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TRANSLATIONS ON JAPAN
(FOUO 19/79)

ASIA

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POLITICAL AND SOCIOLOGICAL

ASAHI': JAPAN DECIDES TO ESTABLISH CLOSER TIES WITH CHILE

Tokyo ASAHI EVENING NEWS in English 28 May 79 p 1 CW

[Text] The government will henceforth establish close relations with the military regime of President Augusto Pinochet of Chile, which is a target of international criticism for human rights violations, sources disclosed Sunday [27 May].

President Pinochet will be invited to Japan sometime after June next year, and Foreign Minister Sunao Sonoda has added Chile to the itinerary of his Latin American tour in August this year.

The policy change has resulted from strong requests by former Agriculture and Forestry Minister Zenko Suzuki, a top leader of Prime Minister Masayoshi Ohira's faction within the ruling Liberal-Democratic Party, the sources said.

Suzuki acted on behalf of Japan's fisheries industry, they said. Chile is very important to the industry because the waters off its long coast are good fishing grounds.

A visit here by Roberto Kelly, Chile's minister of economy, development and reconstruction, in late April provided the breakthrough, the sources said.

Suzuki met Sonoda twice around that time and asked for a change in policy. Sonoda gave his consent and informed Kelly that the government will invite Pinochet to make a trip here sometime after June next year as a state guest.

Because of the international criticism of Chile, Japan's relations with the Latin American country have been kept to a minimum.

The United Nations General Assembly has passed a resolution denouncing Chile for human rights violations every year since 1975. Japan has been voting for it.

The government's policy change is bound to come under opposition attack in the Diet. The opposition parties will see in the change of policy something in common with the government's attitude towards the 1973 kidnaping of South Korean opposition leader Kim Tae-chong from Tokyo to Seoul.

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The Japan Socialist Party and the Japan Communist Party, in particular, have a special sympathy for the government of President Salvador Allende, a Marxist, which was toppled in a bloody military coup in September, 1973. When Allende rose to power in a peaceful revolution in 1970, they welcomed it as setting a precedent for Japan.

Japan's fisheries industry has been suffering from the establishment of 200-mile national fishing zones. But the Pinochet government has reportedly responded favorably to Japanese plans to set up fishing firms in Chile. Suzuki himself visited South America in August last year on behalf of the fisheries industry.

Strong objections to the change in policy reportedly arose within the Foreign Ministry (Gaimusho), but the ministry eventually decided to go along as it was "an order from above," in the words of ministry sources.

Some Gaimusho officials have since come around to supporting the change. They say: (1) Chile is domestically stable, and the suppression of rights is diminishing; (2) Japan's making an approach to Chile at a time when it is internationally isolated will be highly appreciated and yield major economic gains; (3) Some other countries are worse than Chile with respect to human rights violations, and to bear hard on Chile alone may constitute interference in the domestic affairs of that country.

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POLITICAL AND SOCIOLOGICAL

BRIEFS

LEFTISTS OPPOSE 'ERA' BILL--Tokyo, 30 May, JPS--The communist, socialist parties, the General Council of Trade Unions of Japan (SOHYO) and five other central organizations are to hold a "central rally of national united actions for opposition to the legislation of the imperial era name, for thorough investigation into the aircraft scandals, and the Kim Tae-chung abduction case," on June 5 at Hibiya Park in Tokyo. The eight organizations are also calling on the people to participate in united actions on that day throughout the country. The liaison council opposing the legislation of the imperial era name on May 29 carried out a demonstration calling on the people to defeat the bill for legislation of the imperial era name (gengo). Several hundred people raised voices, "We need an investigation into the aircraft now. Not the bill for Gengo." The Osaka and Kanagawa prefectural committees of the executive committee for abrogation of the security treaty the same day conducted petitions to the Diet, demanding the scrapping of the bill for Gengo, and inquiry into the aircraft related scandals. [Text] [Tokyo JPS in English 0902 GMT 30 May 79 OW]

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ECONOMIC

EXPERT REVIEWS ROOTS OF FRICTION WITH UNITED STATES

Tokyo ASAHI JANARU in Japanese 13 Apr 79 pp 12-17

[Article by Fumitoshi Takahashi, deputy chief editor of ASAHI JANARU:
"U.S.-Japan Economic Friction in the Midst of the Oil Crisis"]

[Text] The "season" for activity in United States-Japanese relations began in April. With an eye toward the Japanese-American summit talks in April and the "Tokyo Summit" in June, Foreign Minister Sonoda started things off by visiting the United States to begin resolving the economic friction between Japan and the United States and to rush to repair the breakdown in Japanese-American negotiations over liberalization of government procurement. Nevertheless, the United States has taken a hardline stance and has mounted an offensive against Japan and, in the background, there is unusual irritation with the breakdown of President Carter's global strategy. In this sense, the recent friction between Japan and the United States is not simply an economic problem. It is deeply and closely connected with the Organization of Petroleum Exporting Countries (OPEC) raising the price of crude oil, with the United States heavy-handed maneuvering for the Middle East peace, which brought on the price increase, and with the Iranian revolution.

Since the United States-Japanese negotiations on liberalization of government material procurement ended in failure, it seems as though the scenario for resolving the friction between Japan and the United States before Prime Minister Ohira's visit to the United States may have run into early trouble. In the view of a high government official who deals with international economic issues, however, a feeling of confidence in Prime Minister Ohira has been growing recently within the United States government. This may be somewhat hard to believe in view of the barrage of personal letters from President Carter which came after the promise of a 7 percent growth made during the Fukuda government was abandoned and the post of minister of external economic affairs was abolished. Nevertheless, when Secretary of the Treasury Blumenthal, Special Representative Owen and others came to Japan one after another in March, Prime Minister Ohira

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showed a very positive attitude toward resolving the economic friction between Japan and the United States and this, reportedly, was rather well appreciated.

If Prime Minister Ohira were truly winning appreciation abroad in proportion to his loss of popularity at home, that would be all right because of the urgency of resolving international economic issues. The situation, however, is not that simple.

If the other side, which has formed the idea that "this is a person who can be trusted," discovers that he is actually not to be trusted, then there will be a strong reaction and the feeling of mistrust will grow all of a sudden. There are high officials in the Foreign Ministry who are seriously concerned about this.

What should Prime Minister Ohira do to respond to the United States trust in him? There is only one answer. He can only agree to a fairly great extent to what the United States demands.

On this score, there is a view that even the unsatisfactory progress of the recent Ushiba-Strauss negotiations on liberalization of government material procurement was "a plot put together by the Foreign Ministry." In short, the operative consideration was that "for the sake of what might happen later, it would be best to give the still slow-moving Prime Minister Ohira a shock by having the negotiations break down." The evidence for this is that although Ushiba, who was the government's representative for the Tokyo Round (the Multilateral Trade Negotiations), met twice with Strauss, who is the United States President's special trade representative, in the end Ushiba did not request orders to continue the negotiations.

Since liberalization of government material procurement is one of the main items in the Tokyo Round, Mr Ushiba went as far as to delay his departure for Washington for a day as he pushed for adjustments by requesting increases in the amounts to be liberalized for Nippon Telephone and Telegraph and the Japan National Railways. Nevertheless, the result was that liberalization was limited to "an amount equivalent to \$5 billion." From the Japanese newspapers, Washington knew this figure before the negotiations with Mr Ushiba. It seems that Japan had politically resolved to add on another \$.5 to \$1 billion if Mr Ushiba had requested instructions to continue negotiations. However, the amount the United States is to liberalize in connection with this issue is \$12.4 billion and the EC countries have come forward with a figure of \$10.5 billion, while Japan is being asked for \$7.5 billion to match these amounts. The reason that Mr Ushiba, who is a veteran who excels in this sort of negotiation, did not go ahead and request instructions was probably that he decided that the United States could never be persuaded by adding a bit to the figure. In fact, in Washington, after the negotiations broke off, Mr Ushiba

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confessed, "The decision was weak. I am ashamed of it but there is nothing which can be done about it." At a press conference after he returned to Japan he said, "Maybe I was wrong in not requesting instructions but I was not confident the issue could be settled." It has been said that the main reason the negotiations were not settled is that the United States pressed strongly for the release of mainline electronic communications equipment and other "hostages," but it is safe to say that the statement released by the office of the United States special trade representative reflected the strength and severity of the United States demands to Japan just as they stood. The statement said bluntly, "The Japanese proposal is totally insufficient. United States liberalization based on the Code of Government Procurement will not apply to Japan."

Why did the friction between Japan and the United States become so serious?

In some cases, an indulgent view of Japan's economic diplomacy has been pointed out. There are still high government officials who rack their brains wondering that "they do not clearly understand why economic friction between Japan and the United States has come out so sharply at this point in time." Of course, with the fast pace of the high yen, Japan's exports to the United States have gradually slowed down and, beginning around last fall, the balance of trade began to improve. At the beginning of this year this trend was particularly conspicuous; exports of steel, automobiles and televisions, which are major items for export to the United States, have declined by comparison with previous years. It is certain that increasing the import quotas for beef and oranges as the United States requested previously, or the matter of liberalizing material procurement by NTT will not dramatically change the Japanese-United States trade balance.

Nevertheless, inasmuch as the Japanese-American economic friction has already gone on implicitly and explicitly for 10 years, since the Japan-United States textile negotiations, even the Japanese side seems to have been optimistic. At least it is safe to say that on the Japanese side no notice was taken of the unusual signals being sent out by the United States and no measures taken to answer back that "this time would be different from the past."

On 18 March, the United States Joint Congressional Committee on Economics recommended an economic policy to be adopted by the United States government. This committee clearly suggested the need for implementation of an import surcharge by saying in its recommendation that it "feels that it is necessary to take appropriate unilateral measures to encourage countries with a surplus in their ordinary balance to fulfill their international responsibilities." This was not surprising because some people involved in the Congress were already talking openly about legislation to restrict Japanese imports; nevertheless, the fact that an official organ of the Congress produced this kind of document, clearly aiming it at Japan,

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made the people around the prime minister finally realize the seriousness of the situation, with the prime minister's trip to the United States coming up.

The United States has mounted an offensive against Japan and in order to understand why the American irritation is somewhat different from what it has been up to now, it is necessary to know the situation in which the Carter administration is placed. What we are calling "economic friction between Japan and the United States" is in fact no longer an economic problem. It is a problem with very strong political overtones which is not understood by looking only at trade statistics and other economic indicators.

Although President Carter achieved a tentative success by orchestrating the conclusion of the Egyptian-Israeli peace treaty, he immediately gathered his close associates at his Camp David retreat and began refining a new strategy on domestic problems to deal mainly with inflation and the energy crisis. Editorial opinion in the American mass media did not give Carter even a moment of euphoria over the success of his maneuvering for peace in the Middle East.

OPEC held an extraordinary general session in Geneva on 26 and 27 March and decided to move this year's fourth quarter price increase forward and implement it on 1 April. It will be a 9.05 percent increase. Ironically, since announcement of the price increase came on the day following the signing of the Egyptian-Israeli peace treaty, it nicely upset the White House prediction that "the signing of the history-making peace treaty would bolster Carter's popularity for at least 3 days." Not only that, but the price increase also made the American people clearly realize what the results of the Iranian revolution will mean and how strong the Arab reaction against Egypt is.

Although not in as clear a manner as in the oil shock in October 1973, OPEC has again, in fact, activated "a strategy of using oil as a weapon." With the conclusion of the Egyptian-Israeli peace treaty through United States mediation, the Arab oil producing countries intensified their reaction against the United States and the argument that they should protest the peace treaty through oil grew stronger. The change of face by Saudi Arabia, which had opposed price hikes in the past, was also an indication of this attitude of protest against the Egyptian-Israeli peace treaty.

Furthermore, the OPEC general meeting tried to display the strength of its coordination on production, which seemed weak in the past, by mutually agreeing that simultaneously with the price increase the countries which had raised production since the Iranian revolution would return production levels to what they were originally. It goes without saying that this was aimed at making certain of the price increase and was based on the

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consideration that the international supply and demand situation should not become too slack even after Iranian production starts up again.

In the United States, because of increases in the price of gasoline and other items, the rate of increase in consumer prices for February is 1.2 percent over the prices for the previous month. As a yearly rate, this comes to a sharp increase of about 15 percent, twice the government's estimate (7.4 percent). The policy on inflation is at the point of breaking down. Thus it is probably no wonder that "Middle East popularity" for Carter did not come about.

President Carter earnestly tackled the job of engineering a separate Egyptian-Israeli peace because externally he was pressed for time in reorganizing his Middle East policy in the wake of failure in Iran and domestically he was pressed to make his moves in preparation for presidential reelection. However, his efforts invited OPEC's oil price increase and caused inflation to worsen. Increases in America's payments for imported oil and acceleration of inflation both promote decline of the dollar.

When the dollar declines, the price of imports goes up, inflation progresses and the dollar falls further. This vicious circle has already been proven. The awkward thing is that since the presidential election is coming up next year, the situation has given rise to the view that the anti-inflation policy which was announced in October last year will break down early in its course.

Furthermore, there are serious indications that the recent economic situation in the United States has become such that it cannot easily be solved by policy management which holds down inflation while controlling business conditions to a moderate degree.

In the past, business conditions in the United States depended on automobiles and steel, but recently good business conditions have come to depend heavily on housing construction and consumer financing. These things are strongly affected by financial policy, but the United States financial policy cannot now be decided without regard to the dollars accumulated overseas and, therefore, without regard to trends in international economics.

However, if American inflation is not brought under control, and continues at its current high rate, it will seriously affect the international economy, particularly in monetary matters and trade. At that point the bill for American inflation moves toward Japan, which boasts excellent strength in trade and monetary matters, and the schema in which this bill is passed on in the form of discriminatory trade measures against Japan is completed.

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Actually, in some respects it is inevitable that the thrust of criticism should be concentrated on Japan. Last year (January through December) the United States trade deficit was \$28,450,900,000. The American trade deficit with Japan set a record with an all-time high of about \$11.6 billion. The deficit with Japan increased by nearly 50 percent in comparison with 1977, despite the drastically high yen and cheap dollars. In the background of this situation is the closed nature of Japan's island nation type of economic structure.

In short, we have set up an economy which is oriented toward exports while we have set up a cordon of import barriers. In the final analysis, however, this is deeply related to our Japanese way of life or way of thinking and our conceptual makeup. The fact that the Carter government has directed the thrust of criticism toward Japan also has very strong reasons, if one uses the Carter government's logic. Thus, what the United States has been demanding of Japan is a "structural adjustment."

It is also a fact that there are some things on the American side which are different from what they have been up to now. As former Director of the CIA Colby points out, legislation in connection with the Tokyo Round must be worked out in the Congress. Ninety-nine countries have participated in the Tokyo Round, and the long negotiations are entering the final stages. The intention of the developing countries is to decide on their final stance at the United Nations Conference on Trade and Development (UNCTAD) which opens in Manila in May, but the advanced countries of Japan, the United States and Europe are scheduled to reach an actual agreement (initial an agreement) one step earlier, in mid-April. After that, it is arranged that the Trade Negotiations Committee of the General Agreement on Tariffs and Trade will adopt the agreement formally by a target date sometime in July and will have the agreement take effect beginning 1 January 1980. The whole effort, however, will go up in smoke if the United States Congress does not accept the related legislation. Therefore, Strauss, who is a powerful man in the Democratic Party, is restraining the conservatives in the Congress on the one hand, and pressing Japan in strong terms for concessions on the other hand. In any case, members of Congress who ordinarily have had no interest in trade and so forth suddenly become active in this sort of situation.

Moreover, it is not the American people who are complaining and making Japan the bad guy. Chairman Lloyd Bentsen of the Joint Economic Committee is said to be actually preparing legislation which would levy a surcharge on countries which have a surplus balance with the United States (it goes without saying that this is aimed at Japan), and Strauss is reportedly trying to convince him to give up the idea of proposing the legislation. The outlook is that if the legislation is proposed, it will surely pass both houses of Congress. Strauss is said to be scheduled to return to the post of national chairman of the Democratic Party no later than September to work for Carter's reelection and he is said to want to straighten out

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the trade issue by that time. One view is that it was for this reason that he demanded concessions from Japan, and that the breakdown of these negotiations over the liberalization of government procurement was a gesture for American domestic consumption.

In his press conference after returning to Japan, Mr Ushiba said, "Maybe Representative Strauss thought it was to the United States government's and his own advantage to have acted as he did. There were probably domestic considerations." Mr Ushiba's statement was also based on the view that Strauss' actions were for domestic consumption.

Again, in its 1980 budget proposal (October 1979 through September 1980) the Carter administration put together a "guns rather than butter" budget and has asked the average person to live a more austere life than ever before.

In order to be reelected, President Carter must first get the Democratic Party's nomination, and to do that he must get the support of the "New Deal Forces" (blue collar labor, blacks and the liberal wing) in the Democratic Party which supported him in the last election in 1976. At the same time, the hawk faction must be appeased in order to get a two-thirds consenting vote in the Senate on the ratification of the Second Strategic Arms Limitation Talks (SALT II). This means that the political dynamics of the Democratic Party and military requirements demand, rather, fiscal expansion.

Nevertheless, in order to show an inflation-fighting stance, the Carter administration had to put together a tight budget. It is not strange that they should have used "sanctions against Japan" to avert domestic dissatisfaction in connection with Congressional debate on the budget. It was, rather, necessary for them to make Japan the victim.

Why, then, are the bullets not flying at West Germany, which has a growing surplus in its balance of trade and current account balance just as Japan does?

It is a fact that West Germany does not have the closed economic structure of an island nation. However, the actual situation probably is that even the Carter administration cannot come out against the reasonable position of West Germany's Chancellor Schmidt as it can against Japan. West Germany raised its official discount rate 1 percent per year to 4 percent beginning 30 March. This means West Germany put up a warning signal anticipating the effects of OPEC's increase in the price of crude oil and industry's wanting to raise prices in the midst of an actual recovery in business conditions. Since Japan is in exactly the same situation, some newspapers reported that "The Bank of Japan began to study raising the official discount rate," but Prime Minister Ohira denied this, simply saying, "At this point we are not considering touching the interest policies."

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The situation in Japan is such that it is not possible to touch the official discount rate.

The Bank of Japan has already begun to take prices seriously. Wholesale prices are rising gradually and land prices have also risen. A series of increases in public utility charges is also expected. It seems inevitable that the price of the yen will be directly affected by OPEC's boost of the crude oil price and will drop rapidly and, consequently, import prices will rise. Thus, there are many factors which will continue to push prices upward. However, with a tight money policy, the size of the surplus balance will swell all the more. This would be embarrassing at a time when the United States is exerting external pressure to open up the market by stimulating domestic demand more in order to reduce Japan's surplus.

Nevertheless, West Germany coolly made its decision. If West Germany raises interest rates now, not only will this further increase the pressure on the dollar, but it is probably inevitable that the rift that has for some time been rumored to exist between President Carter and Chancellor Schmidt will become greater. Even at the time of the "Bonn Summit" last year, Carter made an advance visit to West Germany to apply pressure, but Schmidt did not respond and relations between the two men deteriorated. Could one say that the fact that Schmidt looks down on Carter as a "country politician" and coolly takes him on is one of the differences between the discreet Schmidt and "the Dumb Ox?"

Nevertheless, West Germany and Japan are not in a situation where they can make common cause. The EC, too, is fanning the fires of criticism against Japan. The surplus in Japan's trade balance with the EC last year was \$6.4 billion, which, when compared with the previous year, represents an increase of \$1.2 billion, or 23 percent. Furthermore, because the yen rate against European currencies has not risen as much as it has against the dollar, the trade goods which have been diverted from export to the United States have been heading for European markets, and the surplus balance with the EC has grown every month since the beginning of this year.

Wilhelm Haferkamp, vice president of the EC Executive Commission, pressed strongly for "show specifically by its attitude that it will reduce the surplus." Furthermore, Haferkamp expressed dissatisfaction with the results of his trip to Japan, and at Brussels, just after he had left Japan, leaked a confidential "Report on Trading Relationships with Japan" in a way which could only have been intentional. This report took the Japanese to task for being "a nation of workaholics who live in what Westerners would regard as little more than 'rabbit hutches.'" In an editorial on this question on 30 March, the British economic newspaper FINANCIAL TIMES said "The EC has lost patience with Japan; now the EC is threatening to take retaliatory measures if Japan does not take steps to reduce its surplus within the next several months."

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Since the political situation in the EC countries, particularly in Britain, France and Italy, is unstable, "there seem to be political considerations here, too, which are aimed at Japan. It is as though America and Europe are alined together in an attack on Japan, and in the midst of this attack from all sides the dates for the Tokyo Summit are relentlessly pressing closer.

If, in a desire only to make a success of the Tokyo Summit, Japan were to patch things up by paying lip service, and it were to become known later that promises were not kept, distrust of Japan would grow even greater. Thus, since the United States and Europe will not be convinced as things now stand, the Tokyo Summit could not only be painful for Japan, but there is a strong possibility that it will be non-productive and to no purpose. However, the past four times summit conferences have been held thus far, they have been basically non-productive, so once more would not be so surprising. It is certain, however, that the time has come for Prime Minister Ohira to make a clear decision.

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ECONOMIC

CANADIAN AMBASSADOR DISCUSSES JAPANESE TRADE, INVESTMENT

Tokyo ASAHI EVENING NEWS in English 24 May 79 p 6 OW

[Report on Interview with Bruce Rankin, Canadian Ambassador to Japan by Shig Fujitar, date, place not given]

[Text] Canada provides Japan with the best market in the world because it is the only major trading partner that does not impose restrictions on the imports of Japanese automobiles, color television sets, steel and electronic products, according to Ambassador for Canada Bruce Rankin.

But he did not think Japan was doing much practically to import more Canadian finished and semifinished products. Concerning the buying missions that Japan has sent to the United States and the European communities countries, he said, "I think there's a lot of window dressing involved. I don't think they're unsuccessful, but they're not as successful as you journalists like to make out. Japan should get rid of its non-trade barriers."

Trade Shows Successful

The ambassador pointed out that Canada has had considerable success with the trade shows it has been holding at the Canada Trade Center in Sunshine City in Ikebukuro, Tokyo. He said, "We've had five shows so far, and the fifth one just started on 21 May. It's on electronics. The shows have worked out rather well. They have been very carefully put together and well designed, and invitations have been set to appropriate buyers."

"I know that the very first show made up of furs and jewelry did a million dollars worth of business in the first week. They expect to do more than that in the long run, and the other shows have been similarly successful."

"Canada certainly recognizes that Japan must export," he went on. "We're the only major trading partner that is not suggesting Japan should restrict itself in its exports, but we do join other major trading partners in complaining about the difficulties of access to the Japanese market."

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Rankin did not think there had been any great change in the fundamental Japanese Government stand on trade and pointed out, "We still have hanging heavily over our heads the customs inspection system which can be imposed. They may not be imposed right now, but the threat is there."

Citing the example of import by Japan of Canadian lumber, he said, "Right now we have no problem of regrading our lumber. But any time someone in government wants to pick up his telephone and say, 'Okay, we start regrading Canadian lumber, we have lumber starting to pile up on the wharfs. They have to wait around until someone comes around to put his neat little stamp on each piece of lumber. The lumber will be there for three months or four months; it will rot and warp. This is despite the fact that Canadian lumber standards are recognized all over the world."

Candu Reactors Are Safe

As for the accident at the Three Mile Island nuclear power plant, the ambassador said, "I think it should improve Candu reactor chances, because Candu is not a light water reactor. It is not similar in any way to the B&W reactors with which they had difficulties at Three Mile Island. The Candu reactor has two additional safety features which are not found in light water reactors.

"It should improve our acceptability on safety standards, but instead we seem to be lumped together with everything else as having a risk. We expect the newspapers to do a little more research in writing their articles. We have built into the ECCS--that's the core of the Candu reactor--beyond the control of any human being a 20-minute cooling system which is over and above anything that exists in any other reactor. So that when something goes wrong, you don't move into the melting stage. You've got 20 minutes to figure out what's gone wrong and impose other safety measures."

He added that Candu is the "only reactor that was designed and built from the ground up to produce electricity," while light water reactors were designed originally to propel submarines.

Concerning Canadian manufactured goods sold to Japan, Rankin said they totalled \$150-180 million a year, a not unsubstantial sum, and pointed out, "We do \$2 to \$3 million a year in razor blades. It fascinates me that when it comes down to a real fine piece of steel to take whiskers off your face, a country that is the world's largest manufacturer of steel imports razor blades from Canada."

Good Investment Prospects

Asked about the prospects of Japanese investments in Eastern Canada as compared to Western Canada where most Japanese investments are concentrated, he said, "Very good. We just had the Ministry of Industry from the Province of Ontario here last week. There are some very successful Japanese enterprises in that province, including NTN [company abbreviation] in ball bearings just outside Toronto.

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"The automotive parts industry has much room for joint enterprises, and it has access to the entire North American market. It's the natural place for three-way benefits. We would like to see Japan utilizing more Canadian automotive parts in their own automobile manufacturing industry. We have a good, well-trained labor force. There are all sorts of benefits around Ontario, and that part of Canada is a stable area for manufacturing investment."

Asked about Japanese investments in the tourist industry, including hotels, Rankin said, "There are no special restrictions as long as it brings significant benefits to Canada. That's the sole yardstick for judging whether foreign capital--Japanese or any other capital--comes into Canada. We have American capital in hotel chains in Canada, although some of the finest hotels are Canadian owned, including the Banff Springs Hotel.

"I think that if you're going into an area which is the subject of touristic development and you're providing employment in an area where it otherwise might not be provided, there wouldn't be any problem in investment."

No Quotas on Immigrants

Pointing out that Canada has no quotas on immigrants, he said, "Immigration is based on the competence of the individual. He is given various points based on how well he speaks English or French, years of schooling and years of experience. If he's seeking employment or is qualified to seek employment in a certain area where men are needed, there is no problem.

"In fact, Japanese seem to be well qualified. They are highly educated, are hard workers and usually have some capital. We would welcome more applicants from among the Japanese."

About 125,000 Japanese tourists are visiting Canada each year, although most of them are currently concentrated in the Western part of Canada. Rankin said, "There's a growing movement to visit Eastern Canada. Special package tours have been designed to encourage Japanese tourists to move more deeply into Canada with some success. We're getting more Japanese tourists moving into the Toronto, Ottawa and Montreal area and Niagara Falls. They all want to see Niagara Falls and they all want to stay in the Banff Springs Hotel, but they're a long way apart."

While admitting that he is impressed at the amount of coverage Canada is receiving in Japan, the outspoken ambassador minced no words when asked what Canada should do to inform Canadians about Japan. He said, "No, we don't think that's our job. We think that's up to the Japanese Embassy in Ottawa. Japan has an embassy in Ottawa and consulates-general in Toronto, Montreal, Edmonton and Vancouver. They've got all the major trading companies and 10 Japanese banks in Canada. They've got two Japanese journalistic bureaus. That's your job. Our job is to sell Canada to the Japanese."

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Growing Interest in Japan

But Rankin added, "I think there is a growing interest in Japan among the Canadians, and I think there has been a greater person-to-person exchange of knowledge. Seventy-two of the most senior businessmen in Canada sat down with 100 senior Japanese businessmen in Toronto earlier this month in the Canada-Japan businessmen's conference. And right on the heels of that, the University of Toronto International Center held an extraordinarily good seminar on Canada-Japan relations with top active academics participating.

The interview was conducted in shirtsleeves because when I walked into the ambassador's office with First Secretary Jack Derksen, the ambassador said even before shaking hands, "Take off your coats. You know that the government has ordered 'no coats.' in order to save on energy."

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ECONOMIC

'MAINICHI' EDITORIAL CALLS FOR REVIEW OF AVIATION POLICY

Tokyo MAINICHI DAILY NEWS in English 16 May 79 p 2 OW

[Editorial: "Aviation Policy"]

[Text]

The Japanese government must take a new look at its aviation policy, because of emerging international and domestic changes. The international aviation industry as a whole has experienced rapid development. At the end of March, Pan American World Airways, the world's leading airline company, withdrew from the International Air Transport Association (IATA).

The withdrawal of Pan Am unfavorably affected the function of IATA, which saw the secession of Northwest Orient Airlines five years ago. Pan Am's withdrawal was in line with the thoroughgoing liberalization policy of the aviation industry promoted by President Jimmy Carter's administration.

In the United States, the IATA agreement on passenger fares has lost its substance. In February, Northwest submitted a proposal to the Japanese Transport Ministry calling for the introduction of passenger fares 35 percent lower than the current economy fares on the Seattle-Tokyo route.

The proposal was based on the idea fares must be set in proportion to distance. The idea contradicts IATA's concept that equal fare rates must be applied to identical destinations. The Transport Ministry turned down Northwest's request, pointing out Japan Air Lines has no right to extend its services to Seattle.

Northwest then made a proposal to the government of the Republic of Korea, seeking approval of a near-30 percent discount on the Seattle-Seoul route.

Japan Air Lines decided to reduce its round-trip fares to the United States and Australia, by 15 percent, and to Europe 10 percent, effective in February,

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to adjust differences in the fares on various routes resulting from rapid changes in foreign exchange rates. As far as routes to the United States are concerned, no reduction has yet been implemented because the Civil Aviation Board (CAB) of the United States is still examining the proposal.

In aviation, the United States has been on the offensive and Japan has been on the defensive. The American airline companies can take aggressive attitudes because they enjoy enormous rights, both domestically and internationally. In the aviation industry, strong rights mean strong competitive ability.

Reflecting such a trend, there exists considerable inequality in the Japanese-American aviation agreement, which we believe must be corrected. At present, however, there is little possibility of such correction.

What we want from the Transport Ministry and Japan Air Lines is a realistic reaction to American demands. The United States offered recognition for Japan Air Lines' extension of services to Seattle in return for Japan's recognition of the 35 percent cut in the Tokyo-Seattle fare. Japan turned that down, saying inequalities in the treaty must be corrected first of all. Did the rejection benefit passengers?

Japan Air Lines now wants to enjoy "fill-up rights" on the Narita-Kagoshima-Hong Kong route, so it can load or unload passengers between Narita and Kagoshima. The airline company says this will help it economize on fuel and offer more convenient services to passengers. The reasoning is persuasive.

If Japan Air Lines pursues the reasoning, it will have to face similar problems on the Narita-Nagasaki-Shanghai, and Narita-Kumamoto-Seoul routes. The company wants the right to solidify its managerial basis in order to survive fierce international competition. The company apparently realizes the domestic market is lucrative.

Under current regulations, Japan Air Lines cannot load or unload passengers between the above points, because its services are limited to domestic trunk lines and international routes.

Judging from recent developments, we believe another good look must be taken at the aviation policy. In examining new policy, we want to say politicians must not interfere in such processes and the double-tracking system must be actively introduced, to avoid possible monopolies on certain routes. Aviation policy must be examined from a long-range viewpoint.

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ECONOMIC

MITI DECIDES TO TRIPLE GOVERNMENT OIL STOCKPILE

Tokyo ASAHI EVENING NEWS in English 26 May 79 p 1

[Text] The Ministry of International Trade and Industry has decided to increase the target for the Government's oil stockpile from the present 10 million kiloliters by the end of fiscal 1982 to 30 million kiloliters by the end of fiscal 1985.

The International Energy Agency and many experts predict that there will be a global oil shortage earlier than expected, and the MITI wants to raise the nation's oil reserves up to the levels of other Western countries. It intends to increase the State reserve by buying additional oil during the low-demand season so that the crude oil market will not be affected.

The Government is guiding the nation's oil refineries to secure by the end of fiscal 1979 a stockpile equivalent to a 90 days' supply, but the reduction in supply after the Iranian revolution has made this goal difficult to accomplish. The current reserve in the private sector is estimated to meet 85 or 86 days of supply.

The original target for the State reserve was to secure by the end of fiscal 1982 10 million kiloliters, enough to meet the needs for about 10 days, on top of the stock in the private sector. The State reserve is now put at 5,240,000 kiloliters or 7.2 days' supply, and 2,500,000 kiloliters is planned to be added to it in this fiscal year.

However, compared with other Western countries, Japan's total oil reserves are very small. As of Mar. 1 last year, Switzerland had a reserve equivalent to 140 days of supply, Denmark 133 days, Portugal 122 days, France 103 days, West Germany 101 days and Britain 88 days.

Some quarters within the domestic oil industry worry that the Organization of Petroleum Exporting Countries (OPEC) and major international oil distributors may oppose an increase in the national oil reserves by a big consuming country like Japan and that such a move by Japan may push up prices on the spot market. But the MITI says the additional buying will be done responsibly.

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ECONOMIC

BRIEFS

MITI POLICY--The two paramount concerns of Ministry of International Trade and Industry policy for JFY 1980 are energy and international trade friction. Against this background, MITI policy aims include: 1. establishing comprehensive bilateral economic cooperation plans, 2. development of software coupling data and communications, 3. new legislation for modernizing the distribution system, 4. structural improvement of the oil refining industry and revision of the Petroleum Industry Act, 5. establishing an organization to promote acquiring overseas mining concessions for coal, uranium, iron ore, etc. 6. strengthening medium and smaller firms in the software areas of collecting information and technological power. [Tokyo NIHON KOGYO SHIMBUN in Japanese 22 May 79 p 1]

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SCIENCE AND TECHNOLOGY

JAPAN WILL PUSH FOR JOINT INTERNATIONAL TECHNOLOGY VENTURES

Tokyo THE DAILY YOMIURI in English 21 May 79 p 1

[Text] Japan will push for joint international technological ventures in such areas as electronic computers and aircraft, Masumi Esaki, international trade and industry minister, has announced.

Touching on the reported capital tie-up between Toyo Kogyo and Ford Motor, the minister said that an international division of production should not be restricted to the automobile industry but be encouraged in other fields.

The ministry's new policy, as outlined by Esaki, marked a major turnaround from its erstwhile stance of helping local enterprises build up the international competitive edge.

The departure from the old policy was prompted in part by a growing tendency among foreign industrial giants to join hands, according to observers.

In case of the auto industry, the American Big Three are already in tie-up with Japanese makers.

Toyo Kogyo is producing small trucks for Ford; Isuzu Motor is making trucks and passenger cars for General Motors and Mitsubishi Motor, passenger cars for Chrysler.

With the economic growth slowing down worldwide, it would be too risky for individual firms to go it alone in either big-scale investment or development of new technologies and sales markets, according to experts.

The MITI believes that the two biggest carmakers here, Toyota and Nissan, also back the idea of international cooperation or production sharing.

In 1971 when capital investment was liberalized for up to 50 percent, the MITI played a role in reorganizing computer makers into two groups.

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One group was made up of Fujitsu Limited, Hitachi and Mitsubishi Electric Corporation, and the other of Nippon Electric Company and Toshiba Corporation.

The two groups are vying against each other to develop internationally more competitive technology.

But the ministry is now obviously having second thoughts about Japan's technological research set-up more or less isolated from foreign contacts.

The MITI policy is shifting in favor of international cooperation as a more effective means of achieving the desired results by scrapping the old "go it alone" idea.

Eventually, the ministry reportedly believes it would be necessary to merge the two computer maker groups into one as the sole Japanese force to work with prospective overseas partners.

Fujitsu, meanwhile, has entered into an agreement with a West German firm for joint technology development.

Such international cooperation should be positively encouraged, the MITI says.

In the production of aircraft, tie-ups with foreign makers would be highly desirable as Japan lags behind in this field.

The ministry earlier let it be known that it wanted Japanese makers to make rapid strides in the field with their own efforts but now believes that massive investments to foster the plane industry wouldn't be a paying proposition.

And if the Japanese successfully produced highly competitive aircraft, the makers would have to surmount another hurdle--finding good markets.

In case of an international joint venture, the risk of large investment will be reduced, the job of tapping a new market also made easier at the same time, according to ministry sources.

Investigation On

Chicago (AP)--A Federal Grand Jury investigation could lead to indictments of top American executives of Japan's largest consumer electronic companies, the Chicago Tribune says in a copyright story in Sunday editions.

The newspaper said the investigation by the US attorney's organized crime and racketeering unit in New York centers on alleged corporate payoffs to an International Brotherhood of Teamsters local in exchange for freedom from hijacking and other troubles.

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The report said the investigation is focusing at the corporate level on sales arms of four Japanese companies--Sony Corporation of America, Matsushita Electric Corporation of America (Panasonic), Hitachi Sales Corp, and Toshiba America Inc.

The union in question, said the newspaper, is Teamsters Local 805, which represents about 2,200 truck drivers and warehousemen in New York City.

The Tribune said details of the investigation, which was initiated at the request of the US Labor Department, covers names, allegations and specific payments from 1964 through the present.

The newspaper said it had obtained from Washington sources a copy of a 35-page confidential report prepared by the Labor Management Services Administration.

The report deals primarily with events in the 1970s and details roughly \$300,000 in payments during this period of both cash and expensive electronics equipment.

Under the Taft-Hartly Act and the Organized Crime Control Act of 1970, it is illegal for union officials to take bribes and also illegal for corporations to offer them.

The Tribune reported that a regulatory official said both union and corporate officials are targets for indictments.

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SCIENCE AND TECHNOLOGY

UK-JAPAN JOINT JET ENGINE DEVELOPMENT

Tokyo THE DAILY YOMIURI in English 23 May 79

[Text] Mitsubishi Heavy Industries (MHI), Ishikawajima Harima Heavy Industries (IHI) and Kawasaki Heavy Industries (KHI) have decided to tie up with Rolls-Royce, of Britain, for the development of an aircraft jet engine, a government sources Tuesday disclosed.

The three companies will sign a technological tie-up agreement with the British company in or after June.

The International Trade and Industry Ministry (MITI), which favors international specialization plans to back up this project.

The three Japanese companies and Rolls-Royce will join hands in research for and development of an aircraft jet engine with a thrust of nine tons.

There is a strong probability that the engine thus developed will be used in the YXX, a third-generation jetliner to be developed by Japan's aircraft industry.

Rolls-Royce around August last year proposed to Japan's heavy machinery industry joint production of a jet engine to be developed by the British company.

The Japanese side withheld an immediate answer because at that time, MITI's Industrial Science and Technology Agency had a plan to develop a jet engine by 1980. MITI feared duplication of investment.

It was agreed later to combine the technology of the agency and the technology of Rolls-Royce, and develop, through joint endeavors, a jet engine with a thrust of nine tons.

A problem remains for the Japanese side: how to raise ¥50 billion, which is the Japanese share of the cost for research and development.

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SCIENCE AND TECHNOLOGY

MITSUI, KAWATETSU DEVELOP REVOLUTIONARY COKE PROCESS

Tokyo MAINICHI DAILY NEWS in English 25 May 79 p 5

[Text] An epoch-making plant process designed to recover and remove ammonium in coke oven gas has been jointly developed by the Mitsui Construction Co. and the Kawatetsu Chemical Industry Co., it was announced recently.

Called the KAMIAM system, the newly developed process will not only reduce costs involved but contribute greatly to preventing industrial pollution.

The coke oven gas liquor produced in the process of manufacturing coke contains ammonium, hydrogen sulfide, cyanide, carbonic acid gas, in addition to oily substances and phenol. Ordinarily the COG liquor is disposed by the activated sludge disposal system after removing ammonium, hydrogen sulfide, cyanide and carbonic acid gas by steam stripping.

The KAMIAM system developed by the two companies, a kind of steam stripping process, has the following outstanding features:

1. Although fixed ammonium in the gas liquor cannot be removed by the existing methods, the KAMIAM system is capable of resolving and removing it by using lime.
2. Since quicklime or calcium hydroxide is used instead of expensive caustic soda to resolve fixed ammonium, the running cost can be reduced greatly. The cost of alkaline agent used for fixed ammonium per ton is 26,000 yen in the case of calcium hydroxide (slack lime) and 118,000 yen in the case of caustic soda.
3. Since the new process does not cause clogging by the use of lime, it can be operated continuously for long hours.
4. The still requires cleaning generally once a year whereas with the ordinary process it requires cleaning once every two months. Since the new cleaning method does not require dismantling of the column, operations can be resumed in about eight hours.

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5. With the adoption of the lift tray, the amount of steam can be reduced and the diameter of the column is about one half the ordinary one resulting in a cost-down.

The new system was developed at a cost of about 200 million yen. The Mitsui Construction Co. plans to stage full-fledged sales activities both at home and abroad in anticipation of stricter regulations against ammonium. A KAMIAM system plant, capable of disposing of 40 to 50 tons, is expected to be priced at 800 million yen. The two companies have already filed patent applications with six Western countries.

A Mitsui spokesman also reported that at least one KAMIAM plant will go into operation at home within the year.

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SCIENCE AND TECHNOLOGY

NREA URGES ENERGY RESEARCH FUNDING

Tokyo MAINICHI DAILY NEWS in English 23 May 79 p 5

[Text] The Natural Resources and Energy Agency has decided to seek legislation of new taxes to finance development of new sources of energy, officials said Monday.

The agency will press for legislation of measures to promote development of new energy sources (including coal liquefaction), institute new taxes and set up a special fund to pool money to finance alternate energy development efforts.

The agency, which comes under the Ministry of International Trade and Industry (MITI), will try to talk the Finance Ministry and other government offices as well as the ruling Liberal-Democratic Party into agreeing to include the measures in the fiscal 1980 government policy, the officials said.

The move has been promoted by prospects for future oil supplies being clouded by uncertainties in the Mideast situation and moves of the Organization of Petroleum Exporting Countries.

Warnings by the 20-nation International Energy Agency and the U.S. Central Intelligence Agency that an oil crisis would come in 1985 or earlier also have added to a general feeling of urgency. The officials pointed out the need to speed development of coal liquefaction technology and geothermal, solar and other new energy sources to ensure the nation's economic security.

The agency will also seek fiscal and monetary help and tax credits for the electric power, steel, petrochemical and other major oil-consuming industries to switch to other sources of energy.

The planned taxes of about 1.5 percent on electricity, gas and petroleum products will create funds of about 230 billion yen each year, according to present estimates.

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Because key subjects for discussion at the economic summit in Tokyo next month are expected to include the energy problem, MITI is working out an energy strategy to show a positive stance on the part of Japan, the world's second largest importer of crude oil.

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SCIENCE AND TECHNOLOGY

BRIEFS

RAINBOW PROJECT--A government-related source reports that the Agency of Industrial Science and Technology intends to start a new "big project" energy program on biomass conversion systems. The project, a parallel to the Sunshine and Moonlight projects, is expected to require funding of 50 billion yen over 10 years. A budget of 2.5 billion yen will be sought for JFY 1980, the first year of the program. [Tokyo MIHON KOGYO SHIMBUN in Japanese 25 May 79 p 1]

MITI SPACE COMMITTEE--The Ministry of International Trade and Industry (MITI) has declared its intent to embark on fostering a satellite industry and to tackle research on launch of a resources survey satellite. Judging that launching satellites is moving from the research to the practical stage, MITI is setting up a "Space Development Research Committee" and intends to create a governmental-private satellite development organization including the Science and Technology Agency, the Ministry of Posts and Telecommunications, and so forth. This is the first major move by MITI in the space development field. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 18 May 79 p 1]

HTGR PLANNING--The Japan Atomic Energy Research Institute has placed an order with Fuji Electric, Hitachi Ltd, Japan Atomic Power Co, and Mitsubishi Heavy Industries for the comprehensive systems design for an HTGR featuring production of 1,000°C helium at 40 atmospheres pressure. Preparation of detailed designs for the reactor is scheduled to start in JFY 1980 and run about 3 years and construction of the reactor is planned to start in mid-JFY 1983. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 29 May 79 p 6]

CENTRIFUGE ENRICHMENT--The first 1,000 uranium enrichment centrifuges have been installed at the PNC's Nigyo-toke pilot plant. If all goes smoothly, test operation will start in July and regular operation in August. Installation of the improved OP-1B and OP-2 centrifuges (3,000 centrifuges each) is scheduled for next year and year after next. [Tokyo GENSIRYOKU SANGYO SHIMBUN in Japanese 10 May 79 p 3]

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COAL LIQUEFACTION PLANT--The Agency of Industrial Science & Technology, MITI, has asked Sumitomo Metal Industries and Sumitomo Coal Mining to revise plans for a 40 ton-day pilot plant for solvent coal liquefaction to be completed in JFY 1985 into plans for a 250 ton/day pilot plant to be completed in JFY 1984. The two firms have just started a construction of a 1 ton/day plant and have misgivings about attempting such a quantum jump but see some possible advantages. They are starting a feasibility study for a plant somewhere in size between 40 and 250 ton/day capacity. The government pressure is viewed as a result of the worsened oil situation and a desire to promote technology for the Japan-U.S. liquefaction project that was an outgrowth of the Ohira-Carter meetings. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 29 May 79 p 1]

SHIPBUILDING COMPUTERIZATION--Hitachi Shipbuilding & Engineering has computerized processing of shell expansion for the bow and stern of ships, reducing time required by half. This labor saving is significant for medium and small ships, and Hitachi intends to sell the system overseas via Hitachi Shipbuilding Information System. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 19 May 79 p 1]

AUTOMATED SHEARING LINE--Koga Kozai, joined by Aizawa Tekkosho, has developed a fully automated numerical-control shearing line said to have an operating efficiency five-fold that of conventional lines. The line will go into operation this month. [Tokyo DENPA SHIMBUN in Japanese 23 May 79 p 10]

TITANIUM-CLAD ALUMINUM--Kobe Steel has developed a low-cost, high-quality titanium clad aluminum plate. The material, clad on one or both sides by vacuum soldering using an SiAl solder, can be used for electrodes, chemical tanks, pipes, and other applications. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 23 May 79 p 6]

IMAGE RECORDING MATERIAL--Fuji Photo Film has developed a new image recording material structurally composed of a protective layer, a metal thin film of Sn plus SnS formed by vacuum deposition, and an undercoating of polyolefin on the base film. This laser direct recording film is a heat-mode type, and hopes are high for computer and facsimile applications. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 16 May 79 p 5]

PLASTIC MAGNET--A Tohoku University research group and Mitsubishi Steel have jointly developed the world's first plastic magnet usable at 180°C by using a boron (B-2) polymer as the bond material. [Tokyo NIKKAN KOGYO SHIMBUN in Japanese 18 May 79 p 5]

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