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Japan Report

(FOUO 32/80)

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JAPAN REPORT

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CONTENTS

POLITICAL AND SOCIOLOGICAL

Japan's Vice Foreign Minister Interviewed on Policy
(Toshiya Kawahara, Masanori Tabata; THE JAPAN TIMES, 31 Oct 80) 1

'AKAHATA' Critical of Proposal To Revise Security Treaty
(JPS, 10 Nov 80) 4

Japanese Socialist Splinter Party Seeks Conservative Coalition
(THE JAPAN TIMES, 17 Nov 80) 5

Heavy Task Awaits Suzuki Cabinet
(NIHON KEIZAI SHIMBUN, various dates) 6

Conjecture on LDP Stability, Post-Suzuki Leadership
(YOMIURI SHIMBUN, various dates) 22

Part 1. Hawkish Trend
Part 2. Intraparty Factional Strife
Part 3. Former Prime Ministers
Part 4. Time Bomb
Part 5. Succession Issue

Japan's CP's Miyamoto Interviewed by Italian Paper
(JPS, 3 Nov 80) 35

'AKAHATA' Explains JCP's Nonparticipation in Berlin Conference
(JPS, 3 Nov 80) 39

Briefs
LDP Faction Resumes Activity 40

ECONOMIC

Perceptions of Japan-U.S. Trade War Examined
(Naohiro Amaya; THE JAPAN TIMES, 9 Nov 80) 41

'AKAHATA' Comments on U.S. ITC's Decision on Car Imports (JPS, 12 Nov 80)	44
MITI To Draft Long-Term Auto Industry Survival Strategy (THE JAPAN TIMES, 15 Nov 80)	45
Editorial on Petrodollar Investments (Editorial; THE JAPAN TIMES, 30 Oct 80)	47
SCIENCE AND TECHNOLOGY	
NTT Develops New Optical Fiber Cable (THE JAPAN TIMES, 11 Nov 80).....	49

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POLITICAL AND SOCIOLOGICAL

JAPAN'S VICE FOREIGN MINISTER INTERVIEWED ON POLICY

OW011150 Tokyo THE JAPAN TIMES in English 31 Oct 80 pp 1, 5

[Article by Toshiya Kawahara and Masanori Tabata]

[Text] The Soviet Union must show its intention to improve relations with Japan through action rather than words should it really want to normalize bilateral relations, which have been strained since the Soviet military intervention into Afghanistan last December, says Vice Foreign Minister Masuo Takashima.

In a recent interview with THE JAPAN TIMES, Takashima said, however, that Moscow has so far flashed no signal of such a positive move toward political rapprochement with Tokyo. He stressed that the Soviets must first sit at the negotiating table over the long-pending territorial issue with Japan in accordance with the spirit of the Japan-Soviet joint communique of 1973.

He discussed Japan's relations with the Soviet Union, the U.N. and the Association of Southeast Asian Nations (ASEAN), and its increasingly important role in the international community, among other topics.

Touching on Soviet-Japanese relations, Takashima said emphatically that the Japanese Government, in principle, regards the Soviet Union as an important neighboring country, just like China, and is ready to improve its relations with Moscow.

But he denied in a strong tone a recent charge by the Soviet official organ Izvestiya that Japan is taking an anti-Soviet stance under the pressure of the United States and China to isolate Moscow in the international community.

Takashima said that the Soviet Union has not changed its adamant attitude toward Japan and still maintains that there is no territorial issue existing between the two countries. He denounced the Soviet military buildup on the four Japanese-claimed islands off the coast of Kohhaido. "There is no doubt that such an attitude will only get on the nerves of the Japanese people," he said.

Under such circumstances, he said, the Japanese Government cannot accept the latest informal Soviet call on Japan to promote economic relations by first shelving political issues, which was also the main theme of Soviet President Leonid I. Brezhnev's recent speech. Brezhnev devoted a relatively large portion of it to Soviet-Japanese relations.

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As a step forward toward resumption of formal dialogue over bilateral political issues, the vice foreign minister said, he was looking forward to the realization of the pending visit to Japan by Soviet Foreign Minister Andrey A. Gromyko. With it will be reopened negotiations between the two countries over the territorial issue and conclusion of a peace treaty, he said.

"So far, no positive sign of initiative on this score has been seen in Moscow's moves," Takashima said.

Stressing the importance of Japan's relations with ASEAN, he said that Japan has cooperated with ASEAN in supporting Cambodia's Pol Pot Regime in its campaign against the Vietnam-backed Phnom Penh-based Heng Samrin Government to retain its seat in the United Nations because of the need to stand up for the fundamental rules of the international community.

The root of the Cambodian problem, according to Takashima, is that fact that Vietnam invaded the country and established a "government" to its liking and is now trying to support it by means of military force. "We can never approve of such an act which runs counter to the principles of the international community which aspires after justice and order," he said.

Takashima said, however, that the government does not necessarily approve of the past policies or deeds of the Pol Pot Regime, which is now widely criticized by many members of the international community for allegedly carrying out genocide when it was seated in Phnom Penh.

He acknowledged the fact that neither the Pol Pot Regime nor the Heng Samrin Government effectively controls Cambodia at present, with no capable third force emerging yet to rule the country.

The Cambodian problem should be solved on the basis of self-determination of the people of Cambodia by Vietnam withdrawing its troops, he said.

Takashima said that Japan would spare no effort to use their cooperation with the countries of ASEAN to promote a political settlement of the issue. He said that the world community cannot let Vietnam impose its intention to make the Cambodian invasion a fait accompli. Just as it cannot condone the Soviet military intervention in Afghanistan.

On Prime Minister Zenko Suzuki's planned visit to ASEAN member nations next January, Takashima said the situation in Southeast Asia has changed greatly since Former Prime Minister Takeo Fukuda visited the region in 1977.

Among the notable changes he pointed out, is the new situation in Indochina where the Soviet Union and Vietnam have forged strong ties based on a bilateral treaty of friendship, while Hanoi has come to engage in an open confrontation with Beijing. Both sides armed to the teeth.

Takashima said Japan is determined to strive to further promote efforts for peace and prosperity of the countries of Southeast Asia, namely the five ASEAN member countries, the three Indochinese countries and Burma.

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"We must particularly keep open the channels of dialogue with a country whose political system differs from our own," Takashima said, apparently indicating Vietnam.

As a newly elected non-permanent member of the United Nations Security Council for the 1981-82 term, Japan will play a positive and constructive role to uphold world peace and security, he said.

He said Japan will eventually be asked to increase its contribution to U.N. peace-keeping efforts, particularly in terms of human resources, in addition to financial support.

But Takashima ruled out the possibility that the government would send officers and men of the self-defense forces to become members of the U.N. peacekeeping forces, on the ground that the present self-defense forces law prohibits overseas deployment of SDF personnel.

"Instead, the government is considering the sending of Japanese civil servants to Namibia to join the U.N. team there to supervise free general elections in that country," he said.

The vice foreign minister said that Japan's status in the international community has been greatly enhanced in recent years in accordance with its expanded responsibilities in the world body and the increasing expectations of other countries.

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CSO: 4120

POLITICAL AND SOCIOLOGICAL

'AKAHATA' CRITICAL OF PROPOSAL TO REVISE SECURITY TREATY

OW101051 Tokyo JPS in English 0858 GMT 10 Nov 80

[Text] Tokyo Nov 10 JPS--One of the brain trusters of Reagan, president-elect, former admiral of the U.S. Navy William Middendorf, has sent letters to security-related liberal democrats in late October, proposing that the issue of amendment to the present Japan-U.S. security treaty should be placed on the subjects of official talks, it was learned recently.

In his letter sent to Noboru Minowa, acting chairman of the LDP Security Research Council, and other LDP Diet members, Middendorf wrote that the issue shall be taken up as one of official items of agenda in the second Japan-U.S. seminar on security, scheduled to be held in next May, in Washington.

Minowa told the press corps on November 8, as follows: Middendorf raised ten-point item of agenda for the second seminar, including (1) analysis of the military power of the Soviet Union, (2) analysis of the situation of the Korean Peninsula, (3) on setting up a Pacific parliament, centering on Japan and the U.S., as well as the issue of revising the security treaty. Saying that now is the time to revise the treaty, Middendorf took up the questions: (1) Japan's responsibility for 'defense' of sealanes, (2) introduction of a provision calling for a bilateral treaty, by which Japan must bear the responsibility of defending the U.S. He also reportedly proposed to hold discussions on provisions of the Japanese constitution.

Tomoo [name as received] Mihara, chairman of the LDP Security Research Council, Minowa and others of the LDP are to visit the U.S. at the end of this month, in which they plan to exchange views on how to treat the proposal for amending the treaty.

AKAHATA on November 9 commented on this, saying:

"The Japan-U.S. seminar on security itself has been undertaken at the call of the U.S Republican Party. Middendorf is one of [the] members mapping out military, diplomatic and economic policies. All of these provide ample evidences that, with the inauguration of the Reagan administration, there will be a strong possibility that the issue of revision of security treaty and the constitutional amendment will be placed on the subjects of coming official talks between Japan and the U.S. governments."

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POLITICAL AND SOCIOLOGICAL

JAPANESE SOCIALIST SPLINTER PARTY SEEKS CONSERVATIVE COALITION

OW180929 Tokyo THE JAPAN TIMES in English 17 Nov 80 p 2

[Text] The Social Democratic Federation (Shaminren), a 1978 spinoff from the Japan Socialist Party, adopted at its party convention Sunday policies calling for promotion of a coalition with conservative forces and for joining hands in the diet with the new Liberal Club, a minor conservative party, amid strong opposition from many members.

The party convention was the first to be held since the party's founding in March 1978.

It also re-elected as leader Hideo Den and as secretary-general, Yanosuke Narazaki.

But Yutaka Hata, deputy secretary-general, who opposed the new party policies resigned.

In his opening address, Den said that his party should drop plans for coalition with the JSP, Komeito and the Democratic Socialist Party, and seek a new alignment of political forces by joining hands with "reformist conservatives" in order to win public trust.

He thus indicated he favored a coalition between centrist and conservative forces, rather than a coalition between the socialists and centrist parties, excluding conservatives.

Den also criticized the JSP's interim report on the new JSP policy proposing a "democratic socialist" society.

But many rank-and-file members raised opposition to the leadership's proposal by arguing that the party should not drop its socialist cause by joining hands with the NLC, a splinter party of the ruling liberal-democratic party, and other conservative forces.

The new party policies were thus approved only with what the leadership claimed to be the applause of a majority, but not by voting.

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POLITICAL AND SOCIOLOGICAL

HEAVY TASK AWAITS SUZUKI CABINET

Tokyo NIHON KEIZAI SHIMBUN in Japanese 19, 20, 22, 23, 24 Jul 80

[Article: "Suzuki Cabinet in Trying Period: Can It Carry Out Its Mission?"]

[19 Jul 80, p 1]

[Text] Financial Reconstruction

The Suzuki cabinet must continue the serious political dialogues previously shouldered by the Ohira cabinet. In short, the shadow of a world recession is drawing near a Japanese economy which is barely maintaining equilibrium, and in which the degree of deficit financing has increased alarmingly. Japan's responsibilities worldwide have also expanded. In any event, the country is carrying a very heavy load, and it does not have all that many options to pursue. All this will be a severe test of the political strength of the Suzuki cabinet.

"Cool Off" Rising Taxes

The Suzuki cabinet has made "financial reconstruction" its number one policy objective. At the same time it has begun a program to "cool off" rising taxes.

The debates on higher taxes that helped lead to the LDP's defeat in the general elections last year were considered "taboo" during this double election. Partly for that reason the LDP had an overwhelming victory. Following the election the issue was revived, and prior to the formation of the cabinet it looked as though it would be taken up by a large chorus of new party leaders led by Chairman Abe of the Policy Research Committee. However, taking cue from a statement by Prime Minister Suzuki that "we will not make 'easy' tax increases," the matter once again became taboo.

Regarding "cooling off of tax increases," in reality the general belief of the Finance Ministry is that higher taxes cannot be avoided. But if higher taxes are brought up too often the people's "tax allergy" is aggravated. Higher taxes are accepted more easily if they are brought up from the angle of budgetary restraint. Moreover, it is easier to talk about budget restraints after funds have already been gathered through higher taxes. In any event, this is only the beginning of a conservative administration with an absolute majority in the Diet. There will be at least 3 years before the next election. It is not necessary for the administration to play its trump cards at this point. It is believed that there is no choice but to shelve the tax increases that were the centerpiece of the general consumption tax (temporary name). On the other hand, there is some fear that the entire subject of higher taxes will be dropped completely if the subject is constantly hushed up.

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Anyway, Mr Hashiko Kawamoto, who developed the theory of natural tax expansion which states, "We should aim at financial reconstruction by taxes that by nature increase as a result of economic recovery," has been appointed director of Economic Planning Agency, the agency responsible for economic policy. The Finance Ministry has a "terrible experience" in 1978 when it was forced to accept large-scale expansion of government expenditures by then MITI Minister Kawamoto and Director of the Economic Planning Agency Miyazawa in their attempt for "7 percent growth." But judging from the cast of the new cabinet we should not be surprised if the natural expansion theory goes forward.

Limits to the Effectiveness of Administrative Reform

Well, since the administration is not presently considering higher taxes, where is it attempting to accomplish economic reconstruction? The Suzuki cabinet hasn't yet determined its stance. The phrases "administrative reform" and "budget supplements readjustment" are mentioned so frequently it has grown tiresome. Administrative reform is the first precondition of financial reconstruction. That is to say, administrative reform and reducing general administrative expenses will not have that big an effect on reducing total appropriations. Because budget supplements account for a full one-third of the total general budget, cuts in that area are a major step towards financial reconstruction, but what is not widely known is that these supplements are mostly composed of administrative expenses of such policies as social security, education and public work programs. Implied in the words "administrative reforms" is the idea that public officials must first correct themselves. On the other hand, also implied is that the government does not want the people to feel any pain from the reforms. However, present financial deficits have forced the country into a position in which that cannot be easily done. The amount of government bond issue outstanding the end of this fiscal year will be approximately 71 trillion yen. That works out to around 600,000 yen per person.

In attempting to reduce annual expenditures, means are being sought to cut into the administrative expenses of relief programs for the people, but this will probably not be painless. Japan's international economic role is increasing and it must assume the attendant responsibilities. In particular, international tension is increasing in the form of confrontation between the USSR and the United States. The question is how to handle "security costs" such as defense expenditures, aid and energy development. At the U.S.-Japanese Summit meeting in May the late Prime Minister Ohira was requested by President Carter to move the completion date up a year on the Defense Agency's "Mid-term Operations Forecast." As an ally, Prime Minister Ohira promised to give it "serious thought." This will depend on how the Finance Ministry's insistence that defense expenses not be handled separately is accepted by the conference to be held the end of this month at which the framework for next fiscal year budgetary requests will be established.

Government Shortcoming Which Creates Deficits

On the other hand, there are other clouds casting a shadow on economic recovery. Director General Kawamoto of the Economic Planning Agency has called for another study on implementation of public work projects with an eye towards fiscal restraint. On the other hand, he asserted that they would not try to revise the New Economic Society Seven-Year Plan. If that is the case, the backbone of the plan, a 240 trillion yen public works investment program, will remain. The Finance Ministry, which feels that public works is one of the first areas that should be trimmed, will be at wit's end if pressure builds up in this area of the budget again.

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Japan is rapidly becoming a society of old people. Even if annuities, etc. don't change under the present social security system, after another 20 years the government will be shouldering a welfare burden equal to those of the Western European countries.

"When the government raises price supports to rice growers, and then makes up the difference to consumers, it's obvious that the deficit is going to increase. This is a shortcoming of politics." By this example Finance Minister Watanabe expresses how a 3k deficit begins from the government's tendency of wastefully using the surgeon's blade. At no other time has there been a greater need to be able to distinguish between these kinds of financial waste and true financial need.

Moreover, it is "time for the people to choose between higher welfare and higher taxes or fewer government services." (Finance Minister Watanabe) This is because in order to substantially increase taxes we will have no choice but to use roundabout means. However, if you do that can you continue to declare that you are "cooling off" rising taxes? On the other hand, if it is decided that increased taxes cannot be avoided entirely, wouldn't it be better to work to obtain understanding at an early stage? To assign clear priorities to the annual budget and bravely ask the people for more money--this will be a big test of the leadership ability of the Suzuki cabinet.

"Producing Evidence To Convince the People," by Kenichi Tominga, professor, University of Tokyo [in box]

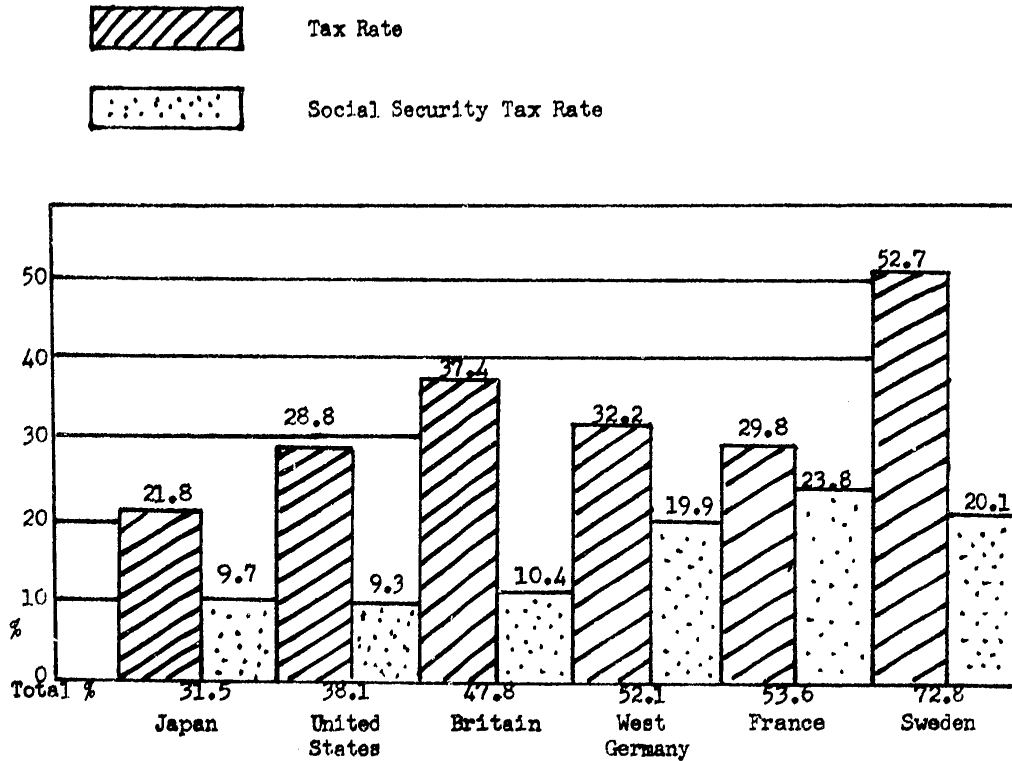
[Text] The late prime minister advocated higher taxes and, consequently, lost the election, but the big problem was in his presentation. The opposition parties opposed higher taxes for opposition's sake, and because no matter that higher taxes are not good news to the people, the end result was a great chorus of opposition. How to present the need for higher taxes is very difficult, but some kind of evidence to persuade the people should have been presented. One example is the fact that Japan is not the only advanced country that is having to face higher taxes. A better job needs to be done in persuading the people. One of the best ways is to use the tactic of linking costs and benefits. Higher taxes will not be welcomed, but you must at least convince the people that they are necessary.

Administrative reform is certainly an important part of financial reconstruction, but do we need to look at this in such a negative way? We should take a positive attitude and be glad this is all that is necessary, and once again we should also specify both the costs and benefits. It is precisely for this purpose that political leadership is sought.

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International Comparison of Taxes and Social Security
As a Percent of People's Income



Note: Figures for Japan are for 1980, other countries for 1977.

[20 Jul 80, p 1]

[Text] Recovery--Prices

Immediately after the inauguration of the new cabinet on the 18th, Bank of Japan President Maegawa was busy rushing between the prime minister's residence and several of the government ministries. First he spent 5-6 minutes with the prime minister. Then in turn he visited Finance Minister Watanabe and Director General Kawamoto of the Economic Planning Agency.

Now is the crucial moment of the tight money policy adopted following the second "oil shock." With only a little more patience Japan will reach the top of the mountain. At this crucial moment all would be ruined if the government even mentioned reducing the official interest rate. Because the prime minister would be having a press conference very shortly, Maegawa wanted to be sure to coordinate views beforehand. It was with that in mind that he made these visits.

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Slightly Discrepant Statements

Nevertheless, it appears that everything did not go exactly as the Bank of Japan hoped. Each of the statements made by the prime minister and the cabinet ministers to reporters on the topic of readjusting monetary policy had slight discrepancies.

The prime minister said, "We want to move cautiously while watching the recovery and prices carefully."

The Finance Minister stated, "We want to see how things go for a little while longer."

The director of the Economic Planning Agency said, "The quicker the better."

Why did these discrepancies occur? Part of the reason is undoubtedly that they did not have enough time to coordinate views following the inauguration, but that is not the only reason. It also occurred because they each have different views on the following three major points regarding the direction of the recovery and price policies.

The first area is recovery forecasts. The raw materials production sector typified by the steel and petrochemical industries is already experiencing excessive inventories and is moving to cut back production. Private investment in plant and equipment is riding a firm mid-term rising trend, but exports face a downturn because of the United States recession. Private consumption lacks strength, and the housing market is in a slump. Places like Hokkaido are feeling the full effects of restraints of public work projects, and some places are beginning to develop full-fledged depressions. It follows from the foregoing that the recovery has lost speed since early fall, and we have entered into a readjustment situation.

The Bank of Japan has withdrawn its once bullish recovery prediction, and is now forecasting a "minor recession within the bounds expected." Some in government and industry circles are worried that "the slump in the United States recovery was greater than anticipated, and this will have considerable impact on exports." Economic Planning Agency Director General Kawamoto is one of these people.

The second point is prices. Oil inflation and wholesale prices have peaked for the time being, but consumer prices are expected to climb fairly sharply until at least August. Whether "we have seen the end" or "not yet" is yet another argument.

Yen Market Confuses Judgment

The third areas that will make determining price policy very difficult will be the yen market from this summer to the end of the year. The rising yen that had been a big force in lowered wholesale prices in May and June has come to a standstill. From the end of June to the middle of this month the yen has even dropped, and the first 10 days of this month wholesale prices have climbed more than in the past 2 months. Foreign capital which up to the middle of June has poured into the country in large quantity has also tapered off. When exports don't increase, our international balance of payments deficit also does not decrease. As a result, discounting forward yen is spreading on the Tokyo Foreign Exchange Market. The Bank of Japan fears that if it hurriedly drops interest rates in this situation, it might prompt another drop in the yen.

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How to handle recovery and price measures will be one of the first big tasks of the new Suzuki cabinet. Undoubtedly there will be slight differences of opinion within the government and between the government and the Bank of Japan regarding how it should be done.

However, because that will be the case is not reason enough to say that there will be confrontation of views about the basic overall direction of the economy and policy implementation. Even the groups calling for quick readjustment of the monetary policy are not saying there should be a one-step change from a "price priority" model to a "recovery stimulus" model. Also, the Bank of Japan does not feel that it must defend the 9 percent official rate at all costs. It has a flexible outlook saying, "If we can, in the near future we would like to readjust the emergency-like high interest rates and return to a normal tight money policy."

In that sense, it can be said that the government and the Bank of Japan are in tacit agreement on changing the "price priority" model to a "watching both recovery and prices" model when the time is right. All that remains is selecting the right time. What they are looking for is a "go sign" that price stability has been reached.

Economic Planning Agency Director General Kawamoto is saying, "the end of August," and Finance Minister Watanabe is saying, "Let's look at the situation the beginning of the fall." At present the movement of industrial production and inventories is difficult to grasp because of the reduced production--but early reaction during the first quarter. However, by the end of August we will know the national QE (Quarterly Earnings) for April-June, the Bank of Japan's short-term economic forecast and the August consumer price index (Tokyo). When will West Germany, whose economic situation closely resembles Japan's, take the step to lower its interest rates? That will also become apparent, and in late fall it will be easier to gauge the international money market as well as the yen market.

If this recession is not to become as serious as those following the oil crises, we must move soon to make policy changes after correctly ascertaining the key points outlined above. In order to follow a path of long-term stable growth it will also be necessary to keep inflation under firm control by holding next year's spring wage offensive down to within the capabilities of industry much the same as this year.

"Relax Monetary Policy, Tighten Financial Policy," by Hisao Kanamori, director of the Japan Economic Research Center [in box]

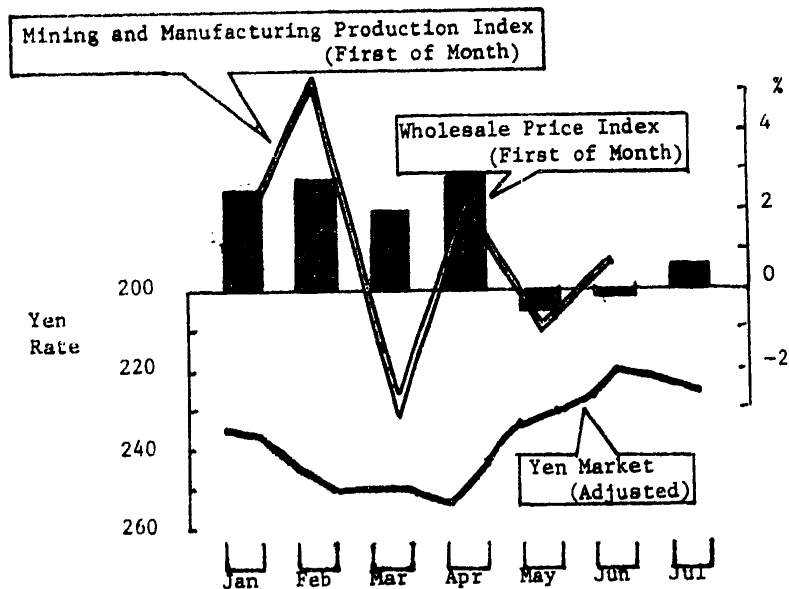
[Text] Business cycles are not bad in and of themselves. In part they act to adjust inventories, and they are a short-term adjustment to reduced first quarter production. The United States recession will slow future growth of exports there, but exports will still increase to the Middle Eastern oil countries. Plant investment is strong, and if the "investment recovery" continues worker incomes will increase and individual consumption will also rally.

However, current interest levels are too high. If the commercial interest rate remains at 10 percent too long, firms will become excited about transferring capital to the money market and stop making products. There is no alternative to increasing the official interest rate in order to restrain prices, but fundamentally speaking low interest rates are desirable. Lower interest rates in the United States led to a rising yen trend. Because wholesale prices have also peaked, how about lowering the official rate 2 percent? If you have a policy combining relaxed interest rates and tight financing, plant investment will not drop and financial reconstruction will also be aided.

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Recent Price, Production and Yen Rate Trends

Note: Production figures for June are estimated.



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[22 Jul 80, p 1]

[Text] Energy

"Let's make 1980 the first year of economic security." This has come out of government circles as the slogan of the Suzuki cabinet. This is because 1980 is the first year of really trying to nail down an economic security system.

Amiable Environment

The nucleus of the system will be energy security. At the time of the first energy crisis, very few people had ever thought that a food shortage would develop because ships carrying foodstuffs were unable to sail for lack of bunker oil. Now the importance of a secure energy supply is fully instilled in the minds of everyone. For that reason, it is believed this will be a much easier topic for the new cabinet to address than that of financial reconstruction.

More than anything, resource-poor Japan must hurry to develop alternate energy sources to replace oil in order to achieve energy self-reliance. The time for debate is past. The problem at hand is by what means to increase Japan's supplies of alternate energy forms such as nuclear, coal and solar energy.

Presently, energy sources other than petroleum account for a little more than 25 percent of Japan's primary energy supplies. The goal in the government's long-term forecast of energy supply and demand is to increase this to 37 percent after 5 years. However, this forecast was formed on the basis of 6,300,000 barrels of oil imported daily by 1985. There are some who feel that more than 40 percent of Japan's energy must come from alternate sources, because in reality world conditions are such that we do not know if we will be able to obtain even that amount. Many are saying, "We must push for alternate energy resources as rapidly as possible, and failing this we must concentrate on energy conservation even more because we have no choice but to reduce our demand for primary energy resources." Even so, the pace of developing alternate energies has been very slow. Yutaro Ikeda, managing director of the Japan Research Institute on Energy and Economy asserts, "Matters such as which area's oil-fired electricity generating plants should be converted to coal are specific policies that the government must promote. That is a topic being considered by the cabinet."

Of course, in increasing the number of atomic and coal-powered generating plants, there is the problem of working things out with the local people in the areas of location. However, this is an opportunity for the new cabinet to display just how well they will be able to handle this type of political problem.

Officials Must Get Along With Middle Eastern Countries

Even if Japan speeds up development of alternate energies, for the time being it has no choice but to rely on oil. "Regrettably, if Middle East oil was disrupted by another conflict, Japan's economy would have a heart attack." (head of MITI) Therefore, one of the biggest tasks for the new cabinet is securing stable oil supplies.

Energy diplomacy, diversification of oil suppliers--of these two Japan has made considerable progress in diversifying oil supplies. Japanese oil companies and trading companies have not been able to get Iranian oil since the end of April, but they have been able to make up that amount from other producing countries such that we have a system by which we can get by even without oil from Iran. Where we do not compare favorably with Europe and the United States is in the area of energy diplomacy. Amegaya Tadahiro, chief advisor on trade and industry in MITI, recently visited Saudi Arabia and Iraq, and while in Iraq he was deeply impressed that Iraq would "like more visits by Japanese officials."

One of the primary qualifications for ministers dealing with energy is that they be "someone who can get along with the oil-producing countries." Former MITI Minister Sasaki said in his farewell interview, "In former times the minister of commerce and industry met with industry leaders, and as long as they got along with them all right everything was fine, but lately they must work hard at negotiations with the oil-producing countries on such things as GG (government-to-government) oil deals, etc." New MITI Minister Tanaka also notes, "Officials going overseas should not have great expectations."

Many oilmen say, "If government officials will even just visit an oil-producing country frequently, that country's exports to Japan will increase by 100,000 barrels a day," but it's obvious that Japan is not without some bargaining power. Japan's most effective bargaining power is probably economic assistance centered around technological help.

How To Traverse the Chasm

A new energy development organization for promoting alternative energies will be inaugurated on 1 November. Also, the new cabinet is making positive moves in the area of energy diplomacy. In addition to its own energy conservation measures, Japan is engaged in talks on joint energy conservation measures with the United States.

A conference of Japanese and American experts has been set as a fact-finding body by the governments of both countries. This group has been working on presentations to both governments on establishing a cabinet level conference to discuss energy conservation. This is doubtless due to a premonition of a future crisis in obtaining Middle Eastern oil.

Even if there wasn't a drastic change in the Middle East situation, a tapering off of the oil supply is not too distant. On the other hand, we will have to wait until the 21st century for the development of new energies such as nuclear fusion that are the frontrunners to replace oil. The question is how we will traverse this "energy chasm." The future of Japan hinges on how well the new cabinet acts with regard to energy problems.

"Public Corporations To Also Import Oil," by Takeo Murakawa, Tokyo Gas Co. Ltd., President [in box]

[Text] One must be impatient with the government's alternative energy development plan. It is based upon coal and atomic energy, but with present moods it will be impossible for the government to locate the projected number of atomic and

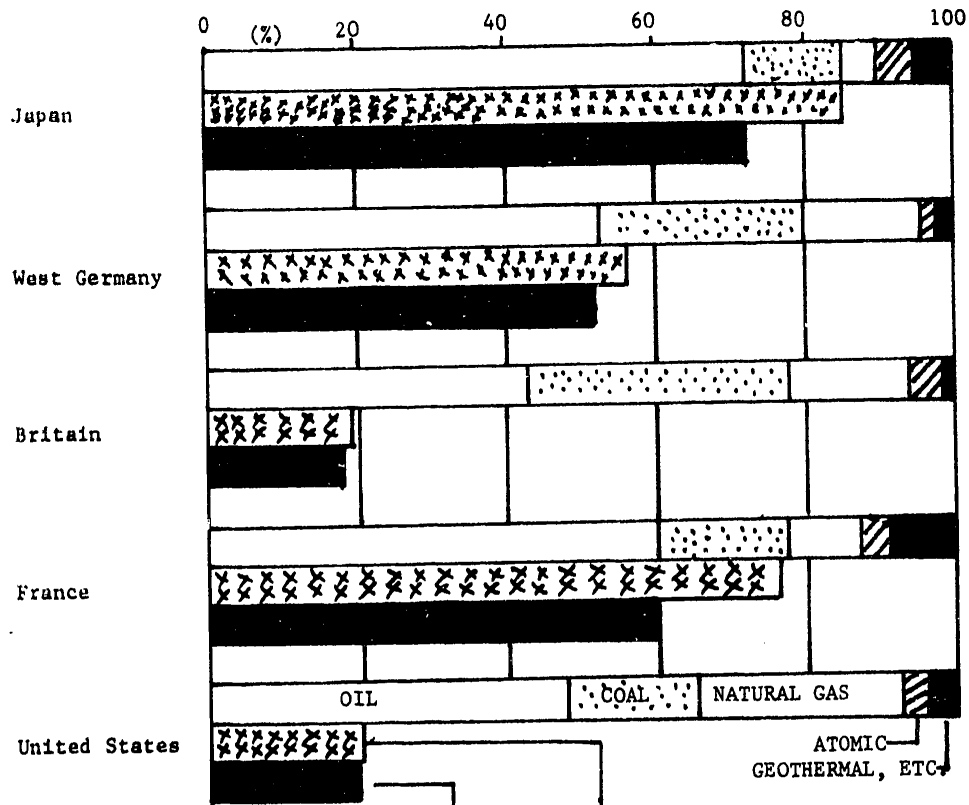
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coal-powered generating plants by 1985. It's fine and well for the government to discuss how much energy alternate energies can supply, but they should also be considering more concrete problems such as when and in what form they will locate these coal and atomic-powered plants. Since the government has made international commitments to "reduce oil-fueled generating plants," the new cabinet needs to devote all its energy to keeping this promise.

Because the oil supplies of the major oil companies are diminishing, in the future we will see more GG (government-to-government) transactions. DD (direct dealings) trading companies and oil companies will still be necessary, but we need to increase the oil we obtain by direct negotiations with the oil producing countries. Therefore, the new cabinet should develop an aggressive posture on energy diplomacy. It would also be a good idea to make the necessary political changes so that the public oil companies will be able to import oil.

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Composition of Energy Resources of Major Countries
(1978 OECD Survey)



Percentage of Oil Imports
Percentage of Imports of Total Energy

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[23 Jul 80, p 1]

[Text] Foreign Policy Adjustment

"Domestic matters are in the hands of capable people, but foreign affairs remain an area of concern." By this comment it is plain to see that the leadership of the Federation of Economic Organizations (Keidanren) is not hiding its uneasiness over the Suzuki cabinet. This is an expression of apprehension over how well Prime Minister Suzuki, who has little experience in foreign affairs, will be able to operate in a world filled with many dynamic leaders.

Declining Economic Power of the United States

For a fact, foreign policy issues facing the Suzuki cabinet have accumulated into a big pile. Although there is a brief lull at the moment, big issues that must be faced soon are how to handle the situations in Iran and Afghanistan, and how to maintain relationships with allies in the Western camp. One more area is how to solve international trade disputes over such things as "opening procurement of materials for the Nippon Telegraph and Telephone Public Corporation" and Japan's rapid increase in automobile exports.

In response to these concerns, the Suzuki cabinet promptly announced continuation of "peace diplomacy." It has taken a very positive attitude on "maintaining alliance relationships, particularly with the United States, and while strengthening the country also resolving the Nippon Telegraph and Telephone issue by October if possible." (Foreign Minister Ito) However, "adjusting foreign policy" is much easier said than done. Moreover, the problems confronting Japan now are not necessarily the same as when they were received from the previous cabinet. Depending upon future international circumstances, "problems similar to Iran and Afghanistan may erupt throughout many parts of the world." (Foreign Ministry leaders) A major change is believed occurring in the existing framework of society, and Japan is directly in the path of that storm. The collapse of detente, the breakdown of the advanced countries and chronic energy problems--there are many faces of this structural change. However, underlying this current is the decline of the United States. Because of its overwhelming economic power, the United States spread dollars and arms around the world in supporting the free world following World War II. However, since the 1970's that economic power has been declining rapidly.

Twenty years ago the United States had nearly half the total GNP of the free world, but today it has slipped to around 30 percent. The symbol of this decline occurred in 1971 when the conversion of dollars for gold was stopped, but the dollar has continued to decline, and since the freezing of Iranian assets transactions in other currencies have increased. On the international marketplace the United States has fallen behind West Germany in total exports, and Japan has caught up in many industrial sectors such as steel and automobiles.

Time To Sacrifice Economic Interests

The United States has also declined in other areas besides economic. The balance of military power between the United States and the Soviet Union following the war reversed in the late 1970's, and many experts now believe that the Soviet Union is stronger. The Soviet Union and Saudi Arabia also unveiled another important weapon in the 1970's in the form of oil, and following the Iranian revolution the influence of the United States in the Middle East as concentrated in the major oil companies has begun to waver.

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There is no doubt that behind the endless trade discord and the United States' heavy-handed attempts to get Japan to go along with its trade sanctions in the Iran and Afghanistan problems is the decline in the United States' power. Moreover, the double digit inflation and minus growth rate of the United States economy since the second oil shock is definitely not good. There will undoubtedly be increased demands to "assume our fair share" in both political and economic affairs. Former Prime Minister Ohira always said it this way, "The United States is no longer a super power, only one of the major powers." What he was saying was that Japan's previous foreign policy of relying on the United States for military defense while it pursued economic interests will no longer pay.

As evidence of this, the phrase "a period of coexistence and mutual concerns between the United States and Japan" was used at the United States-Japan summit meeting in May, and Japan took the first step away from its previous taboos on defense matters when it promised to "deeply consider" increased defense spending. In effect this announced that although Japan deeply respects the European attitudes on Iran and Afghanistan, Japan is falling in line with the United States.

One of the Suzuki cabinet's biggest concerns in this area will obviously be how to go about implementing Ohira's policies. This is because they are being asked in what way Japan, as one of the economic giants in the world, should shoulder the cost of its alliances. Of course, one of the best ways is for Japan to exert its economic help, technology and trade. However, we may have to resign ourselves to "sacrificing economic interests from time to time to carry out our political role in maintaining peace." (Former Prime Minister Ohira)

The same is also true in economic matters. Regarding the automobile problems, although some in the United States hold the view that "Japan's way of doing things is logical" (Secretary of State Muskie), others feel, "It is time to show some consideration for the United States and give them some time (through export self-restraints, controlling factory expansion, etc.) before the United States slides into even more difficult circumstances." (MITI leaders) They believe that in the long run this will be more beneficial to the free enterprise system.

Domestic Acceptance To Be Spurred

Of course, if the government decides to pursue this foreign policy, it will be necessary to spur domestic acceptance. They will also probably push policies of higher taxes and active industry coordination. On the 21st Prime Minister Suzuki announced a "General Conference of Security," and now is the crucial moment on what will be incorporated in that conference.

"Separation of Politics and Economics Not Popular," by Ushiba Nobuhiko, advisor to the Ministry of Foreign Affairs [in box]

[Text] Separation of politics and economics is not a popular concept in the world today. The current period of armament expansion and severe confrontation will likely continue for some time. Among all this, it is important that Japan declare and take a strict posture regarding the rules and principles of international society. In short, this is to ensure the peace and security of Japan, and also to protect the free enterprise system.

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Mr Ohira took the first steps to try to change the up-to-now negative attitude of Japan on security and defense matters. It is essential that we do not slip back. Instead, we should cement our relationships with our allies more firmly, and work out our foreign policy in talks with their leaders.

This also applies to economic matters. We must take a strong position on the United States trend towards protectionism, and in cases when they are truly distressed such as now in the case of automobiles, we must act with as much sympathy as possible. We want to take the attitude of creating a calm atmosphere in which protectionism will not spread.

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Comparison of the Economic Strengths
of the United States and Japan

	<u>Year</u>	<u>Japan</u>	<u>United States</u>
GNP (% of free world)	1960	3.8	45.0
	1978	12.0	30.5
Currency-gold reserves (100 million's of dollars)	1960	24	194
	1979	206	189
Exports (100 million's of dollars)	1960	41	197
	1979	1028	1816
Imports (100 million's of dollars)	1960	45	164
	1979	1107	2189
Oil Imports (100 million's of dollars)	1960	6	15
	1979	335	586
Steel Production (millions of tons)	1965	41	119
	1979	93	103
Passenger Vehicles (10,000's)	1965	70	934
	1979	617	843
Government Foreign Aid (% of GNP)	1965	.27	.49
	1979	.26	.19

[24 Jul 80, p 1]

[Text] National Security

When the elections for both houses of the Diet last 23 June ended in a landslide victory for the Liberal Democratic Party (LDP), an American special correspondent in Tokyo reportedly wired, "The course towards greater military strength has been upheld by the Japanese people." It would be hard to say this was wrong if one looked only at the aspect that the LDP, which favors a stronger defense, won big, whereas the opposition parties that oppose a stronger military lost. However, the question persists of how the government will work out increased military spending for a stronger military on the one hand, and its promises of financial reconstruction on the other. The election results notwithstanding, the outcome is still not clear.

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Accelerated Demands From the United States

At the time that the new administration was inaugurated, Prime Minister Suzuki gave national security and defense as one of seven policy topics. This is only natural, as the United States has been pressing for greater defense spending and defense cooperation has become a major point of focus in Japanese-U.S. relations. President Carter and Defense Secretary Brown have been taking every opportunity to demand that Japan increase its defense spending. At the Japanese-United States summit conference, in talks with then Prime Minister Ohira, President Carter referred to the "Mid-term Operations Forecast (Equipment and Organization plan for the FY 1980-1984)," an internal study by the Defense Agency being done without official government sanction, and asked that it be finished quickly. Prime Minister Ohira promised that Japan would give it "serious study."

This dramatic change in the United States' previous stance of not pushing Japan for greater defense spending first appeared last year. It corresponded with a growing realization of the increased worldwide strength of the Soviet Union. It may be that the United States is not able to greatly expand its defense spending because of financial limitations and so it has no choice but to appeal to its allies in order to counter this Soviet strength. The United States is casting off its role as "world policeman" because it can no longer do so, and it is having to demand that Japan and Western Europe take more of the burden.

Although there are some political angles tied to this fall's U.S. presidential election, if you look at the platform of the Republican Party, which has Mr Reagan as its presidential candidate, and at the statements of the U.S. side at the recent Japanese-United States Security Working Level Conference, there appears to be no heed given to the political vacuum in Japan caused by the political upheaval over the past couple of months with a double election and the emergence of the Suzuki administration. On the contrary, the United States' demands to Japan to increase its defense spending have accelerated.

How Mr Suzuki can promote national security and defense policies is a political problem deeply affecting the ally relationship of Japan and the United States. Shortly after the inauguration of the new cabinet, U. S. Ambassador to Japan Mansfield promptly called upon Foreign Minister Ito and reemphasized the United States' position on increased defense spending. This quick move also indicates just what the United States expects of the new administration regarding defense policy. U.S. defense officials have reportedly thronged to Japanese Defense Agency leaders asking, "What kind of a man is Mr Suzuki?"

A Nervous Defense Agency

"Totally unfamiliar with national security and defense matters," Defense Agency officials are at a loss with the advent of Mr Suzuki. Although they expect him to continue with the defense policies of the Ohira administration, his views on defense matters are not very well known. Although Mr Suzuki appears to agree with Mr Ohira on the necessity of a comprehensive security plan incorporating "natural resource diplomacy" as well as "peace diplomacy" because "national security cannot be protected by military arms alone," he has also said, "It is important that we work to upgrade our defense capability commensurate with our national strength and circumstances." From these piecemeal statements it can be taken that defense increases are important to him, but they do not directly indicate how he will handle defense expenditures in the 1981 budget appropriations.

The Defense Agency is presently engrossed in studying the person and character of Mr Suzuki. Recently even while at his residence they requested that he explain about defense matters, and on the 23rd Vice Minister Hara requested a "separate handling paper" on defense spending. From these kind of actions it is plain that the Agency is anxious to ascertain Mr Suzuki's views.

Coordinating With Financial Reconstruction

The defense spending rate for 1980 of .9 percent of the gross national product (GNP) was determined by extraordinary political negotiations. The circumstances surrounding the defense budget for 1981 will be even more fierce. The Finance Ministry, which is waving a banner of finance reconstruction, will be taking a hard look at all budgetary requests being submitted the end of this month. If that is so there is a possibility that the military budget will be about the same as this year's .9%GNP. Director-General Omura of the Defense Agency has been trying to cultivate the prime minister, the top three ranking members of the LDP, Foreign Minister Ito and Chief Cabinet Secretary Miyazawa, but the problem is in negotiating with the Finance Ministry. "The prime minister is the only one who can 'pin' Finance Minister Watanabe." (Officials of the LDP Security Investigative Committee)

Even putting aside the need to maintain its ally relationship with the United States, Prime Minister Suzuki should realize that increased defense spending is an issue that cannot be avoided. "This is a problem for Japan to decide itself (Former Prime Minister Ohira)," but one cannot forget that increased defense spending might decrease trade discord with the United States. Defense spending is not only a problem of more money. Other problems are how to bring about and formulate the prime minister's proposal of a "General Security Conference," and how to handle business demands to relax the Third Principle on Exporting Armaments. If Prime Minister Ohira was the "wait 5 minutes administration," Prime Minister Suzuki's could be said to be the "wait 8 minutes administration." However, there can be "no wait" on this issue.

"National General Security Conference," by Masamichi Inoki, director, Research Institute for Peace and Security [in box]

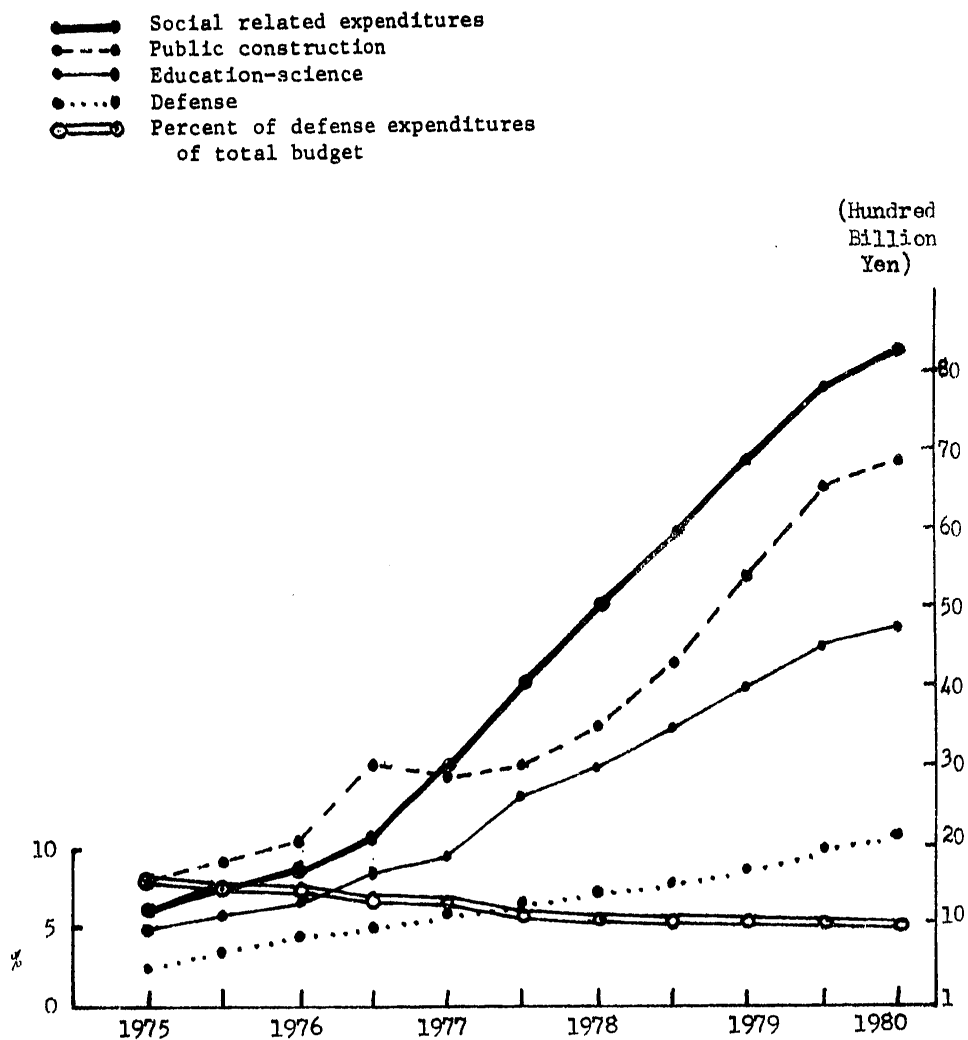
[Text] What we would like the Suzuki cabinet to do is to establish a Crisis Management system. In that sense I agree with the prime minister's idea to establish a "general security conference." That was the same conclusion reached by the "General Security Research Group" (the late Prime Minister's Ohira's policy "brain") which I chaired. We definitely want a conference. There are many problems which must be studied before then, but if the prime minister sees the need, he could start this off in a hurry by deciding to set up an official advisory body in the cabinet. The advisory body could be made up of men in their forties, and could study the examples of the United States and West Germany, presenting their report within a year. On the basis of that report legal reform could be considered in order to establish the conference.

If a conference is established, it would help break down the bad effects of a government bound to the past, and make it easier to acquire funding for defense expenditures. The three separate "Northern Defense Proposals" of the ground, sea and air branches of the Self Defense Forces could be promoted as a single plan that would make it easier to obtain funding. The Suzuki cabinet security policies are

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moving in a good direction. However, since this conference is for the protection of the people, I would like to suggest that the word "national" be added to the title so that it would be the "National General Security Conference."

Change in Annual Primary Budget Expenditures



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POLITICAL AND SOCIOLOGICAL

CONJECTURE ON LDP STABILITY, POST-SUZUKI LEADERSHIP

Part 1. Hawkish Trend

Tokyo YOMIURI SHIMBUN in Japanese 11 Sep 80 p 2

[Five-part serialized article: "Suzuki's Liberal-Democratic Party"]

[Text] It will soon be 2 months since the beginning of the Suzuki government. In that period the LDP has passed its first quiet summer in a long time, having gained a stable majority and a "whole party" in the double election of both the Upper and the Lower House for the first time since the Sato government. With this background of numerical strength there have been signs of a tough attitude, such as the statements on revision of the Constitution by LDP Secretary General Sakurachi and Justice Minister Okuno. Confrontation with the opposition parties, which will demand the dismissal of the justice minister, can be expected from the very start of the extraordinary session of the Diet. The undercurrent within the LDP, on the other hand, is already directed at the "post-Suzuki" era, and a battle of interlopers has already begun. All factions are active in this regard, as though to mock the resolution calling for elimination of factions which was passed in the Assembly of Members of Both Houses of the Diet. This is a report, prior to the extraordinary session of the Diet, on "the LDP with a stable majority."

Finally, a Peaceful Summer

"What a quiet summer." For Takeo Fukuda (former prime minister), who dislikes air conditioning, the cool summer was more than just exceptionally easy to endure.

The previous summer, Masayoshi Ohira (previous prime minister) had been pushing for dissolution of the Diet and was in a sharp confrontation with Fukuda and Takeo Miki, who were calling for party reform rather than dissolution. Since the time of the criticism of money politics which Fukuda and Miki directed against Kakuei Tanaka (former prime minister) in 1974, all summers had been hot for the LDP.

Fukuda is not the only one who felt increased emotion at finally spending a peaceful summer without confrontation between the party mainstream and countermainstream forces. Ryutaro Nemoto (head of the Basic Issues and Operations Research Council) characterizes today's LDP, which has turned back from the brink of dismemberment and formed a "whole party," by saying, "This is really a second conservative merger."

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The LDP study group which met on the shores of Ashinoko in early autumn was enveloped in an atmosphere warm and bright enough to make the participants sweat. They were all from the mainstream factions. There were no enemies. With the return of the LDP's stable majority, it no longer has any need to fear enemies outside the party--opposition parties--either.

Following Prime Minister (and Party President) Zenko Suzuki's call for self-control and self-discipline instead of glorying in victory, Secretary General Yoshio Sakurauchi, Executive Council Chairman Susumu Nikaido and Policy Research Committee Chairman Shintaro Abe made spirited statements such as "rightist criticism is off the mark," "avoid unprincipled compromises," and "persevere in doing what should be done."

The leaders of the LDP are in very high spirits now. The statements and policies which enlivened the quiet summer--special handling of the defense budget, the rice producers, price increase, state maintenance of Yasukuni Shrine and revision of the Constitution--all started on the party side. Activity has been such that "party leadership" has become fixed as the major characteristic of Suzuki politics.

Relaxed About Violations

"Following the death of Prime Minister Ohira, we did everything, big jobs and little, from fund-raising to campaign speeches. And because we won the election, it is natural that the campaign pledges are reflected in the budget and policies

"The overwhelming victory in the election is an expression of the people's desire to pursue the policies of the LDP. It is the party's responsibility to the nation to play an active role."

From an LDP in which struggle within the party was obvious to a ruling party responsible for carrying out policy--it is the view of party leaders that "party leadership" is the natural form of Suzuki politics under an all-mainstream setup.

Of course, the party leaders do not mention "establishment of political morality," the first of the party's pledges. The House of Representatives special committee to investigate aircraft imports was quickly abolished, and the party has taken a relaxed attitude toward the treatment of Mitsuya Yasumichi (Chiba 1st District), for whom major violations of election practices had become a problem, saying "Wait a little longer." Enthusiasm for right-leaning policies like Yasukuni, defense, and constitutional changes, which were unthinkable when the party did not have a clear majority, is paired with a coolness toward political morality. This striking contrast is not a clear contradiction if it is viewed as a manifestation of the assurance that enemies inside and outside the party have disappeared.

A few days before the LDP Research Group met, Kunikichi Saito (minister of health and welfare), Rokusuke Tanaka (minister of international trade and industry) and Sukeyoshi Kurihara (LDP senior senior deputy secretary general) visited the Prime Minister's office one by one. All are leaders of the old Ohira faction. And all three were agreed in the substance of what they said:

"What Okuna said is all right in terms of logic, but in terms of politics it was wrong. It's best that you yourself say officially there are no plans to revise the Constitution."

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Suzuki told each of the three that he had been thinking the same thing. He was somewhat uneasy about Okuno's (minister of justice) having made a statement in the Diet on establishing an independent constitution, in close agreement with Sakurachi's constitutional revision statement (19 August), and having even mentioned criticism of the constitutional preservation movement.

Suzuki, who is pushing "harmonious rule" of government and party together, is, of course, concerned about criticism that he is drifting to the right in the wake of the party. Especially in the issue of the Constitution the opposition parties are lined up together on the matter of preserving the Constitution, and they are ready for a confrontation. It was not desirable to have an issue which would lower the image of the new government at its first outing, the extraordinary session of the Diet.

Slight resistance by Suzuki to "party leadership" can be seen both in his making it clear, in response to a question at the study group meeting, that he is "not considering revision of the Constitution," and in his calling in the top three party leaders after the government/party leadership conference on the 8th to warn them about the general conduct of budgeting by party leaders.

Intraparty Concerns, Rather Than Leadership

Just the same, Suzuki probably does not intend to develop enough leadership to suppress party views. After stating that he is "not considering revision of the Constitution," he quickly added that "discussion of constitutional revision is fine." This shows consideration for the party's assertion that "revision of the Constitution is the platform of the Liberal-Democratic Party."

Actually the LDP, indifferent to the uneasiness of Suzuki, made a party policy decision backing Okuno in the Executive Council meeting on the 9th. It also made a counterattack against Suzuki's restraints on formation of the budget, saying, "The party is not a yes-man for the Finance Ministry."

In a magazine interview Fukuda was asked, "Isn't Suzuki somehow lacking in ability to lead?" He replied, "That's too harsh. In any case, he is still warming up."

But the real situation may turn out to be a "Suzuki Full-Team Baseball Government" in which, while the coach is warming up, the players have all begun to swing the bat toward the right-field fence.

The fact is, as Sakurachi says, "There's no point in proposing revision of the Constitution in the present situation, where the party holds fewer than two-thirds of the seats in both houses of the Diet." The truth is that the emergence of the constitutional revision and Yasukuni Shrine issues is not some definite action taken following thorough preparations, but rather an expression of "the real views of the LDP," now that the situation is finally stable and relaxed again.

To say "the real views" is a generalization, of course. But there is great danger if raw views, devoid of control and reflection, suddenly are made into party policy. The trial of "harmonics"--how to lead an unrivaled LDP--now begins.

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Part 2. Intraparty Factional Strife

Tokyo YOMIURI SHIMBUN in Japanese 12 Sep 80 p 2

[Text] Rallying for Next Time

On the ninth floor of a building on the third block of Chiyoda-ku in Tokyo, the office of Toshio Kohmoto was filled with activity on 4 September. This concentration of fresh energy is rare, in this year's political world, which still has an air of summer vacation about it.

The leaders of the former Miki faction--Yoshikazu Moriyama, Naozo Shibuya, Masayuki Fujii, Yukikazu Noro, Shohei Mori--all showed up tanned from golf or travel. In the middle was Toshio Kohmoto. Around the edges were younger members of the Diet.

"The Miki faction is completely dissolved. As a result, everyone has been scattered. We only learn about moves within the party and what the political world is doing from newspapers. We cannot obtain information which, as politicians, we naturally need to know. Can this be right?"

Influential Sekisho Kitagawa stirs them up with what sounds like a prearranged speech. There are cries of agreement and clapping.

"A politician can't exist like this. A forum for exchange of information is absolutely necessary. How would it be to form a faction now?"

The answer comes from Moriyama, representing the leadership: "We start on that right when the LDP as a whole is moving in the direction of eliminating factions. But since at present the party is not performing the function of factions, it is important that a group of Diet members function in place of the party. I don't think it's desirable for the Kohmoto support group to go on as it is now."

The representative agent is Yoshikazu Moriyama. The chairman is Hyosuke Niwa. And thus what is essentially the "Kohmoto faction" is born. It is to meet the first and third Thursdays of each month.

It was just 2 months earlier, on 27 June, that the Miki faction set the example for the other factions by disbanding. Since the Kohmoto faction is an almost exact continuation of the Miki faction, it is both the first to disband and the first to resume factional activity. Kohmoto has explained, "The party is not in a position to provide campaign funds or expenses for daily political activity, so Diet members have had to band together as a transitional measure." But terms like "funds," "policy studies," and "information exchange" are all cliches for legitimization of factions. The true intent of Kohmoto, who is looking to the "next time," is to get his faction armed and ready as soon as possible for intraparty strife.

Simple Revival

Kohmoto is not alone. As the cool summer ended and the winds of autumn started up, the powerful men of the party began to rumble. Yasuhiro Nakasone, who like Kohmoto has begun his preparations for "next time," has recently had talks with

Masao Kuranari and Motocharu Morimoto, key figures of the Nakasone faction. They consulted on the schedule under which factional activity should be resumed as autumn approached. Both Kuranari and Morimoto are capable men for liaison work within and outside the party. It was decided to begin such things as faction lunches, with an eye to the convening of the extraordinary session of the Diet, but first the Nakasone faction held a golf match in Hakone on the 24th and 25th. Having gone their separate ways in early July, these "friends joined by common emotions" (in Nakasone's words) were together again.

On 3 September, Nakasone met with Michio Watanabe, the minister of finance. The talks were partly open and partly private, and their results were also partly revealed and partly left in darkness. The open part is that the director of the Administrative Management Agency and the minister of finance are agreed on policy for administrative reform; the unknown part is the extent to which the personal friendship between Nakasone and Watanabe has been restored. Nakasone expelled Watanabe from the faction in November 1979 as an extra to the 40-day struggle. The idea that Nakasone, in beginning factional activity to commence a new strategy, had attempted reconciliation with Watanabe, who is quite influential with the younger members of the faction, is not far from the truth if it is not entirely correct.

The Tanaka group has also wanted to get moving. Its leaders met on 3 September and decided to hold regular meetings; these leaders are not all old hands, but include representatives of Diet members grouped by number of times elected. Regardless of when general meetings are held, representatives will be brought in each year to facilitate communications. It will also facilitate the communication of decisions of the leadership meetings.

"Although we tried disbanding the factions, it was useless, because the party isn't set up to work that way." (Tatsuo Ozawa)

"We just finished the elections--it's human nature for friends who fought so hard side by side to stick together." (Susumu Nikaido)

The mood 2 months ago for disbanding the factions has already dispersed.

Following the simultaneous elections for the Upper House and Lower House, the Fukuda faction did not hold the customary victory party, but instead set the model for the disbanding of factions. On 11 August, over 30 members of this Fukuda faction showed up for a golf match in Gumma, Takeo Fukuda's home base. For 3 days afterward, such things as the policy study group met in a hotel in the city to guard against excessive relaxation.

Although the old Ohira faction, as the faction of the party president, could not make any open moves, even after it disbanded, the Diet members who had been elected no more than three times did not disband their "Wednesday Club," and this organization of young members is said to be the beginning of a resumption of activity. "Of course it is the young ones who are important in terms of binding the faction together. Even if they are more easily enticed by other factions than the old reliables, they don't sell out that easily. If we just hold on to the young ones, we can rebuild the faction at any time." (a faction leader) And so to begin with, the Wednesday Club begins meeting in October.

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Like One's Home Town

On a day in mid-August--during the Obon session, when there were few people or cars in Tokyo--Party Secretary General Yoshio Sakurauchi strolled out of party headquarters before lunch. It is quite uncommon for key government or party personnel to be out walking about. Accompanied only by Security Police (the protective division of the Police Agency), he crossed to Hiragawa, behind party headquarters. Sakurauchi entered the Erosion Control Hall some 100 meters farther along, climbed to the second floor, and pushed open the door marked Office of the Political Science Institute.

That institute is the office of the Nakasone faction, which had announced the first part of July that the faction had disbanded. It is said that neutral Secretary General Sakurauchi is domiciled with the Nakasone faction and presently residing with the former Ohira faction. At the destination of his unusual stroll, the secretary general, who is pushing for the dissolution of factions, smiled: "I just happened to be passing by."

The feeling is somehow like returning to one's old hometown. Perhaps the place was filled with the spell of LDP factions which two administrations--Saito and Fukuda--resolved to dissolve, but which resisted and revived. And now the third dissolution of factions, resolved by the general conference of LDP members of both houses of the Diet at the beginning of the Suzuki government, is following the same course. And will the "evils" of factional strife be revived at the same time?

Part 3. Former Prime Ministers

Tokyo YOMIURI SHIMBUN in Japanese 13 Sep 80 p 2

[Text] Golf Talk Repercussions

Three former prime ministers--Kakuei Tanaka, Takeo Miki, and Takeo Fukuda--spent the height of the summer at Karuizawa, and each must have had complex feelings as he looked back on the past year of political struggles.

Of the three, Miki unquestionably felt alarm. The reason was, needless to say, the golf talks between Tanaka and Toshio Kohmoto (director general, Economic Planning Agency) on 11 August.

The golf course at Karuizawa, where Tanaka had gone to recuperate, is crowded with golfers on Sunday, so a Monday was chosen for the two to play, in order to avoid notice.

But the golf talks, which were to be kept secret even from Kohmoto's close associates, were known to some in political circles several days in advance. Finally, even Miki heard the rumor that Tanaka and Kohmoto would be playing golf.

Miki couldn't believe it was true, but at the Karuizawa Hotel where he went to recuperate on the 10th, he happened to see the driver who had rushed Kohmoto there from Tokyo, and he knew the rumor was correct.

Miki met Kohmoto that day, but Kohmoto had nothing to say about the golf talks with Tanaka. Miki didn't ask. Miki was closemouthed about his meeting with Kohmoto in Karuizawa, and he was not anxious to say much about the golf talks: "Kohmoto may have some ideas--there seem to be a number of views in the (Kohmoto) faction, but. . ."

Discontent Among Senior Members

Miki and Tanaka are known to be old enemies. Since the arrest of Tanaka in the Lockheed affair and the subsequent dumping of Miki, Miki has criticized the politics of corruption and financial influence and has, under the banner of political morality, set himself against Tanaka, who has hidden strength within political circles. It is natural that Miki would have hard feelings about the fact that Kohmoto, who inherited the Miki faction, went to meet Tanaka under Miki's very nose.

However, Kohmoto thinks of formation of the Kohmoto faction not as a mere change of uniforms following "abdication," but rather as "independence." After dissolution of the Miki faction on 27 July, [Kohmoto] made his separation from Miki clear and embarked on an independent path. Kohmoto, to whom Tanaka's strength was vividly clear, even after the sudden demise of Prime Minister Ohira, was impatient knowing that he would not come to power as a minority, countermainstream force which criticized financial influence. Thus he wanted to open up a new route with Tanaka.

Following the golf talks with Tanaka, Kohmoto said, "I want to meet with a broad range of people--the meeting with former Prime Minister Tanaka is one example of this." This was the explanation he gave to faction leaders who called to asked his motives, but the fact is that Diet members who were used to long years of Miki politics were puzzled and unhappy with this move by Kohmoto.

At the faction conference on 4 September there was an appeal to "not strike the colors of political morality and criticism of financial influence" (faction executive Soshi Funii). Miki's absence from the Kohmoto faction's gathering is not simply "a matter of Kohmoto's having taken over."

Fukuda, who unlike Miki still administers a faction, seems to understand Miki's feelings and told those around him, "It's terrible what has happened to Miki." During the political changes following passage of the vote of no confidence against the Ohira cabinet, there were rumors of the independence of Fukuda faction leader Shintaro Abe (Policy Affairs Research Council chairman) but Fukuda was filled with confidence that, "there are no cracks in this faction."

One reason for this is the good relationship he has had with Abe. Another is that Fukuda, who expects the Suzuki government to continue two terms, or 4 1/2 years, is determined to support Suzuki in order to keep the government from passing to the conservative branch of Yasuhiro Nakasone and Toshio Kohmoto, and in order to maintain relations with younger men like Abe, Kiichi Miyazawa (chief cabinet secretary) and Noboru Takeshita (former finance minister). Perhaps for this reason, Fukuda has expressed a friendly view of Suzuki, whose lack of leadership has been pointed out, by stating: "He's turned out to be surprisingly popular."

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This summer Fukuda met and discussed international issues with foreign personalities like U.S. Republican vice presidential candidate Bush, former French Interior Minister Poniatofski, and former South Korean Prime Minister Chong Il-kwon, and has polished up "the economic Fukuda." It has been his most fulfilling summer vacation in some time.

Authority of the "Hidden Power"

And there is Tanaka. When he tended to support Nakasone at one point after Ohira's death, Makoto Kanemaru (former director general of the Defense Agency) made noises of opposition within the Tanaka faction, but Tanaka suppressed this rumbling; he seems to have even more authority now than in the past. The golf talks with Kohmoto also showed Tanaka's real strength, and they had the effect of increasing Tanaka's authority as a "hidden power" within the faction and within the party as well.

It is said that in Karuizawa, Tanaka played golf on the clear days and tipped a brandy snifter on the rainy days. But every night from after midnight to about 3 am he read and eagerly studied economic materials packed with figures.

Tanaka drinks more now, but Hajime Ishii, who set up the talks between Tanaka and Kohmoto, says he's just concerned about the Lockheed trial.

Now that the three men have finished their respective summer vacations, Miki is looking forward to an election which doesn't require money and is putting his efforts into revising the Fair Elections Act. Fukuda wants to become the Suzuki government's economic adviser--a postwar Korekiyo Takahashi. And Tanaka has thrown himself into reform of the House of Councilors electoral system. One wonders what effect these three former Prime Ministers will have on the future political scene.

Part 4. Time Bomb

Tokyo YOMIURI SHIMBUN in Japanese 14 Sep 80 p 2

[Text] "Post-Suzuki" Target

"From now on, I can leave everything to Nikaido (Executive Committee chairman), Abe (Policy Affairs Research Council chairman), and the chief (Deputy Secretary General Kurihara), and concentrate on friendly relations with Eastern Europe." With these words, Yoshio Sakurauchi (secretary general) left Narita Airport the evening of the 13th in the company of Seichi Ota. He showed a feeling of relief, perhaps of being released from the routine duties of the party.

This Sakurauchi had taken command of the LDP and led it to victory in the double elections following the sudden death of Masayoshi Ohira (previous prime minister), and now he shows firm self-confidence as secretary general, the key position in the party. And he is well received in the party: "He remains neutral and does a good job."

But strangely enough, there is great unhappiness with Sakurauchi in the Nakasone faction, to which he belongs.

"Sakuruchi became secretary general because of the strength of our faction. Shouldn't he lean a little more our way and work to bring about a government headed by Nakasone? And the preliminary election for party president is so unpopular that it would be better to lead the party in the direction of doing away with it."

That unhappiness is quite clear in the words of the nucleus of the faction which speaks this way. And it is possible to see at the same time the Nakasone camp's anguish in regard to the preliminary elections.

Yasuhiro Nakasone (director general of the Administrative Management Agency) and Toshio Kohmoto (director general of the Economic Planning Agency) were said to be the leading candidates to succeed Ohira, but they yielded before the sudden rise of Zenko Suzuki (Prime Minister) and were reluctantly incorporated into the cabinet with "equal standing." But both have set their sights on the post-Suzuki situation, and their desire is burning as hotly as ever. The two men, however, have opposing attitudes toward the preliminary election: where Kohmoto is strongly in favor of implementing it, Nakasone prefers a freeze, or complete abolition.

This difference arises from the results of fierce efforts by each camp to recruit party members in anticipation of the preliminary election scheduled for the fall of 1980. The party as a whole recruited 3.1 million members (plus 100,000 friends of the party), but nearly a million of these were brought in by Kohmoto--a daring feat which brought Kohmoto even with the Ohira forces in combination with the Tanaka faction. Nakasone, by comparison, had 400,000 or 500,000--a decided gap at that stage. Since that time it is said Nakasone has sided with Takeo Fukuda (former prime minister), who called for a freeze ("preliminary elections will promote government by financial influence"), and has leaned toward the idea that "without direct balloting, it would be better to abandon it."

Kohmoto's "Moment of Need"

Because of the decision to delay preliminary elections, the number of continuing party members which the LDP announced in late August was down to 1 million, a third of last year's level. If the figures are examined on a regional basis, there is a marked difference between Hyogo Prefecture, which is Kohmoto's base, and Gumma Prefecture, the base of Fukuda and Nakasone. The number of party members in Hyogo declined from last year's 285,000 to 171,000, but Hyogo is still first in the nation with a retention rate of 60 percent. But Gumma, even though it supports two party strongmen, fell at once from 86,000 to 16,000 members. That is a retention rate of barely 10 percent. These figures are clear evidence that Kohmoto has prepared for his moment of need.

Because the Suzuki government was organized of the premise that preliminary elections would not be held, the party agreed that there was "no necessity to implement" preliminary elections, at least this fall. Recently Kohmoto, who opposed the "postponement" to the very last, fell in line with the mood prevailing in the party: "I don't intend to be a candidate in the preliminary elections while the political situation continues as it is at present."

But that is just for this time, and Kohmoto faction leader Naozo Shibuya (former minister of home affairs) is looking for victory in preliminary elections 2 years from now: "The freeze absolutely cannot be allowed to continue until the preliminary elections 2 years from now."

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In order to coordinate views within the party, as represented by the opposition between Nakasone and Kohmoto, the party's executive section has asked the party reform promotion headquarters (Zenko Suzuki, chairman) to examine the issue of preliminary elections, including whether or not they should be held.

Ryutaro Nemoto (party reform headquarters vice chairman and head of the Basic Issues and Operations Research Council) is prepared to deal with this issue carefully: "We will take it up at leisure, once the extraordinary session of the Diet has begun. If we reach a conclusion in April 1981, after the regular party congress in January, we will be in time for the August deadline for payment of membership dues, if it is decided to implement preliminary elections."

If an argument on this issue begins, the views of the factions will clash head-on, and confrontation is sure to flare up again within the party, which had become placid. The handling of the issue will be a delicate matter which not only will affect the post-Suzuki period but will shake the footing of the Suzuki government as well. That is why Nemoto is being cautious.

Profit From Dues

In addition to the views within the party, there is another problem which will have to be given careful consideration in any discussion of preliminary elections. That is the thinking of members and friends of the party and the role of their dues in party finances. Because the preliminary elections began with the catch-phrase "Your Choice of Prime Minister and Party President," general party members almost all favor retention of the preliminary elections. Moreover, their dues have enriched party headquarters and the prefectural and metropolitan party organizations.

Party dues are 2,000 yen per year (10,000 for friends of the party), which for a million members comes to 2 billion yen. One-third of this goes to party headquarters and two-thirds to local organizations. The local organizations could not bear to lose this source of funds, of course, and neither could party headquarters, which is 12 billion yen in debt.

Nemoto has said, "Increasing party dues to 20,000 yen per person would be another way to harmonize continuation of the system with stricter qualifications for party membership." Lurking within the preliminary election system, which was introduced to revitalize the party, is the possibility of a "time bomb" that the present LDP, which has gained more than a stable majority, will find difficult to handle.

Part 5. Succession Issue

Tokyo YOMIURI SHIMBUN in Japanese 16 Sep 80 p 2

[Text] Startling Miyazawa Transformation

"As deputy secretary general, I do the dirty work for the president and the secretary general. As secretary to the cabinet, you will have to do the dirty work for the Prime Minister."

"I know. That's my intention."

"Suzuki (Prime Minister) asked me (during selection of a successor following the death of Prime Minister Ohira) what was wrong with you. There was no one pushing for you. In the Kochikai there was no agreement among Masayoshi Ito, Rokusuke Tanaka, and me, so...."

"That's right. That's where the fault lay."

The questioner is LDP Senior Deputy Secretary General Sukeyoshi Kurihara, and the circumspect responses are from Chief Cabinet Secretary Kiichi Miyazawa. The two men, as members of the old Ohira faction, which supports the Suzuki government, chatted for 3 hours in a restaurant in Akasaka, Tokyo, on 5 September.

Since his promotion to chief cabinet secretary in the Suzuki cabinet, Miyazawa has made a startling transformation. In drinking spots lately he signs things like "Kachusha no Uta." For those who knew him as his old self, taking his stance with an English-language newspaper under his arm, the nervous manner that surrounds Miyazawa now is reflected in the unusual.

When the producers' price of rice was decided in July, associates of Kakuei Tanaka (former prime minister) revealed that Miyazawa had gone to Tanaka's residence; he went so far as to publicly state, "Miyazawa doesn't qualify as a Daimyo, anyway."

There were even those who said, "Trying to rush things that can't be done just discourages you, so it's better to hold back." (Kurihara)

On 19 August, Kurihara met for 3 hours with Yasuhiro Nakasone (director general of the Administrative Management Agency) in another restaurant, also in Akasaka. Kurihara explained in detail the trouble the late Masayoshi Ohira had gone to in putting his captured game pieces back into action in order to take and maintain power. As they arose, Nakasone made a single remark to Kurihara: "Why must one go to such lengths to become prime minister and party president?"

About a week earlier, on 11 August, Toshio Kohmoto was led to his first meeting with Kakuei Tanaka by Hajime Ishii (Tanaka faction), who, like Kohmoto, was elected from Hyogo Prefecture. Leaving even his Special Police guard behind, Kohmoto rushed in secret to a Karuizawa golf course in Nagano Prefecture, where Tanaka nailed the matter down when he first spoke: "You've been Miki's (former prime minister) yes-man, but if you want to do that sort of thing now, I have some ideas."

By "that sort of thing" he was referring to the 40-day struggle in 1979 and the absence from the floor of the House of Representatives when the motion of no confidence in the Ohira cabinet was presented. Kohmoto was making every effort to separate himself from Miki, but it may be that Tanaka was still sensitive to Miki's influence.

Nakasone and Kohmoto Check Each Other

The beginning of the new government did not change the three-way opposition among Nakasone, Kohmoto, and Miyazawa, the leading candidates for the post-Suzuki era. They also have items in common. All three seem to have many enemies within the party, and their bases of support within the party and their factions are weak points. Each spent this summer in his own way, keeping out of sight while trying to overcome his weaknesses.

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The choice of strategy in Miyazawa's case is to increase chances to gain strength by serving in key posts while Suzuki continues in office for two terms, or 4 years. But considering their ages, Nakasone and especially Kohmoto have to aim at a date 2 years from now. Thus the unseen competition between these two men is intense.

When Nakasone accepted the post of director general of the Administrative Management Agency, he specified the following condition: "I want to be designated acting prime minister when the Prime Minister is traveling abroad." When Suzuki agreed, he added, "Not just once--I mean all the time." This story is whispered within the old Ohira faction. Since Nakasone could not get his hands on the post of deputy prime minister, his only way out was to be acting prime minister, in order to make a fait accompli of his number-two seat in the cabinet. The reminder "not just once" was stuck in so that the designation of acting prime minister would not be rotated to Kohmoto and the other ministers each time Suzuki went abroad.

On the other hand, when Kohmoto was being sounded for the Economic Planning Agency post, he confirmed that Nakasone would head the Administrative Management Agency by saying, through a leader of the Kohmoto faction, "I take it that the other one (Nakasone) will not be in a higher position (such as minister of finance or of foreign affairs)."

On 4 September, Kohmoto actually raised the banner of the "Kohmoto faction." That night Nakasone brushed it off, muttering "A faction is more than just money--it's a matter of heart." There was a sort of pressure from this Kohmoto, who had gained a million party members, drawn near to Kakuei Tanaka and, who, indifferent to appearances, had tried to attain power. Nakasone's uneasiness about this fast-rising rival was aggravated. In meetings of the cabinet or of government and ruling party leaders, the two men check each other and seldom speak.

And, of course, for Suzuki (Prime Minister), whose position is based on the Ohira-Tanaka-Fukuda conservative mainstream, it is easy to control the two as long as they are in contention with each other.

The absence of cooperation between the two can also be seen in the fact that it was possible to lock them into the lightweight posts of Economic Planning and Administrative Management. A reshuffling of cabinet and key party posts is scheduled for the summer of 1981, and there could be a great change in the lineup if those two showed the sort of cooperation seen in the past in the oil-and-water relationship of Miki and Fukuda. However

Sharp-Eyed New Leader

Does Miyazawa become the leading candidate if Nakasone and Kohmoto remain at odds? It is not that simple. Within the old Ohira faction there are still the anti-Miyazawa forces of Ito (minister of foreign affairs) and Tanaka (minister of international trade and industry), and there is strong opposition to Miyazawa from new leaders in the party like Shintaro Abe (Policy Affairs Research Council chairman), Noboru Takeshita, Ichiro Nakagawa (Science and Technology Agency director general), etc.

At a conference of government and ruling party leaders on 8 September, Abe said, "Interministerial coordination of next year's budget should (not be given over to the party, but should) be clearly worked out in cabinet meetings." Because

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reaching settlements in cabinet meetings is, in the absence of decisions by the Prime Minister, the job of the chief cabinet secretary, this was clearly directed at Miyazawa. Afterward, Abe, as head of the Hiroshima prefectural party organization, asked Miyazawa to decide the question of party membership for Hidetada Nakagawa (independent, Hiroshima 2nd District), who is on bad terms with the prefectural organization. Animosity toward Miyazawa can be seen in the raising of issues normally coordinated by the secretary general in leadership meetings which are centered on policy discussions.

Scratching the surface of the Suzuki government, which appears stable from the outside, reveals complex interpersonal relations which are involved with designs for the post-Suzuki period. There is no guarantee that the accumulated discontent and hard feelings will not come out into the open during the extraordinary session of the Diet this autumn, the regular session which follows, the reshuffling of personnel, and the future political schedule.

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POLITICAL AND SOCIOLOGICAL

JAPAN'S CP'S MIYAMOTO INTERVIEWED BY ITALIAN PAPER

OW041345 Tokyo JPS in English 0909 GMT 3 Nov 80

[Text] Tokyo Nov 3 JPS--A progressive Italian evening paper "PAESE SERA" recently carried an interview with Kenji Miyamoto, presidium chairman of the Japanese Communist Party.

AKAHATA in its November 3 issue carried the part on international problems in Miyamoto's reply to the Italian paper, almost in full as Miyamoto had stated. In an introduction attached, AKAHATA said this interview (carried in October 20 and 22 issues of "PAESE SERA") given by Miyamoto to an Italian correspondent Claudio Moffa on September 13, and as he went back home soon after the interview, it was compiled in the correspondent's responsibility and there were some omissions. [Passage as received] AKAHATA also said that a TASS dispatch from Rome distributed the part which is concerning China only, and the dispatch was an abridged one of that part, not in full. "In order to give correct information" AKAHATA carried almost all of Miyamoto's reply in that part:

Moffa: I would like to ask you about the Sino-Soviet disputes. As Japan is located nearer to both China and the Soviet Union, I suppose the Japanese Communist Party is more deeply related with them. How does the JCP see them?

Miyamoto: I think it cannot be said that we always have more detailed information than you. Geographically speaking, Japan is located nearer to China than Italy is. But relations between our party and the Communist Party of China have been severed since the "Cultural Revolution." Therefore, we have no special information to be obtained through interchange.

But, referring to relations between our party and the parties of China and the Soviet Union, we suffered outrageous interferences from the parties of the two countries in the 1960's.

At that time, the parties of China and the Soviet Union were in dispute on courses to take. In the disputes, the Chinese side was condemning the Soviet attitude toward the United States as a policy of coming close to or in collaboration with U.S. ruling circles. But, at present, as you know well, China has come very close to the United States as represented by its support to the Japan-U.S. military alliance. China's foreign policy is that, in the name of opposition to Soviet hegemony, it calls for an anti-Soviet united front, and is trying to induce Japan to join it. On this point, it must be also pointed out that by creating such an

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issue as the Afghanistan issue, the Soviet Union has given China a certain excuse for its criticism of the Soviet Union. Anyhow, on the disputes between the two parties, we don't think any of them keeps correct international course. Moreover, the disputes over courses have become rivalry between the states.

It is under China's deep influence that most of Japanese opposition parties, except the Japanese Communist Party, have come to support the Japan-U.S. military alliance. The Japanese Communist Party has maintained the stand of no-support to China's anti-Soviet united front which China has called for since the beginning of the "Cultural Revolution." Dissatisfied with the stand of the JCP, China has launched interference in our party, and then, relations between the two parties have been cut off.

On the question what the Sino-Soviet relations will be in future, the problem for our party is that, one of the two big socialist countries, both of which are geographically near to Japan, has not yet liquidated the barbarity of the "Cultural Revolution" especially in the field of its foreign policy seeking for anti-JCP split factions in Japan, thus taking the policy of big power interference.

The Soviet side is actually augmenting people's disappointment with socialism by creating such problems as the Afghanistan problem, although the problem of its interference in the Japanese Communist Party has been settled at present through talks (between the JCP and the CPSU) last year with the Soviet side admitting that it had been erroneous to have interfered in the JCP.

We hope these errors will be overcome and both countries will come to follow courses proper to socialist countries as earliest as possible. We cannot foretell, however, to what extent our hope will be realized in future.

Moffa: Secretary General Berlinguer of the Italian Communist Party paid a visit to China. How do you think about it?

Miyamoto: This is a matter belonging to an independent right of the Italian Communist Party. We have nothing to say about the matter that the Chinese and Italian parties have come into friendly relations on an agreement of non-interference with each other. Generally speaking, we hold a principle that it is possible to keep friendly relations with any party of any country so long as it does not interfere in the internal affairs. But, in the case of China, it (the Chinese CP) has been continuing various subvertive activities against the leadership of the Japanese Communist Party, in opposition to the course of the Japanese Communist Party, since the time of the "Cultural Revolution." This problem has not yet been solved. Those who took the command of various interferences (in Japan) at that time are now still being authoritative persons in charge of China's relations with Japan. This is the root of the problem.

We, too, recognize certain notable changes are taking place in China in its domestic field. But, it has consistently maintained the viewpoint of seeking for an anti-Soviet united front since the time of the "Cultural Revolution." From this viewpoint, China is recently pushing ahead with the policy of wooing U.S. imperialism.

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China (?had) once tried to create split factions in communist parties in the world in line with the Mao Zedong Thought, but this has come to a fiasco. Now it has begun to approach some independent parties. But so far as relations with our party is concerned, no fundamental change had taken place, as I mentioned. This will also be influenced by the fact that the Chinese leadership is seeking for the formation of a political and military bloc of Japan, the U.S. and China, and in contrast, the Japanese Communist Party is opposed to such a bloc.

Moffa: The Soviet Union says that the Afghan problem was caused by attacks by reactionary forces, the U.S. and the CIA. How do you view revolts of Islamites against the Kabul Regime in your analysis?

Miyamoto: Our view is that the greatest point at issue of the Afghan problem is the Soviet Union's military involvement in the coup d'etat, or the political change in the political power of the People's Democratic Party of Afghanistan. This view-point has already been pointed out in a letter which I sent to Leonid Brezhnev, general secretary of the Communist Party of the Soviet Union.

Moffa: In Afghanistan, fighting is now spreading against the coup d'etat and Soviet troops.

Miyamoto: The Soviet troops, which had caused the Afghan problem, has been carrying out military operations to support actually the Kabul Regime. Speaking about their motives, their operations constitute serious intervention in the right to self-determination. It is inevitable that the people's resistance is spreading in face of such (?serious) situation.

At the same time, the U.S. and China had been supporting guerrillas to destroy the Afghan democratic revolution even before the Soviet made invasion of Afghanistan. [sentence as received] We are also criticizing the U.S. and other countries for their actions as they amount to intervention in Afghanistan's right to self-determination.

Therefore, our basic viewpoint is that the Soviet troops must withdraw from Afghanistan, that the U.S. and China should end outside interventions, and that the Afghan issue must be solved by the Afghan people themselves.

Moffa: You do not recognize the Karmal Regime as an authentic one, because of the Soviet intervention in the political change, which led to killing of Amin, do you?

Miyamoto: No.

Moffa: How about the issue of Vietnam, particularly refugee problem and the Cambodian problem? And the Polish problem?

Miyamoto: We made a thorough inquiry into the Cambodian problem. It was confirmed by AKAHATA correspondents stationed in Vietnam that the conflicts between the Pol Pot Regime and Vietnam had been repeatedly provoked by the former, that it had rejected the Vietnamese proposals for solution by negotiations with the hope that China would support it, and that it had made wide scale invasion of Vietnam at border areas.

In the meantime, the Cambodian people themselves rose against the cruel rule by Pol Pot.

In this course of events, Vietnam had repeatedly made proposals for negotiations, but the Pol Pot side gave an answer to Vietnam, with the action of cut in state relations. The Pol Pot Regime made an invasion of Vietnam, and suffered crushing blows. At this juncture, the Cambodian people rose in opposition to the Pol Pot Regime and overthrew it.

The difficulty in settling today's refugee problem is linked to the policy pursued by the U.S., China and Japan, which have not yet recognized the new government of Cambodia governing the country effectively and the policy of Thailand. Most of the refugees are the residents having been taken away by the Pol Pot troops, or those who got away to [the] border. The essence of the issue is that the Western countries such as Japan and the U.S. are obstructing the humanitarian and complete solution of the refugee problem. Japanese Foreign Minister Masayoshi Ito called for an international conference in support of Pol Pot, during his trip to China and ASEAN countries.

The Afghan situation and the Cambodian problem are different issues in essence. The basic point of [the] refugee problem pertains to the protracted U.S. war of aggression against Vietnam and the responsibility of the cruel Pol Pot Regime, which has nothing to do with socialism.

We are delightful with the outcome of the Polish event as a development of socialist democracy.

It goes without saying that there is one question why there was an economic situation where the Polish workers had to strike.

It is very good from the viewpoint of democracy in socialism which we are aiming at reaching, that its troops and police did not suppress the workers in strike, but its party and the government held talks sincerely, and expanded self-authority of trade union activities, settling the issue by recognizing the right to strike.

Of course the Polish people are expected to face many difficulties henceforth. But we hope that the Polish people will solve independently these difficulties with the spirit of socialism and in a manner appropriate to socialism.

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POLITICAL AND SOCIOLOGICAL

'AKAHATA' EXPLAINS JCP'S NONPARTICIPATION IN BERLIN CONFERENCE

OW031047 Tokyo JPS in English 0926 GMT 3 Nov 80

[Text] Tokyo Nov 3 JPS--The Japanese Communist Party did not send its representatives to the "International Theoretical Conference" held on October 20-24 in Berlin, under the co-sponsorship of the Socialist Unity Party of Germany (SED) and the editorial board of the "Problems of Peace and Socialism."

AKAHATA on November 3 released the reason for JCP's not sending representatives to that conference. AKAHATA says, "Because it was made clear that equal treatment for all participants could not be expected in the conference, the Central Committee of the JCP decided not to send representatives to it."

AKAHATA goes on to say:

"The CC of the JCP was in preparation for sending three representatives, including Comrade Hiroyuki Okamoto, director of the Social Science Institute, while making questions to the sponsor on October 6, whether a keynote report and a concluding remark would be made, and whether all participants would be dealt with equally. If based on the universally recognized principles that every communist and workers' party of the respective country is independent and equal, the conference should naturally be a place for free and democratic discussions by the participants who have equal rights.

"On October 15, the sponsor informed us of an additional agenda of the conference, that in the opening plenary session, representatives of the three specific countries would specially make addresses, as well as SED General Secretary E. Honecker as the sponsor.

"Thus, it became clear that the opening plenary session would be a place for substantial keynote speeches, preceding to separate meetings, and all participants would not be treated equally. As the Central Committee of the JCP takes this to be incompatible with democratic management of a conference, it decided on October 17 not to send its delegates to the conference."

CSO: 4120

POLITICAL AND SOCIOLOGICAL

BRIEFS

LDP FACTION RESUMES ACTIVITY--The intraparty faction of liberal-democrats led by Prime Minister Zenko Suzuki resumed its activity Thursday, four months after it announced its disbanding in the interest of party unity following Suzuki's nomination as liberal-democratic party president. Forty-five Diet members attended the faction's general meeting in Tokyo. It decided to hold factional meetings every Thursday to exchange views on various matters. The group was the last LDP faction to resume activity in the conservative party, which had pledged to eliminate all factions at a general meeting of all LDP Diet members last July 17. Political observers said that the LDP factions had resumed activity to prepare for a possible power struggle in the process of selecting a successor to Suzuki, who is expected to remain in office for two more years. [Excerpts] [OW160159 Tokyo THE JAPAN TIMES in English 14 Nov 80 p 4]

CSO: 4120

40

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ECONOMIC

PERCEPTIONS OF JAPAN-U.S. TRADE WAR EXAMINED

Tokyo THE JAPAN TIMES in English 9 Nov 80 p 12

["Guest Forum" column by Naohiro Amaya: "Who's Being Unfair in U.S.-Japan Trade War"]

[Text]

A graduate of the University of Tokyo, Mr. Naohiro Amaya entered the Ministry of Commerce and Industry, predecessor of the present International Trade and Industry Ministry, in 1948. He has served in various important posts — as director of the International Economic Affairs Department of the International Trade Policy Bureau and director-general of the Agency for Natural Resources and Energy. Currently, he is vice minister for international affairs at MITI. The following is an abridged translation of an article, published in the October issue of Voice magazine, written for Japanese consumption, on the question of trade friction between Japan and the United States.— Editor

As far as exports and imports of industrial goods are concerned, Japanese trade practices today are fair. However, playing fair alone does not solve all trade problems. If Japanese products are denounced because Japan is said to be engaged in unfair trade practices, such censure should end if Japan stopped such practices. The present situation is that Japan is censured

in spite of the fact that it is not engaged in unfair practices regarding either exports or imports. Therein lies the problem.

Whereas accusations that Japan has barriers against imports are often the result of misunderstanding, we must realize that criticism against Japanese exports are more often than not an expression of grievance against any further quick rise in Japanese exports regardless of whether unfairness exists or not. Japan-U.S. and Japan-Europe trade friction involving automobiles, TV sets and steel are of this type and are qualitatively different from the trade frictions that existed before the "Nixon shock" of 1971.

U.S. Provided Fundamentals

It is my opinion that before and after the Nixon shock, the types of trade frictions that have occurred, their pathology and accordingly their prevention and cure have been quite different. In order to gain your understanding of my thoughts on this subject, let me explain how I interpret the significance of the Nixon shock as an epochal event in history.

The "pre-Nixon shock era" was still the heyday of pax-Americana. During this period, the United States was able to provide, with ease and constancy, the Free World with the following six fundamentals that supported it.

The first fundamental was values. Politically, these values meant American democracy, economically the free enterprise system and as a way of life, the American lifestyle of driving cars, having electric appliances at home and drinking Coca-Cola.

The second fundamental was security provided to Europe, Japan and other Free World countries through the NATO treaty, the Japan-U.S. Security Treaty, etc.

Third was low-cost oil. British Petroleum and Shell cannot be ignored, but it was the American oil majors that provided the world with an abundant supply of oil at a low price from the 1920s until 1973.

Fourth was food. Thanks to the ample supply at low price of American foods, the world was able to emerge from the food shortage nightmare after World War II.

Fifth was technology. Most of the technology that Japan now uses in its steel, automotive and electric appliance production came from the U.S.

And the sixth was GATT and the IMF, the fundamental economic order for the Free World which the United States created and sustained.

However, from the latter days of President Nixon's administration (after 1971), the American capacity to provide these fundamentals markedly declined, marking the beginning of the end of the era of pax-Americana. American values were shaken by the Vietnam War and the Watergate scandal, the oil majors lost their prerogative in the face of the increasing assertiveness of the OPEC countries and American supremacy in technology also waned.

In addition, both the IMF and the GATT rules lost some of their influence, the former as a result of the 1971 Nixon shock and the latter as a result of American grain export controls and the OPEC oil embargo of 1973. The U.S. still has the capacity to provide security and food but some doubts have begun to be expressed concerning security.

Form, Nature Change

Due to these structural changes, the form and nature of trade friction also underwent change. Frictions in the pre-Nixon shock days occurred when labor-intensive industries in the U.S., threatened by imports from semi-industrialized countries, brought pressure on the government to either restrict imports or force exporting countries to cut their exports, in temporary disregard of the GATT rules. The Japanese reaction to such U.S. action was to censure the U.S. for violating the GATT rules, a position highly justifiable under the GATT philosophy. However, the post-Nixon shock era frictions have involved steel, TVs, automobiles, semiconductors, etc., which all involve highly advanced technology and industries related to

security and values. These industries form the nucleus of a country. Frictions that involve these industries affect a nation's security and are deeply related to the people's pride unlike those affected by the pre-Nixon shock era frictions.

When friction over steel rocked Japan-U.S. trade relations in 1972-73, the Americans charged that Japan was dumping steel in the U.S. Nevertheless, there are reasons to believe that the Americans themselves did not really believe in what they charged. Regarding friction over Japanese auto exports, there are few Americans who think that Japan is guilty of unfair export practices. Nevertheless, Japan is criticized for its auto exports. Their position, we must realize, is that when the American automotive industry is in trouble and Chrysler and Ford are being "hospitalized" so to speak, Japan should not stomp around in the hospital corridors by sharply increasing its auto exports to the U.S.

How then should Japan deal with this question? If we apply the pre-Nixon shock era formula, what we should do is to accuse the U.S. of violation of GATT principles. The U.S. accusations and pressure on Japanese steel and auto exports without proving the fact of actual damage surely run counter to GATT logic. However, this argument is valid only under the premise that the GATT-IMF order still reigns supreme.

The mainstay that supported the GATT system was the U.S. and the most powerful GATT-supporting forces in the U.S. were the auto industry and the United Auto Workers union. This was because, until very recently, America's auto industry was No. 1 in the world and the free trade system GATT called for was best for that industry's market expansion worldwide.

The situation has since changed and today, the U.S. retains supremacy among the

major industries only in the fields of agriculture, aircraft, space, energy, weaponry and computers. It is only natural that under these new circumstances, American enthusiasm for the free trade system has waned.

Restriction Not Valid

Arguing that the assertions made by the U.S. Congress and auto industry go against GATT principles will not have much persuasive power under such circumstances. As I see it, American leaders know that the Japanese argument is right as far as GATT logic is concerned and that they have no valid reason to restrict imports of Japanese cars. Nevertheless, when considered on the political plane, the fact that the Japanese share of the American auto market has grown from 16 to 23 percent in an election year, when unemployed autoworkers are sharply increasing, cannot be ignored, they would say. This thinking has little to do with GATT and can hardly be silenced by resorting to GATT logic.

Now, how have Japanese industries coped with such friction? The U.S. steel industry was in a serious slump in 1977-78 and filed complaints with the Treasury Department against Japanese and European steelmakers. Then director of the Basic Industries Bureau, I visited Washington many times to negotiate with U.S. officials on this problem. As regards automobiles, I visited the U.S. last March to make a firsthand study of the impact of the friction and talked with many government officials, congressmen and journalists. On the basis of these experiences, I have identified a major difference in the ways the two Japanese industries have dealt with trade friction.

Leaders of the Japanese steel industry have a feeling of indebtedness to the U.S. steel industry because it was with U.S. capital, equipment and production technology that the Japanese steel industry was

able to rise to its present dominant position from the ruins of World War II. In the 20 years since then, the two industries' positions have been reversed as the U.S. steel industry with its aged equipment lost its competitive edge. When the 1977-78 friction developed, the Japanese government and steel industry made it a principle not to drive the U.S. steel industry into a corner and tried to listen to Washington's demands as much as possible.

In actual terms, Japan cooperated with the adoption of the trigger price system and the brush fire was put out before it developed into a major conflagration.

Since the turn of the year, as the American steel industry again hit a slump, U.S. Steel Corp. has filed a complaint against European steelmakers for dumping but has not done the same against Japan. This is because Japan has not engaged in dumping and the U.S. steelmakers are aware that the Japanese steel industry has paid due consideration to their difficult situation. The Japanese steel industry's handling of the friction was characterized by an avoidance of any steps that might add to the U.S. steel industry's difficulties.

Different Perceptions

On the other hand, there is a considerable difference in perception of the situation between the American and Japanese auto industries. The Japanese auto industry asserts that the present predicament of the U.S. auto industry is due to its failure to respond to the American consumers' need for smaller cars, for which Japan has no responsibility. The Japanese industry has done

nothing to be censured for because all it has done is to export cars to meet American consumer demands, it argues.

On the other hand, the American auto industry and labor union seek to stall Japanese exports of small cars out of the fear that during the few years necessary for the American auto industry to prepare itself for the production of small cars, a substantial share of the market may be captured by Japanese automakers. As a means to prevent this, the industry wants voluntary export controls by the Japanese auto industry but the U.S. government is not heeding this request.

The Japanese government is in no position to make any move on this point unless requested to do so by Washington because of possible problems with the U.S. Anti-Monopoly Law. Individual Japanese automakers could take genuine, voluntary steps to curb exports, I believe, but none apparently have felt a sense of urgency to do so.

As a result, the U.S. auto industry and union called on the Japanese auto industry to invest in the U.S., with the U.S. government and Congress joining in the call. Since it had no alternative, the Japanese government urged the industry to heed the call. However, thinking that no rash decision was justified, major Japanese automakers, except Honda and Nissan, made non-committal replies.

In the meantime, as the slump in the U.S. auto industry became further aggravated, the industry and union resorted to more direct steps and formally asked for an import restriction under Article 201 of the U.S. Trade Law.

As reviewed above, communications have not appeared good among the parties concerned — between the Japanese and U.S. auto industries, U.S. and Japanese govern-

ments, among U.S. government agencies, between the Japanese government and auto industry, and among Japanese automakers. There are complex reasons for the discord. One is the awareness on the part of Japanese automakers that, unlike American steelmakers, U.S. automakers are still very powerful competitors and once they have re-established themselves, they will have little trouble in driving out Japanese cars from the U.S. market. The American auto industry, on the other hand, seems to perceive the Japanese competition as stronger than it actually is.

Germany, Japan Support GATT

In dealing with the economic frictions occurring under the difficult conditions as reviewed here, the important thing to bear in mind is that there are only two countries in the world that fully support GATT now — West Germany and Japan. To be sure, the U.S. and other European countries believe in free trade and are against reversion to the protectionism of the 1930s by destroying the GATT system, but their support of free trade is less than wholehearted. Thus the Free World is left hanging between two alternatives.

The basic posture Japan should take in this situation is to observe the Japanese dictum, "the strong walk on tiptoe." In poker, there is nothing wrong in one player's winning every game. But he does that at the risk of being excluded from the game the next time. If you want to remain in the game, you have to lose once in a while. Let me repeat: A wise, strong man walks on tiptoe and considers others' positions, and only the wise and strong can become truly powerful.

CSO: 4120

ECONOMIC

'AKAHATA' COMMENTS ON U.S. ITC'S DECISION ON CAR IMPORTS

OW121031 Tokyo JPS in English 0917 GMT 12 Nov 80

[Text] Tokyo, 12 Nov (JPS)--On the decision of the U.S. International Trade Commission, which turned down the appeal for curbing imports of Japan-made and other foreign cars to the U.S., AKAHATA commented on 12 November:

"The result was that Japan's claim was accepted, but the root cause of the Japan-U.S. friction on automobile trade is deep, and there is a long way ahead [for] both countries to solve this problem.

"The 'world warfare' in relationship to small cars, in which Japan is taking lead, will be further intensified, against the background of energy crisis, and competitions for markets by world capitalism under the days of low growth rate.

"The strong competitive power of Japanese automobile makers, as has often been pointed out even by the U.S. side, is also based on domestic conditions: low wages, long working hours and intensification of labor plus heavy burdening on subcontractors.

"Now is the time to review the way of production, or the strengthening of competitive power at the sacrifice of the people and the heavy dependence on overseas market.

"On the U.S. side, attention is focused on new policies to be hammered out by the new Reagan Republican administration. Ford Motor, the UAW and protectionists of the parliament are trying to get the Reagan regime to have the ITC decision overturned.

"It cannot be overlooked that there is the possibility that the Reagan regime will place pressure in relationship to automobiles on Japan by interlocking the demands on Japan for an increase in military strength and etc."

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44

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ECONOMIC

MITI TO DRAFT LONG-TERM AUTO INDUSTRY SURVIVAL STRATEGY

OW161317 Tokyo THE JAPAN TIMES in English 15 Nov 80 p 1

[Text] The Ministry of International Trade and Industry (MITI) has decided to draft a long-term strategy for the survival of Japan's auto industry, which faces growing uncertainties in both domestic and world markets, it was learned Friday.

The proposed strategy for the auto industry would include a longer-term program for the adjustment of its production levels and encouragement for stepped-up overseas investments, ministry sources said.

The drafting of such a strategy, according to the sources, has been prompted by mounting protectionist sentiments abroad against Japanese car exports plus visible declines in domestic sales.

According to MITI, Japan's annual car output (including trucks and buses) exceeded the 10-million mark last year and Japan is expected to become the world's largest car producer this year, replacing the United States.

Yet, the Japanese auto industry's heavy dependency on exports is gradually stirring protectionist moves in foreign markets, including the United States and the European Common Market.

Almost one of every two Japanese car products was exported last year and the ratio will rise to 60 percent this year, according to the ministry.

Despite bullish exports, domestic car sales have been declining sharply since the turn of this year. Statistics show that domestic sales for 1980's January-October period dipped by 5.4 percent from a year-before-level for the first time in 4 years.

MITI officials said that the performance of the auto industry has a far-reaching effect on the nation's economy since the industry is Japan's leading earner of foreign currency. Also, car production accounts for some 10 percent of Japan's total output in the manufacturing sector.

"It is common sense that car sales would hit a ceiling sooner or later in both domestic and world markets. And it is high time that the auto industry had a long-term strategy for its survival in the 1980's and beyond," a senior MITI official commented.

Subjects for the proposed strategy-drafting discussions would include a long-term plan on appropriate levels of car production facilities, measures to encourage overseas investments and discovery of new lucrative markets in the Middle East, Latin America and other regions the sources said.

Work to draft such strategy would not be initiated until the cooling-down of the present car trade disputes with the U.S. and Western Europe, they added.

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ECONOMIC

EDITORIAL ON PETRODOLLAR INVESTMENTS

OW310325 Tokyo THE JAPAN TIMES in English 30 Oct 80 p 12

[Editorial: "Shift in Oil Money Investment"]

[Text] Since spring foreign investors, particularly those in Mideast oil-producing countries, have been actively buying equity shares, creating a boom in the stock market. Although the pace of investment has slowed lately, this reflects the growing investor confidence in the future of the Japanese economy in general and Japanese businesses in particular.

From 1976 to 1979 foreign stock purchases continued to fall below sales, leaving the balance in the red. But during the first 9 months of this year net buying exceeded yen 700 billion, or more than three times the record set in 1969, the last year in which purchases surpassed sales. In September alone, foreigners bought about yen 270 billion worth of shares in excess of what they sold.

The figure for the January-September period represents but a fraction of the total value of Japanese stocks, estimated at about yen 70 trillion at current prices as of the end of 1979. Yet the recent increase in stock acquisitions by foreign individuals and institutions indicates that it is not a passing phenomenon but probably the beginning of a long-term expansion in such investment.

What is especially significant is that such investment is said to have been made mainly by oil-producing countries in the Middle East, including Kuwait. OPEC nations are awash with surplus oil money. Their combined surplus is estimated to have amounted to about \$240 billion in 1979 and to increase by \$100 billion in 1980.

Mideast oil producers, now pursuing a "slow but steady" policy in their domestic development programs, need to invest their surplus petrodollars abroad. Japan, which is stable politically and economically, provides good investment opportunities. The remarkable success with which the Japanese economy has overcome two successive "oil shocks" is an eloquent testimony to its outstanding ability to cope with crises.

The visit here by Mr 'Abd al-'Aziz al-Qurayshi, governor of Saudi Arabia's Central Bank, can be viewed in this context. Early this week he reached agreement with Mr Haruo Maekawa, governor of the Bank of Japan, on the need to promote monetary cooperation between the two countries. And in a meeting with Finance Minister Michio Watanabe, Mr al-Qurayshi indicated that Saudi Arabia would increase oil money investment in this country.

Oil money has been flowing rapidly not only into the stock market but also in other areas of investment, including public and corporate bonds. Bond purchases exceeded yen 200 billion both in June and July, although the volume has reportedly dropped of late, as has stock investment. Here again, most of the bond investment is said to have been made by oil producers.

The slowdown is probably due to temporary factors, such as the yen's movement in foreign exchange markets and the prospect of another cut in the official discount rate. The continuation of the Iran-Iraq war, moreover, may have dampened investors' enthusiasm. In the long run, however, investors can feel reasonably assured about the performance of the Japanese economy.

As long as Japan retains its economic resilience and political stability, there is no reason why more oil money should not be invested in this country. Oil producers are trying to diversify their investments, which hitherto has been concentrated in dollar assets. So the weight of investment can be expected to shift increasingly in favor of the yen.

What this would mean to Japanese businesses, for instance, is unclear. Some people fear that oil producers might sell their shares if the Japanese economy were to enter a recession, thus causing disruptions in the stock market. There are also "fears" that they might try to participate in the management of Japanese corporations, as they did in Europe.

Such apprehensions notwithstanding, one thing is clear: an expansion of oil money investment will help to broaden the scope of economic and financial cooperation between Japan and oil-producing countries. In particular, investment in the form of yen-denominated bonds, for example, will help to "recycle" such surplus funds to countries that need such assistance the most--the developing countries that do not produce oil.

The need to make more of such money available to these financially depressed nations has been emphasized here and abroad, with international organizations now taking the brunt of the recycling operation. Japan seems to be in a good position to help them in cooperation with oil-producing nations.

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SCIENCE AND TECHNOLOGY

NTT DEVELOPS NEW OPTICAL FIBER CABLE

OW120529 Tokyo THE JAPAN TIMES in English 11 Nov 80 p 2

[Text] Nippon Telegraph and Telephone Public Corp. has succeeded in developing sophisticated mono-mode optical fiber on an experimental basis, corporation officials announced Monday.

The corporation's success virtually put an end to a long-time contest among advanced nations in developing the means of optical communications, which transmit laser signals through optical fiber as thin as a human hair.

The corporation plans to put the new communication system into practical use in 1982, the officials said.

The new optical fiber developed with the corporation's new technology extends 100 km in length, compared with previously developed fiber extending only 10 km or so.

An optical fiber cable consists of a "core" in the center and "clad" covering the core part. While the core part transmits laser beam signals, the clad part protects the core from external damage.

The optical fiber is divided into "mono-mode" and "multiplex-mode" types depending on the ways of signal transmission.

While the multiplex-mode optical fiber causes little "diffused reflection" while transmitting signals and thus disturbs the signals, no such trouble is experienced with the mono-mode optical fiber through which signals are transmitted in a straight course.

The mono-mode optical fiber is thus able to transmit accurately more than 10 times as many signals than the multiplex-mode optical fiber the officials said.

The corporation's know-how to reduce impurities in the fiber to a minimum level made it possible to develop such a sophisticated mono-mode optical fiber, the officials said.

The optical fiber measuring 125 microns and its core 8.9 microns in diameter can also transmit signals with a wide frequency range of 1.3 to 1.7 microns with less energy.

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49

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