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TRANSLATIONS ON JAPAN
(FOUO 4/79)



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POLITICAL AND SOCIOLOGICAL

'ASAHI JANARU' DISCUSSES OUTLOOK FOR CHIRA GOVERNMENT

Initial Assessment of Ohira

Tokyo ASAHI JANARU in Japanese 15 Dec 78 p 3

[Article: "Do Not Let It End as Mere 'Saying'"]

[Text] An assessment of the nature of the newly formed Ohira Cabinet must wait until later, but the core of the new structure is said to be composed of three factions, Ohira, Fukuda and Miki. The Tanaka faction, in this case, maintains, as a presidential faction, a double-dealing relation with the Ohira faction. The Ohira Cabinet, probably would not have escaped the strong criticisms as "Kakuei's Lockheed Cover" had the new Cabinet's Justice and Transport ministerial posts been filled by members of the Ohira-Tanaka presidential factions.

The prevailing feeling in the Liberal Democratic Party [LDP] is that the Lockheed scandal is a passing issue, fading from public memory. But Ohira's political philosophy should recognize that public sentiment is not and should not be that mild.

Though a conservative, Ohira is far more liberal than ex-Prime Minister Fukuda. He may be called an enlightened conservative. This is clear from looking at the 64-page "Policy Guidelines of Masayoshi Ohira," released immediately after Ohira was elected as the new party president. The key portion on the administration of government deals with the differences between his and Fukuda's methods, using such expressions as "the goal is to seek a flexible yet strong government, "the government should promptly and effectively cope with the rapidly changing era," and "we will govern jointly with the people by explaining the facts about difficulties without simply relying on authority."

With regard to "political and administrative management, it calls for "the establishment of an effective and inexpensively-run government by modifying the superior stature of the administrative arm and promoting the authority of the legislative arm." It also stresses that "measures will be taken to

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allow local autonomous bodies to exercise independent, mobile administrative power" by "eliminating inefficiency due to bloated administration and vertical relationship."

The issue, however, is in implementation. Does Ohira's strength actually lie in dealing promptly and effectively? Would he be able to overcome bureaucratic resistance to administrative reforms that are most disliked by bureaucrats--"the reform of the inefficient vertical relationship" and "strengthening of the decentralization of power?"

Ohira, it seems, has available to him a number of study sessions with government officials, scholars, financial leaders and policy "brains" as participants, and he does not hesitate to listen to the people's voices. Fukuda, in the true sense of the word, seems to have lacked policy "brains." Tanaka gathered other government officials around him to hear their policies and took them into his confidence. Miki had scholars as his brains but was isolated from administrative agencies. That probably was the reason why from bureaucratic resistance, Miki's "life cycle" concept, though outstanding, was shelved. Ohira seems to be blessed with brains in the two areas of ideology and practical business.

But can his "party platform" be really realized? Or will it end up as a mere "saying"? In the midst of concern over recession, unemployment and Japan-U.S. military unification, there is a trend of greater voices for stronger leadership and a powerful government. Will Ohira's philosophy be carried out?

Ohira's Character and Philosophy

Tokyo ASAHI JANARU in Japanese 15 Dec 78 pp 10-14

[Text] Hayato Ikeda, the tutor of Masayoshi Ohira, frequently created incidents by his slip of the tongue. Some of his famed, wild remarks are: "The poor should eat barley," and "It doesn't matter if two or three medium and small businesses go bankrupt."

Ikeda's tutor, Shigeru Yoshida, uttered the word, "fool," in the Diet, and as a result a non-confidence vote was passed and his Cabinet forced into dissolution.

At that time, he was bitterly assailed, but as time passed he came to be known as an honest politician who always told the truth. That is why there probably was little resistance when Ikeda, who later became prime minister, said, "I do not tell lies," and "Leave economic affairs up to me." The bond that links the people with politics is the individuality of the prime minister. That the personality of candidates rather than policy has become the "issue" in the recent party presidential elections is of some significance. Both Yoshida and Ikeda were highly popular politicians who represented the postwar, conservative party history.

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Takeo Fukuda is noted for his catch phrases, some of his "classic" phrases are "Showa Genroku," "crazy commodity prices," "era of limited resource," and finally, "the world's Fukuda." The "Fukuda goroku [saying]" will most likely live on.

On the other hand, Ohira is a taciturn politician who is extremely careful what he says. In his 26-year career as a Diet member, one cannot recall even a single case of a slip of the tongue. Listening to a press conference by the new party president at installation, the "vox populi [tensei jingo]," was dumbfounded--"He throws such a slow ball. But just about the time when batters and spectators have become sickened by the boredom, impatience, restlessness, redundancy and disinterest, the ball would land in the mitt" [ASAHI SHINBUN of 2 December 1978].

That probably is due to his temperament as a "dull cow," which he acquired as a long-time aide to Ikeda as an assistant or right-hand man. He admits to being taciturn, but deep inside, he seems to even take pride in it. He once stated:

"When I resigned as foreign minister, Mr Etsusaburo Shiina became my successor. At that time I gave a farewell press conference at the Foreign Ministry. A mischievous reporter asked, 'Mr Ohira, do you think your successor, Mr Shiina, can carry out his responsibilities as foreign minister?' When I asked, 'What do you mean by that?' he replied, 'Doesn't he have difficulty with foreign languages?' Then I responded, 'No, Mr Shiina probably will make a great Foreign Minister. He is not fluent in foreign languages, but neither is he fluent in Japanese. This, indeed, is the qualification for becoming a great Foreign Minister.'

"One must ponder deeply before answering yes or no, and assume responsibility for one's statements. I feel it would be better to be like Mr Shiina who is very tight-mouthed" [Addressed at Kumamoto Postal Savings Kaikan Hall, 16 October 1971].

Indeed, this is an "argument" defending his use of ah's and oh's. This may be the reason for his being called the "four and a half-mat politician." He does appeal to the professionals but to the masses, it is uncertain.

Lack of Intensity Is His Character

After the overwhelming victory in the latest party presidential elections, there was an appraisal of Ohira that he is dovish and he makes vague statements. But during the elections, it seems that there were even stronger voices asking: "Are there any differences between Fukuda and Ohira? Both are Finance Ministry bureaucrats, who served in the cabinet and in the party. Moreover, they both belong to the conservative mainstream. There is no improvement from the change." Obviously, Fukuda's supporters knowingly disseminated such views, but it also was due to the lack of intensity on the part of Mr Ohira. Such lack of intensity can be viewed as Ohira's character.

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The Ohira supporters sold this character during the elections. It was "simple honesty" and "restrained action." Ohira himself appealed for "perspiratory politics." Ohira, who had coined the term "magnanimity and perseverance" for the Ikeda Cabinet, is good at taking such a political stance. At the 1 November campaign rally, Ohira summarized his views under the three slogans: "Don't become arrogant with power," "Don't sow sweet illusions on the people," and "Don't become a major military power." In other words, they were the "politics of peace."

Those election slogans cannot be attacked, but the question is whether they are what Ohira truly believes in.

The post of prime minister is said to be a solitary one. After occupying the seat for a long time, he begins to hear only pleasant things and unintentionally he betrays his true character. Eisaku Sato, who is also a reticent politician, let off steam on the day of retirement by yelling at reporters to "get out" during a press conference and vented his anger he had been suppressing. Announcing his candidacy for party president at a press conference, Fukuda boasted, "Throughout the land, there are rising voices seeking my reelection." But in those instances, the low posture seen at the time he assumed the post of prime minister was not evident.

In Ohira, who is ever cautious, there is very little episodes to reflect a political image like those Yoshida and Ikeda. Hence, there is no choice but to rely on his "saying" to draw an image of his premiership.

I have here a memo pad containing notes on Ohira's statements made 7 years ago on 11 November 1971. I do not remember whether the notes were taken during an interview with Ohira at his home or when I was riding with him in his car. I was then a political reporter.

As for the political climate at the time, it was the eve of the so-called "Tanaka-Fukuda war." Political interest was on whether Prime Minister Sato would pave the way for a Fukuda government through a "Tanaka and Fukuda reconciliation" or whether Tanaka would confront Fukuda with the backing of the Ohira faction. It appeared that the "Tanaka-Fukuda reconciliation concept" had a slight edge. In the Diet, the LDP maintained an overwhelming superiority with 300 seats against the Socialist Party's 90.

The contents of the memo pad, though somewhat lengthy, are as below:

The eras of Ikeda and Sato, including Yoshida and Kishi, were pleasant and romantic. Bluntly speaking, they were eras when even a fool could conduct politics. That was because the world of the dollar was stable. Politics can be said to have been non-existent. From three and one half years ago, the dollar became shaky and that world collapsed. The period that followed was the season of politics.

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It is necessary to realize that stability achieved during the postwar quarter century is highly abnormal and an unstable world will be common hereafter.

It is important to grasp the flow of history. In the coming era, God will bless the poor. It will be an era of undeveloped nations and small nations, rather than that of advanced nations and major powers, and even domestically, it will be the era for the poor. The LDP is on the road of decline and will probably be unable to recover. It was defeated in local elections, and on a national level it was defeated in the Upper House, and now the Lower House. The selfish idea that only the LDP can assume the rein of government must be changed.

It would be distressing for the opposition parties to wind up as a cat unable to catch a mouse. The mortal shortcoming of the opposition parties is their over emphasis on confrontations with the LDP. Their objective should not be the LDP but the masses.

Required in the hearts of politicians are "trembling fear" and "humbleness." There is a limit to what can be achieved through politics. Humans are neither fundamentally good nor bad. They must not be made weary. Complex multi-equations should be explained. It is no longer an era of giving commands.

Assuming the rein of government is the procedure. It is not enough to just come to power at any cost but not have any definitive idea of what is to be achieved. It is an era requiring the unity of all to overcome the difficulties.

The prolonged life of the Sato government was due to the cooperative efforts of Tanaka and the former Ikeda faction. Sato may not like Masayoshi Ohira, but politics is like a chorus. Perhaps, I also must have been an accomplice in prolonging the life of the Sato government. Tanaka is neither inferior to Sato nor to Ikeda with respect to background, political sense and capability. It can simply be stated that his attitude is not impressive, simply because he is a career government official.

Can differences be noted in Ohira's above statements of 7 years ago with his recent political views and posture? If a marked difference does exist, it would be dangerous to draw a new image of the prime minister from the "Ohira's saying" of the pre and post election period. But a comparison would probably furnish material with which to examine the truths of the expressions, "stupidly honest" and "politics of peace."

Let us see how Ohira thinks today by focusing our study on the speech and his responses he gave on 28 October 1978 at Nippon Kisha Club [Japan Press Club] immediately prior to the elections:

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"For 10 years, the LDP has been suffering from a steady erosion of power. The Socialist Party is in a similar position. The political world has faced an era of multi-parties, with new political forces such as Komeito appearing like a comet. This period has been a violent one for Japan's economy and politics. Economic growth rate reached a peak, became overheated and pus oozed out. It was a serious problem for the LDP which has its roots in agricultural villages. People left their farms for big cities and became a non-partisan class. Statistics bear out that the LDP lost support by 16 percent in this period. We are not so self-conceited to believe it marked the beginning of a return to conservatism. That is the reason for advancement of party reform. We must not slacken our efforts. It can hardly be said that the tide is in favor of the LDP. The LDP achieved a slight increase, while the opposition forces suffered a slight setback, but that is not the point. We must realize that non-partisan factions are trailing behind the LDP and are increasing their strength. This class is politically clever; it keeps vigil and deals a scathing blow. We ourselves must examine the political sense of these people." (From 28 October 1978 speech given at Nippon Kisha Club)

While chief secretary of the LDP, Ohira achieved a "partial coalition" at a time when the strength of the conservatives and reformists was evenly matched. His method was to conduct talks with the opposition forces and effect an affiliation whenever problems surfaced. In regard to this partial coalition, Ohira stated, "That's what's been done so far in steering Diet activities, but it does not extend to policies and decisions. There is no other way to obtain some agreement so that the Diet can reach some conclusion. Under the present situation where a reversal committee exists, that method is needed, even when we have an overwhelming superiority. It is required even more when strength is being evenly matched between the ruling and opposition parties" [comment by the new prime minister at a 1 December 1978 press conference]. Thus, Ohira's posture on political activities and Diet measures can be viewed as being rather consistent ever since the expression, "magnanimity and perseverance" first appeared.

His Consistent 'Stupidly Honest' Posture

"Power is appealing, but it should be employed as a last resort. This is my creed. As to the method, I wish to conduct a 'politics of peace,' which calls for hard work, sincere talks and which seeks understanding through persuasion. Conflicts and disputes must be avoided as much as possible" [Statement before the Nippon Kisha Club on 28 October 1978]. Here, Ohira emphasized "the politics of peace" and the "stupidly honest" way of living. On these same points, he made the following remarks in a speech in Hakone on 1 September 1971: "Even when politicians occasionally break promises and lightly undertake tasks that are impossible to fulfill, they incur the distrust of the people and cause unnecessary anxiety or hopeless expectations. Such misdeeds must be corrected at all cost. We must clearly differentiate what can and cannot be accomplished and must not defer until tomorrow what

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has to be done today. We must set a deadline to solve problems that are particularly important and must devote our full efforts to them. If unachievable, we must be willing to assume the responsibility." In this respect, during the past 7 years there has been no significant change in his line of thinking. Perhaps the same can be said about the expression, "stupidly honest."

Let us examine Ohira's views with respect to financial and administrative reforms. These are the most serious domestic problem confronting the Ohira Cabinet.

"Japan's financial conditions are indeed serious. Even the control of expenditures and increase of revenues are difficult. Fundamentally, the government should refrain from excessive meddling in private affairs, and the public should not expect too much from the government. We must start from that point. These are not symptoms that can be cured through financial techniques. It is not that simple.

"With this kind of expectation, we must look at the administrative system. No government in the past has ever succeeded. An inexpensively-run government is soon forgotten. It must be an even more inexpensively-managed government. Tampering with the structure, however, does not create an inexpensive government. Government officials become frantic over administrative reforms, but they mean little to the people. It has been said that 'retrieving a merit is not an elimination of a demerit,' but I feel that eagerness to do one good deed will lead to a failure" [remarks before Nippon Kisha Club on 28 October 1978].

In short, it means that an inexpensively-run government must be established, but a reorganization, such as the strongly resisted merger of government agencies, is to be avoided. This is an unfair expression when we consider how Fukuda backed away after hoisting the banner of administrative reform. Perhaps, it is on this point that some LDP members, with respect to Ohira's cautiousness, attacked him as a "cunning bureaucratic politician." But this may be Ohira's own view. In an essay entitled, "The Minister and Government Official" written by him in 1956 when he first became a member of the Lower House. However, he said, "My advice to the minister is this. It would be safe not to place great hopes on reforms of the public service personnel system and the administrative structure. In many cases, it may prove harmful to national interests, if not of value. Long ago, a noted Mongolian minister spoke the immortal words, 'retrieving a merit is not an elimination of a demerit.' People prefer a minister who will work for the elimination of one demerit rather than a minister who diligently works for 100 good deeds." Ohira may be "stupidly honest" all right, but is probably closer to being unyielding.

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Sign of Zealous Cleanup of Government Absent

Some view the birth of the Ohira government as an emergence of a straight rather than twisted administration, thus reflecting the concern over the strong influence of ex-Prime Minister Kakuei Tanaka, a defendant in the Lockheed Scandal. Public interest is focused on this point. This is Ohira's greatest weakness.

The ties between Ohira and Tanaka run deep and go back many years. When Tanaka emerged as a cabinet minister for the first time at the general elections, he was the first to stump for Ohira in the latter's constituency. And when Ohira was chief cabinet secretary, he visited Tanaka's constituency to embark on a series of campaign tours. During the "Tanaka-Fukuda war" of 1972, the "Ohira-Tanaka coalition" was formed, and at the initiation Ohira remarked, "Without Ohira there is no Tanaka, and without Tanaka there is no Ohira." The pair have maintained a close friendship spanning the three administrations--Ikeda, Sato and Tanaka--and the latest being the fourth.

Even the midst of the Lockheed Scandal and the storms over financial influences and cleanup of the government Ohira continued to assume the posture that "there was no change in his personal friendship with Tanaka." During the 1976 moves to bring about Miki's downfall, Ohira, together with Fukuda, formed Kyotokyo [The Committee Organized to Bring Miki's Downfall]. This caused Takeo Miki to harbor negative feelings until the latest elections, "Ohira, to protect Tanaka, yielded the post of party president to Fukuda; he cannot be forgiven." Perhaps, the groundwork is being laid for future government takeover by the "Ohira-Tanaka coalition," but the relationship between the two may run even deeper.

At a press conference on 1 December 1978, Ohira made the following comment: "It is a hard fact that some party members are close friends of Tanaka. Based on my 2 years' work in the party, I believe that these people are aware of their own position and are prudent in their behavior. There was never any unjust pressure applied to party conduct. I feel that the members of the Tanaka faction have made a splendid contribution to party affairs and in formulation and implementation of policies. I am sure that my friends in the Tanaka faction will act prudently as a respectable force. I expect this and am convinced of it. There is no change in my personal friendship with Mr Tanaka. However, he and I realize that as public servants, our ties must be moderate."

However one looks at it, his remarks show no indication of taking a positive stance toward cleaning up the political world. Concerning the Lockheed Scandal, he remarked, "As a political party, the LDP must continue to be on guard not only with respect to the Lockheed Scandal but also to the establishment of political morals to deal with the problems of public and private lives. They will be dealt as problems of political ethics and morals." Nevertheless, one gets an impression that Ohira is trying to evade the issue with the moral argument. With regard to emergency legislation, Ohira showed a dovish attitude, while on Diet activities, he

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favored consultations, gaining the goodwill of even the opposition camp. But when it came to the issue on cleaning up the government, he would suddenly speak haltingly and become unsure. This is the sad part of the Ohira government.

Considering Ohira's "simple honesty," it is highly unlikely that his friendship with Tanaka will be weakened just because Ohira has become prime minister. And judging from events leading to the birth of the Ohira government, the authority behind the Tanaka faction may grow stronger but never weaker. Lately, in the Tanaka faction, there are even talks of "reinstatement of the grayish, high official." If so, how is this to be handled? This point casts the biggest shadow on the Ohira government.

The dissolution of factions raised by past prime ministers is not expected to be readily resolved by Ohira who seized political power on the strength of the "Ohira-Tanaka coalition." Even at the 1 December 1978 press conference, he spoke in a delicate, roundabout manner: "The issue of factions is a difficult one. In this election, the four candidates are to be systematized among 1.5 million party members and party friends. Should this be interpreted as factionalizing the LDP or considered that elections are supposed to be like that? I would like you to understand that systematizing is an election. An election for party president is not possible if it is going to be interpreted as furthering factionalism. It must be understood that elections were held out of necessity. I do not recall saying that factions served a purpose; I merely said that factional forces do presently exist. I said they were difficult to eliminate but I did not say that they should be encouraged. It would be well if factional energy can be applied in the direction of policy studies and expansion of party strength. But as I have repeatedly said, violation of party autonomy or its authority, or creation of disorder must not be permitted."

Judging from the present circumstances of the LDP, this is probably true. However, one does not get a feeling that there is any zeal for party reform that the LDP is confronted with. We do not say that Ohira, should reverse himself and push for "dissolution of factions" or consider factions as an enemy so soon after becoming prime minister, but in any event, dreams are lacking in the "Ohira's saying." One may say that Ohira, who holds to the view that "two factions will be formed when three men get together," probably made a "stupidly honest" reply on the issue of factions.

However, noticeably open activities of factions in the latest primary elections is beginning to cast dark clouds on the future of the LDP, even reminding us of a return to the days prior to the Lockheed Scandal. With the approach of party presidential elections 2 years from now, factional activities are expected to be stepped up. At that time also, one may find a shadow of the Ohira government that will come to power through official election.

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Ability to Tackle Difficult Problems To Be Tested

In the recent party presidential elections, Ohira presented one strategy and two programs. The strategy concerns general security. Here one finds criticisms directed against the moves of intra-party forces to bolster military strength. The difference of opinions is also apparent in the emergency legislation issue. It is the opposition parties, rather than the Fukuda government, that has a favorable impression on this point.

The two programs involve the completion of the garden city project and the improvement of family life project. The garden city project was formulated in 1972 when Ohira ran in the party presidential election, but this time it is seasoned with a concept of decentralization. Previously, policywise it overlapped with Tanaka's concept on improvement of the Japanese islands, and this time again it has a nuance of policy collaboration with the Tanaka faction. The program on improvement of family life is new, but essentially it is linked to the life cycle plan devised by the Miki Cabinet, which fizzled out somewhere along the way. The determination to seize the rein of government can also be observed in the policy titled "a government of composite power" which concealed contrivances against the Tanaka and Miki factions in preparation for the main election. Politicians ought not forget about policies once they assume power. And this is the point where Ohira should demonstrate his "stupidly honest" character.

What impressed us in the recent party presidential elections was that in his speeches, Ohira told the people "not to expect too much from the government." He probably tried to make his "stupidly honest" political posture appealing in order to directly deal with even unpopular matters.

"I believe that government should respond to the people truthfully and seriously while considering its own capability without giving sweet illusions. I feel, therefore, that undue political intervention in private matters should be restrained. I also wish to ask the people not to expect too much from the government. Otherwise, it would be difficult to expect economic and financial recovery and stable livelihood." [comments at Ohira faction rally, 1 November 1978].

In an election campaign where optimistic note is common, Ohira's statements is unusual. It may be that he is aware of the seriousness of the current situation.

Facing the Ohira government are complex issues, enough to cause the downfall of a few cabinets. They involve correction of unfair tax structure in favor of physicians, reviews of welfare, medical and annuity and financial programs, and on future tax hike.

When the Ikeda Cabinet was born, Ohira reportedly told Prime Minister Ikeda, "I wish to ask you" not to mention a word about a long-term government since

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our position is that we would not have any regrets if a cabinet formed in the morning falls in the evening. And as we must share both happiness and grief with the people hereafter, please refrain from attending geisha parties or playing golf."

Times have changed, but we hope Ohira will not forget this spirit. And when a cloud appears in making decisions while occupying the solitary post of prime minister, he must be ready to call on someone who can provide advice readily. It is only normal to do so; the post really belongs to the people, not to Ohira alone or to his faction.

Words are good, but what counts is action. An assessment of the Ohira government will depend on how seriously it deals with "unpopular policies." His "stupidly honest" character will be truly tested from here on.

Realism in Ohira Government

Tokyo ASAHI JANARU in Japanese 15 Dec 78 pp 15-18

[Text] Changes and Limitations of 'Dovish' Methods

Masayoshi Ohira was elected as the 9th president of the LDP, and on 6 December 1978 the new Ohira government will come into being upon Diet designation of Ohira as the prime minister.

Former Prime Minister Fukuda, who received comments that he stepped down graciously, personally checked the uncompromising views of younger members in his faction and promised the new president a "full cooperation" at the 1 December 1978 party convention. For this reason outright factional struggles among party leaders and cabinet ministers under the Ohira structure may be prevented. Outwardly, the concentration of new political forces built on what Ohira calls "total party posture" will probably start.

As for reaction of the opposition parties, both Socialist and Communist parties have begun to assume a confrontation posture, contending, "The Ohira government is essentially no different from the Fukuda government." The middle-of-the-road parties have placed great hopes on the Ohira government's "flexible structure," although the Democratic-Socialist Party remains somewhat cool.

For example, Komeito Chief Secretary Yano has termed Ohira's call for partial coalition with the opposition forces as "the dawn of the coalition era." Representative Den of the United Socialist Democratic Party has categorized the forces within the LDP as those defending democracy and those against, with Ohira belonging to the former.

Compared to the Fukuda government established 2 years ago during a crisis of defeat in the general elections, Ohira took over during a mood of revival of conservatism. Also, while both Miki and Fukuda governments

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were "emergency, refuge-like" cabinets born without having to go through election procedures in the party convention because of intra-party strife, the new Ohira government possesses strength in having undergone a "baptism" of presidential elections involving 1.5 million party members and friends.

Apart from the effect of power struggles in primary elections and difficult policy issues confronting the new Cabinet, at least outwardly the Ohira government may be said to be blessed with a smoother departure than the Fukuda government.

The rein of government was seized amid criticisms of national propagation of factions, of financial influences and on resort to material resources in elections. Therefore, unless the Ohira government institutes some changes in the makeup of conservatism, the energy expended for the elections is a complete waste.

Will the emergence of the new Ohira structure result in a change in conservative politics, and if so, what are its substance and limitations? A careful study of these points will hold the key to the future of the Ohira government.

The notable differences in the political posture of Ohira and Fukuda is the former's political philosophy of "60-point principles," which attempt to solve problems realistically by attaching importance to the process rather than results without becoming stirred up, with the senses of normalcy and naturalness as the principle.

Although the Fukuda government had embarked with the catchphrase of "cooperation and solidarity," recently it has tilted toward the leadership style of "leave it up to Fukuda." Especially apparent in the party presidential elections, was his noble posture reflected in the quotes such as "the world is seeking Fukuda."

In contrast to this, Ohira has particularly stressed "politics of peace--avoiding a show of power, unproductive confrontations and disputes." He also cleverly conducted public relations to emphasize his down-to-earth character, stating in "The Candidate's Views" which was passed out to all party members that "his nickname has been daddy since his days in the Finance Ministry," or that he was proud of being told by an old woman when first elected to the Lower House that "although you're poor at speech-making, I will vote for you as you have a nice smile."

The result was that over confidence was counterproductive and caused the defeat of Fukuda, and floating votes went to Ohira who stood on the principle of "honestly admitting when things cannot be accomplished."

Certainly the Ohira camp had the support of factions backed up by material resources and knowledge of grass-root elections, thanks to total support from the "Tanaka Corps." The Fukuda camp, on the other hand, was off guard,

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relying on the achievements of the prime minister. Looking at it calmly, it was impossible to expect an "overwhelmingly favorable" situation for the Fukuda camp, fighting with its single corps against the two allied corps of Ohira and Tanaka. It would be wrong, however, to merely conclude that the outcome of the primary election was linked to factional pressure or to brand it as "an election of financial influences and material resources."

It must not be overlooked that even though Fukuda did not believe as strongly as Nakanone, Fukuda's concept of "Japan the Great Nation," which presented an image of "keeping to the right," met disapproval by some voters in favor of flexibility, which was closer to new conservatism. Roughly speaking, keeping within the framework of the LDP's status quo, the voters chose to correct the policy line slightly toward the left to middle-of-the-road.

Ever since the LDP joined with conservatives, the change of the LDP government has generally been described by the pendulum theory of right and left, with some exceptions. In that sense, I also agree with the views of Ichitaro Ide that "in conservative Japanese politics, the action to reverse the swing of the pendulum as willed by the people has been achieved." The Ikeda government of "magnanimity and perseverance" succeeded the Kishi government in the days of the 1960 Security Treaty. It may not have been just a coincidence that by a curious coincidence the rein of government was transferred from Fukuda, a direct descendent of Kishi to Ohira, who was the pupil of Ikeda.

With respect to the conflict within the LDP over the two policy lines, it may be said that the power transfer from the dovish Miki government to the hawkish Fukuda government was once again reverted to a dovish line with the emergence of the Ohira government.

It must also be stressed that this kind of pendulum theory, under present circumstances, was aimed at making a slight adjustment in order to prolong the LDP dominance and nothing else.

In reference to the struggles of four candidates in the recent elections, Mr Ohira himself reiterated that the struggles were over "political method," and that since LDP's basic line and policies were predetermined, a decision has to be made as to "who would implement them and in what manner." To illustrate his point, he stated that ingredients in sukiyaki may be identical, but how it is seasoned is what counts.

It would be only natural, therefore, for the Socialist and Communist parties, having different ingredients and tastes, not to recognize the transfer of government from Fukuda to Ohira as being "essentially different."

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Ohira Government Is New Realist Faction of Conservatism

On his "views" on candidacy, Ohira stated: "Nearly everyone accepts the basic order in today's society, founded on parliamentary democracy, the free economic market and the Security Treaty structures. Any kind of policy should be aimed at protecting, strengthening and developing them." He made a similar statement at a press conference after becoming the new party president. However, the contention that nearly everyone accepts the free economic market and the existing Security Treaty structures is clearly an intentional "exaggeration," for while some within the middle-of-the-road factions may agree, the reformist, leftist forces centered on the Socialist Party do not take that view.

In addition, Ohira takes a stand that the "structure" of 'amae' [availing oneself of another's kindness]--people placing excessive hopes on the government--was permitted because "events occurred in the era of high economic growth," and he strongly contends that it was in response to the people themselves assuming responsibility to cut back on entrepreneurial management to combat a recession. Of course, Ohira has not forgotten that employment instability caused by changes in the industrial structure is a "contradiction" and is the greatest current problem. However, the concept of applying a scalpel to the "excesses of reduced management" cannot be drawn from the traditional, conservative theory holding that the basics of economic management is "a vigorous development of private economy," without any excessive government intervention in the economy. On this point, a clear conflict exists with the Japan Socialist Party Chairman Asukata's reformist theory of giving priority consideration to those victims of the change of industrial structure, rather than basing the policy on "mercenary, competitive society." From the standpoint of such economic rationalism, a common ground cannot easily be found even in the arguments of combined factions for a "law restricting dismissal" against excessive personnel reduction using recession as an excuse. In this area, the Ohira government, which has made "trust and agreement" as its catchphrase, faces a clearcut limitation as a conservative.

It probably would be inaccurate to describe Ohira, who has until now represented an element of the conservative mainstream flowing from the Yoshida government, with the term conservative leftist faction. Calling for a "flexible and tenacious government," he clearly differs from the intra-party right faction, but he is not a conservative leftist. He may be termed as belonging to the conservative, new realist faction which is able to cope with any situation.

Of course, even if the difference is in the "method of politics," it may not be a minor one.

This is because, for example, the partial coalition with the opposition forces as mentioned by Ohira can become, depending on how future issues are handled, crucially inconsistent with the Fukuda government's dream of restoring "an absolute LDP majority."

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With respect to partial coalition with the aim of obtaining some cooperation from the opposition parties on individual matters and accommodating requests for revisions, Ohira, upon installation as the new party president, said, "That, of course, is necessary under the present situation of equal strength between the government and opposition parties, but is necessary even where the LDP has overwhelming superiority." At the same time, he placed a limit on relations with the opposition parties by saying, "it does not extend to policy decisions and coalition."

With regard to the future of a single, conservative government, Ohira, on a separate occasion, said, "The world is moving in the direction of division rather than a single government or integration" (Interview, "The Era of the Coalition Government"). "It is too early to tell whether the LDP alone can lead the single, conservative government in the future or whether the middle-of-the-road forces or other forces will be participating in it. But in any event, the LDP must fulfill its responsibilities as the "backbone" of government. From those remarks, it seems that Ohira is eager to effect a partial coalition with the opposition forces, especially the middle-of-the-road parties, as he does not dismiss the possibility of demise of a single conservative government in the future. Party president Ohira again denied any intentions to dissolve the Lower House prior to next spring's unified local elections. The thinking behind this is that he realizes that a hurriedly-held general election would not insure a stable majority, even if the government party gained a few additional seats, and that the idea of "control of the Diet by numerical strength" is no longer cherished by the people.

Regarding the views that the 1980 structures of both the LDP and Socialist Party are on the course of disintegration, Ohira's opinion is closer to the middle-of-the-road parties than Fukuda's.

Ohira states that the conceptual, ideological scheme of the old conservative-reformist conflict is, "immature, outdated, barren and unproductive" in the eyes of a majority of the people who are beginning to acquire a superb sense of balance and mature consciousness. ("The Outline of Policy"). It gives an illusion as if one were reading from Komeito and DSP documents.

Nonetheless, the middle-of-the-road opposition parties should not entertain excessive "illusions" on this point. Although the concept of partial coalition can be attributed to Ohira's flexible political methods, it was an unavoidable measure in order to survive the era of equal strength between the majority and minority parties.

Should the partial coalition progress and lead to future policy agreements and a coalition government, the LDP's right-wing elements are certain to resist. It cannot be denied that the moves for partial coalition may ultimately obscure the issues of the majority and minority parties and cause the Ohira government to nibble on the middle-of-the-road line. But in such a situation, the partial coalition strategy may be up against a wall because

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of the negative reaction of the middle-of-the-road opposition parties. If so, the time will come when its very nature will be questioned: whether the partial coalition concept is to remain a Diet strategy as is now the case or whether it is intended to prepare for a coalition government in the eighties.

The issue of emergency legislation concerning the Self Defense Forces, which forged into an important policy dispute between Fukuda and Nakasone during the party presidential elections, clearly supports Ohira's dovish posture.

Fukuda, who ordered the Defense Agency to study the issue of emergency legislation, including measures to deal with surprise attacks, said, "It would be utterly irresponsible not to establish a system enabling the Self Defense Forces to go into action in the event of an emergency." Ohira, however, countered with the statement that the existing Self Defense Forces Law itself was an emergency legislation, saying, "An emergency situation can be dealt [with the present strength] with full training and an alert intelligence collection capability. There is no need to stir up the public at this stage with technical arguments." Ohira does not rule out the idea that the "Defense Agency should pursue its studies quietly and seek a Diet decision as necessary." Judging from the view of Ohira on security, his intentions seem to be to slowly reduce the emergency legislation issue.

Dovish Posture Amounts to 'Difference of Methods'

Ohira's views on security are covered in the section on "The General Security Strategy for Peace" in the "Outline of Policies." Though all four candidates spoke on the need to expand the security policy to embrace not only defense issues but security as well, the dovish and hawkish factions differed on where to lay the emphasis. In the case of Ohira, the notable feature is his view on comprehensive national security and his stress on striking a balance, saying that a preponderance of military power and neglect would be wrong. Also, to ensure security, other than through military power, he has mentioned a "collective power including politics, economy, diplomacy, culture and science."

Ohira's thinking that the peace strategy is basic to a comprehensive security structure is shared in part by middle-of-the-road opposition parties. If efforts were made for a broad review of the security issue along such basic line on the governmental and Diet levels, it would be adding to the new qualities of the Ohira government. However, it must be noted that the comprehensive security structure envisaged by Ohira calls for continuation of the existing collective security structure--a combination of the Japan-U.S. Security Treaty and a moderate, high quality defensive power--plus non-military measures such as diplomacy. In this sense, broadly speaking, it represents a difference in "political methods,"

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not a deviation from LDP's basic policy. Under the present situation, there is estrangement between parties such as the Socialist Party which opposes the Japan-U.S. Security structure and the Self Defense Forces.

In the area of foreign policy, there are no marked differences with the Fukuda government. What concrete differences are there between the thinking, "the earth is a single community, and we will cooperate with all nations of the earth with Japan-U.S. friendship as an axis," and Fukuda's "peaceful diplomacy in all directions?" As Ohira's new idea, worthy of note is his advocacy for a "formation of a Pacific Ocean community ring" and his intention to open the first "Foreign Ministerial Conference of Major Pan Pacific Nations" prior to the Tokyo Summit (summit conference of advanced nations) in late June. Japan would aim for a "moderate solidarity" with Pacific area nations to develop a cooperative policy, just as the United States and the European Community are giving special consideration to Central and South America and African nations respectively.

At a time when there are criticisms from certain developing Asian nations that Japan's diplomatic posture centers around industrialized countries, the expansion of an Asian-Pacific diplomacy through the new concept of regional solidarity is a worthy idea.

There are criticisms, that Ohira's views on economic and financial policies can only be examined through his past remarks and that they are vague and difficult to understand.

An example of this is the following statement made before a joint press conference during his candidacy for president:

"Japanese economy is not in a situation where high growth can be sustained, but we should not abandon the high growth. We must look to a high a growth as possible. But, bearing in mind that a desirable growth is unattainable, we must go ahead with financial operations, entrepreneurial management and household management."

From this statement, one can detect a facet of the "philosophy" of "coping with all things in a natural form", but the outline of the emphasis on economic management, such as compilation of the next fiscal budget, remains unclear. From his fragmentary remarks and peripheral observations, it is clear, however, that Ohira advocates a stabilized growth rather than high growth as in the days of the Ikeda Cabinet.

During the elections, Ohira criticized Fukuda, who out of international commitment, emphasized the goal of achieving 7 percent growth, saying, "An economic management with undue emphasis on the rate of growth is undesirable." This reflects his view that "this is an era in which qualitative fulfillment rather than quantitative expansion is required." However, Ohira's views on the formulation of the fiscal 1979 budget is:

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"Although the goal of high growth will be avoided in anti-recession policies and employment stabilization, an appropriate economic growth is needed, and financial management will have to assume the lead in the coming fiscal year." The expressions used by both Ohira and Fukuda may differ depending on the occasion, and the two have something in common as a veteran financial bureaucrat. Thus, the judgment of the head of the Economic Planning Agency and others prevails: "A change of government does not mean any significant changes in economic policies, as the sphere of choice under current economic conditions is narrow." However, the problem is that the pressure exerted by intra-party activists opposing the economic management proposals of Ohira, who is prudent and attaches importance on his sense of balance, cannot be avoided. Ezaki of the Tanaka faction advocates "formulation of a large size budget with a target growth of 6-7 or 8 percent," while Komoto of the Miki faction supports a "high growth" for stabilizing employment.

If Ohira hopes to accommodate such a positive financial concept within the party and shelve the proposed general consumption tax in fiscal 1979 [January 1980], there will be no alternative but to increase the issuance of national bonds. Just how Ohira plans to effect a compromise on this dilemma poses the first test of the executive ability of the Ohira government in dealing with compilation of the fiscal 1979 budget.

Firm Decision and Power of Action Required for Inexpensive Government

Our hope is that the new government will courageously work for the fulfillment of Ohira's commitment to "realize an effective and inexpensive government."

I am in favor of "banning the stern posture of an administrative government rooted in authority and eliminating undue government intervention."

Ohira's motto is "It is better to eliminate one demerit rather than retrieve one merit." However, for the postwar government, it is simple to "retrieve the merit," but extremely difficult to "eliminate the demerit." This is why administrative expansion occurs. To achieve an "effective and inexpensive government," it will not suffice to be "indifferent and unenthusiastic." A firm decision and action are required. If even a single commitment were to be realized, the society will most likely highly evaluate the Ohira government.

When viewed in this light, the direction of Ohira's dovish line embraces several notable ideas, although it represents only a slight adjustment in the conservative government. The people's interest is in to what extent "effective and inexpensive government" will be realized, and whether "they are all rhetoric and no action." Even if minor changes are to be made, there will be many causes for applying a brake. The most serious problem is the revival and growth of LDP factions which come about during the course of party presidential elections.

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Probably the new Ohira structure, will somehow start out under the guise of a whole ultra-party structure.

However, that is only on the surface. Beneath it is opposition between the mainstream and non-mainstream factions which is expected to continue.

The real axis of the new Ohira structure is the Ohira-Tanaka factions which joined forces in the party's presidential elections. Our opinion is that the general trend is for the Miki faction centered on Mr Komoto to move closer to them, and for the Miki faction to be gradually transformed into the "Komoto faction" backing Ohira. But the Fukuda faction, despite all external indications to the contrary, will probably continue to maintain some distance from the Ohira structure.

However, a premonition of uncertainty over the Ohira government develops not so much from such united factions as from a greater manifestation of the LDP, as a result of the "upheaval," as a factionally united party due to national advancements of a vertical relationship among factions, not only at the central level but also among local party members at the bottom of the scale. The recent presidential elections demonstrated the significance of participation of party members in primary elections and showed that a large number of voters were divided owing to factional influence, with independent, floating ballots not being so numerous as had been expected. The Nakasone faction and other factions bent on capturing the presidency at the next opportunity will probably move to strengthen the organization of party members. In light of such intra-party activities, Ohira will probably have to devote considerable efforts to mount a "re-election device," 2 years from now. Rather than the elimination of factions, an intra-party multipolarization is inevitable. A great danger is that it may lead to weak leadership and, ultimately, disintegration of governability. When Ohira decided to run for party presidency, he remarked, "I wish to become a conductor rather than a leader." This statement is also applicable to intra-party management. Bluntly speaking, we feel that the prime minister/LDP president is now merely a "custodian-type leader under a 2 year contract with provisions for termination along the way."

If this is true, Ohira should not dream of a long-term government. We hope that he will deal with government activities with a "stupidly honest" posture, aiming at even one or two achievements, which the people will praise and say, "The conservative government has changed."

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ECONOMIC

TRADE POLICY CHIEF SEES TURNAROUND IN CURRENT ACCOUNT

Tokyo MAINICHI DAILY NEWS in English 3 Jan 79 p 6

[Article by Shigenori Okazaki]

[Text]

The Year of the Sheep dawned with the reverberating effects of last year's trade conflicts between Japan and the United States. Last year, it appeared, Japan was the target of all sorts of criticism for having accumulated a huge current account surplus.

Yet Japan took many steps to open its market more widely to the outside world. It reduced tariffs on manufactured goods well before the conclusion of the Tokyo Round multilateral trade negotiations (MTN), sent a buying mission to the U.S., and expanded import quotas on key agricultural commodities—fresh oranges and beef.

As a result, solid turnaround is already evident in the growing trend of the nation's current account surplus, says Shiro Miyamoto, director general of the International Trade Policy Bureau, the Ministry of International Trade and Industry (MITI).

Miyamoto also says that Japan was suffering a basic account deficit during April-November of last year, and that the trend will continue for some time in the future.

On the other hand, however, Miyamoto points out that the seriousness of the sick U.S. dollar is being felt by the government but not by the general American public in what Miyamoto describes as a "perception gap" between Japan and the U.S.

Miyamoto met the Mainichi Daily News at the end of last year for an exclusive interview. Excerpts:

MDN: One of the most symbolic events in 1978 was, perhaps, the visit of a 138-member American export promotion mission to Japan last October. Do you think that U.S. businessmen, who have been lackadaisical in exploring the Japanese market, are really changing?

Miyamoto: The mission symbolized two major problems in the U.S. economy—a huge current account deficit and a skid in the value of the greenback. These were the culmination of a long process of changes in the U.S. economy and world economic order.

We all know that the two problems are posing a major threat to the stability of world economic order. But I am not

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yet convinced that the Americans are fully aware of this. I see here a perception gap between Japan and the U.S.

MDN: How do you rate the Carter administration's package to defend the greenback?

Miyamoto: I think it was a drastic step. In fact, it has restored the value of the dollar to a certain extent on foreign exchange markets. At the government level, I think the seriousness of the sick dollar is understood. But if the American people, in general, believe it's Japan that is to blame for the huge trade imbalance, it would be another problem.

MDN: U.S. Congressman James R. Jones warned while in Tokyo last fall that there will be a strong tide of protectionism in the U.S. Congress which is opening Jan. 15. Do you see the U.S. Congress really turning protectionist?

Miyamoto: I had a chance to meet with Mr. Jones and other Congressmen while in Tokyo. They sharply criticized Japan for the trade imbalance. Their argument, I think, can be boiled down to three points: Japan is not taking firm enough action to correct the imbalance; there has been no major turnabout in the skewed pattern of trade; the Japanese market is closed to the outside world.

But statistics show that there has already been a major change in the trend. Take the figures for the third quarter of last year, for instance. Japan's domestic demand rose 1.7 percent, an annual rate of 7.8 percent.

During the same period, external indexes declined 0.8 percent due mainly to a slowdown in exports. Exports declined due partly to MITI's administrative guidance and partly to the sharp appreciation of the Japanese yen against the U.S. dollar.

On the other hand, imports registered sizable increases, led by manufactured goods, notably from European countries and the U.S. The trade surplus, as a result, is steadily declining.

And on the basic account, which also covers capital outflow, Japan suffered a deficit during the first eight months of fiscal 1978 (April-November, 1978). This trend, I believe, will continue for some time in the future.

MDN: Would you comment on the points that Japan is not taking enough action and the Japanese market is closed?

Miyamoto: We have reduced import duties on some manufactured goods even before the conclusion of the Tokyo Round; we dispatched a buying mission to the U.S. to encourage our imports; and expanded the import quotas on farm produce, such as fresh oranges and beef in which the U.S. holds a keen interest.

But we have certain import restrictions on agricultural commodities under political consideration. And this kind of restriction is seen in most Western industrial countries. As you recall, Japan and the U.S. reached a firm agreement on farm trade in Tokyo last December. We are making efforts, which, I hope, will be duly appreciated by the Americans.

As I said before, despite this progress, a perception gap remains. And we will have to make further efforts to narrow this gap. It won't do either of us—Japan or the U.S.—any good if we get too emotional.

MDN: You said that Japan has been running a deficit on the basic account, but it appears this has not been fully appreciated by the Americans...

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Miyamoto: It will take some time before we can start discussing our trade in terms of basic account, rather than current account.

At the moment, Japan's current account surplus is still very high and, for this reason the Americans are mostly paying attention to current account figures. But if Japan's current account surplus is cut back substantially and Japan starts suffering a huge basic account deficit and shortages in foreign currency reserves, the Americans will have to start looking at our trade in terms of basic account rather than current account.

MDN: It has been reported that the U.S. economic growth rate will be only 2-3 percent next year. In view of this, what do you think will be the role of Japan in 1979 for the sustained growth of the world economy?

Miyamoto: At the moment, there is still a temptation for any industrial country to become inward-looking. And the spirit of the Bonn summit was to fight this temptation, with each major industrial country doing its best to reflate its economy.

This spirit, I believe, will have to be maintained throughout this year. The slow growth of the U.S. economy will

make it necessary for other (OECD) countries, with strong economic growth potential, to seek a higher growth.

We have set our official economic growth target for fiscal 1979, beginning this April, at 6.3 percent in real terms. Though the target is slightly lower than that for this fiscal year, I can assure you that there has been no change in the principles of our economic policy to seek as high a growth as possible.

MDN: Finally, what do you think of the prospects for concluding the Tokyo Round, which is reopening Jan. 8 in Geneva?

Miyamoto: A firm bilateral agreement has been reached between Japan and the U.S. Between Japan and the E.C., and the U.S. and the E.C., however, agreements have yet to be worked out.

The E.C. is holding out for a selective application of safeguard measures, to which Japan, the U.S., and developing countries are opposed, because if it is abused, it would undoubtedly hamper the expansion of free world trade. Selective safeguards will be the first, and most important issue for discussion when the Tokyo Round reopens in Geneva later this month.

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ECONOMIC

'MAINICHI DAILY' Interviews Economic Ministers

Tokyo MAINICHI DAILY NEWS in English 28, 29, 30, 31 Dec 78

[Series of interviews with new cabinet ministers by Shimpachi Nuunomi, managing editor economic news department, and Tadao Koike, political news editor]

[28 Dec 78 p 5]

[Interview with Tokusabura Kosaka, director general Economic Planning Agency]

[Text]

Mainichi: Mr. Director General, I heard that you have been encouraging top officials of the Economic Planning Agency (EPA) to "become active economists." What measures do you have in mind to take to translate your experience as a businessman into the administration activity?

Kosaka: I don't think there is much difference in my way of thinking after joining the government, but the economy is a living creature and the bureaucratic job alone cannot solve problems, I think. It seems to be important, therefore, for the administration to lend its ear to what the people in the private sector are saying through close contacts with them.

I hope that bureaucratic economists will examine how the figures they have calculated are functioning in the reality of actual economy and try to regain the people's trust in the figures the government has presented.

The important thing is to win the people's trust. Unless there is trust nothing can be done in actual economic operation. Therefore, it is useless just to work on figures alone, and, I hope, bureaucrats will visit factories and go round to visit local areas in order to get a feeling of a living society by themselves.

I want to send top agency leaders out into society, and I myself will go out, too.

(Kosaka hails from Nagano Prefecture, where he was born and grew up in a distinguished family. He is a younger brother of former Foreign Minister Zentarō Kosaka.)

(Starting as a newspaper reporter, he succeeded his father, who founded Shin-Etsu Chemical Co., as president of the company. Through this experience he is confident in actual economic knowledge.)

Mainichi: Can you say that you are an active director general of the Economic Planning Agency?

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Kosaka: No, I am not saying so. I am just talking about my wish that I could make the agency an active one since we have a lot of capable people in it.

Mainichi: Our impression is that the Economic Planning Agency tends to be too proud of their figures and statistics. Could you please explain the background in which you have come to have the motivation to change it?

Kosaka: In the past, during a period of high economic growth, the Japanese economy, as well as the global one, moved forward smoothly, and bureaucrats had nothing to worry about but their calculation of figures. But my judgment at the moment is that the Japanese economy is now being driven into a corner.

There are some firms which have gained profits, but as a whole, I have a feeling of anxiety that the economy might really come to a standstill.

Mainichi: That being so, the big question seems to be how to give momentum to the vitality of the private sector...

Kosaka: Actually it is difficult to stimulate the private sector and to encourage the business world to revitalize its economic power. But there is no other way for the government but to take action by itself, expecting the private sector to respond to it.

The same is true with the company management. You can buy equipment with money, but there is no other way for a company to take for its development but to encourage all the employees to work together and combine their powers.

In this sense I am intending to promote dialogue not only with people in the business world but people of labor unions and consumer organizations.

The problem is that our way of thinking in Japan is too poor to stimulate vitality in the private sector. In my opinion our economy has been depending too much on public investments for the stimulation of economic activities.

The public investments, I think, have already reached the maximum limit. But the effect of public investments is still too far short of encouraging the private sector to willingly make investment in equipment. The point is, therefore, to pool our wisdom to the maximum to find a way to recover vitality in the private sector.

Then, it is necessary for EPA top leaders to go out into the people to have dialogue with them. As the first step I would like to see more opportunities for EPA top leaders to listen to the opinions of management of small and medium-size enterprises. I am also thinking about meetings with people in the business world to exchange opinions with them as many times as possible.

(Kosaka does not belong to any established intraparty faction of the Liberal-Democratic Party and he is known as an activist. He has set up the Shin Seiji Kenkyukai (Research Association of New Politics) by organizing middle level and "young" Diet members, and is an advocate of the necessity of policy study.)

Mainichi: The management of economy in the next fiscal year seems to be difficult in view of a tendency of the global economy and the fiscal situation of the government. What do you think you should place top priority on?

Kosaka: We must not make light of the recovery of a healthy budget, of course, but if we take into account such issues as the employment problem

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facing the present Japanese economy, and the necessity for it to change its industrial structure and to devote itself to the recovery of the global economy I cannot help but say that we must go ahead with economic management on the basis of fiscal-oriented policy.

For a period of three years or so from now on it will be more important for the government to make its economy pick up than to reduce the amount of deficit-covering problems as mentioned above.

As for the method to be taken for the achievement of healthy national finance, I believe it is not appropriate to simply levy more tax, but some more combined choices from various possible measures on the basis of a medium-range outlook should be sought.

Mainichi: I understand that you are an advocate of a revision of the manner of viewing the nation's economic growth ratio...

Kosaka: The government has so far shown to the people the highest possible figure it expects to attain so that it might have provided them with rosy expectations. But, hereafter, the government should, I think, present them with data of the lowest limit—and should seek their understanding.

It seems to be more meaningful to show the lowest minimum of growth required to sustain the nation's economy—the line that should never be fallen below. I also would like to study measures to show to the people an economic outlook and a policy on a sector-by-sector basis growth, for instance, either in the agricultural sector or the manufacturing sector.

Mainichi: The exchange rate of the Japanese yen seems to be in a lull. How do you see the future trend of Japanese external economic relations, including the field of international currency? What will be the stance of the Japanese

government on the Tokyo summit scheduled to be held in June next year?

Kosaka: If the yen's exchange rate to the dollar rises to around the level of 180 yen industries depending on raw materials will be dealt a heavy blow, and it is desirable for the yen to settle around the 200 level.

But judging from the situation of international currency it seems to be hard to say that the yen would come back to that level. In the U.S. and European countries there is a prevailing voice demanding that Japan reduce its exports, and the U.S. Congress is also full of the sentiment of protectionism.

To cope with this situation the Japanese should be united, at the level of Diet, business world and labor unions, to promote friendly relations through closer contacts with the U.S. This is the subject the new cabinet has to face for the time being.

At the coming Tokyo summit there seems to be a possibility of the conflict of each nation's interest surfacing more clearly than ever. The coming year will be a year when such issues as international currency and trade will come across as a grave situation.

Mainichi: What else are you worried about in the coming year?

Kosaka: I have a number of things to worry about. Particularly, I am afraid that "something might happen all of a sudden." To cope with such a case we need to set up a system to collect information, analyze it to anticipate any possibilities of emergency, and always check it. This is true not only within the field of economy, but also in the military and international political fields.

Therefore, it is desirable for the government to intentionally set up a system for the issuance of warnings.

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[29 Dec 78 p 5]

[Interview with Ipppei Kaneko, minister of finance]

[Text]

Mainichi: Minister Kaneko, on your assumption of office as finance minister you have no time to lose before working on the compilation of a draft budget for the coming fiscal year (starting in April). The point you have to make clear in deciding the scope and the characteristics of the budget is your outlook concerning the economic growth rate in the year under review...

Kaneko: Regarding the economic growth rate for the coming fiscal year, I am now thinking, it should be worked out by government offices concerned, particularly the Economic Planning Agency, as the question is connected with the medium-range economic plan (of the government). But I myself have already instructed officials of my ministry to get the figure for me.

Mainichi: I heard that Minister of International Trade and Industry (Masumi) Esaki and Director General (Tokusaburo) Kosaka of the Economic Planning Agency seem to be of the opinion that the target of economic growth should be set as high as possible in light of the necessity for the government to tackle such issues as an employment problem. What is your opinion on this?

Kaneko: I don't think there are wide differences of opinion within the government. It seems to me the momentary economic growth in real terms (if translated into an annual rate) is now around 6 percent, and it is appropriate, I think, to keep the same level of growth in the next fiscal year.

Mainichi: There is no doubt that the government will have to give up its original 7 percent growth target. If this is so, (if you want to keep the growth rate at a certain level) isn't there a necessity for the government to reduce the official discount rate or to compile a second supplementary budget within the current fiscal year as a measure to alleviate the nation's economy?

Kaneko: Regarding the official discount rate, the Bank of Japan is in charge of that. In my opinion, the interest rate has been lowered to such an extent that several cases concerning business management have been showing signs of recovery after poor performances in the past, and, when it comes to a comparison with interest rates in other countries the present level seems to be extremely low.

As for the supplementary budget, I don't think it is a must judging from the present situation in which the domestic demands have been swinging back in a considerably large extent. A more appropriate option, it seems to me, would be to compile the budget for the coming fiscal year as early as possible.

Mainichi: I believe there might be repercussions from within the cabinet that an annual economic growth rate of 6 percent would be considered too small. What is your comment on this?

Kaneko: It seems silly to me to say that there would be anxiety about unemployment if the growth target is set at 6

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percent, but not if the rate is raised to 7 percent.

A 6 percent growth rate should be enough, I believe, to secure a sizable number of jobs if appropriate measures are taken to cope with specific individual cases in connection with businesses suffering from recession due to structural reasons, or towns and cities largely dependent on recession-hit enterprises.

The problem is, therefore, not the figure of economic growth but its content. But if we let the growth rate slow down too much, the people will become concerned and lose hope, I am afraid. That policy, therefore, should be avoided at a time when the government must encourage the private sector to brace itself.

(These statements seem to indicate he is under the influence of Prime Minister Masayoshi Ohira, who is forming his economic policy, from the viewpoint that importance should be attached to "quality rather than quantity" and that "the nation's vitality should be made best use of.")

(Kaneko is a principal member of the Ohira faction. He is one of the many bureaucrat-turned-politicians in the faction. He entered the Finance Ministry in 1937, the same year his predecessor, Tatsuo Murayama, joined the ministry. His career was, however, different from Murayama's as he assumed such posts as director of the local financial affairs bureau and of the national tax bureau for a long period. Therefore, there are few top Finance Ministry officials who were his subordinates.)

Mainichi: In the Finance Ministry, voices have been heard criticizing the present

financial situation for being heavily dependent on national bonds as a source of revenue, while likening it to a salaried man being heavily in debt.

Finance Ministry officials call for a stringent cutback in expenditure on the one hand and the necessity of a tax increase by introducing a general excise tax on the other in compiling the draft budget for the coming fiscal year...

Kaneko: As I said earlier, we cannot allow the economic growth rate to slow down so drastically that it is impossible to deny or give up the role of the financial policy to be used to stimulate the economy. On the other hand, however, we are facing the barrier of a difficult financial situation.

The problem is how to adjust these conflicting factors. I would like to study more before making a decision.

The point is, a large scale budget will not necessarily mean a 7 percent growth. Therefore, I would like to follow a policy line of stable economic growth. It is not good to sacrifice the economy for the sake of finance and it is not good, either, to disturb finance for the sake of the economy. The problem is how to maintain a balance between the two.

Mainichi: As for the general excise tax, Finance Ministry officials have an earnest desire to introduce the system beginning January 1980 or during fiscal 1979...

Kaneko: (If the excise tax system were introduced) it would be the biggest tax reform since the implementation of the Shaup tax reform (in the post-war period) and it would have far-reaching effects on general consumers as it would be much different from a liquor tax or a commodity tax.

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Therefore, we have to spend sufficient time publicizing the necessity of the tax to the nation. We must do all we can until we can obtain the understanding of the nation. Personally, it seems advisable to implement the system from fiscal 1980 (after publicizing it during next fiscal year).

Judging from the difficult situation of seeking revenue resources, however, I wish I could introduce the new tax system as early as possible, even from January 1980. Anyway, this question will require a political judgment since there is opposition to the idea in some quarters of the Liberal-Democratic Party, not to mention the opposition parties.

(At a press conference immediately after assuming office Minister Kaneko said, "I think I should consider it a great success if the general excise tax could be introduced from January 1980." In this sense, his wishes are only slightly different in nuance from Finance Ministry officials.

His stance seems to mirror the fact that Prime Minister Ohira himself is negative about introducing the excise tax at an early date, while Kaneko himself has never been positive on the position.

(Being chairman of the LDP's tax system research council, before assuming the office of finance minister, he insisted that "we should not hurry in introducing the excise tax the next fiscal year." How well he has been "brain-washed" by Finance Ministry officials. This situation must be watched carefully.

Mainichi: I think it is not too much to say that the government needs to reform the unfair tax system such as preferential tax treatment for medical doctors.

Kaneko: You're right. A revision of the present system, particularly the medical tax system, has already been decided on at the end of the current fiscal year. I think it will be carried out as scheduled.

In the reform, the 72 percent exemption uniformly applied under the present system will be reduced in four stages according to income, on the basis of recommendations submitted by the tax system research council. But there still remains a problem as to whether or not it is necessary to revise the actual rates applied in the system.

Anyway, a revision of the unfair taxation system, along with a review of budget expenses, will be a precondition for the introduction of the excise tax system, and I will do my utmost to implement it.

Mainichi: What do you think of the change of currency denomination? The Japan Economic Research Institute has already made recommendations for its implementation at an early date.

Kaneko: I hope to do so when the time is ripe. It should be carried out at a time when the economy has become stable and currency fluctuations have calmed down. In my personal opinion, now is not an appropriate time. I don't think the present situation will allow such a measure in the foreseeable future.

This is a very big political issue, and we must give every consideration to its timing.

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[30 Dec 78 p 7]

[Interview with Masumi Esaki, minister of international trade and industry]

[Text]

Mainichi: How do you foresee the trends of Japanese economy in the coming year? What do you think is a necessary policy to make the Japanese economy soft-land onto stable growth?

Esaki: Despite facing a difficult financial situation, the government has succeeded in the current fiscal year in expanding domestic demand.

The Japanese economy is now on the course of recovery except for some industries suffering from recession for structural reasons. But at the same time, the management's efforts to reduce the managerial burden have resulted in an increase of the jobless, with the unemployment figure rising by as high as 200,000 compared to the level a year ago.

To secure employment stability will be the big problem that we will face in the coming fiscal year. To cope with this situation, we need to set an economic growth target as high as possible by adding something to the minimum line of 5.5 percent calculated on the basis of the average economic growth rate in real terms in the past three years.

If we become passive merely because we face a difficult financial situation, our economy will stagger and the tax revenue will be reduced, resulting in unsuitable budget revenue and a sharp increase of unemployment.

The government should continue to issue national bonds, while withstanding hardships so that it might be able eventually to concentrate its efforts on bolstering the national economy.

I will not mention the exact figure of economic growth, say, 6 percent or 7 percent. But if Japan fails to show its willingness to aim at a high economic growth, foreign countries will never be satisfied, particularly because the summit of the Western industrially advanced nations is scheduled to be held in Tokyo next year.

Mainichi: But is it not true to say that we have to worry about the possibility of inflation if we continue to seek a high economic growth depending on the issuance of national bonds?

Esaki: There is no need to worry about inflation, I think. Commodity prices have remained stable for a long period, and the range of the demand-supply gap is permissible. The ratio of national bonds outstanding to the gross national product (GNP) is some 20 percent in the case of Japan. If this is compared with the United States where the ratio is 29 percent, Japan still has room left for the issuance of more national bonds.

(Like his predecessor, former Minister Toshio Komoto, Esaki was transferred from the office of chairman of the policy affairs research council of the Liberal-Democratic Party to the present post.

(When he was chairman of the council, Esaki regularly exchanged opinions with top leaders of the business world and received briefings from officials of economy-related government agencies. Because of this background he is well versed in economic matters.

(Esaki is more positive than Komoto in seeking a high

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economic growth. The positive stance is received with favor by MITI officials who are also advocates of a high growth.)

Mainichi: Judging from the middle range viewpoints, it can be said that the Japanese economy is facing rough going, being challenged by the rising competitiveness of newly-industrialized countries, on the one hand, and being blocked by rising protectionism in the United States and European countries, on the other. What is your strategy for industry in the 1980s to enable Japanese industries to survive such difficulties?

Esaki: There is no other way for the survival of Japanese industries but to move in the direction of change to more knowledge-incentive industries.

The business world should exert more efforts to prevent the newly-industrialized nations from catching up with Japan while taking their challenges more seriously.

It is high time now that Japan should have thought about something like an "Asian Economic Community" with the neighboring countries while studying the case in which the European Community (EC) has shifted its policy "from competition to coordination" while looking to the 1980s.

I am saying this because I was surprised when I saw the shipbuilding industry in South Korea. All the engines installed there were Japanese-made, manufactured by, say, Ishikawajima-Harima or Mitsubishi Heavy Industries. The Koreans are making only hulls.

Mainichi: Is it really possible to set up an economic community or a co-prosperity system with neighboring countries when the wide gap of economic strength with Japan is taken into account?

Esaki: It is not easy because Asia is not linked by land and the countries are separated from each other by sea. It seems to be necessary to study the possibility of an economic community at the government or private-sector level on a case-by-case basis. For instance, there seems to be a good chance for the formation of a horizontal division of labor in such fields as the electronics industry or a shipbuilding industry.

(Esaki used to be called "telescope" by faction members of former Prime Minister Kakuei Tanaka as he has a keen sense of foresight. For instance, in 1970 he led Diet members in founding the Japan-China Diet League for Promotion of Restoration of Diplomatic Relations by appealing for normalization of ties with the Peking government at an early date, and he played the role of chairman of the league's inaugural meeting.)

(Of late he is busy studying a way to reform Japan's industrial structure to cope with increasing Korean exports to this country. His idea to set up the AEC came to him when he visited South Korea.)

(The economy of South Korea showed a keen response to his philosophy and Esaki is planning to ask opinions about it from leaders of the business world and small- and medium-size enterprises.)

Mainichi: Do you have any idea of holding a conference of economic ministers of the neighboring countries to adjust international economic policies?

Esaki: I haven't come to such a definite idea yet, but I think it may be necessary to hold a meeting of that kind. After compiling the budget I would like to listen to opinions from the industrial world.

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So long as Japan insists on free trade, it cannot take the policy of restricting the exports of neighboring newly-industrialized countries to Japan.

Mainichi: A meeting of the United Nations Conference on Trade and Development (UNCTAD) is scheduled to be held in Manila next May and the Tokyo summit is due in June. What is your strategy in combining these two meetings?

Esaki: We have to work out a strategy of economic diplomacy by combining the UNCTAD meeting and the Tokyo summit from the viewpoint that they are linked up in a single line.

Japan was defeated by Bangladesh in the election to a non-permanent seat of the U.N. Security Council. It is a good opportunity for Japan to make use of the UNCTAD meeting to eliminate developing nations' distrust of Japan. For this purpose Japan should make efforts to obtain their understanding of its policy by implementing its international commitment to double its official development assistance

(ODA) in a three-year period.

At the Tokyo summit, Japan must also convince other countries that it stands firm to promote free trade and to contribute to the global economy through the balanced growth of world trade.

With these factors in mind, the government cannot run away from a policy of setting a high economic growth target in the coming year even if it might be suffering from difficulties with the financial situation to some extent.

I would like to attempt to take steps to lower the official discount rate through consultations with government offices in charge of financial and monetary affairs.

(In the Ohira cabinet whose official stance is to seek "an appropriate growth," Esaki is unique in that he is an advocate of high economic growth. He is likely to drive the "slow ox" to run faster.

(At the moment, Esaki's strength still remains as a "tropical low pressure" but there seems to be a good possibility of it growing into an "Esaki typhoon.")

[31 Dec 78 p 5]

[Interview with Sunao Sonoda, minister of foreign affairs]

[Text]

Mainichi: The biggest diplomatic issue facing Japan at present is making preparations for the summit conference scheduled to be held in Tokyo next June. What is your basic stance on this matter?

Sonoda: One subject at the top of the agenda is currency. If we just complain and request that the U.S. do more to stabilize the dollar there will be no solution.

The participating countries must study the possibility of

their own role in extending cooperation and sharing responsibility (in solving the problem) from the viewpoint that stability of the dollar is a prerequisite for boosting the world's economy and eliminating recession.

The second issue is the North-South problem. This question is not limited to economic aid to developing countries but it must go as far as to eliminate the existing wide difference in living standards of their people. The gap in living standards and

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diversification of wealth constitutes the root cause of strifes and guerrilla activities. Therefore, it is an urgent issue for us to solve.

The third issue is the energy problem.

Mainichi: It has been widely reported that other countries are very dissatisfied and critical of the fact that Japan has dropped its pledge to attain an economic growth of 7 percent...

Sonoda: We must keep the stance, I think, "we will do all we can (to attain the target) even if it looks impossible." But it is true, to be frank, there is a feeling in Japan that a 6 percent growth rate would be the best possible because of restrictions posed on the growth of gross national product (GNP) by the policy of controlling trade, or that "we don't have to go too far" because the Japanese society has already grown affluent enough.

Mainichi: There are reports that U.S. President Jimmy Carter and French President Giscard d'Estaing will visit Japan in the early part of next year. Am I right that their visits are directly connected with preparations for the Tokyo summit?

Sonoda: To be frank, no definite plans for the visits have been fixed. In my personal opinion, the U.S. president will visit first, and the French president will visit later.

Mainichi: Do you have any plan to visit the U.S.?

Sonoda: It depends on when Prime Minister (Masayoshi) Ohira will be able to visit the U.S. I know that the U.S. did not expect the Ohira cabinet to be formed and, I think, it came as a surprise. But Prime Minister Ohira has held the posts of international trade and industry minister, finance minister, and of foreign minister even twice, and his political stance is well known to the U.S.

But I wonder if it is good for the two leaders to meet at the summit conference for the first time, and from this viewpoint, I think, we have to think about Mr. Ohira's visit to the U.S. My trip, as a harbinger of the prime minister's visit, will be decided on the result of this study.

Mainichi: In recent days the U.S. has been active in requesting that Japan play a "political role" in the international community. What specific role do they have in mind?

Sonoda: At the Japan-U.S. summit conference in May the U.S. requested that Japan play a political role in compliance with its economic capacity. But no specific role was mentioned.

On that occasion I asked if the U.S. was requesting that Japan take responsibility for strife in Asia. That is true. In my interpretation the U.S. does not like Communist and free world countries to fight each other in Asia and would not like to get involved.

The Japanese people should understand better the fact that the U.S. is in possession of power in Asia as a means of deterrence but at the same time it is engaged in direct negotiations with the Soviet Union.

Mainichi: Japan was defeated by Bangladesh in the election of a non-permanent member of the United Nations Security Council. Wasn't that a good lesson for Japan? Was there any easy way to give up its seat to a developing country instead of competing?

Sonoda: The lesson we learned was very valuable.

In running for an election Japan should have maintained close consultations with ASEAN (Association of Southeast Asian Nations) countries and other Pacific nations. I don't like to excuse myself, but I was intending to drop from contention

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If Japan had won by only a small margin. My feeling is that we should learn from our competing and we should criticize ourselves while competing and we should improve ourselves through the lessons we learn. This is the diplomacy, I think.

(Sonoda talks about the secret of martial arts while discussing his diplomacy. This may be his merit. At a meeting of Japan-ASEAN foreign ministers held in Bangkok he proposed to take off a formal suit and change into casual "Japanese yukata." His suggestion was very popular among ASEAN foreign ministers.)

(In the past year since he assumed the office of foreign minister he has been abroad 12 times. But a real test to his diplomatic ability to "mix" with top leaders will come hereafter.)

Mainichi: The Soviet Union is still taking a tough stand toward Japan. How will you cope with it?

Sonoda: When I visited East European countries everything went smoothly, but when it came to a Japan-China treaty of peace and friendship I always faced strong criticism. All of them copied the words the Soviet Union had used.

Then, I told them that "Japan is extending economic cooperation to Vietnam who is confronting China. What do you think of this kind of diplomacy?" When I said this, everybody stopped criticizing me.

I was received warmly everywhere in Eastern Europe, and I made some progress in

solving specific diplomatic issues there. And later on the Polish prime minister visited Japan.

There is an old saying that "you should be polite when facing a person you intend to fight." I don't really understand what the Soviet Union has in mind. But at the moment my interpretation is this: "Both Japan and the Soviet Union would like to maintain good relations with each other. But neither of them has any intention of smiling at each other."

I would like to stress here that diplomacy will become completely new if and when the time, place or the person involved is changed. The Soviets should understand that Japan will be further alienated from the Soviet Union if it keeps its present stance.

On our side, of course, we should try to understand the difficult situation facing the Soviet Union. For instance, if we take the example of a visit to Japan by Foreign Minister (Andrei) Gromyko, we should understand that he must run a risk of his status unless he brings back fruitful results. This is a phenomenon we usually see in a Communist country.

No matter how much he may want to visit Japan he will never be able to do so if he knows that the Japanese only insist, "return the four northern islands (occupied by the Soviet Union.)"

As for the good neighborly relations and cooperation treaty, we should not take such a stance as to say just "no." We should make a counter-proposal at the negotiating

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table, for instance, "is it possible to talk about it in parallel with the peace treaty," or "we will discuss it but cannot accept the Soviet proposal as it is."

(Sonoda will never be submissive to what the Soviet Union says. But Japan should trust its counterpart and begin talks. This is his diplomatic stance in relation to the Soviet Union. Sonoda believes in the saying, "A slow and steady pace will win the race.")

Mainichi: Finally, I would like to ask you about the Korean Peninsula situation. Do you see any possibility of change there?

Sonoda: I see no factor that will bring about a big change. I say this because the motives of China, the Soviet Union and the United States are intermingled there.

For Japan, there is no choice but to exert efforts to create an atmosphere which will enable North and South to hold a meaningful dialogue.

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