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JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

INSIDE STORY OF VISIT BY PLO'S 'ARAFAT EVALUATED

Tokyo SHUKAN BUNSHUN in Japanese 22 Oct 81 pp 32-36

[Text] Invite Chairman 'Arafat of the Palestine Liberation Organization (PLO), a representative of the Arab radical faction, and then after a proper interval, ask President al-Sadat, a moderate, to come to Japan. Some say that Foreign Minister Sonoda was thinking of mediating between the two, something even the United States could not do. However, al-Sadat was assassinated. The impatient Ministry of Foreign Affairs made strenuous efforts to have 'Arafat's visit to Japan cancelled in one way or another. But, he did come....

The first miscalculation by Chairman 'Arafat of the PLO, who came to Japan on 12 October, was the welcome reception sponsored by the Japan-Palestine Friendship Diet Members League.

"Although the host Japan-Palestine Friendship Diet Members League is a nonpartisan organization with 95 members, the number of attendees that day was about 25. According to advance responses, over 50 members were supposed to attend. In addition, the absence of newspaper executives and business leaders was conspicuous" (a journalist who covered the event).

At a reception held in the Hotel New Otani, approximately 230 people besieged the place, including Liberal Democratic Party Secretary-General Yoshio Sakurachi, Minister of the Administrative Management Agency Yasuhiro Nakasone, Chairman of the Socialist Party Kazuo Asukata, Komei Party Secretary-General Junya Yano, and Japan Chamber of Commerce and Industry President Shigeo Nagano. However, because of the complicated interpreting process in which Arabic was first interpreted into English, and English was then interpreted into Japanese or for some other reason, the reception proceeded without coming to a climax. To Mr 'Arafat, the first PLO chairman invited to an advanced country, it was really a bitter start.

Originally, Chairman 'Arafat's visit to Japan was supposed to become the first step in "brilliant Japanese diplomacy" for both Prime Minister Suzuki and Foreign Minister Sonoda. Naturally, it would have been a medal in terms of political skill for the distinguished members of the sponsoring Japan-Palestine Friendship Diet Members League. They were expected to attend the reception in large numbers. A correspondent assigned to the Foreign Ministry said:

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"This 'Arafat visit to Japan, President al-Sadat's visit to Japan scheduled for November, and a meeting with Crown Prince Fahd of Saudi Arabia at the North-South Summit in Mexico--if Japan had succeeded in these three important meetings, Japan's Middle Eastern policy would have drawn worldwide attention, freed itself from a foreign policy of following in the footsteps of the United States, and, if circumstances were favorable, taken the initiative in Middle Eastern diplomacy....It was that grand a plan."

In other words, it was a grand scheme that would have Japan introduce itself to both the PLO, an Arab radical, and Egypt, an Arab moderate, as a mediator working for peace in the Middle East. Japan would then have access to Saudi Arabia, which has the support of most Arab states. It would have been a superb chance to develop an "omnidirectional peace diplomacy" that neither the United States, the USSR, nor European countries could imitate and to remove the disgrace of having "no diplomatic sense."

However, with President al-Sadat's death, Zenko's grand scheme sadly collapsed. Moreover, the situation turned around completely and he found himself in a pinch.

"If Al-Sadat could not come, the balance would be destroyed, giving the world the impression that Japan was one-sidedly supporting the PLO. Even if that had not been so, the Reagan administration, which supports Israel, had been on the alert concerning Japan's invitation to the PLO. At the meeting held between then Foreign Minister Masayoshi Ito and Secretary of State Haig after 'Arafat's visit to Japan became definite, whenever the subject of conversation touched on the PLO, Haig openly made a sry face" (the previously quoted correspondent).

Furthermore, because 'Arafat made a speech indicating that he "welcomed Al-Sadat's death," while in Beijing just prior to his visit to Japan, Foreign Ministry officials feared that it would stir up popular opposition. Thus, Mr 'Arafat was reduced to being a guest who was uninvited in the true sense by a goddess of happiness. To Prime Minister Suzuki, it was as if a large hole had opened in a large spread wrapping cloth.

Scheming to Tie 'Arafat's Tongue

In fact, when high government officials received reports on "President al-Sadat's death," it is said they were so confused as to make other people feel sorry for them.

"On the next morning, beginning with Foreign Minister Sonoda, all Foreign Ministry high officials started saying: 'Since a big change is going to take place in the Middle East, the PLO will not come.' This was, you know, only wishful thinking that 'it would be better if he did not come.'"

Someone suggested calling the Japanese Embassy in Beijing and having the embassy contact 'Arafat. However, this idea was abandoned, since it was too awkward to refuse his visit for such a reason after Japan had once invited him" (a correspondent assigned to the Foreign Ministry).

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Meanwhile, whom Japan should send to President al-Sadat's funeral was also another problem that troubled Zenko.

"After learning that the United States was going to send three former presidents--Carter, Nixon, and Ford--the high government officials thought Japan should also send former prime ministers. So, the prime minister himself called former prime ministers on the telephone.

However, Takeo Fukuda refused, since he was waiting to visit China in addition to having a slight cold. Takeo Miki declined politely. With no other alternative, it was decided to send Foreign Minister Sonoda" (a correspondent assigned to the prime minister's official residence).

There were others who requested to be sent to the funeral. Former Minister of International Trade and Industry Masumi Ezaki directly called the prime minister on the telephone while on an overseas tour and won a position as a special envoy of the Japanese Government.

Of course, the pressure from below within the Liberal Democratic Party was heavy. At the meeting of Policy Materials Study Association held on the 9th, approximately 70 Diet members made a statement to the effect that they "opposed the 'Arafat visit to Japan." The situation was such that there was a movement that volunteers in the association asked the leaders of the Liberal Democratic Party "not to meet with 'Arafat."

For these reasons and others, they treated the PLO chairman who came to Japan with kid gloves.

When the chartered airplane arrived at Haneda Airport, Mr Toshio Kimura immediately rushed into the airplane, and thereafter he stayed very close to 'Arafat. Mr Kimura rode with him in a car from Haneda Airport to the hotel. According to Mr Kimura, the conversation between the two began with a seemingly touching exchange: "At last you have made the historic first step in Tokyo," and in response, "I have been able to come to the most friendly of the Western countries." In truth, however, the only thing whispered on the streets has been the view that 'Arafat's tongue was tied.

"For high government officials, it would be annoying if 'Arafat said 'Al-Sadat's death was good' or some such thing. Therefore, they may have sent Mr Kimura to persuade 'Arafat not to say such a thing before he could meet anybody. (Mr Kimura denies this)" (a correspondent assigned to the prime minister's official residence).

'Arafat was not formally invited by the Japanese Government; instead, he was invited by the Japan-Palestine Friendship Diet Members League. So, he was a quasi-official guest.

For this reason, it is said that Mr Kimura, chairman of the Japan-Palestine Friendship Diet Members League, was asked to attend even the meeting between Prime Minister Suzuki and 'Arafat.

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"Essentially, the Japan-Palestine Friendship Diet Members League is a private organization. Since the meeting of the prime minister and foreign minister with 'Arafat was official in nature, there was no reason for Mr Kimura to attend.

Perhaps, the prime minister intended to shirk his responsibility by means of his usual singsong manner of reading a note. Then, no matter what was said thereafter, he intended to impose further responsibility on Mr Kimura, who had invited 'Arafat" (a correspondent assigned to the prime minister's official residence).

It is as if we can see before us how dismayed Mr Suzuki and Mr Sonoda were to unexpectedly find themselves handed a hot potato.

There are many people who say this failure was not solely due to Al-Sadat's death. An unidentified diplomatic critic remarked:

"Basically, diplomacy is thought of as something that can cope with a fluid situation. If the whole plan collapses with the change of one factor, it is mere imagination and not diplomatic policy. Japanese diplomatic capabilities are not so great as to put together a grand scheme and to deal with situations fluidly to attain a goal. Can't a diplomatic plan based on failure to know one's place be a source of the tragedy, as in the case before World War II?"

We do not lack episodes showing that with the capabilities of the Japanese Foreign Ministry it is hardly possible for Japan to take an initiative in Middle Eastern diplomacy. A good example is the Al-Sadat shooting incident.

It was 8 pm on 6 October (Japan time) when the first news that "Al-Sadat was shot" reached Japan by cable. At that time, the Japanese Foreign Ministry still had not received any information. Moreover, it could not get hold of the Japanese Embassy in Cairo.

The Foreign Ministry, impatient as might be expected, tried to call the Japanese Embassy in Cairo many times and finally got a first report at 10 pm. It was the following optimistic information. "As far as Ambassador Toshio Yamazaki, who was also attending the parade, could see from approximately 30 meters away, it appears that President al-Sadat suffered a scratch on his hand." "Ambassador Yamazaki's chauffeur says he saw President al-Sadat get into a helicopter under his own power." "High government officials are all saying there is no fear of his death."

"Information Gathering" That Depends on the United States

From around midnight all three major American television networks began reporting "Al-Sadat's death." They reported a cable from Tel Aviv saying that "three bullets hit Al-Sadat on one side." In spite of all this, a telephone call from the Japanese Embassy in Cairo at 12:30 am reported as follows: "Ambassador to Egypt Yamazaki directly called U.S. Ambassador to Egypt Murphy on the telephone. Ambassador Murphy said that he 'had not yet confirmed the report on Mr al-Sadat's death'." "As an embassy, we called the office of the Egyptian president's official residence for confirmation. Their answer was that he was still under treatment." Only this kind of altogether unspeakable report came from the Japanese Embassy in Cairo.

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In the end, the Japanese Government could not confirm the report of Al-Sadat's death until the official announcement was made by the Egyptian Government on the radio. It was 4:30 am when the Japanese Government issued Prime Minister Suzuki's official statement.

"I felt acutely how poor the information-gathering capability of the Japanese Foreign Ministry was. Fundamental defects of the Foreign Ministry were revealed, such as the tendency of Japanese embassies abroad to depend on U.S. embassies in the host country for information, the inability of Japanese embassies to acquire important information from key government personnel of the host country, and so forth. If the Japanese ambassador happened to be only 30 meters away from the site where the shooting occurred, he should have run over there and confirmed the safety of Mr al-Sadat. If a reporter had behaved in the same manner as the ambassador, he would have been fired. It proves that the ambassador does not consider information-gathering his important responsibility" (the previously quoted reporter).

Among 3,500 employees of the Foreign Ministry, only 43, in the upper and intermediate levels combined, have received Arabic-language training. Even including those now in training, they still number only 58. In this situation, it is hardly possible to make a good analysis of the Middle East situation.

There is an earlier example. In 1977, when then Japanese Ambassador to Iran Ikawa returned to Japan and reported to then Prime Minister Fukuda that "the Pahlavi regime is secure, because I went there and investigated." Only 3 months later, the Pahlavi regime collapsed. It can be said that the Foreign Ministry's information and analysis capability concerning Middle Eastern affairs is not much different from that of the time when the shah fell.

Judgments made on the basis of a low capability for information analysis naturally contain many mistakes. In regard to the grand scheme of the present, some say that the perception was fundamentally wrong. Mr Koji Saishu (Tokyo Arabian Consultants) says: "First of all, the perception that Al-Sadat's government was secure was optimistic."

"On 30 September this year, a party commemorating the inaugural issue of ARABIA, a journal specializing in Middle Eastern affairs, was held in London. At that party, experts on the Middle East, including Oil Minister Yamani (Saudi Arabia) were drawn into discussion on 'which government in the Middle East is the most reliable.' Number one was Iraq. Egypt was not even mentioned in the discussion. So, I asked about Egypt. The answer was 'Egypt is beyond question. We would not be surprised if Al-Sadat falls tomorrow.' Due to the strains of economic policy, the gap between the rich and the poor has widened. Conditions may be just like the night before the 26 February incident. It would be no surprise to us if Al-Sadat was assassinated any day. I could not help but think it was crazy to entrust the key word in Middle Eastern policy to such a person."

For the last year, information on plots to assassinate Al-Sadat have been reported once a week. As a matter of fact, the U.S. CIA is said to have had information on this assassination plan 24 hours before the assassination took place.

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If Al-Sadat Had Not Been Assassinated?

Furthermore, there is even the opinion that if Al-Sadat had not been assassinated and had visited Japan safely, the result would have been the same.

"In November 1977 Al-Sadat's historic visit to Jerusalem took place.

When he arrived at Tel Aviv airport, we saw a touching scene in which diplomats from various countries stationed in Israel came to offer greetings, hugged him in an exaggerated manner, and held conversations with him. However, when Al-Sadat came in front of the Japanese ambassador to Israel, he shook hands briefly for form's sake and immediately proceeded to the next diplomat. In other words, Al-Sadat did not take Japan into political consideration at all 3 years ago.

It seems improbable that Al-Sadat would listen to Japanese opinions on peace in the Middle East 3 years later merely because he was invited to Japan. President al-Sadat's conception of Japan was not much more than that of a country which had given Egypt economic aid. At any rate, since the Egyptians received 140 billion yen in credits from Japan, they must be grateful to Japan. However, it is only the economic aspect" (a correspondent stationed in Cairo).

The optimistic perception applies not only to the case concerning Egypt but also to the case concerning the PLO. The following is a comment by an expert on the Arab situation.

"The present PLO does not have as high an international reputation as it had some time before. At the time of the birth of the Khomeyni government in Iran, various European countries approached the PLO because the PLO was said to have a channel to Iran. For that reason, the PLO was bullish concerning a Japanese invitation and took the attitude that it would not accept an invitation unless it was an official invitation from the government.

However, as a result of the Iran-Iraq war, it was revealed that the PLO did not possess any arbitration capability. Moreover, the only nation which sponsors the PLO is Syria. Therefore, many countries hold back on approaches to the PLO. Because Japan suddenly offered its hand under such circumstances, 'Arafat was naturally pleased. In the present condition of the PLO, he would have accepted the invitation even without a meeting with the prime minister."

We get the strong impression that, when it became an actuality, Suzuki's new Middle Eastern policy was made use of by other countries at will.

One Arab living in Japan said the following:

"The difference between Japanese and Arab diplomacy is like the difference between a child and an adult. The Arabs have been watching the rise and fall of nations for ages. Moreover, they have long colonial experience. Their wariness toward other countries and other people is entirely different from that of the Japanese."

At the time of the 'Arafat visit to Japan, the PLO requested a so-called "voluntary guard."

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"Since they felt uneasy depending on the police of another country for his security, they asked us to allow them to guard 'Arafat with the PLO's machineguns and automatic rifles. It was no laughing matter. If someone were to bring a rifle into the Diet when he met the prime minister, it would cause trouble. Consequently, instead of acceding to their request, the result was a large guard force of 17,000 policemen and the renting of the whole floor on which 'Arafat's room was located and the rooms above and below his room" (a police officer who was involved).

"Actual State" of the Japan-Palestine Friendship Diet Members League

In comparison, our elite were totally innocent. An unidentified correspondent in the Middle East revealed the inside story of the invitation to 'Arafat.

"Generally speaking, although they call their group the Japan-Palestine Friendship Diet Members League, most of the members do not understand the Palestinian issue. They are grandstanders. Last December, the delegates of the Japan-Palestine Friendship Diet Members League visited Damascus in order to invite 'Arafat to visit Japan. The members of the delegation only talked about their own party and would not listen to the PLO. They had decided to invite 'Arafat, but could not accomplish anything talking as a group. Therefore, a secret meeting between Toshio Kimura, the group leader, and 'Arafat was arranged. However, Diet member Akira Kuroyanagi of the Komei Party stubbornly began to insist he would return to Japan on the next day's flight if he could not participate in the secret meeting. Lower house member Tetsu Ueda of the Socialist Party butted in only for the photography session with 'Arafat. So it went, and I was fed up with such behavior."

By the way, the chief members of the Japan-Palestine Friendship Diet Members League are: chairman, Toshio Kimura; counsellor, Tokuma Utsunomiya; vice chairmen, Michiyuki Iwado and Tetsu Ueda; office director, Yoshiko Otaka. Other members include Akira Kuroyanagi, Koji Kakizawa, Yutaka Hata, Yukio Aoshima, Chinatsu Nakayama, Hideo Den, Eizaburo Maejima (Kita Yashiro)....

As for these distinguished people, let's tell them that merely inviting 'Arafat to Japan does not please the Arabs at all.

An Arab journalist stationed in Japan, Mr Kode Khan Yusufzai [phonetic] (an Arab news correspondent) says:

"The Japanese may think they gave a warm reception to the PLO, but it does not look that way to the Arabs.

"Wasn't it impolite to have arranged 'Arafat's meeting with Prime Minister Suzuki in the Diet? In spite of the fact that he was a guest invited by Japan, to meet him in the Diet instead of the prime ministers official residence was like saying 'you are not a formal guest,' and meeting him in front of the toilet rather than the guest room.

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"In Arabic there is a saying: 'It is better not to speak ill of the dead.'
'Arafat also knows that much etiquette, but Japanese officials were worried about
him saying something wrong. I cannot help but think that the Japanese do not
understand the Arabs. Aren't the Japanese the polite people who meet any guest
in the guest room?"

The Japanese lack of diplomatic sense is not likely to be corrected soon.

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FOREIGN MINISTRY VIEWS SOVIET OFFICIALS' VISITS

OW270925 Tokyo ASAHI SHIMBUN in Japanese 23 Nov 81 Morning Edition p 2

[Text] Government-level dialogues between Japan and the Soviet Union, which began in September with a foreign ministers conference, were brought to a standstill as a result of the cancellation of the Soviet education minister's scheduled visit to Japan in October. However, beginning this week, high-ranking Soviet officials are due to arrive in Japan at the invitation of the JSP and other nongovernmental organizations. The Japanese Foreign Ministry thinks that the purpose of these visits may be to "probe Japan's attitude toward the Soviet Union prior to the pending Cabinet reshuffle," according to a ministry source. Top Foreign Ministry officials plan to exchange views particularly with Arbatov, director of the U.S. and Canada Institute, when he comes to Japan.

First, on 23 November, a Soviet economic mission is to arrive. Originally, Deputy Minister of Foreign Trade Grishin was to head this mission, but due to his illness, Kiselev, chief of the Administration for Trade With Asian Countries, is to replace Grishin as head of the mission. The main purpose of the mission is to hold talks with leaders of the five major business organizations in the Kansai area with a view to revitalizing the Japan-USSR trade and economic relations that have been stagnant since the outbreak of the Afghan problem.

Second, on 25 November, a Soviet communist activist delegation led by Lomakin, first secretary of the Maritime Kray Party Committee, is due to arrive in Japan for a visit at the invitation of the JSP. One of the delegation members is Kovalenko, deputy chief of the International Department of the CPSU Central Committee, who is believed to be playing a key role in formulating party policy toward Japan. Kovalenko visited Japan last December to attend the talks between the CPSU and the JCP. During that visit, he held energetic talks with LDP Secretary General Sakurachi and other political figures. During his coming stay in Japan, which will last until 2 December, he is expected to actively seek meetings with Japanese politicians and businessmen.

Third, Arbatov, director of the U.S. and Canada Institute, is due to arrive on 28 November. Being a top Soviet specialist on U.S. affairs, he has great influence on Soviet foreign policy, including policy toward the United States. The main purpose of his coming visit is to attend a Palme Committee meeting opening in Tokyo on 4 December. Before and after this meeting, he will hold talks with officials

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of the Society for the Study of Security Affairs, a private research organization, including Masamichi Inoki, former head of the Defense Academy. In addition, during his stay in Japan until 15 December, he will meet with upper house President Tokunaga and other key politicians, as well as leaders of the Japan Federation of Economic Organizations. Furthermore, a Japanese Foreign Ministry official at the bureau chief's level is to exchange views with him to assess the Soviet view of the overall international situation and the Soviet policy toward Japan.

As for government-level contacts between the two countries, the Japan-Soviet Fishery Committee held a meeting beginning 11 November. On 19 November negotiations began to extend the temporary agreements permitting fishing operations in each other's fishery zones. The Soviet Union is limiting its demand for catch quotas within Japan's 200-mile zones to the same level as last year's actual catches, apparently desiring to reach an early compromise through businesslike negotiations. In the Japanese Foreign Ministry's opinion, the cancellation of Education Minister Prokofyev's visit to Japan seems to have no effect on these fishery negotiations.

From this, the Foreign Ministry concludes that the Soviet Union cancelled its education minister's visit with a view to undercutting Japan's freeze on personnel interchanges in the wake of the Soviet invasion of Afghanistan, but the Soviet Union made a miscalculation regarding the response Japan would make to the cancellation. However, the Foreign Ministry thinks that the cancellation has produced no serious after-effects and that judging from the scheduled successive visits to Japan by high-ranking Soviet officials, the Soviet Union strongly desires to reopen dialogues with Japan. In particular these visits coincide with the scheduled Cabinet reshuffle in Japan, a fact indicating that the Soviet Union wants to actively probe Japan's policy toward it. For this reason, the Foreign Ministry plans to watch what moves the Soviet Union will make in the coming series of Japan-Soviet exchanges and assess the prospect of future government-level dialogue, including working-level consultations between the two countries.

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SUZUKI DISCUSSES TRADE FRICTIONS WITH ECONOMISTS

OW251441 Tokyo JIJI in English 1413 GMT 25 Nov 81

[Text] Tokyo, 25 Nov (JIJI PRESS)--Prime Minister Zenko Suzuki Wednesday exchanged views over breakfast with leading Japanese intellectuals, including former members of the Japan-United States economic relations group widely known as the "Wisemen's Group" on Japan's trade frictions with the United States and West Europe.

Attending the meeting were Nobuhiko Ushiba, adviser to the foreign minister and former Japanese cochairman of the dissolved Wisemen's Group, Board Chairman Akio Morita of Sony Corp, Board Chairman Isamu Yamashita of Mitsui Engineering and Shipbuilding Co, President Takashi Hosomi of the governmental Overseas Economic Cooperation Fund and government representative for external economic affairs Saburo Okita. Both Morita and Yamashita are former Japanese members of the Wisemen's Group, but Chairman Kiichi Saeki of the Nomura Research Institute, another Wisemen's Group member, was not present at the meeting, held at the prime minister's official residence.

The Wisemen's Group has already completed its mission with the submission of a final report on Japanese-American economic relations in early October. Suzuki met with them to seek their opinions on international economic issues for reference in conducting the external economic policy at a time when Japan's trade frictions with the United States and West Europe are assuming serious proportions.

Referring to Washington's demand for removing Japan's tariffs on 29 items, including computers and peripheral equipment, earlier made through the U.S. Embassy in Tokyo, Ushiba, former ambassador to the United States, suggested that Japan tackle the U.S. request in a positive manner. He said that the present tariff levels have been set through the Tokyo round of multilateral trade negotiations sponsored by the General Agreement on Tariffs and Trade (GATT). As discussions on tariffs are conducted on the basis of certain rules, it would serve to prevent trade problems from being treated emotionally, he added.

At the meeting, the view was also expressed that a body should be created to deal with foreign complaints about trade issues.

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'MAINICHI' SCORES SUZUKI PRESS CONFERENCE REMARKS

OWO41424 Tokyo MAINICHI DAILY NEWS in English 3 Dec 81 p 2

[Editorial: "Inconsistent Prime Minister"]

[Text] Prime Minister Zenko Suzuki, upon completing the reshuffle of his Cabinet and lineup of the Liberal-Democratic Party executives, reiterated his determination to deal with the many urgent problems which our nation faces today. His remarks, made at a press conference on December 1, were most disappointing as he failed once again to demonstrate his leadership.

There was nothing new about his statement. He discussed many subjects at length from a very broad standpoint but did not go into details. In addition, criticism is running high because of his appointment of a "grey politician" as party secretary general, but Suzuki attempted to defend his choice of Susumu Nikaido, saying that he has been working sincerely for the cause of the nation and the party.

In connection with administrative and fiscal reconstruction, the prime minister declared that the most important task now is to restore the people's trust. What is truly needed of politicians today is morality. We are fed up with money politics and political corruption.

We are not at all satisfied with his explanation. How can he restore the people's confidence in politics when he himself named the boss of a "plutocratic LDP faction" as party secretary general? In the face of his breach of faith, whatever he says is hardly convincing. He also emphasized that his country will make its own decisions on defense independently of the U.S. request for increased military capability after taking into account all factors, such as the war-renouncing Japanese Constitution, budgetary matters and public opinion. With regard to Japan's economic cooperation with the Republic of Korea, Suzuki said he would handle the issue within the scope of contributing toward the stability of the people's livelihood and economic progress of the ROK.

His contention on these issues was abstract, but we admit that the direction he is pursuing is correct. The problem is that he has often gone astray from his intended course, and he has betrayed our expectations by failing to demonstrate leadership. We now call on the prime minister not to say one thing and do another. He should remember that lack of leadership and inconsistency are fatal.

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'YOMIURI' VIEWS TASKS FOR NEW SUZUKI CABINET

OW041417 Tokyo THE DAILY YOMIURI in English 3 Dec 81 p 2

[YOMIURI SHIMBUN 2 December editorial: "Urgent Tasks of Cabinet"]

[Text] The urgent tasks of the reshuffled Suzuki cabinet are to compile a budget without a tax hike, generate GNP growth through domestic demand and end trade friction with Western nations.

These objectives are closely related but at the same time contradictory in some respects. This will create problems. And these goals must be reached against the broad framework of administrative and fiscal reform.

At his first cabinet meeting after the reshuffle, Suzuki instructed his ministers to not press for any tax measures incompatible with the policy to compile a budget without tax increases. However, the tax yield is affected by the growth rate of the nominal GNP, and an increase in the yield is being checked by the delay in economic recovery and the stability of prices.

It seems obvious that under these circumstances and Suzuki's policy the only way out is to trim government expenditures. Also, the government should reexamine tax privileges and end tax inequalities.

Cause for Worry

We are uncomfortable with Suzuki's proposal to "moderately" boost taxes so that it is in line with a "no tax hike" budget. It would seem that the premier is losing interest in administrative and fiscal reform.

Some labor federations, as well as the Japan Committee for Economic Development (Keizai Doyukai), are pressing for an income tax reduction. However, they offer no suggestions on how to find alternative revenue sources to make this possible. The only way this can be accomplished is to trim government costs.

To overcome trade friction with the U.S. and Western Europe, Suzuki proposes to abolish nontariff barriers and advance the dates to enforce tariff reductions under the Tokyo round. Since Western countries desire that Japan open its market, the premier is right in proposing this.

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Beware of Bureaucratic Moves

However, the bureaucrats again and again have claimed that Japan's market is open, and Suzuki, believing them, has rejected Western demands in the past. The new cabinet must beware of wily bureaucrats and force them to remove trade barriers to regain the trust of the outside world.

In approaching the trade problem with the U.S., the government must be aware that the U.S. links Japan's trade surplus with its dissatisfaction with Japan's defense budget. However, we must deal with these problems separately.

But one of the most difficult problems for Suzuki's new government will be to switch from exports to domestic demand for the basis of economic growth. And this can be promoted by the lowering of the official discount rate by the Bank of Japan providing the yen maintains its present strength.

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POLITICAL AND SOCIOLOGICAL

'ASAHI' ON 'FORGOTTEN' PACIFIC BASIN CONCEPT

OWO41423 Tokyo ASAHI EVENING NEWS in English 3 Dec 81 p 5

["Weather Vane" column by Shigeo Omori, head of ASAHI SHIMBUN Analysis and Research Center: "Forgotten Issue"]

[Text] After a period of inactivity on account of the expectation that Foreign Minister Sunao Sonoda was bound to be removed in the reshuffle of the Suzuki cabinet this week, the Foreign Ministry has moved into action again with the nomination of his successor, Yoshio Sakurauchi.

The mass media are now busy soliciting Sakurauchi's views on the host of outstanding diplomatic issues, including trade friction with the United States and Western Europe, the persistent U.S. request for a substantial Japanese defense buildup, the stalling in the proposed resumption of a dialogue between Japan and the Soviet Union, and South Korea's request for \$6 billion in economic aid.

But one thing is missing from this extensive list. The Pacific Basin cooperation concept, which was advocated by the late Prime Minister Masayoshi Ohira and left to his successor, Zenko Suzuki, to carry on, has been forgotten by newsmen. What has become of the plan, which was made so much of as a major item in Ohira's diplomatic agenda?

In a word, the proposal has been virtually shelved because of circumstances at home and abroad, and it looks likely to stay off the stage of Japanese diplomacy for some time to come.

To give the domestic reasons, the government's attitude toward the proposal has changed. Official enthusiasm rapidly cooled after Foreign Minister Masayoshi Ito, who made it his avowed mission to continue Ohira's foreign policy, resigned in the controversy over the Japan-U.S. joint communique issued in May and Sonoda took over. And as Prime Minister Suzuki moved to leave behind off Ohira's legacy [as published] and strike out on his own, the proposal, a symbol of the late leader's foreign policy, was bound to lose prominence.

The lack of eagerness on the part of the ASEAN countries has worked even more decisively against the proposal. An international seminar held in Canberra in September last year advised the related governments to set up a private-level forum, a

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Pacific cooperation committee, to discuss ways of conducting cooperation in the Pacific region. But the recommendation stirred fears among the ASEAN governments that the Pacific basin cooperation concept, if translated into reality, could weaken the unity of the ASEAN community.

The Foreign Ministry was forced to change its tactics when the ASEAN failed to react to the scheme in the way that had been hoped in the meeting of their foreign ministers in June this year. The ministry gave up its attempt to create a standing body in the form of the Pacific cooperation committee and decided to take a patient and roundabout approach to the question.

"Just because the timetable we had in mind has hit a snag, the proposal itself does not evaporate," related officials say. They point out that the proposal is long-term scheme envisioning the 21st century, and that interdependence among the nations in the Pacific region will grow as time passes.

As an external liaison body on the proposal, the Foreign Ministry has set up the special committee for Pacific cooperation in the Japan Institute for International Studies, an extra-departmental organization, installing former Foreign Minister Saburo Okita as its chairman.

In the meantime, "core" research organs on Pacific cooperation have come to the fore abroad in the past few years, including the Panpacific Communist Association of the United States, Australia National University, and the Center for Strategic and International Studies of Indonesia.

In the view of Okita, as channels of communication are established with these foreign research agencies and exchanges of personnel and information increase, common perceptions and outlooks will emerge in time, and this will make it possible to hold strategy sessions to bring about the envisaged cooperation.

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MILITARY

DEFENSE WHITE PAPER, PENTAGON PAPER REVIEWED

Defense Agency's View

Tokyo TOKYO SHIMBUN in Japanese 30 Sep 81 p 1

Article: "Seventy-Five Nuclear Missiles Aimed at and Within Operating Range of the Far East"⁷

[Excerpt] (Washington 29th, Special Correspondent Okamoto) Beginning at 9:15 am on the 29th (10:15 pm the same day Japan time), U.S. Defense Secretary Weinberger held a news conference at the Pentagon and gave a presentation on the subject of "Soviet Military Power." In this presentation, the Secretary stated that since the Soviet Union's newest type of SS-20 Intermediate Range Ballistic Missiles, chiefly deployed to aim at Europe, are mobile, Russia possesses offensive power in Japan, the Korean Peninsula, and other parts of northeast Asia.

In addition, when asked approximately how many SS-20s aimed at the Far East are in place, he did not give a clear number, but replied that the Soviet Union possesses offensive power against Japan, Korea, etc, because the SS-20s are mobile. However, based on the fact that the Secretary admits that 175 of the 250 SS-20s are deployed against Europe and other targets, one can conjecture that the remaining 75 are deployed against Far East targets.

Contents Are Common Sense

The Perspective of a Defense Agency Source

The report on the Soviet Union's Military Power released by the Pentagon on the 29th had already been forwarded a few days earlier by U.S. Defense Secretary Weinberger to Defense Director General Omura, and the Defense Agency has finished its analysis of the report's contents.

A Defense Agency source stated on the evening of the 29th that, "There is nothing particularly new in its contents, and it fundamentally coincides with our perceptions." The source made clear the perspective that the report does not go beyond the bounds of intelligence offered by and received from the U.S. Defense Intelligence Agency, U.S. Commander in Chief Pacific Headquarters, etc, during a series of military level discussions between Japan and the U.S.

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According to the same source, two points in this report pertained to the Far East region: estimates of (1) the more than 45 divisions of the Soviet Union's military land forces on the Sino-Soviet border, and (2) the 720 ships in the Pacific fleet. The Defense White Paper published in 1981 exceeds U.S. estimates, with figures of 51 divisions and 800 ships, respectively. The same source explained the reason for this: "Because U.S. estimates do not include such things as the five divisions in Mongolia and small scale auxiliary naval vessels," and emphasized that there is not a difference in perception (between the Defense Agency and the Pentagon). The source also indicated that the Agency had already received from the U.S. side a far more detailed, substantive explanation regarding the said SS-20 Intermediate Range Ballistic Missiles, concerning IRBMs in the Far East region, the particulars of the positioning of SS-20s, etc.

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Defense White Paper Criticized

Tokyo MAINICHI SHIMBUN in Japanese 7 Oct 81 p 2

Article: "The Inflated 'Soviet Threat'; Defense Agency White Paper on 'Estimates of Military Power in the Far East'"

[Text] Is the Soviet Union's army, which is supposed to be deploying its military power on the scale of divisions (10,000 men) in northern regions, a phantom? A report presented by U.S. Secretary of Defense Weinberger on the subject "Soviet Military Power" had considerably lower estimates of Soviet military power than those in the Defense Agency's White Paper published in 1981. Thus the Defense Agency has been taking great pains to make the figures consistent. "I have ordered an investigation into areas where differences have occurred," (Deputy Director General Hara); Hara looked puzzled by the unexpectedly cool-headed analysis of the Soviet Union by the Pentagon, the originator of [a phrase] the "Soviet threat."

The 1981 White Paper put Soviet military power at 51 divisions, and, stressing the Soviet method of augmentation of military forces, (said) that the Soviets are deploying land forces "on the scale of a division" in northern territories. By contrast, the U.S. Pentagon report lists 45 divisions. Certainly, even if one looks at "Military Balance" recently compiled by Britain's International Center for Strategic Studies, (one sees that) the Soviet Union's army in the Far East consists of 46 divisions; the Japanese White Paper estimates are quite high.

In naval power, the White Paper estimate likewise was high by a long shot. Whereas the White Paper puts the Soviet Pacific fleet at 800 naval vessels, the U.S. report says 720, and "Military Balance" 527 vessels.

There is considerable fear in the Diet of being caught by the opposition on this point: "Does the Defense Agency not intend to try to increase the Defense budget by exaggerated reporting of the Soviet Union's military power?" Defense Director General Omura, who has always spoken of "the agreement between the

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U.S. and Japan on perceptions of the Soviet Union," is not shouldering the responsibility either.

The figures in the White Paper originally were the "latest intelligence" received by Director General Omura directly from Secretary Weinberger, Commander in Chief Pacific Admiral Long, and others when Omura visited the U.S. in June. The figures were a section of the White Paper in which the Defense Agency took pride. Since the same Weinberger has reversed (these figures), the matter is troublesome. It is common knowledge that the Defense Agency, which says, "The White Paper account was done with the Defense Agency's independent intelligence," has neither military reconnaissance satellites nor a spy network, and relies upon U.S. intelligence.

The Defense Agency is now explaining that the U.S. did not include in its figures the divisions which have a 25 percent "level of sufficiency" (effective strength is 25 percent of nominal strength), but the divisions were counted in the Japanese White Paper because they would become regular divisions whenever mobilized. The Agency is also explaining that the difference in the number of naval vessels is due to the fact that small naval and other vessels besides warships were included in the White Paper. By these explanations, the Agency appears to be acknowledging that the White Paper was by design trying to make the Soviet Union's military power appear to be greater than it actually is. It appears that the Defense Agency was ambushed while it was banking on the U.S. to take a strong anti-Soviet stand to seek full budget appropriations.

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MILITARY

TANK RESERVE REINFORCEMENTS PLANNED FOR GSDF

OW251131 Tokyo THE DAILY YOMIURI in English 24 Nov 81 p 1

[Text] The Ground Self-Defense Force (GSDF) has worked out a plan to radically reinforce and modernize its divisions, including the addition of 600 tanks to its current 890 tanks and the doubling of its reserve forces, it has been revealed. The blueprint, which was drawn up by the GSDF chief of staff, also calls for the deployment of more personnel on Hokkaido.

The program will lay the groundwork for the next mid-term program estimate for fiscal 1985-1989 that would set the target of defense buildup efforts during the five years within the framework of the national defense program outline, a basic policy decided in late 1976.

In parallel with the GSDF plan, the Maritime Self-Defense Force (MSDF) and Air Self-Defense Force (ASDF) are drafting their own programs. These three programs will be modified into a single Defense Agency proposal to be submitted to the National Defense Council next spring.

GSDF officials said their proposal was aimed at boosting the strength of each GSDF division to levels of at least 50 to 70 percent of the power of the U.S. and Soviet counterparts. The current divisional organization, they pointed out, is at least 20 years old. It places too great an emphasis on infantry and lacks in mobility and firepower, they said.

The new GSDF program seeks to expand the maximum deployment quota of tanks from the present, 1,100 to 1,500 since the GSDF possesses only 890 tanks now, the target will mean an increase of some 600 units, if fully attained. As the result, each division would be equipped with 80 to 120 tanks, compared with no more than 60 now. Under the plan, the present personnel quota of either 7,000 or 9,000 for each of the three GSDF divisions deployed on Hokkaido would be raised to about 10,000. The GSDF now maintains 30,000 reserve personnel to be called up in emergencies mainly for logistics support. The new plan calls for about 80,000 reserves.

On possible stumbling block for the GSDF buildup efforts will be enormous costs for the acquisition of additional weaponry. Under the Defense Agency expenditure plan for the next fiscal year, a type-74 tank is priced at 340 million yen. Barring future price rises, the proposed addition of 600 tanks would require at least 200 billion yen. GSDF officials are pessimistic about the final approval of their program as it stands, particularly because the coming mid-term program estimate would give priority to the MSDF and ASDF as requested by the U.S.

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ECONOMIC

JAPAN TO ESTABLISH GOLD MARKET IN MARCH 1982

Tokyo NIHON KOGYO SHIMBUN in Japanese 21 Sep 81 p 3

[Text] Since the government announced on the 16th that it will acknowledge gold as an object for commodities exchange, the outlook is that gold markets will be established within this year at the earliest or at the latest by March of next year. This means that a future's market for gold will officially start in this country. Not only trading firms, refineries, metal merchants, and commodities merchants but also banks and security firms are eyeing gold trading with great expectations. It is not definite as to what concrete form it will take, but the entry of banks and security firms into the gold market will proceed rapidly when the New Banking Law goes into effect in April of next year. (Taku Matsuda, Editor)

Tokyo is now becoming the world's most active money market and although it boasts that the amount of foreign investments in stocks and bonds is second to the New York market, it is beyond belief that Japan had no futures market for gold which is the largest international commodity and is closely connected with currency.

Moreover, industries dealing with electronics use a large amount of gold and are "swayed by changes in the overseas gold price, so when the price of gold increases, immediately profits decrease greatly and this becomes a matter of survival for the businesses." (An associate) Even then, it could be lack of know-how, but, the country could not create a hedge against it on the foreign market and a great loss suffered helplessly.

Once the gold market starts functioning steadily, it cannot only be a hedge against currency fluctuation but can also contribute in resolving the uncertainty in the industrial world.

Green Card System Connection

It cannot be denied that the great interest shown by the banks and security companies in the gold market is related to the "green card system" which will be adopted in 1984.

"Where will the 40 billion yen of black money (tax evasion capital) go? The gold market will be the best place to hide the money" is the consensus. This makes sense but more importance should be attached to the fact that this will contribute to enhancing the diversification of the nation's assets.

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At present, to the Japanese, land is the only real asset. "If land is the only object for investment there is no way to suppress the inflation of the value of land no matter how the government manipulates the Land Tax Law. The gold market should not be dealt as a place for putting the black money, only. Rather, it is necessary to consider the gold market in connection with the land market."

The high-powered economic growth of the nation was sustained by Japanese enthusiasm for saving. Monetary assets of the individuals were supplied to the industrial world through financial organs and this stimulated the growth of industry. But that high-powered growth is gone today. It cannot be helped that some monetary assets of individuals are headed for buying gold.

Trading firms, commodities merchants, metal merchants and refineries are already transacting in gold and since they come under the Commodity Transaction Law, their entry into the futures market for gold is naturally permitted. However, as far as banks and security firms are concerned there is no official signal from the administration as yet.

However, as far as the banks were concerned in 1928, the then head of the Banking division of the Finance Ministry under the Banking Law acknowledged the transaction of gold and recognized it as their ancillary activity in a circular. Therefore, according to theory, it is possible for the bank to do retail selling of gold and to protect the gold on hand to participate in the futures transaction as a natural course of events.

Where the securities world is concerned, under the Securities Transaction Law, ancillary activities are prohibited, so it is a question as to whether they can go into futures transaction directly.

One way of looking at it is that "they can function through their subsidiaries. Moreover, if they issue gold securities, these will become negotiable, so in reality, transactions in gold by the securities company will be possible."

Will the gold transactions by banks and security firms be implemented? The answer is yet to come.

To Plan the Diversification of the Nation's Assets

How true is the intention of Mr Reagan's "Reinstatement of the Gold Standard System?" When Mr Reagan established the Gold Committee last June, it was from the United States that one heard "reinstatement of gold at \$1,500 an ounce." It is easy to laugh off such an episode, but "when we look at it in the long run," it is definite that "the value of gold will rise." In order to spread the gold among the people we would like to see banks and the security firms enter the gold market in some form.

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ECONOMIC

CONCERN EXPRESSED OVER U.S. COMMUNICATIONS IMPORT RESTRICTIONS

Tokyo NIHON KEIZAI SHIMBUN in Japanese 9 Nov 81 page not given

[Text]

Attaching importance to the point that the US Congress is strengthening its moves to restrict substantially the imports of Japanese-produced communications equipment and apparatuses through revision of the Communications Act, the [Japanese] Government has decided to express strong concern to the US Government, to the effect that "there is the fear that depending on the way the Act is operated after revision, it may constitute a violation of GATT or the Japan-US Commerce and Navigation Treaty." A formal notification will be given in a written form, in the near future. The US Communications Act Revision Bill provides that "when US-manufactured products are shut out, due to the trade barriers of the other countries concerned, restrictions can be imposed on the imports of communications equipment and apparatuses from those countries," even if there are bilateral agreements concerning the procurement of telegraph and telephone equipment and apparatuses, between the US and Japan and other nations. It has recently been approved by the US Senate. The Government is showing repulsion against the point that the US has requested the opening of the door of the Japanese market, against the background of its large-scale trade deficit with Japan, while planning to take such import-restriction measures which have a strong protectionist coloring. That is why it has exceptionally decided to express concern, with the start of deliberations on the Bill at the US House of Representatives close at hand.

In December of last year, the Government decided to open the door for Government procurement of materials for use by the Nippon Telegraph and Telephone Public Corporation (NTT), also to the US and other countries. It concluded a bilateral agreement with the US Government. At the same time, it signed also the GATT Government-Procurement Code. However, with regard to Japan-US trade in communications equipment and apparatuses, Japan has been continuing to show a large-scale export excess (¥80.1 billion for the January-August period of this year and ¥81.6 billion as the actual level for 1980) even after the conclusion of the agreement. The US side is strengthening its feeling of dissatisfaction, from the stand that "the expansion of the trade imbalance is due mainly

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to the Japanese side's trade barriers, including the point that the specifications as to the procurement of materials are complicated."

The US Communications Act Revision Bill, passed recently by the Senate, provides that even if there is a bilateral agreement based on mutualism, imports from that country can be restricted if a situation occurs which impedes the research and development, investments, and sales by US manufacturers and their market strategies. In concrete terms, the Department of Commerce and the Office of the USTR (US Special Trade Representative) shall compile a list of nations, on which such doubts are entertained. In regard to the products manufactured by the countries placed on the list, the US Federal Communications Commission (FCC) can take either (1) the measure of imposing special restrictions or (2) the measure of refusing to grant import approval.

The Revision Bill does not particularly set its aim on the restricting of imports from Japan. However, the Government says, "It strongly has the coloring of retaliation against our country." At the same time, it also thinks that "the possibility is strong that the Revision Bill will be approved after being passed by the US House of Representatives, because it is being supported also by the US Government." It is said that if the Revision Bill is passed by the Congress, then telephone private branch exchange equipment, terminal equipment, micro-wave devices, transmission communications equipment and apparatuses, and almost all other types of Japanese products concerned will be covered with the net of import restrictions. It is also said that there is fear of [Japan's] losing the greater part of the US market which accounts for one-third of the amount of its exports of communications equipment and apparatuses.

The reason why the [Japanese] Government has decided to express concern to the US Government, is that there is the fear that depending on the way [the Revision Bill] is operated, it may violate (1) the GATT Regulations, including the Government-Procurement Code, and (2) the Japan-US Commerce and Navigation Treaty which provides that one country cannot unilaterally restrict its imports of manufactured products from the other country, without justifiable reason, though "the legislative measure itself will not conflict with any international regulations, and it is a purely domestic law" (Government source). Another reason is that the Government judged that it would be necessary to explain Japan's position, in advance.

ITI Minister TANAKA already expressed such concern to US Secretary of Commerce BALDRIGE who visited Japan late in October. In particular, the US has strongly requested Japan to open the door of its market through the expansion of its imports of manufactured products, or through the abolition of non-trade barriers. At the same time, it is planning to take protectionist measures as to Japanese-produced communications equipment and apparatuses. This will have big effects on Japan-US trade as a whole. This is why the Government has decided to give a

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warning in a written form. Moreover, in connection with the optical communications cable project of the ATT (American Telephone and Telegraph), Fujitsu has suffered a defeat, though it made the successful best-price bid in the bidding. Thus, "injury" on the part of Japanese enterprises has come to the fore. This also seems to be one of the reasons.

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ECONOMIC

U.S. SEEKS LIBERALIZATION OF MARKET

Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Nov 81 p 1

[Text]

The US Government presented, on the 11th, a package request for the liberalization of the Japanese market, containing as many as 21 items, to the Japanese Government. Japan and the US will enter into negotiations for the liberalization of the market, holding the meetings of the Japan-US Trade Group and the Japan-US Trade Facilitation Committee from December 8. This request list makes clear the US Government's position for attending the negotiations, and against the background of the dissatisfaction in the US Congress, accompanying the expansion of US trade deficits toward Japan, it seeks not only Japan's expansion of imports of agricultural products, high technology products and service industries, but also a re-studying of the Agreement on NTT's procurement of materials, which was agreed upon one year ago. The Government intends to incorporate items, which can be realized, in the measures for the decreasing of its surplus balance, to be formulated in the near future, but other than the lowering of tariffs on manufactured products, there are many items on which concession is difficult, and it is held certain that the negotiations will be carried over to next year.

The US requests to Japan this time were formulated by the Office of the Special Trade Representative, after hearing not only the views of the Department of Commerce, the Department of State and the Department of Agriculture, but also the views of US Congressional persons concerned. These items are expected to be discussed at the meeting of the Trade Facilitation Committee to be held on December 8 and at the meeting of the Japan-US Trade Group on December 9 and 10. Requests for the liberalization of the Japanese market have been presented, individually, in the past, too, but this is the first time to be presented in a package form.

The Japanese side is worried that, as the date for the starting of the negotiations happens to fall on the anniversary of the outbreak of the war between Japan and the US, the "problem of trade friction" may be taken up on a large-scale by public opinion within the US as a showdown between Japan and the US. The US side also took this point into consideration, and it put off the compilation of a "list of requests for the abolition of Japan's

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non-tariff barriers," which it had been planning at first, on the grounds that it will give too strong an impression. Also, it incorporated the requests to Japan this time into the "agenda items for consultations" at the Japan-US Trade Group's meeting, and it attaches the condition that co-ordination be held between Japan and the US before the starting of the negotiations.

The items of request are grouped into six fields, namely "standards and criteria for inspection," "agricultural products," "high technology," "market competition," "lowering of tariffs," and "customs procedures," and under these headings, it further lists the items in which the US side is especially interested. In the field of agricultural products, it includes the improvement of standards, so as to make possible the exports of Japanese "sake" produced in the US and exports of rice to Japan, in addition to the advancing of the negotiations for the liberalization of the imports of beef and citrus fruit, which the US side has been requesting from before.

The US side has given up the taking up of the abolition of Japan's non-tariff barriers itself, but in its place, it seeks the improvement of general standards and import inspection standards for 12 items of products, such as the automobile exhaust gas standard, processed foodstuffs and plywood.

What the US side points out as a barrier to the Japanese market, together with standards and criteria, is its view that Japanese enterprise groups are thought to be giving priority to the purchase of goods, manufactured by enterprises within the group. The Japanese side takes the stand that this view is based on the US side's misunderstanding, and it intends to assert that there do not exist any "agreements for the shutting out of US products," among Japanese enterprises, as mentioned by the US side.

The US side also proposes the re-studying of the agreements between the Japanese and the US Governments, in which the Japanese side emphasized the liberalization of the market for NTT's procurement of materials, and the lowering of tariffs on tobacco. Both these agreements went into effect from the start of this year. However, as exports of US products to Japan have not increased noticeably, the US Congress and the US Government harbor dissatisfaction. The Agreement on NTT procurement is slated to be re-studied in 1983, but the US Government is aiming at its early revision.

The problem of the liberalization of the market for high technology products, such as computers, semi-conductors and communications equipment, will also become an agenda item for negotiations between Japan and the US for the first time. The US side views that the Japanese Government's granting of subsidies to the industrial circles concerned is strengthening the Japanese enterprises' competitive power, and the US side is requesting that US enterprises, which have already advanced into Japan, be enabled to participate in Japan's Government-private joint projects.

Toward this series of US requests to Japan, Government sources are checking into the incorporation of the lowering of tariffs on computers

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(ranging from 3.9 percent to 14.6 percent), machine tools (ranging for 4.7 percent to 7.8 percent), and automobile parts (ranging from zero percent to 5.4 percent) in the Government's measures for the decreasing of the surplus trade balance. However, as for agricultural products, high technology, service industries and expansion of the opportunity for access into the market, to which the US side is giving priority, Government sources view that early settlement will be difficult.

If the negotiations this time were to become protracted, there is a strong danger of the trade imbalance between Japan and the US developing into political friction. As a result, the Government has hastily decided to check into the establishment of an organ for the disposing of complaints in the trade field (trade ombudsman system), and to promote comprehensive measures.

US Government's Items of Request to Japan for Liberalization of the Market

1. Improvement of General Standards and Inspection Standards

- (1) Agricultural products (fresh beef, chicken meat, cherries, papaya, Japanese "sake", rice)
- (2) General standards (industrial products)
- (3) Automobiles (exhaust gas standard, procedures for model approval, etc.)
- (4) Processed foodstuffs
- (5) Medical machinery, health instruments, cosmetics
- (6) Plywood

2. Liberalization of Imports of Agricultural Products

- (1) Import quota system for beef and citrus fruit
- (2) Price policies regarding wheat and mixed feed
- (3) Administrative guidance, such as restricting the imports of egg products

3. Improvement of Trade in High Technology Products

- (1) Government's subsidy policy
- (2) Problem of participation of US enterprises in Government-private projects
- (3) Lowering of tariffs and improvement of non-tariff barriers

4. Thoroughgoing Enforcement of Market Competition

- (1) Problem of arrangements in Japanese enterprise groups for the purchasing of materials within the groups
- (2) Re-studying of the Agreement concerning the procurement of NTT's materials and for Government procurement

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- (3) Re-studying of the Japan-US Tobacco Agreement and the Japan-US Agreement on leather products
- (4) Liberalization of the service industries (insurance, banking, data communication, etc.)
- (5) The code for the liberalization of investments
- (6) Buy Japanese activities
- (7) Problem of trademark rights

5. Lowering of Tariffs

Computers, machine tools, automobile parts, etc.

6. Simplification of Customs Procedures

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ECONOMIC

FRICITION WITH U.S. OVER TECHNOLOGY EXPANDS

Tokyo MAINICHI SHIMBUN in Japanese 13 Nov 81 p 9

[Text]

In connection with negotiations on the business of optical communication cable in the US, the incident that Fujitsu was forced to lose, as a result of pressure from a US Congressional source, although the company won the top bid, indicates that Japan-US economic friction is spreading from in the field of such products as automobiles and color TV sets to "friction as to technology" in the field of most-advanced technology. The Government, which is concerned about the US strengthening its blunt protectionist-type posture, where the US exposes its national interests in the field of most-advanced technology, has brought the incident, this time, to the US Government's attention through the Foreign Ministry. However, because the US is strongly alarmed by Japan's rapid advance in the most-advanced fields, it is viewed that causes for friction in terms of technology will continue to increase in the future.

The incident, this time, took place in connection with ATT's plan for laying optical communication cable (American Telephone and Telegraph). ATT is a US conglomerate. The company is currently laying optical cable connecting Boston, New York and Washington, the total length of which cable is about 1,200 kilometers, with the target completion in 1984. Western Electric, ATT's 100% subsidiary company, has won the order for the first part between Washington and Boston. Fujitsu took part in the business negotiations on the second part between Boston and New York to make a bid. Fujitsu enjoyed "overwhelming superiority in the fields of technology and cost" among the eight companies which ultimately remained, comprising four Japanese companies, two US companies and two European companies. Consequently, Fujitsu "won the top bid in the public tender held in June." (Fujitsu)

However, at the end of last month, ATT gave a unilateral notice to Fujitsu, without clarifying any reason, that "The order will be given to ATT's subsidiary company Western Electric." Consequently, Takuma YAMAMOTO, President of Fujitsu, Ltd., visited the US at the beginning of

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this month in an attempt to ask the ATT side to explain to him the circumstances. It is said that ATT replied that "We have made the decision by taking into consideration not only the interests of our own company but also the national environment and political environment."

Fujitsu is angry about the following two points: (1) FOGARTY, a member of the Federal Communications Commission, which is viewed to have greatly affected the ATT decision, said that "The price is improperly low," as if Fujitsu was charged with dumping, and (2) On the premise for placing an order to Fujitsu, the ATT side inspected Fujitsu's plant in detail at the end of August. Thus, ATT has had an over-all view of technology and know-how, which are essentially kept secret from outsiders. Consequently, ATT's rejecting the placing of an order after having done so violates morality in commerce. Fujitsu maintains that the US side charged Fujitsu with dumping despite the fact that Fujitsu has striven to improve its technology in an attempt to reduce costs greatly, and that its snatching Fujitsu's technology is not forgivable. Fujitsu is planning to submit an open letter of inquiry to the FCC in the near future.

According to a Government source, it is said that a US Congressional source and the FCC applied pressure on ATT from the viewpoint that "It will be problematical in terms of national defense, too, to use foreign technology in the networks of communication circuits which will become the foundation. As a matter of fact, awareness of the problem in such a way is on the identical line with the strong assertion on the Japanese side, centering on NTT, concerning the US demand for open bidding as to the "problem of opening the market of NTT," which problem was settled between Japan and the US at the end of last year, after hard sailing. The Japanese side pointed out that "Communication systems are not compatible with open bidding because the contents of the systems are technically complex and advanced, and, therefore, standardization is vital to the systems. Also, there will be problems in terms of security." However, the US side was not convinced. Under such circumstances, the Japanese side was forced to accept an open bidding system for a fairly large part.

Thus, apart from the protest from the official viewpoint that "The decision violates the OKITA-ASKEW agreement which stipulates the opening of the markets on a mutual basis in the field of communications equipment," all the more the Government has mixed feelings about the incident this time, thinking that "Even the US acts the same way when it must face the real thing."

Nevertheless, it has recently become conspicuous that the US takes a blunt protectionist posture by revealing the national interests of the US in the field of most-advanced technology. For example, there is the case where the US has approved US IBM's export of a super-large size computer to China, while until today the US rejects approving the export of Hitachi's super-large size computer to China, although the computer is smaller in scale than IBM's. Also, the US International Trade Commission has passed a provisional judgment of dumping on the export of Nippon

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Electric Company's communication facilities for a satellite to Comsat. In addition, there was a US Congressional move of revising the Communications Act, which revision aims at eliminating foreign communications equipment, and so on and so forth.

Japan exports very little communications equipment. Its share in the US market is less than 1%. The US is intensifying a sense of guardedness, although Japan is not eating into the US market arbitrarily. The US intention that "We will not follow the path trodden by automobiles and color TV sets." is clear. Because the matter is concerned with not only its national interests but also its pride as a super-power, it will be troublesome to settle the friction as to technology.

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ECONOMIC

EPA CLARIFIES POLICY ON CORRECTION OF TRADE IMBALANCE

Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Nov 81 p 1

[Text]

The EPA on the 7th clarified its basic policy concerning measures for correction of the trade imbalance with the US and the EC, which measures will be formulated, with the last ten days of this month as the target time. According to the policy, the following three points will become the pillars: (1) Emergency imports will be promoted in a positive way, as a measure to reduce the surplus balance for the present; (2) as for measures to open the door of the market, as requested strongly by Europe and the US, efforts will be made to carry out the easing of non-tariff barriers, including the lowering of tariff rates and the re-viewing of the standards for inspection; and (3) studies will be conducted on such problems as a re-view of the export structure, which is a basic problem concerning the arising of the surplus balance, the liberalization of services, and industrial co-operation. This policy was clarified in response to the fact that Prime Minister SUZUKI, who heard a report by the INAYAMA Mission to Europe on that day, expressed his intention, to the effect that he "wants to study, not only immediate problems but also trade problems as a whole, including a future direction."

Measures for correction of the trade imbalance will be decided at the Economic Measures Ministerial Conference which will be held after consultations are conducted with the Foreign Ministry, the Finance Ministry, MITI, the Agriculture-Forestry-Fisheries Ministry, and other Ministries concerned, centering on the EPA. The first Conference is scheduled to be held on the 17th, at the earliest. EPA Director General KOMOTO says, "(The formulation of a final plan) may not be completed before the end of this month, but the problem is of urgency. Therefore, I want to formulate such a plan, as quickly as possible, while considering the future of Japan, as a country based on trade."

In regard to the measures this time, the Foreign Ministry, MITI, and various other Ministries have submitted various plans. The EPA will draw up a Government plan after unifying these views. As for emergency import measures, the following plan is strong at present: (1) Use of

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the system for extending foreign-currency loans through the Export-Import Bank of Japan, and (2) promotion of the stockpiling of rare metals and grains by the State. The object items for the application of the foreign-currency loan system include aircraft, uranium ore, power-generation barges, and tie-in ships. [The EPA] intends to carry out emergency imports to the extent of about \$2 billion, as against the target amount of \$5 billion or so.

Measures for the opening of the door of the market will be tackled, from a long-term standpoint. In concrete terms, the following points are listed: (1) Lowering of the tariffs on cookies, chocolate, whisky, machine tools, automobile parts, etc; (2) abolition of the remaining restrictions on imports of agricultural products, etc.; and (3) the improvement of specifications, the standards for inspection, and other import procedures which tend to be regarded as non-tariff barriers. The [problem of] liberalizing services, as requested strongly by the US, will also probably be studied in a forward-looking way. With regard to Japan's export structure which is a basic problem concerning the arising of the surplus balance, [the EPA] intends to study also the carrying out of guidance for securing a shift to an industrial structure, which will change its constitution of relying on exports, and the promoting of the international division of labor.

As regards the measures this time, the view is arising within the Government that it is necessary to study, not only the expanding of imports but also the curbing of exports, for example, through the imposition of an export surcharge. In the midst of this situation, a concept calling for the establishment of an interest-equalization tax for the purpose of securing a yen appreciation has also been studied, from the stand that the low-yen trend due to the outflow of capital has been stimulating exports. However, the actual situation is such that it is difficult to realize [the concept] during the liberalization of foreign exchange transactions. Moreover, EPA Director General KOMOTO has expressed strong opposition to the proposed export surcharge concept, saying as follows: "It is inconceivable to [levy] such an export surcharge as would undermine [the foundation of] our country based on trade. I will study measures in the direction of obtaining an expanded balance in trade." The curbing of exports is inconsistent with a stand based on the free trade-first principle, and it is unwelcome to Europe and the US, especially to the US. Therefore, there seems to be hardly any possibility that drastic steps for holding down exports will be included among the measures, though an export surcharge and other measures for the curbing of exports may be studied through consultations among the various Ministries concerned.

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ECONOMIC

ADNOC NOTIFIES JAPANESE ON DELAYING CRACKING PLAN

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 7

[Text]

Abu Dhabi National Oil Corp. (ADNOC) has notified four Japanese oil companies of its intention to postpone their participation in its heavy fuel oil cracking venture.

ADNOC planned to crack fuel oil produced at its 120,000-barrel-a-day refinery, completed in the summer near Dhannah, by seeking cooperation of the Royal Dutch Shell group and four Japanese companies: Idemitsu Kosan Co., Maruzen Oil Co., Daikyo Oil Co. and Nippon Mining Co. The original plan called for raising the refinery's capacity to 300,000 barrels daily and construction of two hydrocrackers with daily capacity of 275,000 barrels a day each.

The oil firms here received word about "indefinite delay" in their invited participation in the hydrocracking project. ADNOC is likely to build just one system by itself to crack fuel oil for production of such desirable products as gasoline, kerosene and diesel fuel.

Abu Dhabi and other Middle East oil producing countries intend to export not only crude oil but product oils. The intention led to ADNOC's completion of the 120,000-barrel-a-day refinery, but its expansion plan and fuel oil cracking are being revised apparently because of the worldwide trend toward abundant supplies of both crude and product oils.

The refinery processes the Murban crude oil. Of the total output, 50 per cent is fuel oil, demand for it remaining soft anywhere in the world. The hydrocracking project's scaling down is believed to have stemmed from the soft demand for product, leaving little room for product oil imports by major consuming countries. In addition, Abu Dhabi is being forced to cut its crude oil

production by 200,000-300,000 barrels a day compared to 1980.

The declined revenue is estimated to have caused ADNOC to cut back capital investment for the fuel oil cracking venture. The original projects will cost an estimated ¥100 billion.

Besides Abu Dhabi, Saudi Arabia, Iran and Iraq planned in the past two or three years to venture into crude oil refining for product exports. The Organization of Petroleum Exporting Countries predicts that its member countries plan to nearly double their combined refining capacity from 4.8 million barrels a day before the Iranian revolution to 8.1 million barrels at the end of the 1980s.

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SCIENCE AND TECHNOLOGY

OECD OPPOSES SUBSIDIES TO HIGH TECHNOLOGY PROJECTS

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 pp 1, 19

[Article by Fumio Tateiwa]

[Text]

The Organization for Economic Cooperation and Development tacitly criticized Japan in a recent report that said that governmental subsidies to high-technology industries will "distort the world's trade structure."

Officials of the Ministry of International Trade & Industry said "governmental subsidies" the OECD referred to are, though not specifically named, directed against Japan's industrial policy to subsidize the government-private joint development of fifth-generation computers and other high-technology products.

The OECD's view was mapped out by its Secretariat and contained in a report to a session of the Subcommittee on Positive Adjustment Policy (PAP) held in Paris November 16-17.

In the report, the OECD expressed the view that governmental subsidies for the development of technology and industries will hinder free trade. "In case one country helps a particular industry and another country does not, the industry helped by the government will have a comparative advantage over the other, thereby increasing the competitive edge and exports, and will eventually lead to a dis-

torted trade structure which should be intrinsically free and equal," the report said.

It also pointed out that if countries engage in a race of subsidies to particular industries, that will generate worldwide overinvestment and overcapacity, and therefore industrial development should be led by the private sector, not the government.

MITI officials said the OECD's view is, though unnamed, directed against Japan's governmental subsidies, such as the now-defunct Co-operative Laboratories of the VLSI Technology Research Association and the next-generation industrial foundation technology development system.

And the Japanese delegates at the subcommittee countered this view by saying "it is natural for the government to intervene in time-consuming and very risky projects." They also insisted that this OECD view was contrary to the spirit of the PAP which holds, that while upholding a market mechanism, the government should create an environment conducive to the development of industries to manufacture high value-added products and smoothly transform the industrial structure by phasing out industries which have fallen

behind the time. In the meeting, France endorsed the Japanese view, but the United States, West Germany and most other countries expressed their intentions to support the OECD view.

The U.S. has repeatedly said governmental subsidies to high-technology industries will hinder fair competition. U.S. Trade Representative William Brock indicated in July that it is necessary to secure an entirely open market of a product from the early stage of its development; he said that an industrial policy like the government-private joint development of high-technology products is a problem, and Japan's industrial policy is increasing its international competitiveness. This issue is expected to be taken up at the forthcoming session of the U.S.-Japan Trade Group next week.

The Japanese Government is expected to rebuff this barrage of charges by saying that "Japan is not alone in giving subsidies to industries." As specific examples, officials said the ratio of governmental funds in research and development investments is 28 per cent for Japan and 36 per cent for the U.S. (50 per cent if military expenditures are included).

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They also countered that the Japanese subsidies are limited to the development of basic technologies and do not cover their commercialization and that new technologies developed jointly by the government and the private sector are all open to foreign firms, with foreign firms eligible for use of such subsidies if they have Japanese subsidiaries and sufficient research facilities.

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SCIENCE AND TECHNOLOGY

NTT PROPOSES WAYS IT CAN BECOME PRIVATE ENTERPRISE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 3

[Text]

Nippon Telegraph & Telephone Public Corp. last Wednesday revealed it had worked out on its own three possible ways for turning itself into a private enterprise or more like one.

One of NTT's plans calls for it becoming a completely private stock company similar to American Telephone & Telegraph Co.

Another is it emerging as a "special corporation" like Japan Air Lines Co. or Kokusai Denshin Denwa Co., formed with both private and government capital. JAL is Japan's sole international airline, while KDD monopolizes the nation's overseas telecommunications services.

NTT's third plan envisages retaining its management pattern as a public corporation but having the law changed so that it will not be bound by the Government's budget or by other restrictions.

The corporation intends to submit the plans it has drafted as reference material to the special governmental committee concerned with making recommendations on administrative reforms early next January.

Informants feel that NTT's latest initiative is likely to spur feeling now growing within the Government that NTT's managerial setup should be changed to a private nature, particularly as each of its three alternative plans suggests a basic step in such a direction.

NTT President Hisashi Shinto says that the operation of his corporation presently is restricted in detail in so many ways, such as by the Government's budget, that the corporation cannot actively undertake business on its own and its leaders cannot assume full business responsibility.

In other words, he intimates that dissatisfaction exists within NTT itself as to its public corporation character.

NTT's first plan eyes using the so-called AT&T formula. A completely private firm, AT&T has a network virtually embracing the U.S. There are also about 2,000 independent telephone companies in the U.S., mostly regional, whose networks link up with that of AT&T. In comparing the operational scale of NTT and AT&T, it is judged that a stock company for such a new setup would require initially at least

a capital of ¥1,000 billion.

At one time, there was a plan rated highly which envisaged breaking up the operations of NTT into equal regional blocs, such as in the case of the nine big regional power companies. However, this idea was junked later from the view that there was danger of communications failing to function properly under such a regional structure.

There was another idea for dividing NTT according to type of work, and making the data communications division an independent section. However, this plan also was dropped in considering that the advance of fiber optics technology may lead to making possible phone, telegraph and data communications with a single cable as to erase all of the benefits which had been anticipated by diversification.

NTT's second plan which anticipates a private firm like JAL or KDD means carrying over the corporation's business as it now is. Other than some additional government investment, it would have general phone subscribers make a capital participation in a new company such as in the form of issuing bonds for the participation.

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The third plan necessitates a revision of the present law on forming of the corporation and its operations. It suggests that the corporation has to be freed from bugetary restrictions and that its need to receive approval from the Diet and the Posts & Telecommunications Ministry must be greatly relaxed. It advocates a revision also to provide some degree of leeway in setting wages on a management-employee discussion basis.

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SCIENCE AND TECHNOLOGY

JAPAN NATIONAL OIL CORP. EYES UNDERGROUND STOCKPILING OF CRUDE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 6

[Text]

Japan National Oil Corp. will soon award a feasibility study contract to the Japan Society for the Promotion of Engineering Industry to probe the possibilities of stockpiling crude oil in rock formations.

The study will be undertaken at four candidate sites, including Kimuma Town, Ehime Prefecture, where JNOC completed demonstration stockpiling facilities with storage capacity of 25,000 kiloliters. The corporation is slated to start the facilities' experimental use in February, 1982.

The stockpiling with rocks as commonly practiced in Scandinavia, features scooping out a part of a hard rock formation, such as granite. Underground water is led into the space so that its pressure can prevent leakage of the stockpiled crude oil.

Attracted by the method, JNOC asked Ministry of

International Trade & Industry to find potentially favorable sites. Four spots were selected, including two in Kagoshima Prefecture.

The feasibility study will center on rock strength and available space, disposal of mud, underground water and infrastructure. The society will do boring and other works to obtain these key data.

At Kikuma, Taiyo Oil Co. is managing JNOC's stockpiling facilities, following their completion in August. Experience with the demonstration stockpile plant led to uncovering economic problems. Rock scooping alone cost ¥40,000 a kiloliter, which exceeds the conventional on-ground stockpile facility construction by nearly ¥10,000 a kiloliter. JNOC is interested in all major stockpiling methods: on-ground, off-shore, submerged and rock formation.

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SCIENCE AND TECHNOLOGY

FRENCH FIRM ASKS FOR ROBOT LICENSE OF FUJITSU FANUC

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 8

[Text]

Fujitsu Fanuc Ltd. has been asked by France's Manurhin-Automatic S.A. to conclude an overall arrangement concerning the manufacture and sales of high-efficiency industrial robots.

Under the proposed business tie-up, the French machine tool builder hopes to obtain licenses and know-how from the Japanese enterprise on all models of high-efficiency robots, including handling and assembling robots.

Fujitsu Fanuc President Seiemon Inaba visited West Germany in mid-September to get prior understanding from Siemens AG before entering talks with the French firm. The German electric-electrical appliance maker is a general agency for Fujitsu Fanuc's robots in Europe.

Incidentally, officials of the

French and Japanese Governments are scheduled to confer on how to promote bilateral cooperation in the robot and other high technology fields.

Fujitsu Fanuc is also due to sign a contract with Britain's 600 Group Limited in London in December to provide the latter with its robot manufacturing expertise.

Moreover, the Japanese company is now negotiating with Bendix Corp., a U.S. auto parts and aircraft maker, on reaching a business link.

Cases of Japanese robot manufacturers tying up with Western enterprises have been increasing recently. Hitachi, Ltd. and Mitsubishi Heavy Industries, Ltd., for example, have provided America's General Electric and Austria's Voest-Alpine with their robot production skills, respectively.

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SCIENCE AND TECHNOLOGY

NISSAN USA TO INSTALL 210 ROBOTS AT PICKUP FACTORY

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 8

[Text]

Nissan Motor Co. announced last Tuesday that its American subsidiary, Nissan Motor Mfg. Corp. U.S.A., will install 210 industrial robots at its pickup truck factory now under construction at Smyrna in the suburbs of Nashville, Tennessee.

A Nissan spokesman said the introduction of robots will enable the Smyrna plant to attain more operation automation as a step to make up for relatively low productivity of indigenous workers.

The Tennessee assembly line will thus become the most automated among Nissan's all plants at home and abroad.

The 210 robots will be composed of four models, including spot-welding, arc-welding and painting robots, with 70 to be supplied by Kawasaki Heavy Industries. Ltd., 50 by Osaka Transformer Co., and 50 by Nissan Motor. The remaining

37 will be supplied by Devilbiss Co. of the U.S. which has a license of Norway's Trallfa Nils Underhaug AG.

Installation of the robots at the Smyrna plant will begin from around next March.

Its start-up is scheduled for the fall of 1983, initially with a monthly 13,000 vehicle capacity.

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SCIENCE AND TECHNOLOGY

BOEING APPEARS LIKELY TO BE SELECTED AS JAPANESE PARTNER IN PLANE PROJECT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 9

[Text]

Informed sources in Tokyo recently reported that three Japanese aircraft makers planning new jet civilian transport planes were considering Boeing Co. of the U.S. as a partner over competing American and West European aircraft makers.

The report was made on the basis of a press conference statement made in Tokyo by managers of the three Japanese companies — Mitsubishi Heavy Industries, Ltd. (MHI), Kawasaki Heavy Industries, Ltd. (KHI), and Fuji Heavy Industries, Ltd. (FHI) — upon their arrival home after visiting the U.S. and West Europe for talks with the leaders of Boeing, McDonnell Douglas Corp., both of the U.S., and Fokker B.V. of the Netherlands.

Last August, McDonnell Douglas and Fokker, working as a team, had approached the Japanese trio on partnership in the venture. Boeing had quickly followed up with a competitive

bid. The project had been planned since 1980, with the Japanese trio visualizing international cooperation from the most eligible foreign participant from among Boeing, the McDonnell Douglas-Fokker team, and other American and West European aircraft makers.

The sources cited the executives' arrival-home statement to the effect that their talks with Boeing had generally progressed satisfactorily, although there was need for more detailed talks for final conclusion, expected by the year-end.

The sources combined the statement with a reported joint policy view of the three Japanese companies that Boeing, considered the most reliable by the Japanese side, should be chosen as the partner in the project if there is not much difference in the latter's participating conditions compared with those of other

competitors.

The sources speculated that the executives' team had closely talked with Boeing management and confirmed that Boeing, if chosen, would be a "perfectly equal partner" in all aspects of the project for developing the proposed new transport planes, dubbed "YXX Series" in Japan, and "the Boeing 769" by the Boeing side.

The YXX is to follow up the YX series, Japan's second jet civilian transport series (after its self-developed YS-11 turbojet plane series) already under production since 1979 among Boeing, Aeritalia SpA of Italy and the Japanese trio (grouped as Civil Transport Development Association).

The sources also said Boeing's conditions in profit sharing are still stiffer, but it is considered by the Japanese side to be no longer a big problem.

If their belief comes true, the sources expected the memoranda of understanding to proceed with the project to be concluded during December between the Japanese trio and Boeing, subject to the approval of the Japanese Government and the latter's council.

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SCIENCE AND TECHNOLOGY

JAPAN WANTS PRATT & WHITNEY TO JOIN ENGINE PLAN WITH UK

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 9

[Text]

Japan's three aircraft engine makers want United Technologies Corp.'s Pratt & Whitney Group to join their jet engine development project now being propelled with Britain's Rolls-Royce Ltd.

The three are Ishikawajima-Harima Heavy Industries Co., Kawasaki Heavy Industries, Ltd. and Mitsubishi Heavy Industries, Ltd.

They apparently find it advisable for them to win the world's biggest engine producer to their side to succeed in their XJB engine project estimated to cost as much as ¥300 billion.

Also behind their move is the call of Boeing Co. of the U.S. to invite P&W to the XJB project. Boeing is now regarded as the

most likely partner of three Japanese developers — MHI, KHI and Fuji Heavy Industries, Ltd. — of Japan's next generation civil aircraft YXX.

As the new engine under the XJB project is scheduled to be equipped on the new YXX, it is up to the developers to seek uniformity in the state-run engine and aircraft projects.

IHI President Taiji Ubukata visited the United States two weeks ago to confer with P&W executives on the matter.

The Japanese trio will press for their British partner Rolls-Royce to decide, by the year-end at the earliest, on the selection of partners — either P&W or another U.S. candidate, General Electric Co.

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SCIENCE AND TECHNOLOGY

JAEI TO SUPPLY U.S. FIRMS WITH FLIGHT CONTROL EQUIPMENT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 9

[Text]

Japan Aviation Electronics Industry, Ltd. has reached agreement with America's Honeywell, Inc. and Smith Industries, Inc. to supply aircraft navigation control equipment, worth more than ¥60 billion, on a long-term basis.

It is rare for a single Japanese enterprise to win such a large quantity of flight control systems from abroad, though valves or other airborne products so far have been exported in small lots.

Under the accord with Honeywell, JAEI will provide the U.S. enterprise with inertial navigation system components, including accelerometers, power source and cards over a 10-year period beginning in 1982.

The Japanese company will also supply Smith Industries with microwave altimeters and other components for small and medium planes over the next 14 years until 1995.

JAEI's combined shipments to Honeywell and Smith Industries will amount to ¥3,300 million in 1982 and peak several years later at ¥7,000-¥10,000 million. The contract values in the two long-term agreements

are estimated to total between ¥60,000 million and ¥70,000 million.

It appears that the American aircraft equipment makers are too busy meeting massive orders for defense equipment from their government to accept more orders for civil aircraft equipment.

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SCIENCE AND TECHNOLOGY

SEMICONDUCTOR EQUIPMENT MAKERS CUTTING INTO AMERICAN SHARE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 10

[Text]

With the dawn of the so-called VLSI (very large-scale integrated circuit) age, rivalry has been intensifying among Japanese and American semiconductor production equipment manufacturers.

Japan's semiconductor production equipment market has been expanding at an annual rate of about 30 per cent on the strength of active plant and equipment investments by semiconductor manufacturers and the fast tempo in technological innovation.

A number of Japanese companies have entered into the promising market by making the most of their high-precision technology. They have grown so fast as to erode the marketing shares held by American forerunning suppliers, such as Perkin-Elmer Corp. and GCA Corp.

Japanese producers have been rushing to build VLSI production equipment manufacturing plants and carry out marketing campaigns.

Canon, Inc. and Nippon Kogaku K.K., both noted camera makers, are now constructing plants to specialize in production of exposure systems. Kokusai Electric Co. has started building a plant to produce a variety of equipment for semiconductor production. Takeda Riken Kogyo K.K., a

**New Plant Construction
by Major Semiconductor Production Equipment Makers**

| | Investment value (¥ million) | Date of operation | Major production items |
|------------------------|---------------------------------|-------------------|---------------------------------|
| Canon | 10,000 | End of 1982 | Exposure system |
| Nippon Kogaku | 3,000 | April, 1982 | Exposure system |
| Kokusai Electric | 3,000 | June, 1982 | Epitaxial system and CVD system |
| Anelva | 2,000 | April, 1983 | Etching equipment |
| Takeda Riken* | 750 | December, 1981 | LSI testers |

Note: CVD stands for chemical vapor deposition. *—expansion of existing plant.

Tokyo maker of LSI testers, is now expanding production capacities, while Anelva Corp. is building an etching equipment manufacturing plant. Anelva is a Fuchu, Tokyo-based company jointly owned by Nippon Electric Co. and Varian Associates of the U.S.

These companies are trying to capitalize on the rapid expansion of the semiconductor production equipment market. According to the Electronic Industries Association of Japan, the market of the semiconductor production-related industry grew to ¥400 billion in 1980, compared to ¥800 billion for the semiconductor production industry. The ¥400 billion "peripheral" market roughly breaks down into ¥100 billion for semiconductor production equipment, ¥100 billion for "clean rooms" and other environment protection equipment, ¥50 billion for metallic materials, ¥40 billion for silicon wafers, ¥40 billion for

packaging materials, ¥35 billion for photo masks and ¥10 billion for chemicals, etc.

In particular, semiconductor production equipment output is estimated to reach ¥130-140 billion this year, according to industry sources. The output value will continue to grow at a yearly rate of around 30 per cent in the coming several years, they added.

This is mainly because Japan is going to become the world's largest production base for VLSIs. They expect a quantitative expansion in demand and greater demand for higher value-added equipment.

Until a few years ago, American producers had controlled nearly 70 per cent of Japan's semiconductor production equipment market. However, Japanese makers have been steadily eroding U.S. producers' marketing shares. It is said that Japanese and American producers now equally divide the market.

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In an attempt to stop the skidding, Perkin-Elmer and GCA plan to introduce new products in the Japanese market next year. Teradyne, Inc., an automated LSI testing equipment maker, has worked out a Japan Plan to further cultivate the Japanese market. Other American producers are now planning rollback programs, observers say.

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SCIENCE AND TECHNOLOGY

TOSHIBA ENVISAGES ADVANCING INTO CAD EQUIPMENT MARKET

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 983, 1 Dec 81 p 10

[Text]

Toshiba Corp. recently revealed a plan to move into the promising computer-aided designing (CAD) equipment market next summer.

The Tokyo company plans to introduce a general-purpose system incorporating a high-speed super minicomputer.

With Toshiba's revelation, all of Japan's leading general-purpose computer builders, including Fujitsu Ltd., Nippon Electric Co. and Hitachi, Ltd., will be handling CAD systems next summer.

As many information processing equipment makers and traders already are in the market, competition will further intensify in the CAD system market, industry men observe.

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