSEN TO IMPLEMENT A REFERENDUM OF ITS RESIDENTS. BUT THE OFFSHORE HELIPORT ISSUE IS A PROBLEM BROUGHT ABOUT BY THE GOVERNMENT, NOT ME."

WHEN THE PRO- AND ANTI-HELIPORT GROUPS WERE DEVELOPING A HEATED BATTLE OF WORDS IN THE WAKE OF THE ANNOUNCEMENT OF THE CITIZENS' VOTING, GOVERNOR OTA WAS GIVING HIS EXPLANATIONS AT THE OKINAWA PREFECTURAL ASSEMBLY DURING ITS SESSION OF GENERAL INTERPELLATIONS. IN THE PREFECTURAL ASSEMBLY, A TOTAL OF 26 MEMBERS ARE TO TAKE THE FLOOR FOR THEIR GENERAL QUESTIONS, AND 19 OF THEM HAVE NOTIFIED THE GOVERNOR OF THEIR INTENTION TO ASK QUESTIONS "RELATING TO FUTENMA REVERSION."

GOVERNOR OTA HAS BEEN DODGING EACH QUESTION BY STICKING TO HIS ASSERTION: "IN CONSIDERATION OF NAGO CITY'S JUDGMENT AS WELL, I WILL MAKE AN ADEQUATE JUDGMENT FROM THE PERSPECTIVE OF PROMOTING THE PREFECTURE'S GENERAL

GROWTH." HOWEVER, THE ANTI-HELIPORT FACTION IS NOW REPORTEDLY GAINING GROUND IN THE CITIZENS' VOTING, AND THE GOVERNOR APPEARS IRRITATED AT THE GOVERNMENT WHICH HAS BEEN HURRYING HIM UP FOR HIS CONCLUSION.

A SOURCE IN THE CENTRAL GOVERNMENT HAS NOW BEGUN TO REITERATE HIS IDEA OF "FREEZING FUTENMA REVERSION IF THE OFFSHORE HELIPORT IS NO GOOD." THE OKINAWA PREFECTURAL GOVERNMENT'S NEGATIVE REACTION AGAINST SUCH REMARKS IS STRONG. ONE OF THE SENIOR OFFICIALS FOR BASE RELATIONS HAS SAID: "WE CAN'T GIVE UP ON FUTENMA REVERSION. BUT IF THE GOVERNMENT SHOULD TAKE A WRONG STEP IN ITS APPROACH, THERE IS A GOOD POSSIBILITY THAT WE, IN OUR RELATIONS WITH THE GOVERNMENT, MAY RETURN TO OUR STARTING POINT OF TWO YEARS AGO WHEN WE CALLED FOR REMOVING ALL THE BASES HERE."

ALSO IN THE CITY OF GINOWAN, WHERE THE FUTENMA AIRFIELD IS LOCATED, THOSE FOR AND AGAINST THE HELIPORT CONSTRUCTION PLAN BEGAN JUST BEFORE THE ANNOUNCEMENT OF PUBLIC VOTING TO DEVELOP THEIR RESPECTIVE MOVEMENTS.

GINOWAN CITY'S MAYOR SEIKO HIGA HAS BEEN REFRAINING FROM MAKING CLEAR HIS VIEWS REGARDING THE PROPRIETY OF RELOCATING THE FUTENMA AIRFIELD'S HELIPORT FUNCTIONS TO THE CITY OF NAGO. ON THE 10TH AND 11TH, TWO GROUPS CONSISTING OF WOMEN FILED THEIR PETITIONS WITH MAYOR HIGA FROM THEIR STANCE OF ARGUING FOR OR AGAINST THE HELIPORT PLAN. AS WELL AS GOVERNOR OTA, MAYOR HIGA, WHO WAS ELECTED THIS SUMMER FOR THE FIRST TIME WITH THE BACKING OF OPPOSITION PARTIES, IS NOW BEING PLACED BETWEEN THE "IDEAL AND REALITY" OF THE UNCONDITIONAL RETURN OF THE AIRFIELD AND THE RELOCATION OF ITS BASE FUNCTIONS TO ANOTHER PLACE IN THE PREFECTURE, NOW BEING FORCED BY THE GOVERNMENT ON THE LOCALS.

IN EXPECTATION OF FUTENMA DEVELOPMENT, ECONOMIC ORGANIZATIONS IN THE CITY ARE NOW BACKING UP NAGO'S PRO-HELIPORT GROUP. VYING WITH THIS MOVE, A GROUP OF LABOR UNION MEMBERS CRYING OUT AGAINST THE TRANSFERAL OF FUTENMA'S HELIPORT FUNCTIONS TO ANY OTHER PLACE IN THE PREFECTURE WILL HOLD ITS FIRST RALLY OF CITIZENS IN THE CITY OF GINOWAN ON THE EVENING OF THE 12TH AGAINST HELIPORT CONSTRUCTION IN NAGO.

-- A MAJORITY OF PUBLIC OPINION "OPPOSED" HELIPORT PLAN
GOVERNMENT PREPARED TO LOSE?

"THERE'S NO CHOICE BUT TO WAIT FOR THE LOCAL SIDE'S
UNCLAS SECTION 09 OF 09 TOKYO 010661

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 12

JUDGMENT. WE DON'T HAVE ANY OTHER OPTION. (IF AN
ALTERNATIVE FACILITY IS NOT CONSTRUCTED) (THE HELIPORT
FUNCTIONS OF) FUTENMA WILL REMAIN IN THE END. I HOPE
NOT. THAT'S ALL I CAN SAY FOR NOW." PRIME MINISTER
RYUTARO HASHIMOTO GAVE SUCH A COMMENT TO PRESS REPORTERS
AT HIS OFFICIAL RESIDENCE ON THE 11TH.

ACCORDING TO THE RESULTS OF VARIOUS MEDIA POLLS, MORE
THAN HALF OF THOSE POLLED WERE "AGAINST" THE HELIPORT
RELOCATION PLAN. "EVEN IF WE LOSE, THERE'S ROOM FOR US
TO EXPECT THE MAYOR'S DISCRETION IF THE MARGIN IS NARROW
..." ONE IN THE GOVERNMENT HAS SO CONFESSED AS IF TO BE
PREPARED FOR A LOSING GAME. THE PRIME MINISTER'S
LEADERSHIP IS NOW BEING QUESTIONED OVER SUCH TASKS AS
ADMINISTRATIVE REFORM AND FINANCIAL SYSTEM STABILIZATION
MEASURES. IF THE REFERENDUM RESULTS IN A MAJORITY OF
VOTES AGAINST THE HELIPORT PLAN IN SUCH A SITUATION, THEN
THE GOVERNMENT'S PRESTIGE WILL UNAVOIDABLY WANE.

THE GOVERNMENT DOES NOT HAVE ANY OTHER GOOD IDEA THAN THE
OPTION OF RELOCATION TO THE WATERS OFF CAMP SCHWAB IN THE
CITY OF NAGO. MASAHIRO AKIYAMA, ADMINISTRATIVE DEPUTY
DIRECTOR GENERAL OF THE JAPAN DEFENSE AGENCY, MET THE
PRESS ON THE 11TH, AND THEN HE WAS ASKED ABOUT WHAT TO DO
IF AND WHEN IT BECOMES DIFFICULT TO RELOCATE THE
HELIPORT. IN REPLY, AKIYAMA STATED: "TO BE FRANK, WE
CAN'T AFFORD TO THINK OF SUCH A CASE."

THE GOVERNMENT SENT CHIEF CABINET SECRETARY KANEZO
MURAOKA TO OKINAWA ON THE 6TH, AND THEN DISPATCHED
OKINAWA DEVELOPMENT AGENCY DIRECTOR GENERAL MUNEO SUZUKI
AS WELL TO THE PREFECTURE ON THE 8TH. DURING THEIR
VISITS TO OKINAWA, MURAOKA AND SUZUKI PRESENTED THE
GOVERNMENT'S NORTHERN AREA PROMOTIONAL MEASURES FOR THE
SAKE OF OKINAWA PREFECTURE, INCLUDING URBAN REDEVELOPMENT
AND PORT-HARBOR IMPROVEMENT IN THE CITY OF NAGO. AT THE
END OF THIS WEEK SUZUKI AND JDA DIRECTOR GENERAL FUMIO
KYUMA WILL VISIT OKINAWA. IN THE GOVERNMENT, HOWEVER,
THERE IS ALSO A VIEW SAYING THAT "THERE WILL BE NO
INCREASE IN THE NUMBER OF FAVORABLE VOTES EVEN IF THE
GOVERNMENT ADDS TO THE PACKAGE OF PROMOTIONAL MEASURES."
CRANE

SECT: SECTION: 01 OF 09

<^SECT>SECTION: 02 OF 09

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DIST:

SIT: NSC

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
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LINE2: ZNR UUUAA
LINE3: R 120511Z DEC 97
LINE4: FM FBIS OKINAWA JA
OSRI: RUESDJ
DTG: 120511Z DEC 97
ORIG: FBIS OKINAWA JA
TO: RUCWAAA/FBIS RESTON VA
AIG4583
RAYWBBK/DIO CANBERRA AS
RAYWBFA/ONA CANBERRA AS
RHAKAAA/17SOS KADENA AB JA//OGOOI//
RHAKAAA/18WG KADENA AB JA//PA//
RHAKAAA/353OSS KADENA AB JA//IN//
RHAKAAA/COMFLEACTS OKINAWA JA
RHEHOND/DIR ONDCP//OR//
RHFJFMH/US CUSTOMS SERVICE WPNSTA CHARLESTON SC
RHFJUSC/US CUSTOMS SERVICE WASHINGTON DC
RHFJUSE/USCS AIU MIAMI FL
RHFJUSH/USCS ERIN BAY ST LOUIS MS
RHFJUSI/USCS AIU LONG BEACH CA
RHHJJAA/JICPAC HONOLULU HI
RHHJJPI/PACOM IDHS HONOLULU HI
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N51//
RHHMUNA/USCINCPAC HONOLULU HI
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RUAGAMS/CINC UNC CFC SEOUL KOR//UNCMAC//
RUAGAMS/SACINCUNC SEOUL KOR
RUALJDT/JDET YOKOTA AB JA
RUANJTF/DIRJIATF EAST//J2//
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RUATJHU/CDRUSARJ CP ZAMA JA//APAJ-PA//
RUATJHU/CDRUSARJ CP ZAMA JA//APJA-GB//
RUATTBU/CDR 10TH ASG TORII STATION JA//APAJ-GO-CRO/APAJ-GO-SPO//
RUATTBU/CDR ORA USA CIDC TORII STA JA//CIRG-ZA//
RUATTBU/CDR1STBN1STSFGA TORII STA JA//SSO//
RUATTBU/CHOFO500MIBDE TORII STA JA
RUAYFFA/MCAS IWAKUNI JA
RUAYFFP/NAVCRIMINVSERVRA IWAKUNI JA
RUCMACC/CDR 4THPSYOPGP FT BRAGG NC//AOC-POG-SB//
RUCMACC/CDR PSYOPGP FT BRAGG NC//ASOF-POG-SB//
RUCTFOA/MARINCEN MIAMI FL
RUCXGRD/COGARD INTELCOORDCEN WASHINGTON DC
RUCXONI/ONI WASHINGTON DC//2140//
RUDHNIS/DIRNAVCRIMINVSERV WASHINGTON DC
RUDKMKB/FBIS LONDON UK//BBC RUCWAAA//

RUDMQAN/MARCORINTACT DET QUANTICO VA
RUDPMAX/FAISA FT BRAGG NC
RUDPWDC/DA AMHS WASHINGTON DC
RUEABND/DRUG ENFORCEMENT ADMIN HQ WASHINGTON DC//NARC//
RUEABND/DRUG ENFORCEMENT ADMIN HQ WASHINGTON DC//POL//
RUEABNE/EPIC EL PASO TX
RUEAIIS/STORAGE CENTER FBIS RESTON VA
RUEALGX/DEFINTAGENCY WASH DC
RUEHC/SECSTATE WASHINGTON DC//INR//
RUEHIA/USIA WASHINGTON DC//R//
RUEJDCA/DISA ADNET IMHS WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RUERNUL/CDRUSACAC FT LEAVENWORTH KS//FBIS//
RUERPMB/CDRJOTC FT SHERMAN PM//SOJT-SB/S-2//
RUETIAV/MPC FT GEO G MEADE MD
RUHBABA/CG III MEF//G-2//
RUHBANB/MWHS ONE
RUHBANB/NAVCRIMINVSERVRA OKINAWA JA
RUHBANB/SECOND BN TWELFTH MAR
RUHBBEA/CDR MTMC TML NAHA JA//MTW-N//
RUHBBEA/CDR835THTRANSBN OKINAWA JA//
RUHBBEA/CG THIRD FSSG CAMP KINSER JA//G2//
RUHBBMA/AMCONSUL NAHA
RUHBBMA/MACG EIGHTEEN
RUHBBMA/MAG THREE SIX
RUHBBMA/MCAS FUTENMA JA
RUHBVMA/CTF SEVEN SIX
RUKWAD/82RS OKINAWA JA//SP//
RUWGTCG/COMPACAREA COGARD ALAMEDA CA//PI//
RUWGTC/JIATF WEST
RUWTAEA/NAIC WRIGHT PATTERSON AFB OH
RUYLBAH/DODSPECREP OKINAWA JA
RUYLSDE/NAVSECGRUACT HANZA JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUYNJMF/NAVCRIMINVSERVFO FAREAST YOKOSUKA JA
ACCT FBOW-EDWK

INFO: ////

SUBJ: US Serviceman Gets 2-Year Jail Term for LSD Possession

TEXT:

UNCLAS 4A

WARNING: TOPIC: INTERNATIONAL, POLITICAL, MILITARY

SERIAL: OW1212051197

PASS: COPY TO GSG/TDD

COUNTRY: JAPAN, UNITED STATES

SUBJ: US Serviceman Gets 2-Year Jail Term for LSD Possession

SOURCE: Tokyo Kyodo in English 0420 GMT 12 Dec 97

TEXT:

[FBIS Transcribed Text] Naha, Japan, Dec. 12 Kyodo - The Naha District Court in Okinawa Prefecture on Friday sentenced a US serviceman to two years in prison and ordered him to pay a 200,000 yen fine for illegally possessing LSD.

Sgt. Joshua T. Dodds, 22, was convicted of possessing a total

of 239 tablets containing LSD, for sale in a parking lot within the Futenma Air Station in Okinawa Prefecture, southwestern Japan, on July 22.

Prosecutors had demanded a three-year prison sentence and a 300,000 yen fine.

US military police arrested Dodds in July, and local authorities charged him with violating the Narcotics Law.

Dodds serves at the US air base.

[Description of source: Tokyo Kyodo News Service in English--Japan's largest domestic and international news agency, owned by nonprofit cooperative of 63 newspaper companies and NHK]

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- (8) JDA Chief Kyuma to "Follow Mayor's Judgment on Propriety of Heliport Construction"
- (9) Exclusive Interview with Chinese President Jiang Zemin by Nihon Keizai Shimbun; Will Actively Engage in Process for Stabilizing the Korean Peninsula Situation
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- (12) Nagano Olympic Games Will Receive a Number of VIPs, Beginning with U.S. Vice President Gore, Hillary Clinton...; Foreign Ministry's Special Arrangement

ARTICLES:

- (7) LDP Drafts an Okinawa Revitalization Tax System Package Featuring a Naha Airport Duty-Free Shop System

NIHON KEIZAI (Page 4) (Full)
December 13, 1997

The Liberal Democratic Party (LDP) on the 12th held a joint meeting of its Okinawa Countermeasures Subcommittee (chaired by Sadanori Yamanaka) and its Okinawa Revitalization Committee (chaired by Saburo Okabe) to compile an Okinawa revitalization tax system package. As a result, the party came up with a tax incentive package featuring an introduction of a special duty-free shop system at Naha Airport and lowering corporate taxes and corporate business taxes by 35 percent for ten years in "designated free trade areas" -- steps that will virtually allow an "one-country, two-system approach."

The LDP plans to incorporate those measures in an FY1998 tax reform program outline, which is scheduled to be produced on the 16th, aimed at implementation in the next fiscal year.

The special duty-free shop system will be applied to goods up to 200,000 yen per person that are not covered by the present tourist drawback system.

Specifically, the Nakagusuku New Port district now under construction in Okinawa City and the existing "free trade zone" will be designated as "free trade areas." They will be allowed to choose one from UNCLAS SECTION 02 OF 07 TOKYO 010721

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the following two options: 1) a 35 percent exemption from corporate taxes for local businesses with more than 50 employees; or 2) a 15 percent investment tax exemption on machinery, and an eight percent on buildings.

(8) JDA Chief Kyuma to "Follow Mayor's Judgment on Propriety of Heliport Construction"

MAINICHI (Page 2) (Full)
December 14, 1997

The city of Nago in Okinawa Prefecture is going to hold a referendum of its residents (voting scheduled for the 21st) on the propriety of constructing a sea-based heliport in waters off the city along with the planned return of the U.S. Forces' Futenma Air Station site, Japan Defense Agency Director General Fumio Kyuma arrived in the prefecture on the 13th to give backing to the locals favoring the planned construction of the offshore heliport. JDA Director General Kyuma told the press in the city of Naha that JDA "will follow the judgments of Nago City's municipal authorities and of the city's municipal assembly, and will also follow the prefectural government's judgment to be shown after that." Kyuma has thus underscored his intention to make much of and agree to the judgments of Nago City's Mayor Tetsuya Higa and Okinawa Prefecture's Governor Masahide Ota. As for possible effects to be caused where anti-heliport people hold a majority to baffle the heliport construction plan, Kyuma said: "I predict that there would be no progress in the reversion of Futenma as well."

(9) Exclusive Interview with Chinese President

Jiang Zemin by Nihon Keizai Shimbun; Will Actively Engage in Process for Stabilizing the Korean Peninsula Situation; Appeals for Early Resumption of China-Taiwan Dialogue

NIHON KEIZAI (Top Play) (Full)
December 13, 1997

(Beijing, December 12, Nobumichi Izumi)

Chinese President Jiang Zemin met the Japanese newspaper company, Nihon Keizai Shimbun President Takuhiko Tsuruta and its Tokyo Head Office's Editorial Bureau Chief Kenjiro Horikawa at the Zhongnanhai building in Beijing on the morning of the 12th. In the interview, President Jiang Zemin revealed his general views on domestic affairs and foreign policies. Referring to four-way talks, a new framework aimed at realizing peace on the Korean Peninsula, he emphasized, "China will continue to play a constructive role." He also articulated that he "welcomes" diplomatic normalization between the Democratic People's Republic of Korea (North Korea) and Japan as well as between the North and the United States. On the Taiwan problem, he appealed to Taiwan officials to UNCLAS SECTION 03 OF 07 TOKYO 010721

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resume a bilateral dialogue at an early date. In connection with ties with Japan, he suggested mapping out long-term projects, particularly for Japan-China economic cooperation, appealing for "a good neighborly and cooperative relationship" looking toward the 21st century.

Proposes Working Out of Long-Term Plans for Japan-China Economic Cooperation

The interview with President Jiang lasted for nearly 45 minutes at Room Number 202 -- which once had been the office of the late president Mao Zedong -- at the Zhongnanhai building, It was also attended by Chinese officials, such as Vice Foreign Minister Li Zhaoxing and Press Bureau Director

General Chen Goubao. This was the first time after Deng Xiaoping passed away in February of this year that the Chinese supreme leader, President Jiang gave an exclusive interview to a Japanese press company.

On the Korean Peninsula issue, President Jiang set a high valuation on the first full session of four-way talks held among the Republic of Korea, North Korea, the U.S. (and China) in Geneva. At the same time, he stated, "We will welcome North Korea's improving bilateral ties and finally realizing diplomatic normalization with the U.S. and Japan respectively," although any Chinese leaders until now have never made such a remark.

Additionally, China showed its recognition that "it is a country neighboring to the Korean Peninsula," clarifying its stance of actively engaging in matters. But regarding reciprocal visits between high-level Chinese and North Korean leaders, President Jiang noted, "Such visits have never occurred for the past several years since President Kim Il Sung passed away. The North has put restrictions on visits by key foreign figures to it, so we have no specific plan for now," giving the impression that no prospects for a China-North Korea summit have come into sight.

On the Taiwan issue, President Jiang confirmed the "one China" principle and the policy line of "peaceful reunification and one country with two systems," and touching on China-Taiwan dialogue, which has been suspended, sparked off by Taiwanese President Li Teng-hui's trip to the U.S. in June, 1995, he stated: "We repeatedly appealed to (Taiwan) to resume (dialogue) at an early date."

Regarding the Japan-China relationship, President Jiang criticized Chief Cabinet Secretary Seiroku Kajiyama (at the time) for his having stated in August in connection with the review of Japan-U.S. defense cooperation guidelines that the Taiwan Strait will be covered by "situations in areas surrounding Japan." To add to that, the President gave a warning to Japan, noting that if the Japan-U.S. security alliance is to cover Taiwan, "it is UNCLAS SECTION 04 OF 07 TOKYO 010721

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an interference in domestic politics, so such a thing is unacceptable for the Chinese people."

In the meantime, however, referring to Japan-China economic cooperation, the President underscored: "Long-term projects and measures should be laid out. It is necessary to pave a new way and cultivate a new area by shifting economic and trade ties that have focused on qualitative accumulation in order to enhance quality."

Main Points in President Jiang Zemin's Remarks

-- China will continue to play a constructive role in easing tensions on the Korean Peninsula. It welcomes diplomatic normalization between the U.S. and North Korea and between Japan and North Korea.

-- Both Japan and China should work hard to build a good neighborly and cooperative relationship looking toward the 21st century. China suggests that the two countries lay out long-term projects on economic cooperation.

-- China declares itself to be firmly against the thinking that Japan-U.S. security cooperation will cover Taiwan.

-- The Taiwan issue is part of domestic problems for China, so China hopes the issue will be resolved under the policy line of "peaceful reunification and one country with two systems." China has solemnly appealed again to Taiwan officials concerned to resume a bilateral dialogue at an early date.

(10) MITI Proposes Procedures Plan for Large-Scale Store Site Legislation

NIHON KEIZAI (Page 4) (Full)
December 13, 1997

The Ministry of International Trade and Industry (MITI) at yesterday's joint meeting of the Industrial Structure Council and the Small and Medium Enterprise Policy-Making Council presented a store-opening procedures proposal for "large-scale retail stores site legislation" (tentative name) to be established anew to take over the Large-Scale Retail Store Law. Under the new law, municipal governments will inspect a possible impact of new store openings on the vicinity. When they find that such measures are insufficient, they will call

on the applicants to change their plans. The meeting carried over a final conclusion in response to an opinion voiced by representatives of medium and small businesses: "It will take time to coordinate views within our organizations." The recommendations will be mapped out before the 14th.

According to the procedures plan, applicants for large-store openings will notify relevant municipal governments of an outline of their store openings
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or expansion. The municipal governments will then inspect environmental measures proposed in the applications and their consistency with municipal city planning schemes, bearing in mind opinions of local residents. The applicants will then present measures that reflect the opinions of the local residents. The municipal governments will make further proposals if they judge that their contents are not sufficient.

As screening items to check environmental measures proposed by store-opening applicants, the plan lists "traffic congestion" stemming from customer traffic, "car/bicycle parking," "traffic safety," "noise and exhaust gas" and "waste."

(11) Government to Use ODA to "Secure the Jobs" of 1,000 Excess Employees of Japanese Companies in Thailand, the Economy of Which Is in Crisis, by Providing Training in Japan

NIHON KEIZAI (Top Play) (Full)
December 12, 1997

Japanese automobile manufacturers that have made inroads into Thailand, including Toyota Motor and Isuzu Motor, revealed yesterday that they would invite about 1,000 now surplus local employees to Japan starting next year for three months or so of job training. The Japanese Government will disburse more than half of the necessary cost for that training, totaling 1 to 1.5 billion yen, from

the ODA (official development assistance) budget, in a bid to play up its policy stance of emphasizing !ia. They will try to minimize the number who will be discharged and upgrade their skills levels in preparation for full-scale resumption of operations.

Japanese manufacturers accepted technical trainees from Thailand in the past. But most of them had high-levels of education, including college degrees, and the groups were small scale. The aim of this program is "to secure technicians raised in the local area in preparation for resuming operations there" (person concerned). They intend to expand those subject to this program also to workers on the production line. After the government's overseas engineers training association gives brief lectures on basic Japanese words and Japanese living practices and customs, each auto maker will provide practical training at their sites.

The training cost per capita is estimated to run 1 to 1.5 million yen, and the government will bear 60 to 70 percent of the cost with ODA funds. Since it has been decided that ODA appropriations will be cut by 10 percent starting from fiscal 1998, "the government intends to squeeze out the necessary funds even by cutting allocations for other areas, in order to underscore Japan's stance of attaching emphasis to Asia" (government source).

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Backed by yen appreciation and economic growth in Asia, Japanese auto makers eagerly invested into Asian markets. The number of local employees by major auto makers now reaches about 200,000. But the automobile industry in Thailand has experienced a serious business slump due to economic turmoil, triggered by the July currency crisis, and Japanese manufacturers have held down output. If they dismiss a large number of local hires in response to the economic crisis, such personnel will

undoubtedly be dissatisfied, complaining, "They do not treat us well once business performance deteriorates."

Toyota has approximately 18,000 units in stock as of the end of November, and out of 4,800 local employees, about 2,000 have been laid off.

ODA appropriations are used for assistant measures for developing countries such as social infrastructure, as well as for Japanese companies-involved projects designed to provide advanced technology. As assistance measures for companies to accept technical trainees from overseas, the government has provided the companies with money disbursed from the ODA budget. It has also covered expenditures for the overseas engineers training association with ODA funds.

(12) Nagano Olympic Games Will Receive a Number of VIPs, Beginning with U.S. Vice President Gore, Hillary Clinton...; Foreign Ministry's Special Arrangement

TOKYO SHIMBUN (Page 3) (Full)
Eve., December 13, 1997

The Nagano Olympics, which are to take place in next February, will receive as guests for its opening and closing ceremonies scores of key figures coming from various countries of the world. To prepare itself for such visitors, the Ministry of Foreign Affairs (MOFA) is going to make a special "Olympic arrangement" (senior MOFA official) and as part of this move, a portion of its officials who are now working at its overseas legations will be called home temporarily to work as supporting staff members.

According to what MOFA has compiled as of the 13th, coming to Japan for the Nagano Olympic Games will be 30 to 40 heads of states, royal family members and prime ministerial-level leaders and 100 or so cabinet-ministerial-level leaders, such as ministers for sports affairs.

The United States, among other countries, stands out in its emphasis on the Olympics. In fact, Vice President Gore's attendance at the opening ceremony to take place on February 7 has been practically determined. Additionally a possibility of President Clinton's wife, Hillary Clinton,
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attending the closing ceremony set for the 22nd has
been transmitted (to Japan).

Included among heads of states and royal family
members are mainly VIPs in European countries who
are good at winter sports, beginning with Sweden
King Gustaf and his wife, Luxembourg's Grand Duke
Jean and British Princess Ann (member of the
International Olympic Committee (IOC)). Vice
President Gore, King Gustaf and some other heads of
states are likely to have a meeting with the
Emperor.

MOFA has already sent former ambassador to the
United Nations Hideo Kagami as "protocol advisor"
to the secretary general of the Nagano Olympic
Organizing Committee and former ambassador to
Austria Tsuyoshi Kurokawa as "deputy secretary
general." Preparations for VIPs' visits to Japan
are now underway in this way.

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TOP HEADLINES:

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TOP HEADLINES:

ASAHI: LDP'S EMERGENCY MEASURES FOR STABILIZING FINANCIAL
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NIHON KEIZAI: 10 TRILLION YEN IN GOVERNMENT BONDS FOR STABILIZING FINANCIAL SYSTEM; LDP WILL DECIDE ON EMERGENCY PACKAGE; POSSIBILITY OF INJECTION BEFORE BUST OF BANKS; TO PURCHASE PREFERRED STOCKS AND THE LIKE; TO STEP UP DEPOSIT INSURANCE ORGAN

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YOMIURI: LDP'S EMERGENCY PACKAGE FOR STABILIZING FINANCIAL SYSTEM; NEW-TYPE GOVERNMENT BONDS WORTH 10 TRILLION YEN; IN FORM OF INVESTMENT AND DISBURSEMENT TYPE GOVERNMENT BONDS; SUCH BONDS WILL BE GIVEN TO DEPOSIT INSURANCE ORGAN

SANKEI: "10 TRILLION YEN IN GOVERNMENT BONDS" PLAN NOW TAKING SHAPE; LDP'S FINAL DRAFT FOR STABILIZING FINANCIAL SYSTEM; SUCH BONDS WILL BE GIVEN TO DEPOSIT INSURANCE ORGAN

LDP TO AGREE TODAY TO USE OF 10 TRILLION YEN IN GOVERNMENT BONDS FOR FINANCIAL STABILITY
(NIHON KEIZAI - TOP PLAY)

THE LIBERAL DEMOCRATIC PARTY (LDP) EMERGENCY FINANCIAL SYSTEM STABILIZATION MEASURES HEADQUARTERS (CHAIR BY KIICHI MIYAZAWA) YESTERDAY ADOPTED A PACKAGE OF MEASURES FOR FINANCIAL SYSTEM STABILIZATION, FEATURING THE INJECTION OF FISCAL FUNDS WORTH 10 TRILLION YEN. UNDER THE PLAN, A "FINANCIAL CRISIS MANAGEMENT ACCOUNT" WILL BE CREATED WITHIN THE DEPOSIT INSURANCE CORPORATION (DIC) THAT WOULD ENABLE THE DIC TO RENDER DIRECT SUPPORT TO HELP FINANCIAL INSTITUTIONS WHOSE MANAGEMENT IS ON THE BRINK OF FAILURE STRENGTHEN THEIR OWNED CAPITAL. THE PACKAGE WILL OPEN UP A WAY TO INJECT FISCAL FUNDS FOR THE CLEANUP OF MANAGEMENT MESS BY ALL FINANCIAL INSTITUTIONS. A THOROUGH MEASURE WILL ALSO BE TAKEN FOR PROTECTION OF DEPOSITORS. "PAYMENT-ON-DEMAND-TYPE GOVERNMENT BONDS" WORTH 10 TRILLION YEN WILL BE GRANTED TO THE DIC. THE GOVERNMENT WILL FORMALLY ADOPT THE PACKAGE ON THE 16TH AND AIM AT SECURING THE DIET APPROVAL FOR A RELATED LAW BILL (FINANCIAL SYSTEM STABILIZATION LAW BILL) AND THE FY1997 SUPPLEMENTARY DRAFT BUDGET AT THE ONSET OF THE REGULAR SESSION TO CONVENE NEXT JANUARY.

(OUTLINE OF FINANCIAL SYSTEM STABILIZATION PACKAGE)

- CREATE A "FINANCIAL CRISIS MANAGEMENT ACCOUNT" WITHIN THE DIC AND PLACE GOVERNMENT BONDS WORTH 10 TRILLION YEN IN IT FOR THE MANAGEMENT OF THAT ACCOUNT AND SPECIAL

ACCOUNTS.

- MAKE EFFORTS TO SECURE OTHER FUNDING RESOURCES, BY MAKING AVAILABLE ON A PRIORITY BASIS PROFITS ON SALE OF NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) SHARES FOR FINANCIAL RESOURCES TO CASH THE GRANTED BONDS.

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USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 16

- GRANT GOVERNMENT GUARANTEES TO BORROWINGS FROM THE BANK OF JAPAN IN THE DIC'S SPECIAL ACCOUNT FOR GENERAL FINANCIAL INSTITUTIONS.

- STEP UP THE FUNCTIONS OF BANKS THAT AGREE TO TAKE OVER OPERATIONS OF FAILED FINANCIAL FIRMS AS A VEHICLE TO LIQUIDATE THEM.

- PURCHASE PREFERRED STOCKS AND SUBORDINATED BONDS WITH PUBLIC MONEY IN ORDER TO AUGMENT OWNED CAPITAL HELD BY FINANCIAL INSTITUTIONS.

10 TRILLION YEN IN GOVERNMENT BONDS A PRODUCT OF COMPROMISE TO PRESERVE PARTY BALANCE
(TOKYO SHIMBUN - PAGE 2)

FORMER CHIEF CABINET SECRETARY SEIROKU KAJIYAMA'S PROPOSED IDEA OF ISSUING 10 TRILLION YEN IN A NEW-TYPE OF GOVERNMENT BOND IN ORDER TO STABILIZE THE FINANCIAL SYSTEM WAS ADOPTED ON THE 15TH BY THE LIBERAL DEMOCRATIC PARTY (LDP) AS A PROPOSED EMERGENCY MEASURE IN THE FORM OF THE ISSUANCE OF 10 TRILLION YEN IN "TRANSFERABLE GOVERNMENT BONDS," WHICH WOULD RESEMBLE A CHECK. THE AIM IS TO DODGE CRITICISM OF "A SWITCH IN POLICY LINE FROM FISCAL RESTRUCTURING" BY CREATING A FLOW OF MONEY THAT WILL NOT UNDERCUT THE FISCAL STRUCTURE REFORM LAW. DEBATE WITHIN THE LDP AGAIN ENDED IN "TRYING TO MAKE IT LOOK PLAUSIBLE," REFLECTING THE DELICATE BALANCE OF FORCES WITHIN THE PARTY.

"IF WE SAY WE WILL ISSUE GOVERNMENT BONDS AND THEN THERE IS NO MONEY RIGHT AWAY, WE'LL BE IN TROUBLE," SAID KAJIYAMA.

"FORMER PRIME MINISTER KIICHI MIYAZAWA RESPONDED, "YOU'RE

RIGHT. I INTEND TO FACTOR IN WHAT YOU SAID AS MUCH AS POSSIBLE."

MIYAZAWA MET YESTERDAY WITH KAJIYAMA FOR ABOUT 30 MINUTES IN HIS DOWNTOWN OFFICE YESTERDAY PRIOR TO THE MEETING OF THE LDP'S EMERGENCY HEADQUARTERS FOR FINANCIAL SYSTEM STABILIZATION (CHAIRER BY MIYAZAWA). MIYAZAWA WAS ABLE TO SOOTHE KAJIYAMA, WHO INSISTED TO THE LAST THAT THE 10 TRILLION YEN HAD TO BE CASHABLE.

THE DEBATE IN THE LDP ON THE KAJIYAMA INITIATIVE AT FIRST RAN INTO TROUBLE OVER WHETHER THE 10 TRILLION YEN WOULD BE USED PURELY AS A MEASURE TO STIMULATE THE ECONOMY, SUCH AS FOR ADDITIONAL PUBLIC WORKS PROJECTS. THAT EASED WITH THE STATEMENT, "LIMIT IT TO BEING A FINANCIAL POLICY MEASURE, AND GRADUALLY THE FOCUS SHIFTED TO WHETHER THE 10 TRILLION YEN WOULD BE USED AS CASH FROM AS EARLY AS POSSIBLE BY INCLUSION IN THIS YEAR'S SUPPLEMENTAL BUDGET, OR WHETHER ONLY A FRAMEWORK FOR FUTURE ISSUANCE OF GOVERNMENT BONDS WOULD BE CREATED.

IF THE CASH WERE SQUEEZED INTO THE BUDGET, THE PUBLIC-RELATIONS EFFECT WOULD BE GREAT AS A MEASURE OF GOVERNMENT RESOLVE TO PROVIDE EMERGENCY RELIEF, BUT IT WOULD CLEARLY BE A DEPARTURE FROM THE FISCAL STRUCTURE REFORM LINE OF NOT BALLOONING GENERAL EXPENDITURES. THE DEBATE AGAIN TOOK THE FORM OF WRANGLING BETWEEN A GROUP (IN THE LDP) FAVORING A CONSERVATIVE-CONSERVATIVE PARTY ALLIANCE, WHO WISH TO SHAKE THE PARTY EXECUTIVE BY ADVOCATING (THE BONDS) BE CASHABLE, AND THE EXECUTIVE GROUP, WHO WOULD NOT COMPROMISE ON THEIR FISCAL REFORM LINE.

THE "DECISION" THAT MIYAZAWA PASSED DOWN WAS A COMPROMISE MEASURE TO "SET THE LIMIT AND AT THE NECESSARY TIME MAKE CASH AVAILABLE." MOREOVER, EVEN IF CASH WERE TO BE USED, IT WOULD BYPASS THE RESTRICTIONS SET UP BY THE FISCAL REFORM LAW.

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USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 16

AT A PLENARY SESSION OF THE POLICY HEADQUARTERS ON THE 11TH, MIYAWAZA WAS ENTRUSTED WITH DEALING WITH THE KAJIYAMA INITIATIVE. OPINION IN THE PARTY WAS UNANIMOUS

THAT "HOW TO MAKE SUCH A JUDGMENT IS THE AESTHETICS OF HEADQUARTERS CHIEF MIYAWAZA, AN EXPERT ON THE ECONOMY AND FISCAL POLICY" (SENIOR OFFICIAL IN THE POLICY AFFAIRS RESEARCH COMMITTEE), BUT IN THE END, IT APPARENTLY WAS TOUGH FOR EVEN MIYAZAWA TO ACHIEVE A CONSENSUS IN THE PARTY.

ORIGINALLY, DEPUTY SECRETARY GENERAL NONAKA IN A SPEECH CALLED FOR "A BOLD CHANGE IN POLICY (AWAY FROM THE FISCAL REFORM LINE). SUCH REMARKS PRODUCED CONFUSION IN THE RANKS OF THE PARTY EXECUTIVE AND THE PRIME MINISTER'S SIDE, FEELING A SENSE OF ALARM, MOBILIZED THE MINISTRY OF FINANCE TO SEEK OUT A POINT OF COMPROMISE, ACCORDING TO ONE VIEW. ON THE 15TH, AFTER LISTENING TO MIYAZAWA'S EXPLANATION, AN LDP EXECUTIVE FROM THE UPPER HOUSE TOLD REPORTERS THAT HE WAS SICK OF THE ISSUE AND WILLING TO GO ALONG WITH ANYTHING THAT WOULD WORK. (TAKIYA SHIRATORI)

LDPQS 950 BILLION YEN TAX REFORM PACKAGE INCLUDES 3 PERCENT CORPORATE TAX CUT (NIHON KEIZAI - PAGE 1)

THE FULL EXTENT OF THE DRAFT OUTLINE OF THE FY1998 TAX REFORM PACKAGE TO BE RELEASED ON THE 16TH BY THE LIBERAL DEMOCRATIC PARTY (LDP) WAS UNVEILED YESTERDAY. ACCORDING TO THE RELEASE, THE BASIC CORPORATE TAX RATE (37.5 PERCENT), WHICH IS IN THE SPOTLIGHT, WILL BE LOWERED 3 PERCENT. AT THE SAME TIME, THE CORPORATE BUSINESS TAX (CURRENTLY IN THE RANGE OF 6 TO 12 PERCENT), A LOCAL TAX, WILL ALSO BE REDUCED 1 PERCENT AT THE MOST. AS A RESULT OF A SWEEPING AUGMENTATION OF REAL TAX BREAKS IN THE CORPORATE TAX TO 330 BILLION YEN, THE EFFECTIVE TAX RATE THAT INDICATES TAX BURDEN SHOULDERED BY COMPANIES WILL DROP TO 46.36 PERCENT (CURRENTLY 49.98 PERCENT). A 3 PERCENT REDUCTION WILL BE APPLIED TO MEDIUM AND SMALL-SIZE COMPANIES AND 2 PERCENT REDUCTION TO PUBLIC CORPORATIONS TO MAKE THE EFFECTIVE TAX RATE 25 PERCENT FOR BOTH OF THEM. THE AGGREGATE TAX CUTS FOR FY1998 IS LIKELY TO REACH 950 BILLION YEN, COMBINING THE NATIONAL AND LOCAL TAXES.

-- OUTLINE OF FY1998 TAX REFORM PACKAGE --

(REFORM OF CORPORATE TAX)

- REDUCE THE BASIC RATE 3 PERCENT FROM THE CURRENT 37.5 PERCENT.
- EXPAND TAXABLE INCOME BASE OVER SIX YEARS IN PRINCIPLE THROUGH SUCH MEANS AS REDUCING RESERVES.
- LOWER (THE EFFECTIVE TAX RATE FOR) MEDIUM AND SMALL-SIZE COMPANIES AND PUBLIC CORPORATIONS TO 25 PERCENT.
- LOOK INTO THE POSSIBILITY OF INTRODUCING IN FY1999 THE ASSESSMENT BY ESTIMATION ON THE BASIS OF THE SIZE OF BUSINESS.
- REDUCE THE TAX BURDEN OF THE OKINAWA FREE TRADE ZONE BY 35 PERCENT.

(FINANCIAL AND SECURITIES TAX SYSTEM)

- REDUCE THE SECURITIES TRADING TAX AND THE SECURITIES EXCHANGE TAX BY 50 PERCENT. A LEVY OF 0.21 PERCENT IMPOSED ON TRADING BY INDIVIDUALS UNDER THE SECURITIES TRADING TAX IS TO BE REDUCED TO 0.1 PERCENT.
- SCRAP THE SECURITIES TRADE TAX AND THE SECURITIES EXCHANGE TAX IN FY1999.
- REDUCE TAXES ON STOCK OPTION, SPECIAL-PURPOSE COMPANIES AND BANK HOLDING COMPANIES LEVIED AT THE TIME OF ESTABLISHMENT.

(LAD TAX SYSTEM)

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USIA

FOR: USIA D/P, I/GEA, I/REF, 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 16

- STOP THE APPLICATION OF THE LAND-VALUE TAX (0.15 PERCENT).
- LAND TRANSFER PROFIT TAX: SUSPEND THE APPLICATION OF SUCH TO COMPANIES FOR THREE YEARS. THE MAXIMUM RATE OF 39 PERCENT LEVIED ON INDIVIDUALS TO BE REDUCED TO 32.5 PERCENT.
- MAKE IT POSSIBLE TO CARRY FORWARD FOR THREE YEARS TAX EXEMPTION FOR TRANSFER LOSSES INCURRED AT THE TIME OF HOME TRADE-INS.

(OTHERS)

- AUGMENT TAX EXEMPTION FOR SPECIFIED DEPENDENTS BY 70,000 YEN.
- AUGMENT SPECIAL TAX EXEMPTION FOR THE PHYSICALLY HANDICAPPED AND FOR HANDICAPPED PERSONS LIVING TOGETHER BY 70,000 YEN RESPECTIVELY.
- REDUCE THE FIXED ASSETS TAX FOR THE NEW CONSTRUCTION OF A SECOND HOUSE.
- EXTEND FOR FIVE YEARS A TAX INCREASE MEASURE ON THE VOLATILE OILS TAX AND SPECIFIC DUTIES ON AUTOS.
- RAISE THE TOBACCO TAX BY 1 YEN A PIECE.

PRIME MINISTER'S PRESS REMARKS IN KUALA LUMPUR FOCUS ON THE ECONOMY (ASAHI - PAGE 7)

(KUALA LUMPUR, DECEMBER 15, SHUJI YAMAMOTO) PRIME MINISTER RYUTARO HASHIMOTO HELD AN INFORMAL MEETING WITH JAPANESE REPORTERS IN THE KUALA LUMPUR SUBURBS ON THE 15TH. THE OUTLINE OF HIS STATEMENTS IS AS FOLLOWS:

THE GOVERNMENT WILL PROVIDE GOVERNMENT BONDS WORTH OF 10 TRILLION YEN (TO THE DEPOSIT INSURANCE CORPORATION) AND ENACT A NEW LAW ON FINANCIAL SYSTEM STABILIZATION. IT INTENDS TO WORK OUT MEASURES TO STRENGTHEN THE CAPITAL BASES OF FINANCIAL INSTITUTIONS THAT WILL TAKE OVER THE OPERATIONS OF FAILING INSTITUTIONS, AS WELL AS OF GENERAL BANKS, PROVIDING AGAINST A POSSIBILITY OF THE NATION'S FINANCIAL SYSTEM FALLING INTO SERIOUS TROUBLE. IT IS IMPERATIVE TO ACT BEFOREHAND TO PREVENT A CHAIN REACTION (OF FINANCIAL FAILURES). I WOULD LIKE TO HAVE SUCH THINKING REFLECTED IN THE NEW LAW.

THE BONDS WOULD BE CASHED WHEN NECESSARY, FLEXIBLY. MOREOVER, WITH GOVERNMENT BONDS WORTH 10 TRILLION YEN TO BE FLOATED, JAPAN WOULD BE ABLE TO PLAY UP ITS EFFORTS, SENDING AN IMPRESSIVE MESSAGE AT HOME AND ABROAD.

I DO NOT THINK THIS STEP CONTRAVENES (THE ONGOING FISCAL STRUCTURAL REFORM POLICY LINE). I HAVE NO INTENTION OF ABANDONING FISCAL STRUCTURAL REFORM AND FISCAL RECONSTRUCTION EFFORTS. WE NEED TO THINK SERIOUSLY ABOUT WHAT MEASURES WILL BRING ABOUT A POSITIVE IMPACT ON ASIAN COUNTRIES AS WELL. THE FISCAL RECONSTRUCTION SCHEME WILL NOT BE COMPLETED IN A SINGLE YEAR. I DO NOT THINK SUCH A VIEW DEVIATES FROM THE FISCAL RECONSTRUCTION INITIATIVE.

THE MAJOR PREMISE IS TO PROTECT DEPOSITORS. WE NEED TO CONSIDER WHAT TO DO ABOUT SMALL-SCALE INSTITUTIONS, SUCH AS HOKUYO BANK (THE SOURCE TO TAKE OVER THE OPERATIONS OF THE NOW DEFUNCT HOKKAIDO TAKUSHOKU BANK). I WILL HAVE THE OFFICIALS CONCERNED WORK OUT CONCRETE POINTS SO THAT PUBLIC FUNDS WILL NOT BE USED CARELESSLY AND SEE THAT BRAKES WILL BE APPLIED.

WE HAVE DECIDED ON A SCALE OF 10 TRILLION YEN, STEMMING FROM THE JUDGMENT THAT BY PROVIDING SUCH MONEY TO THE DEPOSIT INSURANCE CORPORATION, WE PROJECT A SENSE OF STEADINESS TO MARKET PLAYERS. A SMALLER AMOUNT OF MONEY WOULD HAVE NO IMPACT AND NO MEANING.

I TALKED WITH THE HEAD OF THE LIBERAL DEMOCRATIC PARTY
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USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 16

EMERGENCY HEADQUARTERS FOR FINANCIAL SYSTEM STABILIZATION, KIICHI MIYAZAWA, OVER THE PHONE THIS AFTERNOON AND ASKED FOR HIS VIEWS ABOUT THE ISSUANCE OF GOVERNMENT BONDS AND OTHER ISSUES. I SOLICITED HIS ADVICE ON CRISIS MANAGEMENT AND REQUESTED THE DETAILS BE DISCUSSED. AFTER THAT, I TALKED ALSO WITH FORMER CHIEF CABINET SECRETARY SEIROKU KAJIYAMA. HE DID NOT RAISE ANY OBJECTIONS. (KAJIYAMA'S) INITIATIVE HAS BEEN REFLECTED IN THE DECISION.

HASHIMOTO IN KUALA LUMPUR PLEDGES MORE YEN LOANS TO INDONESIA (MAINICHI - PAGE 2)

(KUALA LUMPUR, KAORI ONAKA) PRIME MINISTER RYUTARO HASHIMOTO MET ON THE 15TH WITH INDONESIAN FOREIGN MINISTER ALATAS, WHO WAS ALSO ATTENDING THE INFORMAL SUMMIT MEETING OF THE ASSOCIATION OF SOUTH-EAST ASIAN NATIONS (ASEAN). HE THERE CONVEYED TO HIM THAT JAPAN WOULD EXTEND A TOTAL OF 20 BILLION YEN IN ADDITIONAL YEN LOANS TO INDONESIA.

U.S. AND CHINESE COMPANIES EYE CHINA NUCLEAR POWER MARKET AS EXPORT BAN LIFTED (SANKI - PAGE 1)

IT BECAME KNOWN ON THE 15TH THAT FOUR COMPANIES -- TOSHIBA CORPORATION, HITACHI, LTD. (HITACHI SEISAKUSHO), THE TOKYO ELECTRIC POWER CO., LTD. (TEPCO), AND GENERAL ELECTRIC CO. (GE), A U.S. MANUFACTURER OF ELECTRIC MACHINERY -- HAVE BEEN PLANNING TOGETHER TO SELL ATOMIC POWER PLANTS TO THE CHINESE GOVERNMENT. AS A RESULT OF THE U.S.-CHINA SUMMIT MEETING HELD IN LATE OCTOBER, THE U.S. IS GOING TO LIFT ITS BAN ON ATOMIC POWER PLANT EXPORTS TO CHINA. IN A TIEUP WITH GE, THOSE THREE JAPANESE FIRMS, WHICH HAVE REFRAINED FROM EXPORTING SUCH PLANTS TO CHINA ALONG WITH THE U.S., ARE NOW GOING TO ENTER UPON BUSINESS TALKS. SINCE CHINA IS NOW PLANNING TO HAVE A NUMBER OF ATOMIC POWER PLANTS CONSTRUCTED, THEY WILL TRY TO EXPAND THEIR BUSINESS CHANCE ON THE CHINA MARKET THROUGH THEIR POSITIVE PROMOTION, AND WILL ALSO BACK UP CHINA'S SAFEGUARDING OF ATOMIC POWER PLANTS.

A GROUP OF EXECUTIVES FROM THE FOUR COMPANIES WILL VISIT CHINA ON A FOUR-DAY SCHEDULE FROM THE 15TH. IN THEIR SALES PROMOTION IN BEIJING, THEY, ON THE 17TH, WILL MAKE A PRESENTATION OF THEIR ADVANCED BOILING LIGHT WATER REACTOR (ABWR) -- THE NEWEST ONE CO-DEVELOPED BY THE FOUR COMPANIES -- TO THE CHINESE STATE PLANNING COMMISSION, WHICH IS VESTED WITH AUTHORIZATIONS OVER CHINA'S LARGE-SCALE PROJECTS, AND ALSO TO THE CHINA NUCLEAR FUEL INDUSTRY CORPORATION, WHICH IS IN CHARGE OF ATOMIC POWER PLANT CONSTRUCTION PROJECTS. THE FOUR FIRMS ARE EXPECTED TO PARTICIPATE IN ATOMIC POWER PLANT CONSTRUCTION BIDDING EXPECTED NEXT YEAR AT THE EARLIEST.

IN ORDER TO MAKE IT POSSIBLE TO EXPORT ATOMIC POWER PLANTS TO CHINA, THE U.S. ENTERED INTO AN AGREEMENT WITH CHINA IN 1985 FOR THE PEACEFUL USE OF ATOMIC ENERGY. HOWEVER, CHINA'S TIANANMEN SQUARE INCIDENT AND ITS

SUSPECTED EXPORTS OF NUCLEAR-RELATED TECHNOLOGIES BECAME OBSTACLES, AND THE U.S. HAS THEREFORE FROZEN IT FOR ABOUT 12 YEARS. THE JAPANESE GOVERNMENT ALSO HAS CONDUCTED SELF-RESTRAINTS ON JAPAN'S ATOMIC POWER PLANT EXPORTS TO THAT COUNTRY, PARTLY BECAUSE JAPAN USED TO DEVELOP NUCLEAR POWER PLANTS BASED ON U.S. TECHNICAL KNOW-HOW.

NOW THAT THE U.S. HAS ANNOUNCED ITS INTENTION AT ITS RECENT SUMMIT TALKS WITH CHINA TO UNFREEZE THE AGREEMENT, THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ALSO WILL CALL OFF ITS SELF-RESTRAINT MEASURE. CONSEQUENTLY, IT HAS NOW BECOME POSSIBLE FOR JAPANESE ATOMIC POWER PLANT MANUFACTURERS, WHICH ARE IN BUSINESS TIEUPS WITH U.S. ATOMIC POWER PLANT MANUFACTURERS, TO MAKE INROADS INTO THE CHINA MARKET OF ATOMIC POWER PLANTS, THE FOUR UNCLAS SECTION 06 OF 10 TOKYO 010737

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 16

COMPANIES, WHICH CO-DEVELOPED THE ABWR, HAVE DECIDED TO WORK TOGETHER.

THE ABWR IS A NEXT GENERATION STANDARD PLANT THAT WAS DEVELOPED TOGETHER BY THE FOUR COMPANIES, AND THAT GENERATES 1,350,000 KILOWATTS OF ELECTRICITY. IN THEIR PLANT EXPORTS, EACH REACTOR IS ESTIMATED AT APPROXIMATELY 250 BILLION YEN.

U.S., JAPAN AGREE TO FRONTLOAD LIQUOR TAX ADJUSTMENTS (NIHON KEIZAI - PAGE 5)

JAPAN AND THE UNITED STATES ARE CLOSE TO REACHING A SETTLEMENT OF THE DISPUTE OVER DISPARITIES IN JAPAN'S TAXES ON SHOCHU DISTILLED SPIRITS AND WHISKEY, WITH THE U.S.' ACCEPTANCE IN GENERAL OF JAPAN'S PROPOSAL FOR MOVING UP THE INITIAL TIMEFRAME FOR CORRECTING THE TAX GAPS. IT WAS OF HIGHEST PRIORITY FOR JAPAN TO MINIMIZE THE IMPACT ON SMALL BREWERS OF CLASS B SHOCHU, BUT WITH ITS DRASTIC CONCESSION ON FOREIGN LIQUORS' TARIFF CUTS, JAPAN MANAGED TO REACH A SETTLEMENT JUST BEFORE THE TAX SYSTEM IS REVISED FOR FISCAL 1998.

UNDER THE JAPAN-U.S. AGREEMENT, JAPAN WILL IMPLEMENT TAX HIKES ON CLASS A SHOCHU AND TARIFF CUTS ON WHISKEY STARTING NEXT MAY, FIVE MONTHS EARLIER THAN INITIALLY PLANNED. AS FOR CLASS B SHOCHU, IT WILL LOWER THE RATE

IN TWO STAGES -- NEXT OCTOBER (IN LINE WITH THE PRESENT PLAN) AND IN OCTOBER 2000 (ONE YEAR EARLIER THAN IN THE INITIAL PROGRAM). WITH THESE REDUCTIONS, THE TAX GAPS WILL BE BREACHED.

ON THE LIQUOR TAX ISSUE, JAPAN AND THE EUROPEAN UNION (EU) HAVE REACHED AN AGREEMENT, BUT THE U.S. WAS PRESSING JAPAN TO RECTIFY THE TAX DISPARITIES, ESPECIALLY FOCUSING ON CLASS B SHOCHU, IN ACCORDANCE WITH THE WTO (WORLD TRADE ORGANIZATION) RULING THAT WENT: "JAPAN MUST CORRECT GAPS ON LIQUOR TAX RATES BY FEBRUARY 1998."

THE KEY POINT IN THE AGREEMENT IS JAPAN'S OFFER TO ABOLISH BY APRIL 2002 TARIFFS ON BOURBON WHISKEY, VODKA, GIN, LIME AND ALL OTHER LIQUORS. JAPAN MADE A LARGE-SCALE CONCESSION ON FOREIGN LIQUORS IN EXCHANGE FOR THE MEASURE OF GRADUAL FRONTLOADING OF TAX HIKES ON CLASS B SHOCHU IN ORDER TO PROTECT SMALL-SCALE BREWERS.

GINOWAN CITY CHAMBER OF COMMERCE MAY ACCEDE TO ALTERNATE HELIPORT CONSTRUCTION PLAN (SANKEI - PAGE 2)

WITH A REFERENDUM OF RESIDENTS BEING SCHEDULED TO BE HELD SHORTLY IN THE CITY OF NAGO IN OKINAWA PREFECTURE (ON THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT IN WATERS OFF CAMP SCHWAB LOCATED IN THE CITY OF NAGO AS AN ALTERNATIVE FACILITY TO REPLACE THE U.S. MARINES' FUTENMA AIR STATION), THE GINOWAN CHAMBER OF COMMERCE AND INDUSTRY (PRESIDED OVER BY YASUMITSU TSUNAMI, WITH A TOTAL MEMBERSHIP OF ABOUT 2,000) IN THE CITY OF GINOWAN, WHERE FUTENMA AIR STATION IS LOCATED, CONFIRMED ITS STANCE ON THE 15TH TO SUPPORT THE PLANNED CONSTRUCTION OF AN OFFSHORE HELIPORT, REASONING THAT ITS PLAN TO UTILIZE THE AIRFIELD'S VACATED SITE WILL BE CALLED OFF IF ITS REVERSION IS LEFT UNDETERMINED. THIS IS THE FIRST TIME THAT AN ECONOMIC ORGANIZATION IN THE CITY HAS CLARIFIED ITS INTENTION OF PROMOTING THE AIRFIELD'S RELOCATION. THIS WILL LIKELY AFFECT OKINAWA PREFECTURE'S GOVERNOR MASAHIDE OTA AND NAGO CITY'S MAYOR TETSUYA HIGA IN THEIR JUDGMENTS.

THE CHAMBER HAS NOW DECIDED TO ENDORSE CONDITIONAL SUPPORT FOR THE HELIPORT RELOCATION PLAN, MAINTAINING THAT IF THE OFFSHORE HELIPORT IS NOT CONSTRUCTED, THEN THE CITY'S PLAN TO MAKE USE OF THE AIRFIELD'S SITE, COVERING A TOTAL AREA OF ABOUT 480 HECTARES RIGHT IN THE UNCLAS SECTION 07 OF 10 TOKYO 010737

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 16

MIDDLE OF THE CITY, WILL BE BAFFLED. THE OKINAWA PREFECTURAL FEDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY HAS ALSO MADE SIMILAR CONFIRMATION.

AMBASSADOR FOLEY MEETS DEFENSE DIRECTOR GENERAL KYUMA, DISCUSSES NAGO REFERENDUM (SANKEI - PAGE 2)

U.S. AMBASSADOR TO JAPAN FOLEY MET SUCCESSIVELY WITH JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA AND JDA ADMINISTRATIVE DEPUTY DIRECTOR GENERAL MASAHIRO AKIYAMA AT JDA ON THE 15TH. DURING THEIR MEETINGS, AMBASSADOR FOLEY TOUCHED ON THE REFERENDUM SCHEDULED FOR THE 21ST IN THE CITY OF NAGO IN OKINAWA PREFECTURE ON THE PROPRIETY OF CONSTRUCTING A SEA-BASED HELIPORT. THE AMBASSADOR STATED: "I HAVE A STRONG INTEREST IN IT. THIS ISSUE IS VITAL TO OUR BILATERAL SECURITY ARRANGEMENT, AND WE WANT TO EXTEND COOPERATION AS FAR AS POSSIBLE."

JDA DIRECTOR GENERAL KYUMA, CITING HIS OWN VISIT TO THE CITY OF NAGO ON THE 13TH, UNDERScoreD THE GOVERNMENT'S STANCE OF DOING ITS BEST. REFERRING ALSO TO THE REVISED SET OF GUIDELINES FOR BILATERAL DEFENSE COOPERATION, KYUMA REMARKED: "WE WANT TO CONTINUE ENSURING THEIR EFFECTIVENESS." KYUMA THUS ASKED FOR U.S. COOPERATION. AMBASSADOR FOLEY ANSWERED, "THE SECURITY ARRANGEMENT BETWEEN JAPAN AND THE UNITED STATES IS THE MAJOR FOUNDATION FOR OUR TWO COUNTRIES' RELATIONSHIP, AND WE WOULD LIKE TO CONTINUE OUR COOPERATION TO KEEP ITS VITALITY INTO THE FUTURE." WITH THIS, THE AMBASSADOR MADE IT CLEAR THAT HE HAS BEEN MAKING COORDINATION FOR SECRETARY OF DEFENSE COHEN TO VISIT JAPAN IN LATE JANUARY OF NEXT YEAR AT THE EARLIEST AS HIS PLANNED VISIT TO JAPAN HAS BEEN POSTPONED DUE TO THE IRAQI SITUATION.

AMBASSADOR FOLEY SAYS DEFENSE SECRETARY COHEN TO VISIT JAPAN EARLY NEXT YEAR (MAINICHI - PAGE 2)

UNITED STATES AMBASSADOR TO JAPAN FOLEY MET YESTERDAY WITH JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA. IN THE MEETING, THE AMBASSADOR INDICATED HIS OUTLOOK THAT U.S. SECRETARY OF DEFENSE COHEN WOULD VISIT JAPAN AT THE BEGINNING OF NEXT YEAR.

GOVERNMENT PANEL FILES REPORT ON SEXUAL HARRASSMENT IN THE WORKPLACE (MAINICHI - PAGE 1)

A REPORT ON SEXUAL HARASSMENT AT WORKPLACES WAS COMPILED AS OF THE 15TH BY THE MINISTRY OF LABOR'S (MOL) "RESEARCH COUNCIL ON SEXUAL HARASSMENT" (CHAIRD BY YOKOHAMA NATIONAL UNIVERSITY PROFESSOR YASUHIKO MATSUDA). THE REPORT INCLUDES EXAMPLE BEHAVIORS THAT ARE VIEWED AS SEXUAL HARASSMENT AND ALSO INDICATES THE OBLIGATION OF CORPORATE MANAGERS TO PAY CONSIDERATION (TO PREVENT SEXUAL HARASSMENT). THE MOL PLANS TO WORK OUT "SEXUAL

HARASSMENT GUIDELINES" AND SET THEM IN MOTION IN APRIL 1999.

THE LAW ON EQUAL OPPORTUNITY AND TREATMENT BETWEEN MEN AND WOMEN IN EMPLOYMENT, WHICH WAS AMENDED IN JUNE (AND WILL BE ENFORCED IN APRIL, 1999), INCLUDES FOR THE FIRST TIME THE CORPORATE SIDE'S OBLIGATION TO PAY CONSIDERATION TO PREVENT SEXUAL HARASSMENT. IN LINE WITH THIS, THE "RESEARCH COUNCIL" HAS CONTINUED STUDIES TO SET SPECIFIC GUIDELINES.

AS OBJECTIVE YARDSTICKS TO GAUGE WHAT SORTS OF BEHAVIOR WOULD BE CONSIDERED SEXUAL HARASSMENT, "THE WAY AVERAGE WOMEN FEEL" HAS BEEN ADOPTED AS REASONABLE CRITERIA. IN ADDITION, AS TYPICAL SEXUAL HARASSMENT CASES, SOME EXAMPLES ARE GIVEN. IN THE CASE OF A "CONSIDERATION TYPE" OF SEXUAL HARASSMENT THAT A WOMAN WHO TURNED DOWN A DEMAND WILL LATER SUFFER A LOSS, THE EXAMPLE SHOWN IS THAT "A FEMALE EMPLOYEE, DURING A BUSINESS TRIP, WAS UNCLAS SECTION 08 OF 10 TOKYO 010737

USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 16

PRESSURED BY HER BOSS TO HAVE A SEXUAL RELATIONSHIP, BUT SHE REJECTED THE ADVANCE AND SHE LATER SUFFERED IN THE EVALUATION OF HER WORK."

SEXUAL HARASSMENT THROUGH WORDS IS CATEGORIZED AS "AN ENVIRONMENTAL TYPE" OF SEXUAL HARASSMENT. AS A TYPICAL EXAMPLE, THE REPORT SHOWS THAT "A FEMALE EMPLOYEE FINDS IT PAINFUL TO GO TO WORK BECAUSE HER MALE COWORKER WITH WHOM SHE ALWAYS HAS TO WORK TOGETHER IN BUSINESS ACTIVITIES TOUCHES HER BODY."

WHAT IS LIKELY TO BECOME A TOPIC OF CONVERSATION ARE EXAMPLES OF BEHAVIOR, TO WHICH THE REPORT SAYS THE CORPORATE MANAGER SIDE NEEDS TO "PAY ATTENTION." STATING, "IT IS A DELICATE QUESTION WHETHER SUCH BEHAVIOR VIOLATE THE EQUAL OPPORTUNITY LAW, BUT IF SUCH BEHAVIOR IS LEFT UNHEEDED, IT MAY HAVE A HARMFUL EFFECT ON THE WORKING ENVIRONMENT," THE REPORT GIVES SUCH EXAMPLES AS FORCING FEMALE EMPLOYEES TO SING A DUET AT A DRINKING PARTY AND REPEATEDLY ASKING WOMEN IF "ARE YOU STILL CHILDLESS."

AS FOR THE "ITEMS THAT REQUIRE THE CORPORATE MANAGER SIDE

TO PAY ATTENTION," THE REPORT LISTED THREE: 1) CORPORATE POLICY SHOULD BE MADE CLEAR AND BE THOROUGHLY DISSEMINATED; 2) TROUBLE SHOULD BE PREVENTED BY COUNSELING AND RESPONDING WELL TO COMPLAINTS; 3) A QUICK AND PROPER ACTION SHOULD BE TAKEN AFTER A SEXUAL HARASSMENT CASE OCCURS IN ORDER TO PREVENT A REOCCURRENCE.

-- EXAMPLES OF SEXUAL HARASSMENT BEHAVIORS --

(TYPICAL CASES)

- DURING A BUSINESS TRIP, A FEMALE EMPLOYEE WAS PRESSURED BY HER BOSS TO HAVE A SEXUAL RELATIONSHIP, BUT SHE REJECTED IT; AS A RESULT, SHE SUFFERED A LOSS IN TERMS OF EVALUATION OF HER BUSINESS PERFORMANCE.
- A COMPANY PRESIDENT FONDLED THE BODY OF ONE FEMALE EMPLOYEE AND EVEN TRIED TO RAPE HER AT THE OFFICE; SHE REJECTED HIM AND AS A RESULT WAS FIRED.
- A MALE CO-WORKER WITH WHOM A WOMAN HAD TO WORK WITH IN SALES OPERATIONS KEPT TOUCHING HER HIP AND BOSOM, SO SHE FELT IT PAINFUL TO WORK TOGETHER.
- SINCE IT WAS RUMORED IN THE COMPANY THAT SHE WAS A "LOOSE WOMAN," SHE WAS UNABLE TO STAY IN HER WORKPLACE.

(CASES TO WHICH ATTENTION SHOULD BE PAID)

- OCCASION OF TOUCHING THE SHOULDERS OF FEMALE EMPLOYEES.
- OCCASIONAL OF ENGAGING IN SEXUAL TALK BEFORE WOMEN.
- REPEATEDLY ASKING WOMEN AT THE WORK PLACE IF THEY ARE STILL CHILDLESS.
- ASK FEMALE EMPLOYEES TO GO OUT TO DRINK AFTER WORK AND TO SEEK A SEXUAL RELATIONSHIP.
- FORCING WOMEN TO SIT BESIDES MEN AT A DRINKING PARTY.
- FORCING FEMALE EMPLOYEES TO SING A DUET AT A DRINKING PARTY.
- FORCING FEMALE EMPLOYEES TO SERVE AT A DRINKING PARTY.

HARD TO FIND POLICY DIFFERENCES BETWEEN THE TWO SHINSHINTO PRESIDENTIAL CANDIDATES (ASAHI - PAGE 2)

THE SHINSHINTO'S (NEW FRONTIER PARTY) PRESIDENTIAL ELECTION WAS FORMALLY ANNOUNCED ON THE 15TH. WHAT ARE THE DIFFERENCES IN ELECTION PLEDGES BETWEEN TWO CANDIDATES -- FORMER MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL MICHIIHIKO KANO AND INCUMBENT PRESIDENT ICHIRO OZAWA? THE MAJOR FOCUS IN THE RACE WOULD BE THEIR APPROACHES TO PARTY REFORM AND TAKING THE HELM OF GOVERNMENT. KANO, ATTACKING OZAWA'S PARTY MANAGEMENT OF TWO YEARS, CALLS FOR RALLYING TOGETHER OPPOSITION PARTIES. OZAWA, ON THE OTHER HANDS, SUGGESTS HIS UNCLAS SECTION 09 OF 10 TOKYO 010737

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 16

INTENTION TO "DISBAND THE PARTY TO MAKE A FRESH START" AS
WELL AS TO JOIN HANDS WITH ANY PARTY IF A POLICY
DIRECTION AGREES. THEIR POLICY DEBATE ON ECONOMIC
MEASURES AND OTHER MATTERS ARE NOT NECESSARILY IN TUNE.
THEIR DEBATE IS LIKELY TO CENTER ON PARTY AFFAIRS.

THEME	KANO	OZAWA
FINANCIAL SYSTEM	CONSIDER USING PUBLIC FUNDS BOLDLY. CLARIFY POLITICAL, ADMINISTRATIVE AND CORPORATE RESPONSIBILITIES.	ESTABLISH AN "EMERGENCY FINANCIAL RESUSCITATION LAW." INSTITUTE A JAPANESE-VERSION RTC (RESOLUTION TRUST CORP.)
BUSINESS	LOWER THE CORPORATE AND INCOME TAXES. ABOLISH THE SECURITIES TRADING TAX. USE GOVERNMENT-HELD NTT SHARES AS A FISCAL RESOURCE.	HALVE THE INCOME AND RESIDENTIAL TAX. REDUCE GREATLY THE CORPORATE AND LAND VALUE TAXES.
ADMINISTRATIVE REFORM	PURSUE DECENTRALIZATION IN ORDER TO GIVE MORE AUTHORITY TO THE DIET AND LOCAL GOVERNMENTS.	ELIMINATE ADMINISTRATIVE REGULATIONS. KEEP VITAL SPECIAL CORPORATIONS (TOKUSHU HOJJIN) WITH LIMITED-TIMEFRAME LEGISLATION.
PARTY MANAGEMENT	PURSUE OPEN-DOOR PARTY MANAGEMENT. THE PARTY PLATFORM, WHICH IS LIKE A CONSTITUTION, SHOULD NOT BE RENOUNCED.	FOR MAKING A FRESH START, EVERYTHING, FROM THE PARTY PLATFORM TO THE PARTY ORGANIZATION, SHOULD BE REVISED.
TOWARD KOMEITO	THE SHINSHINTO IS TO REMOVE THE WALL OF THE BLAME. I WILL WORK HARD TO BUILD A RELATIONSHIP OF TRUST WHEN ELECTED.	FORMER PARTY. OUR RELATIONSHIP OF TRUST HAS NOT ERODED.
POLICY DIRECTION	WE WILL NOT JOIN HANDS WITH LIBERAL PARTY (LDP),	FORMATION OF A PARTY SHOULD BE DECIDED BASED ON VISIONS AND POLICY APPROACHES. DETERMINING

WILL FORM AN PARTNERS IS A MINOR
ALLIANCE WITH OTHER SUBJECT.
OPPOSITION PARTIES
TO COUNTER THE LDP.

SHINSHINTO PRESIDENTIAL RACE SEEN AS YEARS END FARICAL
COMEDY (ASAHI - PAGE 2)

THE SHINSHINTO'S (NEW FRONTIER PARTY) PRESIDENTIAL
ELECTION, SCHEDULED FOR THE 18TH, WAS FORMALLY ANNOUNCED
ONLY DAYS EARLIER ON THE 15TH. THE TWO GROUPS -- ONE
PUSHING FORMER MANAGEMENT AND COORDINATION AGENCY
DIRECTOR GENERAL MICHIIKO KANO AND THE OTHER FOR
INCUMBENT PRESIDENT ICHIRO OZAWA -- ARE IN A DEAD-HEAT AS
IF THE RACE IS AT THE FINAL STAGE. IT WAS ONLY A YEAR
AGO THAT FORMER PRIME MINISTER TSUTOMU HATA LEFT THE
PARTY TO FORM THE TAIYO PARTY. THE SHINSHINTO'S YEAR-END
FARCE NOW SEEMS TO BE A RITUAL. AMID THE SLUGGISH
ECONOMY AND THE FINANCIAL CRISIS, THE GENERAL PUBLIC
COULD CARE LESS AS TO WHO WINS THE RACE.

KICK-OFF

UNCLAS SECTION 10 OF 10 TOKYO 010737

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS DECEMBER 16

"SOME OF YOU IN THIS GROUP EXPECT A CIRCLE-LIKE SCENE.
THIS IS AMAZING." SHORTLY BEFORE 9:00 A.M. ON THE 15TH
AT A TOKYO HOTEL, SECRETARY GENERAL TAKEO NISHIOKA MADE
THIS COMMENT TO ATTACK THE KANO CAMP IN HIS SPEECH TO
KICK OFF OZAWA'S ELECTION CAMPAIGN.

THE OZAWA CAMP IS DESPERATE TO CATCH UP WITH (THE KANO
CAMP), ONE SAYING, "THAT SIDE CARRIED OUT LOCAL TOURS
DURING THE DIET" (DIET AFFAIRS COMMITTEE DEPUTY CHAIRMAN
KEISUKE NAKANISHI).

MEANWHILE, OZAWA HAS ATTENDED A JOINT PRESS CONFERENCE.
THERE, HE REPEATED "I DON'T KNOW" ABOUT HIS TARGET VOTES
AND ABOUT THE POINT OF HIS VICTORY. THERE IS NO
GUARANTEE FOR HIS SCENARIO AND HIS OVERWHELMING VICTORY.
HE DID NOT MENTION HIS VICTORY THROUGHOUT THE PRESS
MEETING.

EARLIER, YESTERDAY MORNING, THE PARTY HEADQUARTERS

PRESENTED TO THE TWO CAMPS A LIST OF 242 NON-DIET MEMBER LOCAL VOTERS. ONE SAID, " LAST NIGHT, I ALREADY RECEIVED A REQUEST FROM THE OZAWA CAMP TO VOTE FOR HIM. I WONDER HOW THEY GOT TO KNOW THAT I AM AN ELIGIBLE VOTER." SUCH A DEVELOPMENT SUGGESTED THE OZAWA CAMP'S EAGERNESS FOR HIS REELECTION.

MEANWHILE, KANO REGISTERED HIS CANDIDACY IN PERSON SHORTLY AFTER 9:00 A.M. AROUND NOON, HIS CAMP ASSEMBLED ABOUT 30 LAWMAKERS AT A NEARBY HOTEL AND SEIZED UPON OZAWA'S POOR PARTY MANAGEMENT. THE MEMBERS HAVE REAFFIRMED THEIR STRATEGY OF "WORKING UPON NEARLY 100 MIDDLE ROADERS IN ORDER TO WIN ONE BY ONE TO THE KANO CAMP."

UNDER SUCH CIRCUMSTANCES, THE SAITAMA CHAPTER HAS PRESENTED THE LEADERSHIP A RECONCILIATORY PLAN THAT IS DESIGNED TO APPOINT KANO VICE PRESIDENT WHEN OZAWA IS REELECTED. BUT SUCH A PLAN WAS REJECTED.

SEARCHING FOR WAYS

IN PREDICTING THE RACE, THE ESSENTIAL ELEMENT LIES IN THE FORMER KOMEITO GROUP, WHICH OZAWA HAS BEEN PRESSING FOR A DEPARTURE FROM THE PARTY.

"WE LAUNCHED THE KOYUKAI THIS SPRING BECAUSE THE PARTY'S LOW SUPPORT RATINGS AND SCORES OF SHINSHINTO BOLTERS HAD SPARKED THE OPINION, 'WHAT WILL HAPPEN TO THE SHINSHINTO?'"

AT A GENERAL MEETING OF THE KOYUKAI, A GROUP COMPOSED OF FORMER KOMEITO MEMBERS, KOMEI CHIEF TAKENORI KANZAKI ON THE 15TH INDICATED THAT HIS GROUP WOULD NOT DISSOLVE ITSELF, DESPITE OZAWA'S PRESSURE. IN THE MEETING, HOWEVER, NO ONE CALLED FOR BACKING EITHER THE OZAWA NOR THE KANO CAMP. THE MEETING ENDED WITH FORMER KOMEITO CHAIRMAN KOSHIRO ISHIDA'S COMMENT, "I HOPE YOU WILL MAKE YOUR DECISION BY GIVING FULL THOUGHT TO THE PARTY'S FUTURE AND YOUR OWN POLITICAL CAREER."

IN THE GROUP, MANY ARE PRO-KANO. THE QUESTION "WHICH ARE WE GOING TO BACK?" ONLY MAKES THE USUAL OZAWA-VERSUS-THE FORMER KOMEITO MORE CLEAR.

SUCH A DEVELOPMENT MIGHT ONLY GIVE OZAWA A CLUE TO EMBARKING ON "SPLITTING THE PARTY" OR "FORMING A NEW PARTY." FORECASTING THE FUTURE COURSE OF THE REORGANIZATION OF THE POLITICAL COMMUNITY IS STILL NOT EASY. NEVERTHELESS, LOOMING OVER IS THE KOMEI'S CALCULATION NOT TO GIVE IN TO OZAWA'S "DIVORCE" PLAN.
CRANE

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ARTICLES:

(7) Foreign Ministry to Open Office in Sakhalin on January 1; Government Plans to Soften Its Stance for Negotiations on Territories

ASAHI (Page 2) (Full) December 14, 1997

The Ministry of Foreign Affairs (MOFA) on the 13th decided to open an office on January 1 in Yuzhno-Sakhalinsk, a city at the southern tip of Sakhalin, Russia, to carry out such duties as issuing visas and the protection of Japanese nationals.

"Sovereignty over the area south of Sakhalin remains undecided under international law" has been the Japanese Government's view. Instituting a diplomatic establishment there can be taken as Japan's recognition of Russia's sovereignty. The Government plans to display a flexible poise toward Russia before the bilateral peace treaty talks shift to a full-fledged stage early next year. In addition, the Government is considering upgrading the office to a consulate general in the future.

Ever since Japan relinquished its claim on the Kuril Islands and southern Sakhalin under the San Francisco Peace Treaty that went into effect in 1952, Japan's position has been: "The Treaty does not specify any country's sovereignty over this area." But due to Russia's decades of de facto control over the area, Japan has been dealing with the area more flexibly than with the four northern islands. A cautious view has become deep-seated in MOFA since installing a diplomatic establishment on Russian-occupied territory would mean Japan's acknowledgment of Russia's sovereignty there.

An agreement was reached in May this year between the two countries on establishing a Japanese office there. Since then, MOFA has been looking for the

right timing to open an office there. The Japanese Government has now decided to assume a flexible stance toward Russia for the sake of enhancing bilateral ties amid growing expectations for a
UNCLAS SECTION 02 OF 07 TOKYO 010753

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settlement of the northern territories issue in the wake of the top leaders' informal agreement in November to conclude a peace treaty by the year 2000.

The four northern islands, the focus of the bilateral peace treaty talks, belong to Sakhalin province. 'Winning Sakhalin's understanding is essential for bringing a settlement to the territories issue. "Underlining the importance of Sakhalin" is one aim of this project.

(8) Report of New Agricultural Basic Law Research Council Suggests Abolishing Government Intervention in Agricultural Prices and Introduction of Income-Compensation System

NIHON KEIZAI (Page 1) (Full) December 16, 1997

The Research Council on Basic Problems Related to food, Agriculture and Farm Villages (an advisory panel to the Prime Minister), which is looking into a new basic agricultural law, will complete its draft interim report on the 19th. According to the contents, which have been revealed, the report proposes that the government's market-intervention system designed to maintain the prices of agricultural products be revised into an income-subsidy approach, focusing on core producers (who are full-time farmers). It also seeks to create a system to secure the minimum necessary food in preparation for a global-scale crop failure. With an eye on trade talks at the World Trade Organization (WTO) to start in 1999, the government will step up efforts to upgrade domestic agriculture's system.

This is the first time that overall agricultural policy is being reviewed since the present basic

law was enacted in 1961. The government will reform the current system designed to improve small-size farmers' income with "pork-barrel-like assistance" and shift its priority to effective supply of food by producers and to correction of the internal and external price gap. The Ministry of Agriculture, Forestry and Fisheries (MAFF) is set to submit a dozen or so bills amending the Farm Land Law, the Price-Related Law and the like.

The report presents the policy direction of abolishing the government's price maintenance system, which subjects 20 percent of all domestic agricultural products to it. It notes: "The current pricing system should be reformed into one that would reflect market signals." As for rice, a review plan has already been presented, but regarding wheat, sugar, dairy products and livestock products as well, MAFF will likely to scrap the market manipulation and minimum price purchase systems. Meanwhile, the report calls for a switch in policy to cultivate core producers by introducing the income-compensation system, such as income insurance against a drop in prices.

UNCLAS SECTION 03 OF 07 TOKYO 010753

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(9) Governor Ota Asked to Make a Judgment

NIHON KEIZAI (Page 2) (Full) December 13, 1997

The municipal office of Nago City, Okinawa Prefecture, has now officially announced a referendum of its residents on the pros and cons of constructing an alternative sea-based floating heliport in waters off the city along with the timetabled reversion of the U.S. Marines' Futenma Air Station site. Such a direct, democratic approach is said to be a contrivance to make up for representative democracy. In particular, the citizens' voting scheduled this time will be a grave test case for the representative system and its significance. The reason is that the important thing -- whatever may come out of the voting -- is what judgment is to be shown by Okinawa

Prefecture's Governor Ota.

As for plebiscites held before, there are such precedents as the case of Maki Town in Niigata Prefecture and the case of Mitake Town in Gifu Prefecture, respectively showing their residents' negative opinions concerning the planned construction of an atomic power plant or an industrial waste disposal facility. In September of last year, Okinawa Prefecture held a referendum of all its residents. As a result, a majority of people in the prefecture called for a reduction of the U.S. military bases there and a review of the Japan-U.S. Status of Forces Agreement. In all those cases, the outcome of public voting had no legal binding force but had a heavy political meaning.

Such would be the case of Nago City. However, the city has somewhat different circumstances as compared with the respective cases of Maki Town, Mitake Town, and Okinawa Prefecture -- from the aspect of what will be specifically resulting from the local public's showing of their opinion.

The offshore heliport has been presented as an alternative facility for the proposed reversion of the vast Futenma Air Station site that has divided the city of Ginowan. Will there be the constructing of an offshore heliport or will Futenma airfield otherwise remain as is? Actually, there is such a pattern of choosing between the two. The waters where the offshore eliport is planned to be constructed are outside the sphere of Nago City's municipal authorities. The Okinawa prefectural government is in charge of controlling the waters. There is something difficult in Nago City's decision making on the matter with its public voting only, and the governor is therefore required to play go between or to make his own judgment.

The anti-heliport group has been stressing this stand: "The prefecture's public opinion in pursuit of cuts in the U.S. military presence here -- as was shown in the prefectural plebiscite -- means public opinion is against rotational base
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relocations within our prefecture." Partly because of an amendment to the special land lease law for U.S. forces stationed in Japan, the local residents share a strong sense of alarm about locking up the status quo of "Okinawa as an island of military bases." They also reportedly feeling something close to the North-South problem in their island prefecture.

On the other hand, the nation's general public has accepted the bilateral security arrangements of Japan and the U.S. It is also a reality that the U.S. military bases on Okinawa cannot be reduced to zero at once when viewed from their strategic importance under the bilateral security arrangements. The agreement of the Japan-U.S. Special Action Committee (on Okinawa) (SACO), including the Futenma base's reversion, was a measure to phase down the burden of people in Okinawa Prefecture. The government's promotional plan (for the sake of Okinawa) also has meaning as a measure to pay for that burden.

What is important for the government is not to cater to the interests in any way possible (to Okinawa). Instead, the government should come up with better conditions that will help the governor make a pragmatic judgment. In other words, the important thing is that the government should positively promise not to fail to make efforts for lightening and reducing the burden of Okinawa.

(10) Shinshinto Presidential Election: A Close Game Foreseen, with Disintegration of the Party Looming over

TOKYO SHIMBUN (Page 3) (Full) December 16, 1997

A dead-heat is going on between former Management and Coordination Agency director general Michihiko Kano, 55, and incumbent president Ichiro Ozawa, 55, for the Shinshinto (New Frontier Party) presidential election on the 18th. At this point, predicting the winner is difficult. Whoever wins the race, one thing is clear: Movement in the party heading for a split has been gaining impetus; the cracks are now beyond repair. Undoubtedly, the results will have a major impact on the next stage of political realignment.

If Ozawa Is Reelected, Fissure May Expand over "Eliminating Opposition Forces"

"I want to work with members who are determined to carry out their jobs seriously."

Ichiro Ozawa made the above comment in a press conference carried out jointly with Kano on the 15th.

If he is reelected, Ozawa will pursue the "purification policy line" to eliminate anti-Ozawa forces in the party.

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In a press meeting on the 13th, in which Ozawa revealed his intention to seek another term, Ozawa unveiled a plan to change the party name, revise the party platform, and disband the Koyukai and the Minyukai, groups composed of former Komei members and Democratic Socialist Party members, respectively. His ultimate goal is to turn the Shinshinto into a "new conservative party."

Ozawa is expected to hit the anti-Ozawa group with the new-party scheme and propose splitting the party by pressing the group, "If you cannot follow this plan, you should go on your own way." That way, he can form a new conservative party with like-minded members.

Forces opposing Ozawa, however, have no intention of changing the party name or the party platform because such would be taken as a dissolution of the party for launching a new party. Kano has made it clear that should he be defeated, he would extend cooperation to Ozawa. In addition, the former Komeito forces that are now split between the Ozawa and Kano camps intend to remain in the Shinshinto because the Lower House single-seat electoral system is disadvantageous for them to strike out on their own. At the same time, Kano and others are expected to act as "intra-party forces keeping critical eyes on Ozawa." But the gulf in the party may never be bridged.

Furthermore, some members aiming at forming an alliance with the Minshuto (Democratic Party of Japan) and the Taiyo Party will probably walk away

form the party, claiming, "Our policy direction is different."

As for forming a "united front among opposition parties," Minshuto President Naoto Kan has made it clear that his party would not cooperate with anyone who might join hands with the Liberal Democratic Party (LDP). Such opinion indicates that Kan and others are certain to proceed "without the Shinshinto." The Komei will face next summer's Upper House proportional representation election on its own and there will be no united front among opposition parties. Under such circumstances, Ozawa's Shinshinto is certain to suffer a serious setback.

Ozawa is expected to continue looking for ways to form a conservative-conservative alliance with some LDP forces. But there is a view in the LDP conservative-conservative group, "Such an option is not acceptable when Ozawa is included." Difficulties lie ahead for the Ozawa-led Shinshinto.

If Kano Is Elected, the Move to Rally together Opposition Parties Will Gain Impetus and Ozawa Will Form a New Party

A victory by Kano, who has been calling for "unifying opposition parties" as the Shinshinto's
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policy direction, would be taken as a "no" from the party to Ozawa's "conservative-conservative alliance" approach. Such an outcome will give impetus to the move aiming to form a "united front of opposition parties."

Ozawa has suggested that he would stay in the Shinshinto even if he was defeated by Kano, remarking, "I will not leave the party even if I am not reelected. Because doing so is not democratic." But those close to Ozawa are hoping to launch a new Ozawa party by conservative members alone in order to deliver on the Shinshinto's basic

concept for a Japan revival. A split of the party -- disintegrating the party or a "divorce by consent" in essence -- might assume a touch of reality.

Disintegration of the party is certainly not what Kano and the others want. The only way left for Ozawa to form a new party is to bolt the Shinshinto.

In either case, Ozawa will have to take action quickly if he decides to launch a new party because political party subsidies are determined on January 1 every year.

The key factor is how many people will follow Ozawa, if he decides to form a new party. Some think ten or so is too few for Ozawa to do so.

Kano's victory will boost the move to consolidate opposition parties. Former prime minister Morihiro Hosokawa and like-minded Taiyo Party members are in accord to launch a "council to promote political party alliance." They have reached an agreement to aim at a "loose political party alliance," with eyes to election cooperation in next summer's Upper House election.

Their move is characterized by the exclusion of "Ozawa's Shinshinto." If indeed Kano is elected as the new Shinshinto president, the council will formally join Kano's Shinshinto to discuss a full-fledged election cooperation system for the Upper House election.

In the Upper House election, the party will work out candidates for one- and two-seat constituencies. Good showing in next summer's election is certain to bode well for the next general election. In fact, in the next general election, the Shinshinto might field a "joint prime ministerial candidate" against the LDP as a member of an opposition party alliance in line with Kan's plan.

Building a record of such accomplishments might push the trend of unifying opposition parties way beyond election cooperation into forming a new party in the future.

(11) State Burden of Medical Expenditures Totaling
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100 Billion Yen to Be Shifted to Health Insurance
Associations Next Fiscal Year

NIHON KEIZAI (Page 1) (Full) December 14, 1997

The Ministry of Health and Welfare (MHW) on the 13th adopted a draft plan to curtail the budget covering the medical care area, which is the focus of attention in the compilation of the fiscal 1998 budget. The ministry would reduce by 100 billion yen the state subsidy to the national health insurance association, subscribed to by the self-employed, and ask corporate health insurance associations and other bodies to cover that portion. It would raise drug price standards by 10 percent starting next spring and rationalize medical fees regarding long-term hospitalization of elderly patients and the like.

The ministry is set to submit bills amending the National Health Insurance Law and other relevant laws at the next regular Diet session, but objections have already erupted from health insurance associations, which would have to assume the burden shifted from the government, and from the business community. Coordination is not likely to be easy.

Under this plan, corporate health insurance associations, the government-managed health insurance fund subscribed to by employees of small to medium-sized companies, various kinds of mutual aid associations and the seamen's insurance fund would share their due burden according to their income. Because salaried workers withdraw from corporate health insurance associations and instead, subscribe to the national health insurance association after retirement, its financial conditions have deteriorated and the state burden has swollen. The new plan is designed to have the insurance associations for the employed pay some of ailing elderly persons' medical charges.

Corporate health insurance associations and the government-managed health insurance have disbursed a total of 4 trillion yen to cover elderly patients' medical expenses. Reflecting such, 70 percent of them have fallen into the red. The National Federation of Health Insurance Societies has put up opposition to this plan, complaining,

"This only passes the burden to others. We cannot accept it."

FOLEY

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005. cable	Re: Nago Referendum - Draft Press Guidance (2 pages)	12/17/1997	P1/b(1)

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Clinton Presidential Records
NSC Cables
Jan 1997-Dec 1998 ([Futenma])
OA/Box Number: 520000

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RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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006. cable	Re: Nago Referendum - Eve of Vote (6 pages)	12/17/1997	P1/b(1)

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007. cable	Re: Okinawa Referendum (5 pages)	12/17/1997	P1/b(1)

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008. cable	Re: Bilateral Security Issues (3 pages)	12/18/1997	P1/b(1)

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