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TRANSLATIONS ON JAPAN
(FOUO 6/79)



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POLITICAL AND SOCIOLOGICAL

'BENGEI SHUNJU' ANALYZES DYNAMICS OF OHIRA AND TANAKA

Tokyo BENGEI SHUNJU in Japanese 19 Feb 79 pp 124-141

[Article by Ikuzo Tajiri: "The Dynamics of Ah's, Ooh's and Okay's"]

[Text] The new Ohira government is sometimes called "Kakuei (Tanaka's shadow) Cabinet" or "Chokkaku (direct Tanaka) Cabinet." Why did such influential figures with completely different personalities and nothing in common, as between the reticent and the restless, the dull cow and the bulldozer, the former bureaucrat and the self-made, come to maintain close ties? If they are seeking benefits and political aims, what can they be? A young journalist analyzes the future of the new government making a stormy start.

The Friendly Ties of "Daikaku" (Ohira and Tanaka)

"About 10 years ago in the mid-period of the Sato Cabinet, Masayoshi Ohira and Kakuei Tanaka on a Sunday went out to the Koganei Country Club in Tokyo. During the game of golf, they paused and sat beneath a pine tree and started singing the tune 'Sado Okesa.' I remember it vividly. Looking at them, I felt that nothing can come between them to sever their friendship."

So said Rokusuke Tanaka (five-term member of the Lower House; aged 55), named chief cabinet secretary last year end, in an emotional voice. He cannot forget what he saw while making the rounds with the "daikaku" team. Tanaka described this episode a few days before his installation as chief cabinet secretary, but stories attesting to "daikaku" friendship could be heard in virtually all segments of the political world.

But many politicians had turned down my request for details on the "daikaku" ties, including Takeo Fukuda, Yasuhiro Nakasone, Susumu Mikaido, Kiichi Miyazawa, Ichiro Nakagawa and Ikko Kasuga... Fukuda, who was in a bitter race with Ohira during last year's political struggle, responded, "leave me alone for awhile," while Nakasone likewise stated, "I wish to think

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things over for a while." Miyazawa (through his secretary) said, "I know nothing of Mr Tanaka, for I have not been associating with him."

It was interesting to note that responses varied, with some talking willingly, some hesitatingly and some unwillingly. With respect to the "daikaku" ties, the political circles would assume a unique flexibility with Tanaka's participation. Perhaps they are fearful of repercussions when speaking about "Tanaka," his name being deeply imbedded in the consciousness of politicians. Mr Ohira himself, a party to the "daikaku" team, had to speak falteringly.

During the 1 December 1978 press interview following his formal selection as the new Liberal Democratic Party (LDP) president, Ohira, in a reply to another question, said: "I feel, expect and am confident that you members of the Tanaka faction, as a respectable body, will take prudent actions henceforth. This is no change in my personal relations with Mr Tanaka. However, I understand and he too is aware that I must be moderate in our ties as a public official."

Thus, Ohira stated in somewhat honorific terms his intent to separate his public and private lives. He seemed to have deeply pondered over the matter, including the choice of words--whether to use the word "prudence," "self-restraint" or others. An elder LDP Dietman, upon hearing Ohira's statement, was deeply impressed:

"Such an expression is the best he can do and is as far as he can go. In Ohira's current position, he can only assume a total partisan posture."

A Tale of Government Takeover After 4 Years

Just when did such strange terms as "daikaku," "daifuku" (Ohira and Fukuda), "kakufuku" (Tanaka and Fukuda), "fukuchu" (Fukuda and Nakasone) and "sanpuku" (Miki and Fukuda) become popular within political circles? There was no such term as "ikesa war" in the eras of Hayato Ikeda and Eisaku Sato. It seems it all started about 6 years ago in the wake of the "kakufuku war."

Moreover, in "sankaku daifuku" (Miki, Tanaka, Ohira and Fukuda), it was only in Tanaka's case that the character "kaku" from his given name was used. Perhaps this was the secret of the popularity of the condensed forms. "Denfuku" (Tanaka and Fukuda) and "Ohta" (Ohira and Tanaka) may not have sounded correct. It can be stated, though far-fetched, that something fatalistic pervades "kaku," alien to "sandaifuku" (Miki, Ohira and Fukuda) but still essential. In a political world "without kaku," monotony would prevail.

A government of "daikaku" was formed after a period of 4 years. When Tanaka forcibly wrested power from Sato in July 1972, he envisioned a long-term government with Ohira as successor. However, the government

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takeover through the "daikaku" alliance was disrupted by the monetary outlay incident and the Lockheed issue, resulting in the birth of interim Miki and Fukuda governments. The explosion of "sanpulu" from government is said to have been due primarily to "kaku's" instigation.

With the emergence of the Ohira government, a page will have to be turned in the tale of "daikaku." However, "kaku," a party to "daikaku," is the key performer in the Lockheed incident, a criminal defendant without formal LDP affiliation, and a 60-year-old wounded lion. Will there be a restoration of "kaku," and a reemergence of "kaku" government following those of "san" (Miki), "fuku," (Fukuda) and "dai." (Ohira)? That is the main topic of this research report.

1. Lineage of "Daikaku"

Initial ties between "daikaku" developed after Ohira left the Ministry of Finance to successfully run for the Lower House from his native prefecture of Kagawa, marking his entry into politics. Ohira was then 42, and Tanaka was then a young 33-year-old Dietman.

Kenji Manabe (one-term member of the Upper House; aged 43), Ohira's secretary for 20 years or more until 2 years ago, looked back on those days:

"Mr Kaku came to Shikoku to provide support, but it was not just an ordinary support. He would cover every corner of the electoral district and deliver street speeches. He spent more time in the second Kagawa district than in his own. After Ohira was elected, the two had offices next door to each other in the old Dietmen's Hall. I remember that they always called upon each other, as both were then without portfolio.

"Mr Kaku would appear suddenly in my old man's office. He would talk constantly for 55 minutes out of an hour, with the old man, a good listener, summing up Mr Kaku's conversation during the remaining 5 minutes. They discussed not only politics but also literature and many other subjects. They were of congenial disposition."

However, it was not simply congenial disposition on the part of Tanaka. According to elder statesman Zentaro Kosaka (ex-foreign minister; 13-term member of the Lower House; aged 66):

"As Mr Tanaka is a politician good in reading the future, he would draw up a list of promising individuals in each ministry as a youth and extend his support to them during elections. Mr Ohira probably was included among them. As a newcomer, Mr Ohira was elated over the support. It seems that their friendship grew from there on."

This was a period of turmoil. The Shigeru Yoshida government, then in power, was forced into dissolution because of Yoshida's outcry of "fool"

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in the Diet and the ensuing shipbuilding scandal. In the conservative political circle, the furor over the conflict between Yoshida and Hatoyama was leading to the emergence of a coalition. The intimacy of "dai-kaku" was to develop around Hayato Ikeda, the direct disciple of Shigeru Yoshida and tutor to Ohira. Kosaka, who was foreign minister in the first Ikeda Cabinet, continued to comment:

"At the time of Yoshida's retirement, Yoshida's 13-man group met at the home of Joji Hayashi to discuss the formation of the Liberal Democratic Party, but Mr Sato, along with Mr Yoshida, did not join the new, conservative coalition party. However, as Mr Tanaka joined the party together with Ikeda, Masutani (Hideji) and Hayashi, any distinction between the Ikeda and Sato factions was not yet possible. Tanaka and Ohira were still inconspicuous in the days of the Yoshida Cabinet.

"With Sato and Tanaka as members, Mr Ikeda established the 'Heikokai' at the present site of Ohira's office (5th floor, Nippon Shortwave Broadcasting Hall, 1-chome, Akasaka, Minato-ku, Tokyo). After Sato formed his faction, Ikeda renamed it 'Konoikekai.' In brief, Tanaka initially teamed up with the Ikeda faction, but later changed to the Sato faction. After Ikeda came to be regarded as a prominent figure, Tanaka, having aspirations, apparently decided to get closer to him.

"I do not know for sure, but it seems that Tanaka used Ohira, who enjoyed the trust of Sato, to get to know the latter, saying that he (Tanaka) was a relative of Ohira's. I recall Ikeda as saying that 'Tanaka was a funny fellow.'"

Tanaka was very shrewd. After a change of government from Yoshida to Hatoyama and to Kishi and the advent of a period of confrontation between Ikeda and Sato, Tanaka formed ties with not one but with both of them. It was Ohira who prevented Tanaka from siding with the Ikeda faction. Raizo Matsuno (ex-minister of agriculture; 12-term member of the Lower House; aged 61), former Sato faction staff member, had this to say:

"Tanaka and Ohira became very close after Ikeda, following a struggle with Sato, was chosen as party president. Both Tanaka and Ohira attempted to support Ikeda, but as Tanaka belonged to the Sato faction, the latter tried, rather, to prevent the rivalry between Sato and Ikeda."

The Security Treaty turbulence led to the downfall of the Kishi Cabinet and in July 1960 an LDP convention was convened to pick a successor. Ohira was placed in full charge to drum up support for Ikeda, but he was still not fully experienced, having only 8 years of experience as a Diet member under Ikeda.

"Truthfully speaking, I was bewildered and did not know where to begin, as it was my first experience in taking charge of a presidential election.

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I then consulted Kakuei Tanaka who, as a Sato faction staff member, had a role in Kishi's defeat in the past presidential election. Within 2 or 3 days, I received several pages of notes from Tanaka.

"They spelled out policy guidelines on the presidential election, with specific methods and budgetary matters underscored in green and important points in red. I was appreciative of Tanaka's kindness. With those notes in hand, I called on and explained to Ikeda, but he was displeased, saying, 'Don't spend a single yen.'

"I answered, 'Yes, I understand. I shall do my best to do as you say. But I wish you would leave this election to us and not meddle in any manner,' and that is the way it worked out." ("My Personal History")

The Tanaka notes contained a passage suggesting a financially influenced presidential election, causing Ikeda's displeasure. Twelve years later, those same notes were to be used for Tanaka himself. In any event, the support for Ikeda constituted the initial attempt of "daikaku" to take over the country.

Two years hence, Tanaka would make his move when Ikeda came up for re-election. Tanaka, with experience as minister of posts and telecommunications in the first Kishi Cabinet, then held the important position of LDP's Policy Affairs Research Council chairman at a young age of 43. Tanaka performed the role of mediator, depending on whether Sato would attempt to thwart Ikeda's re-election. Ultimately, however, Sato decided not to run.

According to the book "The Life and Death of Hayato Ikeda," by Masaya Ito, Ikeda's noted secretary, "Kakuei Tanaka argued with Shigeru Hori from the same Sato faction who championed the idea to fight it out. And Tanaka held Sato by the collar, trying to talk him out of running. What Tanaka had in mind is unclear, but my feeling was that he did the right thing and I secretly admired him for his efforts."

It is unknown whether the collar grabbing episode actually occurred, but there is no question that Tanaka had been contributing funds to Sato from around this time and thus wielded a strong influence.

Hayato Ikeda's "Kakuei Concept"

Not so long ago, Tanaka, in an address castigating the bureaucrats, commented, "Even Sato is really disgusting. Before coming into power, he would listen quietly, but after assuming power, he would not speak to you for about half a year. I cared for him, nonetheless. That is why his Cabinet lasted nearly 8 years."

When viewed in this light, the collar grabbing incident may not be an exaggeration. Evidently for his efforts in the re-election, Tanaka was rewarded with the post of Minister of Finance in the second Ikeda Cabinet. Ohira had backed him. According to Masaya Ito:

Chronological History of Relationship Between
Masayoshi Ohira and Kakuei Tanaka

<u>Year</u>	<u>Masayoshi Ohira</u>	<u>Age</u>	<u>Kakuei Tanaka</u>	<u>Age</u>	<u>Major Events</u>
1910	(Mar) Birth at Toyohama-cho, Santoyo-gun, Kagawa Prefecture	1			(Aug) Japan's annexation of Korea
1918			(May) Birth at Nishiyama-cho, Kariba-gun, Miigata Prefecture	1	(Aug) Rice incident (Aug) Rice incident
1936	(Mar) Graduated from Tokyo Commercial College (Apr) Employed at Savings Department, Ministry of Finance	26	(Mar) Graduated from Civil Engineering Faculty, Central Industrial Institute	17	(Feb) February 26 incident
1937	(Jul) Chief, Yokohama Tax Office	27			(Apr) National General Mobilization Law promulgated
1938	(Jun) Chief, Indirect Tax Department, Sendai Tax Supervision Bureau	28	(Sep) Withdrew from Kinjo Vocational School	20	
1939	(May) Chief, Economic Affairs, Meng-chiang Liaison Department (Koain)				(May) Nomonhan incident
1940			(Mar) Superior Private, Cavalry	21	(Oct) Imperial Rule Assistance Association formed
1941			(Oct) Arrived in Tokyo following military discharge	23	(Dec) Pacific War erupts

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(Continuation) Chronological History of Relationship Between Masayoshi Ohira and Kakuei Tanaka

<u>Year</u>	<u>Masayoshi Ohira</u>	<u>Age</u>	<u>Kakuei Tanaka</u>	<u>Age</u>	<u>Major Events</u>
1943	(Nov) Chief, Indirect Tax Department, Tokyo Finance Bureau	33	(Dec) Forms Tanaka Construction Industry and becomes its president	25	
1945	(Aug) Secretary to Finance Minister Tsushima	35			(Aug) WWII ends
1946	(Jun) Chief, 3rd Wage Section	36	(Jan) Joins Japan Progressive Party (Apr) Defeated in initial candidacy for Lower House	27	(Nov) Constitution of Japan promulgated
1947			(Apr) Initially elected to Lower House	28	(May) Katayama Cabinet formed
1948	(Jul) Detached to Economic Stabilization Bureau as chief, Public Services Section	38	(Mar) Participates in formation of Democratic Liberal Party (Dec) Arrested in connection with incident involving state control of coal mines (acquitted)	29	(Mar) Ashida Cabinet formed (Oct) Second Yoshida Cabinet formed
1949	(Jun) Secretary to Finance Minister Ikeda	39			

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(Continuation) Chronological History of Relationship Between Masayoshi Ohira and Kakuei Tanaka

<u>Year</u>	<u>Masayoshi Ohira</u>	<u>Age</u>	<u>Kakuei Tanaka</u>	<u>Age</u>	<u>Major Events</u>
1952	(Sep) Leaves Finance Ministry	42			(Apr) Japanese Peace Treaty and Security Treaty take effect (Dec 54) Hatoyama Cabinet formed
1957	(Oct) Initially elected to Lower House		(Jul) Post & Tele-communications Minister in 1st Kishi Cabinet	39	(Feb) Kishi Cabinet formed
1961			(Jul) Chair. , Policy Affairs Research Council, LDP	43	
1962	(Jul) Foreign Minister, 2nd Ikeda Cabinet		(Jul) Finance Minister, 2nd Ikeda Cabinet	44	
1964			(Nov) Finance Minister, 1st Sato Cabinet	46	(Nov) Sato Cabinet formed
1965			(Jun) Chief Secretary, LDP	47	
1967	(Nov) Chairman, Policy Affairs Research Council, LDP	57			
1968	(Nov) Minister, International Trade & Industry 2nd Sato Cabinet	58	(Nov) Chief Secretary, LDP	50	

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(Continuation) Chronological History of Relationship Between Masayoshi Ohira and Kakuei Tanaka

<u>Year</u>	<u>Masayoshi Ohira</u>	<u>Age</u>	<u>Kakuei Tanaka</u>	<u>Age</u>	<u>Major Events</u>
1971			(Jul) Minister, International Trade & Industry, 3rd Sato Cabinet	53	
1972	(Jul) Places 3rd in LDP presidential election (Jul) Foreign Minister, 1st Tanaka Cabinet	62	(Jul) Prime Minister	54	(May) Okinawa returned (Jul) Tanaka Cabinet formed
1974	(Jul) Succeeds Fukuda as Foreign Minister (Dec) Finance Minister, Miki Cabinet	64	(Oct) Monetary outlay incident (Dec) Resigns as Prime Minister	56	(Dec) Miki Cabinet formed
1976	(Dec) Chief Secretary, LDP	66	(Jul) Arrested in connection with Lockheed incident	58	(Dec) Fukuda formed
1978	(Dec) Prime Minister	68			(Dec) Ohira Cabinet formed

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"Ikeda and I stayed at Hakone to work on the Cabinet line-up. Ikeda would walk back and forth in his room all day long or come to my room, failing to formulate a definite plan. On the night of the third day, there was a phonecall from Ohira, asking for the prime minister. It seemed that Ohira was asking that Tanaka be given a position. Ikeda responded, 'Tanaka is a sort of rickshaw man and horse guide.' Suddenly, Ikeda turned to me and said, 'Don't you think so? Come to phone and tell Ohira so.' It was embarrassing, but I expressed my frank opinion. Ohira said many things and wanted to speak to the prime minister again... In desperation, I said to Ikeda, 'prime minister, don't think about anything. Upon our return, Maeo (Shigesaburo; then chief secretary) and Ohira will come up with something. Please examine the results and then reach a judgment.'

"Upon returning to Shinano-cho (private residence), we found Ohira and Tanaka waiting for us. Maeo appeared later. Evidently, a tentative cabinet line-up was determined at that time. Ohira, without saying a word, left with a grim face. The cabinet reshuffle was scheduled for the following day. As word got out about the proposed line-up, suspicion grew that Chief Cabinet Secretary Ohira and Policy Affairs Research Council Chairman Tanaka were trying to win key posts by sealing the mouths of party members. Kono (Ichiro) and Kawashima (Shojiro) filed protests, while Vice President Ohno reprimanded both Ohira and Tanaka and took the issue direct to Prime Minister Ikeda. Turbulence prevailed.

Through Ikeda's tenacity and Chief Secretary Maeo's efforts, things progressed to the attestation stage, with Tanaka being named the minister of finance and Ohira the foreign minister. There is nothing as difficult as cabinet reshuffle immediately after a presidential election. As the conscience of both the mainstream and anti-mainstream are laid bare, any miscalculation would invariably create confusion. I felt that Ohira ignored this and acted in an extreme manner, making a casualty out of Ikeda. It was an awful feeling in the heat of summer."

In the words of Rokusuke Tanaka:

"Chief Secretary Maeo had no intentions of making Tanaka the minister of finance. But Ohira backed Tanaka fully. As a result, the relationship between Ohira and Maeo deteriorated..."

Thus, a legacy of confrontation exists between Maeo and Ohira, but for Ohira, who usually assumes a cautious behavior, he was extremely forceful. In examining the "daikaku" relationship, the designation of Tanaka as the finance minister was epochal. Thus, Tanaka was handed his first ticket on his ascent to prime ministership/presidency. Why Ohira chose to push Tanaka despite criticisms leveled at him (Ohira) remains a mystery.

In any discussion of "daikaku," this was brought up by nearly all politicians. For instance, Takeo Kimura (ex-minister of construction; 11-term member of the Lower House; aged 76), an old timer in the Tanaka faction, commented:

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"At the time, some members of the Sato faction questioned how Tanaka, who belonged to their faction, managed to become Ikeda's Cabinet member. I regarded Tanaka then as a member of the Ikeda faction. From Ikeda's point of view, Tanaka was a useful man with an ability to collect funds. The relationship between Tanaka and Ohira is naturally based on political interests. While personal friendship may be involved, that is only because of such political interests."

In the eyes of Raizo Matsuno,

"Tanaka acted as an adhesive in the relationship between the Sato and Ikeda factions. He was sort of a conduit. Such cases are frequently observed in the political world. Mr Sato probably was making good use of Tanaka."

In short, Tanaka was considered invaluable by both Ikeda and Sato, and Ohira made it easy for Tanaka to move around, thus accounting for the common interests.

2. Political Strategy and Money

One view concerning their long relationship is that the two are attracted to each other, as Tanaka is positive and Ohira is negative. A comparison of the personality of "daikaku" will be made later, but the negative Ohira has helped Tanaka out later on numerous occasions.

In Matsuno's opinion of Ohira:

"In judo terms, Ohira is proficient at prone-position throw, while Tanaka is adept at standing throw. Just by looking at his face, Ohira seems to be broadminded and practical as suggestive of the dull cow as he is sometimes called, but inside, he is exacting. He plans things out and makes convincing statements. Also, he is a man of the world. Fukuda, on the other hand, is a green boy."

A similar view was held by Shunichi Fukuiye (four-term member of the Lower House; aged 66), a close friend of Ohira's and from the same hometown:

"People from Iki inherently possess two traits. I know because I am also from Iki. One is that they excel in strategy, especially those from the eastern region (1st electoral district) of Kagawa Prefecture. Such quality can be observed in Suehiro Nishio and Bukichi Miki, who hail from this eastern region. People from the western region (2nd district) are calculative and are planners, and think in a rational and precise manner. I think Ohira is a typical Iki person who has both of these qualities. Rather than being a dull cow, I believe he is one of the outstanding politicians of this age."

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The view that he is a negative strategist may be correct. This is because quite a few politicians have pointed at Ohira's disposition to resort to machinations. The government changed hands from Ikeda to Sato and in April 1971, Ohira relieved Maeo and succeeded to the legacy of Ikeda as chairman of Konoikekai, formally establishing the Ohira faction. Some tend to think that Ohira at that time had definite aspirations to take over the country.

However, the changeover from Maeo to Ohira was not without problems. According to Rokusuke Tanaka, there was enmity, as previously described, between the two over the forceful assumption of post of finance minister by Tanaka, and for Ohira, intra-factional strife was a new test of his ability.

"This drama of transition appeared to progress normally on the surface, but human feeling is not as mechanical. Due partly to my lack of discretion, Maeo's attitude toward me seemed to harden, and solid unity could not be established even within Konoikekai." ("My Personal History")

As Ohira concedes, the issue continues to linger, with the Maeo problem casting a shadow on Ohira even in the midst of the latest political struggle. Last fall, Tanaka summoned Rokusuke Tanaka and advised:

"The Maeo matter is crucial. Ohira may be destroyed should Maeo join the group endorsing Fukuda. A stand of 'opposition to Ohira' at the final moment would be disastrous. Tell Ohira to take necessary measures."

Funds Squandered During Presidential Election

From around the time of formation of the Ohira faction, rumors persisted on the retirement of Sato, whose government had lasted too long. "Daikaku" activity over his successor gradually grew intense. For "daikaku," this was the first major hurdle.

The impression gained by Shun Hasegawa (ex-labor minister; eight-term member of the Lower House; aged 66), member of the former Ishii faction which had been maintaining some distance from "daikaku," was:

"I am not sure whether the purse is the same, but the friendship between the two, going back to the days of the Ikeda Cabinet, clearly surfaced during the 'kakufuku war,' becoming decisive during the Japan-China issue."

Thus, the "kakufuku" struggle was in fact a confrontation between "daikaku" and "fuku," which recently flared up anew.

The names of four figures--"fankaku daifuku"--surfaced at the 5 July 1972 presidential election held at Hibiya Auditorium, with "daikaku" vowing to help each other no matter who won.

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The results of the first count were:

Kakuei Tanaka	156 votes
Takeo Fukuda	150 votes
Masayoshi Ohira	101 votes
Takeo Miki	69 votes

With Tanaka failing to obtain a majority, a run-off election was held between "kakufuku," with the following results:

Tanaka	280 votes
Fukuda	190 votes

While "kaku's" victory was predicted, the eyes of the party were turned toward Ohira's three digit figures. There being more votes than before, suspicions grew that Tanaka may have given his extra votes to Ohira. From Tanaka's viewpoint of letting "Ohira eventually take over," it was important to establish a track record of Ohira gaining more votes than Miki.

Those around "daikaku" still deny that votes were split between "daikaku."

Masaharu Gotoda (ex-director, National Police Agency; one-term member of the Lower House; aged 64), a confidant of Tanaka's and former deputy chief cabinet secretary in the Tanaka government, remarked:

"Ohira waged a good battle at that time. The Tanaka side misread the ballots. There never was a division of votes. The frantic efforts of Suzuki (Zenko) were responsible for such an outcome."

There are stories that the Ohira camp expected 170 votes, with Ohira expressing displeasure at the 101 votes he had received. Seirankai's Koichi Hamada (three-term member of the Lower House; aged 59), who as a Shiina faction-affiliated freshman Diet member voted for Tanaka, said:

"I did hear that Tanaka split his votes with Ohira. That Tanaka was able to do so in such an intense struggle shows that he is humanly great."

Hamada thus accepted the diversion theory. Knowledgeable Shunichi Fukuiye also commented on Tanaka's monetary influence:

"The way in which Tanaka doled out money at that time is remarkable. With Noboru Takeshita, he probed the financial obligations of younger members without regard to factional affiliation and paid off their debts. He even paid for mahjong debts. Ohira's votes exceeded 100 because Tanaka turned some of his over to him. The aim was to leave a bid for Ohira as a presidential candidate."

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Single Purse for "Daikaku"

As mentioned briefly by Fukuiye, this "kakufuku war" is also notable for the amount of money squandered, unprecedented in history. It is generally recognized in political circles that the Tanaka camp's geometric progression operations boosted the price of a vote. Here, also, was the root of the Tanaka monetary outlay incident.

There also is talk that the purse of "dakkaku," which came in first and third in the "kakufuku war," is one and the same, with each having a key to the single coffer. A passkey may be a sarcastic term, but there are views that "daikaku" is linked financially.

With respect to the financial conduit, Zentaro Kosaka, former chairman of LDP's Financial Affairs Committee, commented:

"I think their conduits differ. Ohira, as Ikeda's secretary, used to handle funds, later assuming responsibility for Ikeda's financial conduit. That was one reason for his dispute with Maeo. In any event, Ohira has an orthodox faction conduit which he inherited from Ikeda; in other words, he gets his funds from the mainstream of financial circles. Tanaka seems to be collecting on a broader scale, but both appear to be collecting from major business circles..."

Yet, some stories carry a different nuance. Returning to the comments of Shunichi Fukuiye:

"Since the days of the Ikeda Cabinet, only Tanaka and Ohira had control of Ikeda's conduit with financial circles. In the collection of funds, Tanaka's method was wild and involved vested interests. Ohira, on the other hand, preserved the conduit with financial circles to which he had succeeded. These are some of the differences, but I feel only Tanaka's wild and indiscriminate methods have risen to the surface in the Lockheed incident."

Masayoshi Ohira's Bewilderment

Because of such funds, Tanaka shortened the life of his government and greatly disrupted the "daikaku" strategy. Toward the end of 1974 when Tanaka retired from public life, no longer able to resist criticisms of monetary outlays, Ohira made the following comment to reporters:

"For us, it is a case of money receiving, but for Tanaka, it is money making. That is the point of difference. Perhaps I can be said to represent a bit of the establishment."

It is an Ohira-style expression containing many English words, but which discloses his true thoughts. He pointed to the difference between a recipient who gets his funds automatically via the thick conduit linked to the financial mainstream, with the self-procuring type who makes counterfeit money frantically and takes risks. What Ohira wanted to say was

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that only the former possessed the qualities of a ruling class. It seems to bear out Ohira's awkward position that he must keep some distance from daddy Tanaka. It could be that psychological estrangement was at the zenith at this time between "daikaku," but this will be discussed later.

Going back in time, Ohira, as foreign minister in the Tanaka Cabinet, achieved at a stroke the normalization of Japan-China diplomatic relations. It probably was the most monumental task performed by "daikaku" in a period of growing harmony in their alliance. This view was shared by Kazuo Shioya (four-term member of the Lower House; aged 58), an authority on the Japan-China problem:

"As I see it, their relationship as staunch friends began with their involvement in the Japan-China problem. It seemed that Ohira was the central figure, as the promotion of relations between Japan and China which he had advocated in the days of the Ikeda Cabinet had been temporarily shelved under the Sato Cabinet. The reason for success of 'Japan-China' talks was Tanaka's political foresight and Ohira's contemplative and analytical ability.

"The fact is that Ohira was the central figure, with Tanaka becoming enmeshed. Because of this achievement, the ties between the two got even closer."

With regard to this "Japan-China" issue, a major topic in postwar diplomacy, credit goes not only to Shioya but also to Ohira's leadership.

But dark days were to befall Tanaka soon after. Vehemently criticized for his monetary outlays, Tanaka's Cabinet fell after 2 years and 5 months (December 1974). Two years later, he was to be arrested as a main figure in the Lockheed scandal (July 1976). With one party of "daikaku" a criminal, the alliance was in a state of virtual dissolution.

What did Ohira do? Isaji Tanaka (13-term member of the Lower House; age 72), justice minister under the Tanaka Cabinet and chairman of the Lower House Investigative Special Committee on the Lockheed incident, had this to say:

"Ohira did not have anything to do with either monetary outlays or the Lockheed scandal. What is clear is that he neither criticized nor attacked Tanaka. He did not show any such attitude or even touch on them. He was very cautious. Anyhow, he was in no position to speak out..."

However, it was not that clean, and it must have been an enormous blow for Ohira. Ohira had to face the grave issue of whether a "Tanaka-less" government can survive. I imagine that Ohira was greatly bewildered as to whether he should "leave Tanaka" or endure it.

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But rather than "leaving Tanaka," Ohira chose to remain silent. Michio Watanabe (minister of agriculture and forestry; five-term member of the Lower House; aged 55), a Nakasone faction warrior who joined the Cabinet organized last year end, expressed his candid views as follows:

"Ohira seemed to have had no part in Tanaka's monetary outlays; he observed the situation carefully. It was the same in the Lockheed incident. He neither meddled in or instigated it. It is hard for Ohira and his faction to act forcefully because many of them were former government officials. Evidently, the art of self-protection which they learned while in government took precedence. In those days, it was Rokusuke Tanaka who served as a conduit linked to Tanaka."

Tanaka (Rokusuke), now that Ohira is in power, chose his words carefully. It was clear that he was standing up for Ohira.

"Ohira was astounded at the time. Such a problem occurred because Tanaka tried to influence the people with money and objects. In contrast, Ohira was assured of funds through connections established during his days at Hitotsubashi University and bequests from Ikeda. At least, Ohira has no vested interests. This point differs from Tanaka.

"The reason that Ohira did not say a word during the monetary outlay issue was not to cover up for Tanaka. Ohira did not talk in keeping with his duty to protect secrets. He was in no position to say anything during the Lockheed incident."

Ohira was the finance minister during both incidents. Watanabe's viewpoint about the art of self-protection may be close to the truth, but it is not that simple. The reason that Ohira chose to remain silent was because of the dual aspects of fear and hope in Tanaka's youth and power. Thus, for Ohira, "leaving Tanaka" posed a risky judgment.

"Money=Tanaka; Power=Ohira"

In such a manner, the "daikaku" alliance continued, paving the way for the birth of the Ohira government. But Ohira's destiny was to drag "Tanaka's shadow" with him.

In the midst of last year's presidential election, Tanaka's support organization, the Etsuzankai Headquarters, in its publication "Monthly Etsuzan," (1 November 1978 issue) carried a special feature titled, "Tanaka Faction Moves Toward Full Support--Mr Ohira Coming Up Fast." A passage reads:

"Then Chief Cabinet Secretary Ohira's friendship toward Mr Tanaka did not change even after the latter left the government and encountered hardships. While many people changed attitudes abruptly, Mr Ohira continued to remain on friendly terms as before. That attests to the solidity of their friendship and the deep loyalty of the chief secretary."

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The article went on to say that Tanaka, leading the largest and strongest Tanaka Corps in the party, was indeed Japan's "king maker," concluding that Ohira probably would become a great premier, hard to find these days.

Perhaps this article, most likely reviewed by Tanaka prior to publication, was intended to show appreciation to Ohira for keeping silent.

However, Kazuo Shioya is inclined to believe that Ohira was the one who suffered as a result of Tanaka's influence-buying practices:

"If the term influence-buying is applied to both Ohira and Tanaka, it would be: money=Tanaka, and power=Ohira. Also, when thinking in terms of "daikaku" ties, some questions come to mind. In other words, with what sort of power did Ohira condone Tanaka's actions? When viewing past incidents in this light, their relationship may become somewhat clearer.

"For instance, at the time of the Kim Dae Jung incident, there was talk of 'some 500 million yen' involving Tanaka. Tanaka at the time was prime minister and Ohira was foreign minister. If the rumors were true, did Ohira, sitting atop the diplomatic window, condone it or was he really unaware of the situation? This is an interesting point.

"Where there is smoke, it usually is around Tanaka, not around Ohira. On a stage, it is difficult to differentiate 'daikaku,' the star performer, from the black-clothed assistants. In my opinion, Tanaka appears to be on the losing end. I think Ohira is the perpetrator of the intellectual crime."

The Shioya theory strikes at the heart of "daikaku" relationship, but may not tell the whole picture. There may be some unique relationship of mutual aid wherein debts and credits, losses and profits are considered, and "differences of position" are recognized. It may be called a division of roles.

3. Analysis of Their Nature

Finally, Ohira ascended to the summit, but behind the timetable of takeover that Ohira had formulated at the time his faction was organized. But when viewing only the events that transpired just before he attained the goal, it seems that he took over without much difficulty. In either case, the "kaku" influence prevailed.

The souring of Fukuda's reelection plans and Ohira's unexpected victory have been analyzed and discussed in detail, but the key point remains unknown. This is because the real nature of the mammoth group of 155 million LDP members and friends is vague and obscure. What is clear, however, is that it was not a victory by "dai" over "fuku," but through the combined efforts of "daikaku."

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Masaharu Gotoda, who was responsible for the key Tokyo election campaign at Tanaka's direction, told the inside story:

"The Ohira faction's fighting strength was weak because its members were mostly former bureaucrats. It was around mid-November that the Tanaka faction, centered around Nishimura (Eiichi) and Nikaido (Susumu), thrust its full support. Nishimura issued most of the instructions. He would ask, 'How many votes can your side garner?', and again toward the end, 'You're sure of x number of votes?' We did not hear from Tanaka. He probably passed instructions down to Nishimura.

"The Tanaka faction felt that should Ohira come in second in the large voting districts of Tokyo, Saitama and Hokkaido, it would constitute an upset victory. If he did not, Ohira would still come in second by a margin of from 50 to 100 votes. Elections require legwork and sweat. Euphoria over media forecasts and neglect of election campaigns will naturally end in defeat."

Tanaka maintained his command posts at his private residence at 1-chome, Mejirodai, Bunkyo-ku and at his office in Itopia Hirakawa-cho building at 2-chome, Hirakawa-cho, Chiyoda-ku. He may have left everything up to Gotoda, but is said to have made constant phone calls from early morning.

Tanaka prepared detailed notes similar to those he gave to Ohira about 20 years ago in support of Ikeda. They contained the secrets of the king maker.

He summoned the staff members of the Ohira faction one by one and encouraged them. According to Rokusuke Tanaka:

"This is what he told me. 'In an election, it is to slash or be slashed. The enemy and the friendly forces should be differentiated. The Ohira faction seems to lack a sense of seriousness. Tell Zenko Suzuki of this right away.' After I told Mr Suzuki about it, Suzuki immediately went to see Tanaka. Mr Kuniyoshi Saito also called on Tanaka on several occasions."

At any rate, the Tanaka faction moved desperately. For the opposition camp, it was strange and ominous.

Four Similarities

The reaction of Fukuda's faction's Shunichi Fukuiye was:

"Tanaka allegedly intended to pursue the abdication line. In other words, Fukuda would run things until the Tokyo summit, at which time Ohira would take over. At the parley with Kishi (Shinsuke), Tanaka reportedly responded, 'I understand.' Fukuda would come in first and Ohira second, with the latter garnering enough votes to befit a succeeding president.

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Yet, Ohira came in first, contrary to expectations. This was because of Tanaka's Basedow's disease, which cannot be checked once it becomes aggravated. This is the case with Yoko Nagata of the Allied Red Army and with Hitler. Once the motor starts, it cannot be stopped. After speeding, the outcome was inevitable.

"To the bait that was tossed in, there were many bites. The results that money had produced were beyond Tanaka's imagination. Many fish took the bait as Fukuda's reelection would have meant a possible dissolution in January, to be followed by unified, local elections. The last time that Tanaka had squandered money was during the 'kakufuku war' in 1972. Because of the large number of bites, Tanaka gained full confidence."

This view did not miss the mark, for during the climax of the primary election, even those within the Tanaka faction, such as Shin Kanamaru, who opposed any "daifuku" conflict, began to harbor suspicions of Tanaka's behavior. Kanamaru sounded a bitter note:

"Tanaka has changed. I don't know why. He becomes wild and loses a sense of balance. There is no one to speak out against him. I would like to see someone appear who can do just that..."

Whether or not the story of Basedow's disease is true, it is too simple to pin the birth of the Ohira Cabinet on that alone.

Why was Tanaka so active? Many stories say that Tanaka was motivated by his sense of gambling. That may be partly true, but he also made deep financial considerations. The analysis by Kazuo Shioya on the nature of "daikaku" furnishes much insight. In comparing "daikaku," many points have been cited, but according to Shioya, the similarities are:

- a. Have endured hardships and excel in grasping the mass psychology.
- b. Highly calculative, without running toward ideology or principles.
- c. Possess a clear vision.
- d. Covet power.

"The two are resolved not to fire empty shots. Ohira looks far beyond before taking a move, while Tanaka fires round after round like a shotgun without wasting a shot. That is why 'daikaku,' despite a varying view on many issues, reach the same opinion and conclusion in many cases.

"They both possess a clear vision. Tanaka is inclined to take a risk, while Ohira is more cautious. In other words, Tanaka feels 'there is nothing to lose by taking a risk,' while Ohira feels 'failure is natural.' They both agree in not placing excessive expectations. This indeed is their strength."

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Thus, there are financial considerations, a sense of resignation and covetousness. Shioya thus perceives the strength of "daikaku" to be based on such qualities to cope in the political world.

If Tanaka, with his sense of "nothing to lose by taking a risk," and Ohira, with his sense of "failure is natural," had acted in unison in the recent situation, Fukuda, with his optimistic outlook, would not have stood a chance. The mystery of Tanaka's reckless moves would have been unraveled.

4. Will Kakuei Tanaka Be Restored to Power?

The final topic evolves around the issue of Kakuei Tanaka's restoration to power. In this case, it may be better to separately consider the question of his political comeback and about "restoration of power" blooming into a Tanaka government.

Some of the things Tanaka has been saying to LDP members visiting his Mejirodai home have come to be taken as recent Tanaka quotations. For example:

"I will not become a politically-affiliated businessman. I wish to return to politics. I will make a frontal attack toward that end." "I shall settle the Lockheed incident with my own power. Two more years...I am confident that I will be acquitted. At the most, a violation of the Foreign Exchange Law."

On the longevity of the Ohira government, he said, "probably 3 or 4 years."

He has become more talkative than before. This change was noted last year around the time the presidential election became overheated.

It is unclear whether he is seeking a mere comeback or is aiming at a take-over, but there are strong indications that he is giving serious thought to succeeding "dai." His declarations about a frontal attack suggest this.

Takeo Kimura, an elder member of the Tanaka faction, was more explicit:

"There being no one to succeed Ohira, there can only be restoration of power for Tanaka. Though Miyazawa, Nakasone and Komoto have been mentioned, they are all minors and lack the qualities of a prime minister/president. Tanaka is currently working for an acquittal in the Lockheed trial, but to a politician, the outcome is unimportant. The essence is the power relationship. It would end with the reinstatement of Tanaka into the LDP."

The views of Kimura, however, represent a minority opinion, with most being skeptical. They are, rather, disinclined to assume any definite stand. Some reactions on the possibility of a Tanaka government with Ohira government as a springboard are described below.

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Future Outlook of "Daikaku" Relationship

"That is hard to say. It has nothing to do with the formation of Ohira government. If there is, it would be just a psychological matter...in an optimistic sense. That's because it is a court and judicial problem." (Zentaro Kosaka)

"It is difficult to say at the moment. In any event, Tanaka is helpless until the trial is over. It all comes after the trial ends." (Michio Watanabe)

"Nothing like that is on the minds of either Ohira or Tanaka. However, we are not against Tanaka being reinstated as soon as possible. The issue revolves around making Ohira a springboard..." (Rokusuke Tanaka)

The phrase, "making a springboard" as used in the question seemed to bother everyone. However, how the "daikaku" relationship will proceed hereafter can only be discussed in terms of Tanaka's reinstatement, with the Ohira government as springboard. And the immediate interest would be how Ohira would react.

Only Isaji Tanaka clearly expressed his views on Ohira:

"Ohira will not jump at such a story. Without question, there is friendship between the two, but that and politics are distinct matters. Ohira is fully aware of personal and public interests. Ohira does not have to take instructions from or consult Tanaka. If something did come down from Tanaka, Ohira would probably consider it but will make his own judgment. Ohira is the type of person who could do so without worry."

That, according to Tanaka (Isaji), is because he is a confident, dauntless individual. At a public event, Ohira called for "prudence" on the part of Tanaka and his faction. But what is the object of prudence? Said Gotoda:

"It is a fact that the Tanaka faction felt some displeasure over the naming of cabinet ministers last year. However, the prevailing feeling at the top is that they should sit back for now. It is a wait-and-see attitude just now."

It is true that the Tanaka faction, usually quite fussy on personnel matters, has recently assumed a moderate stand. Perhaps, in response to Ohira's desires, Tanaka is now trying to lessen the "kakuei" impact.

However, should Ohira decide to "leave kaku," would Tanaka sit idly by? While there have been many arguments over "leaving kaku," most felt that Ohira would not. Only Watanabe stated:

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"Leave 'kaku'? That's possible. Ohira endured it, perhaps, until he became prime minister/president. Now, he has attained what he sought. The question is whether he can maintain his relationship with Tanaka. Words like 'chokkaku' and 'kakuei' are being leveled at him. It is possible that Ohira, as prime minister, will sever his ties."

Watanabe thus takes an affirmative position, but his views are not convincing. Matsuno's following opinion is of interest:

"Ohira most likely will take a moderate attitude toward Tanaka as an individual, but will have to give serious thoughts to the Tanaka faction. Ohira will not leave 'kaku' for a while. His heart may be unmovable but not his position, just as the sun's rays refract on water... Even the relationship between Ohira and Tanaka is changeable, once one moves up to become prime minister."

A differentiation of one's true mind from his position is thinkable. Considering that a deep relationship with "kaku" exists throughout Ohira's political life, Ohira cannot "leave 'kaku'" boldly, as a wrong move would dig a grave for his government.

Should the government base begin to tremble, Tanaka unquestionably will take the necessary moves. In some areas, he may turn rescuer in demonstration of "daikaku" ties, but if the government starts panting for breath, how would each member of the "daikaku" alliance think and act?

For Ohira, it would mean a closing of the curtain where he must end his political career with a clean slate, and for Tanaka, in his sixties, the last chance to stage a comeback. We will then have a final look at the extended "daikaku" alliance

Whether or not to lend a hand in Tanaka's reinstatement will be up to Ohira, Tanaka's long-time friend. But there could be a downfall of "daikaku" even before then.

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'ASAHI' URGES OHIRA MUST HAVE FIRM STRATEGY FOR U.S. VISIT

Tokyo ASAHI EVENING NEWS in English 22 Feb 79 p 2 OW

[Editorial: "Ohira's U.S. Visit"]

[Text] Prime Minister Masayoshi Ohira, who is rare among Japanese Prime Ministers in that he was unenthusiastic about a "Sankin-Kotai" (a warlord's alternate-year residence in Edo) type visit to Washington, has recently listened to advice from various people and has more or less decided to visit the United States early in May.

Contacts between the top leaders of the two countries could help resolve the tense trade relations between Japan and the U.S. We are not opposed to this meeting, but in view of the situation and Ohira's foreign policy, we would like to point out that his visit to the United States must be accompanied by considerable self-examination, determination and preparation.

We want Ohira first of all to reflect on how this situation has come about. The dissatisfactions and anger of congress with America's huge trade deficit with Japan and the closed nature of the Japanese market have been accurately and repeatedly relayed through diplomatic channels, by the media and by visitors during the past few months. This is not news first brought back to Japan by government representative Takeshi Yasukawa.

So far the Ohira administration has only abolished the post of Minister for External Economic Relations, and proclaimed that attainment of the seven percent economic growth rate is impossible. Ohira said in his policy speech that "good care will be taken of Japanese things." The Ohira philosophy of "not saying I can do it when I can't and only those things I can do" is an honest attitude in a sense. But it cannot be denied that he has given the impression both domestically and internationally that he has not adequately done what he can do despite the fact that he has attained political power.

For instance, how well has Ohira utilized the good fortune that American Ambassador Mike Mansfield, whose opinions are respected by the White House

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and Congress, is stationed in Tokyo? Shouldn't he feel ashamed to say at this late hour that he "keenly feels the need for understanding between Japan and the United States?"

If there is the Japanese type thinking within Ohira's feeling that "the United States will help me save face if I go so far as to visit the United States," he will be wrong. What the United States wants now are definite steps to solve the economic crisis, not confirmation of "Japan-U.S. friendship." If Ohira displays his leadership in creating the consensus for the internationalization of Japan, there is no need for him to travel all the way to Washington.

Of course, the American argument has its weaknesses. It wants to blame all its own troubles on others. As for its stand toward Japan, misunderstandings and "deliberate misunderstandings," which allow those points disadvantageous to itself to be ignored are noticeable. In order to counter such arguments, Japan must establish a record of having done what it could do and must present the logic and persuasiveness acceptable to Europeans and Americans. If possible, Ohira should meet members of Congress and journalists as well as U.S. Government leaders and should have the drive and sense to hit back when necessary.

Frankly speaking, however, Ohira doesn't appear to be particularly adept at this. In the orient there may be people who understand his attitude, which the sympathetic regard as profound and the critical call slow in coping with changes. But Ohira's responses cannot be comprehended in the United States which considers that government involves "challenging possibilities." Actually, the more Ohira talks with American leaders, the risk rises that he will arouse disappointment.

If Ohira visits the United States, various circles will probably utilize the opportunity to present excessive demands. If he should accept them in an unguarded moment, his visit will really become a "Sankin-Kotai" type thing. If he should reject the demands in an inexperienced manner, he could possibly stir up a hornet's nest and heighten American distrust of Japan. In this sense, his U.S. trip will be full of risks, so Ohira must realize that as long as he is going, he must have a firm attitude and strategy or the visit could be harmful.

What fills Ohira's mind now is probably that he wants to successfully conclude the summit meeting of advanced nations to be held in Tokyo in June and that, for this purpose, he wants to improve economic relations with the United States. But as long as the prime minister of the country is visiting the United States, they should not just discuss bilateral trade, but should also exchange opinions on Asia and the Middle East from the long-range viewpoint.

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'DAILY YOMIURI' ADVISES OHIRA ON PROPOSED VISIT TO U.S.

Tokyo THE DAILY YOMIURI in English 24 Feb 79 p 2 OW

[Editorial: "Ohira's Washington Mission"]

[Text] Prime Minister Ohira has himself said he intends to pay U.S. President Carter a visit in a month or two to improve communications between Japan and the U.S. It is nearly three months since Ohira assumed his office. But his policies are still not sufficiently understood, far less appreciated, abroad because he has so far been concerned primarily with domestic questions leaving foreign relations in the care of bureaucrats.

At home, everyone knows Ohira is very different from his predecessor Takeo Fukuda. He is much less severe on trade problems underlined by President Carter.

There are two aspects of Japan-U.S. trade dispute. One is basically economic while the other relates to trade liberalization. The first can not possibly be helped since it almost entirely arises from American misunderstanding or lack of understanding. But with regard to the second Japan has no other way but to keep talking to the U.S.

Ohira, it may be said, is easy-going. He is optimistic about resolution of trade problems at officials' level. Naturally, the U.S. resents this and has finally roused him to reality.

The U.S. Government would no longer allow Ohira his "wait and see" policy. But his policy is not totally wrong. Only, he would not tackle the problem himself. Unless he is sufficiently eager himself to resolve the issue his planned Washington talks and subsequent Tokyo summit might not achieve much success.

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Three Points

He has to have a strong personal urge to do something definitive to convince the U.S. that not all American grievances are entirely valid.

In his coming meeting with Carter he should bear in mind three points.

First, he must eliminate all causes of American impression that Japanese market is closed. The U.S. gets most of its false impression about Japanese market from such Japanese procurement policies as of Nippon Telegraph and Telephone Public Corporation (NTT). This situation has to be corrected.

Second, the U.S. must be convincingly explained Japan's policy and measures to correct payments imbalance. U.S. agreement to this must be obtained.

Third and last, exchange of views between him and Carter must facilitate determination of joint Japan-U.S. responsibility for peace and security in Asia as well as for finding a solution to the world energy and economic crises.

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JCP STATEMENT DENOUNCES INVASION OF VIETNAM

Tokyo AKAHATA in Japanese 19 Feb 79 p 1 OW

[Article by Japan Communist Party Central Committee Presidium, 18 February]

[Text] Hundreds of thousands of Chinese troops launched a large-scale invasion into Vietnamese territory across the entire 1,000-km PRC-SRV border on the evening of 16 February and the early morning of 17 February. On the evening of 17 February the SRV Government scathingly denounced the war of aggression launched by China against Vietnam and appealed to the whole world to protest the Chinese act of aggression.

China is trying to justify the military assault by calling it a "self-defensive counterattack." But it is crystal clear that China itself is the aggressor who has launched an invasion by throwing a large number of artillery, tank and fighter aircraft units across the entire length of the border. This has been confirmed by the correspondent of AKAHATA, our party's official paper. China is using precisely the same aggressive tactic of refusing to hold a dialog and resorting to arms to settle disputes as the defunct Pol Pot regime used in attacking Vietnam with Chinese support.

Furthermore, the Chinese argument about "punishment"--as our party previously firmly pointed out while commenting on Deng Xiaoping's statement in Tokyo-- is a hegemonist utterance made on the assumption that China is judge of the world. It constitutes a wanton challenge to peace in Asia and the world and the sovereignty of various nations. It reveals the aggressive and hegemonist nature of China which is bent upon resorting to arms to subjugate other nations. Such an utterance clearly contradicts the pledge, in the Japan-China peace and friendship treaty, of each country "not seeking hegemony." The latest Chinese attack on socialist Vietnam not only threatens peace in Asia and the world but also undermines the prestige of socialism. In fact it has nothing to do with socialism. In the name of world peace and the people's right to self-determination, and in the name of the cause of socialism, our party sternly condemns this act of aggression which tramples upon all principles of international law, including the UN Charter.

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Our party strongly demands that China immediately stop all its acts of aggression and instantly withdraw all its troops from Vietnam, issues outstanding between the two countries, including the border dispute, should be settled through peaceful negotiations without recourse to armed force.

Our party strongly calls on the Government of Japan to take this position and to demand that the Chinese Government stop its aggression. Our party also vehemently calls on democratic forces in Japan to launch an urgent campaign to build up public opinion to oppose China's act of aggression and to demand that the Chinese side return to the proper stand of seeking a peaceful settlement to the dispute.

Our party also appeals to the UN Security Council as well as all governments and all forces championing world peace and the principle of national self-determination to take effective measures to halt the act of aggression by China.

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FUWA DISCUSSES JCP-CCP RELATIONS IN REPORT TO JCP PLENUM

Tokyo AKAHATA in Japanese 12 Feb 79 p 8 OW

["Summary" of the work report delivered by Tetsusaburo Fuwa, chief of the JCP Secretariat, at the 6 February opening session of the Sixth JCP Central Committee plenum at party headquarters in Tokyo]

[Excerpt] Our Party's Clear Understanding on International Problems

Our party has also carried out remarkable activities to expose the corruption of plutocracy, including the Douglas and Grumman payoff scandals, a current major political issue in Japan. The results of the investigation of these cases in the United States by the team of our party's Dietmen alone suffices to illustrate our successes in these activities. In a number of international problems which have become major political issues, the correctness of our party's position and its farsightedness have been substantiated by a myriad of facts.

Our party's principled stand dominated the Diet debate on the Japan-China Peace and Friendship Treaty. It is an undeniable fact that our party thwarted the attempt in some quarters to wind up the debate in a prefatory and ceremonious manner and channeled it in the direction of probing the real issues in Sino-Japanese relations. Thus we made the government recognize that China's call to the Japanese people for armed struggle and China's refusal to admit Japan Communist Party [JCP] officials as members of municipal and other official delegations to China constituted acts of interference contradicting the five principles of peace. Only after we obtained a government assurance that similar acts would not recur once the Japan-China Treaty went into effect did our party conditionally support the treaty. When an upper house delegation visited China some time ago, JCP Dietman Hashimoto was included in the delegation. He was the first JCP official to visit China, and his visit was an outcome of the universal recognition of our party's principled, reasonable stand on the Sino-Japanese Treaty issue.

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In China, a fundamental criticism of the great cultural revolution has been carried out and concomitant readjustments have been made. This is a significant fact that deserves our attention. The course of this criticism sheds light on the reason why China has been forced to admit the correctness of our party's criticism of the great cultural revolution. Our party made the criticism in the so-called "10 October Article" published 12 years ago under the title "The Current Mao Zedong Line and the International Communist Movement."

Commenting on the developments which were taking place in China at that time in the name of the great cultural revolution, the JCP article characterized them as stemming from an attempt to establish an "autocratic rule by Mao Zedong and his ilk." In a recent article, BEIJING REVIEW characterized the developments following the cultural revolution which began in 1966 as a "combination of a feudal autocracy and 20th Century fascism." The only difference between these two articles is that BEIJING REVIEW did not mention Mao Zedong but made only "Lin Biao and the Gang of Four" the protagonists in the autocratic drama. At any rate, the BEIJING REVIEW article is tantamount to the delayed approval of our party's analysis made 12 years ago. The past several months have dramatically proved who was right and who was wrong.

Needless to say, the internal readjustments being made from various motives have no direct bearing on the question of a departure from the big-power chauvinist international line. In fact, the error in China's international line is becoming more and more clear--as is the case with the Vietnamese and Cambodian questions. Since Chairman Miyamoto dealt with this matter in detail in his opening speech, I will not go into further detail. But let me point out: It has been fashionable for Japanese politicians and journalists to present arguments flattering to the United States and China on the basis of one-sided reports from Beijing, Bangkok and the United States. Under these circumstances, it is significant that our party has adhered to its position based on truth and reason and has always presented the right attitude and line for the progressive forces to follow, while playing the role of one who, by securely grasping the key link, corrects errors in Japanese politics.

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POLITICAL AND SOCIOLOGICAL

'MAINICHI' WELCOMES RESUMPTION OF SEOUL-PYONGYANG DIALOG

Tokyo MAINICHI SHIMBUN in Japanese 18 Feb 79 morning edition p 5 OW

[Editorial: "Resumption of North-South Dialog in Korea"]

[Excerpts] A preparatory meeting on the resumption of full-dress talks between North and South Korea was held at Panmunjom on 17 February. At the meeting both sides advanced proposals based on their respective positions and agreed to reopen the North-South Direct Telephone Link and to meet again on 7 March. Although it appears it will take more time for full-dress talks to resume, we rejoice at the reopening of the pipeline for exchanges of views between the two divided parts of Korea.

South Korea proposed at the meeting to hold a meeting of the long interrupted North-South Coordination Committee [NSCC] on 3 April in Pyongyang. North Korea, meanwhile, suggested that preparatory talks be held for convening an all-nation congress, asserting that the NSCC "does not accord with the wishes of the whole nation." Thus, the contentions of the two sides remained at variance.

The difference in the positions taken by the two sides should not be underrated. The south insists on resuming the NSCC talks from its traditional position that only through talks between responsible government delegates can the unification issue be negotiated. On the contrary, the north calls for the establishment of a preparatory committee for national unification--a sort of formula for unification debates by mass rallies. The latter proposal can hardly be regarded as appropriate for negotiations over a highly political issue.

However, the latter proposal reflects President Kim Il-song's firm resolve to oppose to the bitter end the perpetuation of "two Koreas." President Kim has called for the convocation of a great national congress ever since he introduced a Koryo Confederation proposal in 1973. In responding to President Pak Chong-hui's call for an unconditional resumption of talks, he put up a counterproposal in the name of a private organization, called the Democratic Front for the Reunification of the Fatherland. The North's

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delegates sent to the Panmunjom meeting also represent this private organization. All this can be taken as a manifestation of the north's adherence to its established policy.

These differences between the north and south are not necessarily related to the question of how to achieve peaceful unification itself. They show that the two sides have sharply divided opinions even over such trivial and formal matters. Many difficulties are anticipated for the north-south dialog.

The international climate encompassing Korea is very favorable. During his recent visit to Washington, Chinese Vice Premier Deng Xiaoping agreed with President Carter on "a peaceful settlement of the Korean question." The Soviet Union is making friendly overtures to the ROK, and the ROK seeks a dialog with Beijing through Japan's mediation. South Korea is scheduled to participate in the forthcoming world table-tennis championships to be held in Pyongyang. These tendencies toward talks and exchanges should be boldly promoted by all means.

Nevertheless, both parties appear to be excessively nervous about conditions for reopening their dialog. This fact should be fully taken into consideration. This applies to Japan's Korea policy; and Japan, as a neighbor, should render as much cooperation as possible to help promote the dialog.

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ECONOMIC

'MAINICHI' SUPPORTS OHIRA'S COMING VISIT TO UNITED STATES

Tokyo MAINICHI DAILY NEWS in English 21 Feb 79 p 2 OW

[Editorial: "Japan-U.S. Trade Frictions"]

[Text] It appears that a visit by Prime Minister Ohira to the United States, which he hinted at in the Diet last Friday [16 February], will soon become a reality.

We think the projected visit, designed to reduce the current economic frictions between Tokyo and Washington, is necessary in order to prevent the frictions from increasing. Needless to say, if they do increase, they will threaten the very foundation of the bilateral relations.

The relations between the two countries have been so close in the past that they are said to be reaching the stage of "maturity."

Despite this, the nature of the trade problems between Japan and the U.S. strongly suggests that the relations, however amicable they are, must be kept under constant review and that any difficulties that arise must be dealt with as quickly as possible in order to maintain and further consolidate the relations.

In other words, the maintenance of close and friendly relations calls for increased efforts and wisdom on both sides. In this respect, exchanges of opinions between the leaders of the two nations, which will enable them to better understand each other's viewpoint, seem essential. Such exchanges, to be made freely and frequently, are particularly important at a time when the Asian and Mideast situations are rapidly changing.

There were those in government circles here who, when Ohira took power, were opposed to his visiting Washington, on the grounds that it was a mere courtesy call by a new Japanese Prime Minister. Others questioned the wisdom of a visit only to the U.S. prior to the Tokyo Summit of Industrial Democracies in June--an act which they regarded as showing a lack of

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courtesy to the heads of other participating countries. We do not agree, however, with these opinions as we feel that Japan and the U.S. must deepen their mutual understanding by maintaining close contact, in order to respond to a call for further expansion of the world's economy, fulfilling their responsibilities as economic giants.

We are reminded of the bitter pill Japan had to swallow eight years ago--the so-called "Nixon shock" which rocked the Japanese Government. The absence of exchanges of opinions between the Japanese and American leaders in the six months prior to President Nixon's surprise visit to Beijing--an American diplomatic move which Japan regarded as being carried out over Japan's head--might have been partially responsible for the shock.

American criticism against Japan in the field of economic relations, which has been reported by two government representatives after returning from U.S. visits, has been unexpectedly severe.

It is true that the biggest issue in the Japan-U.S. economic frictions has been Japan's building up a huge surplus in its trade with the U.S. business and government leaders in America complain that Japan's expanding exports to the U.S. are causing increasing unemployment in that country and that the Japanese market is comparatively closed to American exports.

The biggest political problem the Carter administration now faces is how to tame inflation. The proposed inflation-taming steps include postponement of tax reductions and curtailment of welfare spending, both of which would be unpopular with the U.S. citizens. However, the administration wants to curb inflation this year because of the presidential election coming up next year. In order to win public support for the administration's policies, President Carter may find it necessary to strongly urge Japan and West Germany to reduce their surpluses in trade with the U.S.

In addition, the U.S. Congress is to formulate legislation in line with multilateral trade negotiations and consider bills related to U.S. foreign trade.

Another concern to us is the increased American trade protectionism resulting from the by-election held last year. Furthermore, there is the feeling in the U.S. that Japan lacks serious consideration in its effort to rectify the big trade imbalance with the U.S.

We hope that Prime Minister Ohira, taking cognizance of the American standpoints, will do his best to deepen mutual understanding and improve the strained trade relations during his forthcoming Washington visit.

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ECONOMIC

YEN TO CONTINUE TO RISE IN 1979

Tokyo MAINICHI DAILY NEWS in English 8 Feb 79 p 7

[Econoscope column by Econobserver: "Yen Will Continue To Rise"]

[Text] Throughout last year, export industries were forced, and are still being forced, to undergo structural reforms to adapt to a stronger yen. Now it is the turn for domestic industries, which compete with imports, to suffer the pains of adapting to the new situation.

Noticeable declines in the prices of imports have been terrorizing the domestic industries which had been catering to domestic needs in the absence of really effective foreign competition. Suddenly, foreign competition became substantial with the spurt of the yen value.

What, for instance, will happen to the domestic whiskies when scotch whiskies become available much cheaper? How will the Japanese garment industry be affected when American business suits begin flooding the local market by trimming figures on their price tags?

Can domestic industries catering to domestic needs withstand the price advantage of imports because their products are tailored to domestic tastes? If they cannot, they will be forced to reduce

their prices to match the prices of imports.

This is a punishment similar to that which export industries have taken to survive the yen appreciation. The name of the game is rationalization.

If an industry fails in its rationalization efforts, it will join the ranks of those that have been classified as "structurally depressed."

How the yen will fare in the future, therefore, is of considerable concern to domestic industries catering to domestic needs. Will the yen turn downward from now on under the effect of America's dollar defense measures and Japanese inflation?

Or, will the yen keep edging up because inflation will continue in the U.S. and the effects of America's dollar defense measures are short-lived?

In explaining price movements, economics offers long- and short-range factors for analysis. The long-range, and therefore more fundamental, factor is the comparison of purchasing power between the dollar and the yen.

At present, the theoretical

parity is ¥210 to a dollar, and will be ¥195 to a dollar in several months. What is further ahead is still stronger yen.

The short-range reason for predicting continued appreciation of the yen is Japan's trade surplus. Judging by its size and the state of Japan's exports, the yen may logically be valued at ¥185 per dollar at present.

Currency values are quoted on the foreign exchange market not by pure mathematics but by sentiments, speculation and politics. These elements are now preventing the yen from appreciating beyond ¥195 per dollar.

When these elements that figure in forming quotations wear off, the yen will spurt again. Then, subsequent decline of exports will work to soften the yen value.

When all these long- and short-range elements are assessed together, the safe bet for this year will be that the yen will continue to stay on an upward path, gaining by ¥2 or so every month. This is going to be another year of yen appreciation.

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MITI OFFICIALS ALARMED BY THE UNCERTAIN PRC MARKET

Tokyo BUNGEI SHUNJU in Japanese January 1979 pp 345-362

[Text] New Trend

The flow of history surrounding China changed during the 1960's. China proceeded to move in a direction that changed the violent current of the cultural revolution and that led to China's Communist Party Ninth Central Committee's Second General Meeting and the Fourth National People's Congress.

United States diplomacy bypassed Japan with the US president's China visit in 1972. Seeing that the United States could change to such a degree, Japan began moving toward embracing the new historical trend.

First of all, an economic cooperation agreement on the yen and yuan was made between the Bank of Japan and the Bank of China, China's bank specializing in foreign exchange, in order to mutually avoid the risk of an exchange based on the fluctuating British pound, which had been used as the settlement currency for Japan-China trade until that time. Afterwards, it was expanded to 28 Japanese banks (13 city banks, 3 long-term credit banks, 6 regional banks and 6 trust banks).

On July 7 of that year, Kakuei Tanaka's administration began. Prime Minister Tanaka as influenced by the advice "we must normalize formal diplomatic relations with the People's Republic of China with a formal visit to Peking at an early stage." That advice resulted from a previous visit by a party headed by Yoshikatsu Takeiri of the Komei Party and Ikko Kasuga of the Democratic Socialist Party.

As soon as Tanaka assumed political power, he made an announcement, implying a leaning toward positive attitudes toward China. On China's side, Premier Chou noted: "We welcome Prime Minister Tanaka's announcement, making an effort at normalizing Japan-China diplomatic relations." Along with Ohira, Liberal Democratic Party Chairman Susumu Nikaido and others, Tanaka visited China beginning September 25. On September 29, in the People's Congress Hall, Japan and China ended the abnormal situation between the two countries and normalized diplomatic relations with the signing of a Japan-China joint declaration containing nine provisions, such as Japan's recognition of the

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government of the People's Republic of China as the sole legitimate government and China's waiver of its reparation claims against Japan. With that, Japan also embraced the trend of the new era surrounding China.

Along with the normalization of Japan-China diplomatic relations, a Japan-China Economic Society began, under the chairmanship of Yoshihiro Inayama, who is the real power at Nippon Steel Corporation and who had a close relationship with Chou En-lai. Yaeiji Watanabe, who was enthusiastically devoted to Japan-China relations from his days with the Ministry of International Trade and Industry (MITI), became chief director of the society.

Kaheita Okazaki, representative of the Japan-China Protocol Trade Office, supported the Japan-China Economic Society after the dissolution of the Japan-China Protocol Trade Office at the beginning of 1974. ("The role of protocol trade ended with the restoration of diplomatic relations between Japan and China.")

In December 1972, one month after the establishment of the Japan-China Economic Society, export credit provisions from the Export-import Bank opened up again for the People's Republic of China. These had stopped after a speech by Prime Minister Sato in February 1965, proclaiming that because of the existence of the "Yoshida note," "export funds may not be used for deferred payments by China." The long winter of economic relations between Japan and China had finally ended.

The PRC's Premier Chou En-lai proclaimed a new line for building China's economy in January 1975 at the Fourth National People's Congress, which had finally opened. At its core are these two points: "During a ten year period beginning from 1975, we will establish a national economic system and industrial system which will be independent and relatively well organized. By the end of this century, we will realize the "four modernizations" of agriculture, national defense, industry and science/technology, and will put China's people's economy in the front ranks of the world's economies."

This new line for building the economy was stagnated temporarily by the power of the so-called "gang of four", but, upon the successive deaths of China's Communist Party Central Committee Chairman Mao Tse-tung and Chou in 1976, the Hua Kuo-feng regime began. After Chou's death, Teng Hsiao-ping, who had twice been relieved of the duties of vice-premier, was again restored at the Tenth Communist Party Central Committee's third general meeting, and there was a switch-over to the "Chou line without Chou."

The PRC's economic policies took a 180 degree turn after the "gang of four" era. Inayama and Li affixed their signatures to a long-term trade agreement on February 16, 1978 (mentioned at the beginning of this report).

Increased Import of Chinese Crude Oil

Going back five years before the Inayama-Li agreement to 1973, Japan was

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importing Chinese crude oil on an experimental basis. Chinese oil is a viscous oil, having a tendency to be too heavy. Since it has a specific gravity and viscosity classifying it as a "heavy crude oil", even with a careful refining process, refining it to gasoline, which has a high demand in Japan, does not show much profit, when compared to oil such as "Arabian light", the product of the Middle East, which is mainly what Japan imports.

However, Japan's imports of Chinese crude oil the following year suddenly increased 12.6 times that of 1973. Moreover, it increased 80% in 1975 over the previous year and rose to being the leading product among products Japan purchased from China.

From the time of the fourth Middle East war, when the oil-producing Arabs used their "oil weapon" strategy and cut off the pro-Israel countries, MITI began to have a strong, extremely clear recognition that "the establishment of a policy for the security of Japan's economy has no other choice than to spread out its crude oil import market."

Japan was already driven by the necessity of spreading out its crude oil import market the year before the fourth Middle East war of 1973. In 1972, the percentage of Japan's crude oil imports, which the Middle East crude oil of Iran, Saudi Arabia and Kuwait held, rose to 80.7%, amounting to 246 million kiloliters. Of the remainder, 16.4% came from Indonesia to the south; crude oil from the USSR was no more than 2.9%.

MITI made the judgment that "nothing would better serve the security of Japan's crude oil imports than China selling its crude oil to Japan on a long-term basis, once China's oil really begins flowing."

In November 1975, during which Chinese crude oil exports to Japan increased to nearly twice that of the previous year, Toshio Kawamoto, Minister of MITI in the Miki administration, visited China to hold talks about long-term imports of Chinese crude oil to Japan with China's Vice-premier Li Hsien-nien, who was said to be a self-taught economist.

Although Kawamoto is among the successive MITI ministers, he was a native of the business world, ranking along with Tatsunosuke Takazaki of recent times.

He entered the former Himeji High School and thought about becoming a historian in the future. But, after he made an anti-war, anti-military speech while participating in military drills during his school days there, Kawamoto had no way of becoming a historian. Instead, he built with his own strength today's Sanko Steamship Company, known as a tanker company. It was right in the middle of the Manchurian Incident when Kawamoto expounded his anti-war, anti-military thinking.

After having gone from being a longshoreman to being a public works worker to being a factory worker, Kawamoto, who had been punished with expulsion from Himeji High School, graduated from Nihon University's Law and Litera-

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ture Department. He set up his Sanko Steamship Company based on his involvement with a shipping company during his days at Nihon University. He held the presidency of Sanko Steamship Company until Miki (who did not expect to become Prime Minister) put together the Miki administration in October 1974. Since Kawamoto was elected eleven times after his first election in 1949, he was a Diet member in addition to being president of Sanko Steamship Company for a fairly long time.

Just from his perception from his business experience as a producer of tankers, Kawamoto could understand very well why MITI's personnel became so frantic after the "oil shock" about a multiplicity of crude oil supply sources. Nay, it is more correct to say that Kawamoto wrestled with the crude oil question to the point of pushing the personnel at MITI.

Even though Kawamoto looked up to Miki as his teacher and superior, he did not have much of the idealism Miki possessed. Under the two administrations of Prime Ministers Miki and Fukuda, there were times when the job of MITI minister was given to Tatsuo Tanaka, who kept "the LDP's treasury." But Kawamoto showed considerable ability as the "businessman" minister of MITI while serving two terms in the minister of MITI's new offices.

Views on Toshio Kawamoto

At the same time that being a "businessman" resulted in strengths for Kawamoto, it also resulted in shortcomings for him. He was able to find a positive plan for coping with economic problems that could be clearly seen as imminent with much greater speed than could a bureaucrat. However, he would not show any interest in projecting a vision of the future---a future he would not see with his own eyes.

Perhaps he lost the desire to look at the future from past history at the same time that the road for Kawamoto to become an historian suffered its setback at Himeji High School. When one looks at Kawamoto up to this time, his historical outlook stops completely at reading the present from the past. He is not the type of person who attracts people with the kind of statesmanship that confronts the future, as does a politician.

The point must be acknowledged that he differs greatly from Tatsunosuke Takazaki, also associated with the same business world, who likewise served as minister of MITI.

However, just as he had studied the crude oil problem as president of Sanko Steamship Company, Kawamoto knew the existing economy and was thrilled with assuring the security of energy sources (concerning which MITI officials cried out hysterically after the fourth Middle East war) by spreading out crude oil import sources.

In the November 1975 meeting between Kawamoto and Li Hsien-nien, China made a fundamental mutual agreement with Kawamoto on actualizing a long-term

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agreement on long-term crude oil exports to Japan. Of course, on January 20, ten months before Kawamoto's visit, a delegation of the Japan-China Economic Society visiting China under the leadership of Inayama had explained Japan's plan for long-term crude oil exports from China.

At that time, China's Vice-premier Ku Mu explained to the Inayama group that: "Our country has decided to advance a positive plan for our economy. Imports of China's shortage commodities and the purchase of technology will increase in the future."

But in the China of 1976, Chou En-lai died. In February, wall posters began to appear, criticizing the "running capitalist" faction. On April 1, Fang Yi's treatise, "criticism of philosophy as the handmaiden of the west," was printed in THE RED FLAG, China's Communist Party organ. So, it was difficult to predict what would happen to Chou's line in that time of violent shocks.

After experiencing another period of violent disturbances, such as the Tien An Men incident and the purge of the "gang of four," the engines started up again for the "Chou line without Chou."

A delegation of the Federation of Economic Organizations visited Peking in March 1977. The leaders of Japan's financial circles held talks with the Minister of Foreign Trade, Li Chiang. They reached a fundamental mutual agreement on exporting oil and coal to Japan on a long-term basis. This materialized the following year in the Japan-China long-term trade agreement.

The Japan-China long-term trade agreement was backed up from the political perspective as well with the signing of the Japan-China peace and friendship treaty (which had continued through long and difficult negotiations) in Peking in August of the following year. Foreign Minister Sunao Sonoda, who had gone to Peking and brought the difficult negotiations to completion, made this proposal to China: "Since economic relations will welcome in a new era, I would like to have MITI Minister Kawamoto to visit China." Kawamoto made his second visit to China, lasting five days from September 11. Shiro Miyamoto, director of MITI's new International Trade Policy Bureau, Naohiro Amaya, director of Resources and Energy Agency, and other executives traveled together.

Besides Chairman and Premier Hua Kuo-feng, Vice-premier Li Hsien-nien, Vice-premier Kang Shih-en and Foreign Trade Minister Li Chiang, the Chinese officials whom Kawamoto met in Peking included officials from the People's Bank and from the Ministries of Petroleum Industry and Chemical Industry. In particular, Kawamoto met twice with his Chinese counterpart, Li Chiang--- at the beginning and at the end of the visit.

Business-like China

Kawamoto went directly to MITI upon his return from Peking in the afternoon

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of September. There he first made the following statement: "The greatest question was how can the trade volume be enlarged. With this current Japan-China long-term trade agreement, trade will have a 20 billion dollar volume. (The limit on Japan's exports is at 10 billion dollars. But that limit will have already been reached just with the business talks negotiated this year ---the first year.)"

"Because 350 billion dollars is supposed to be invested according to the ten year plan China has put forward, a revision and increase in the volume must take place at some point in time before the Japan-China long-term trade agreement's eight-year authorized period ends. We would not be able to do anything from now on if Japan's exports are limited to a 10 billion dollar level."

Just before his China visit, Kawamoto made a swing through Thailand and the Philippines on a second visit within the same year to the member nations of ASEAN (Alliance of Southeast Asia Nations). Then he flew to Seoul for a Japan-South Korea conference. Immediately upon his return from South Korea, he went to Peking---a hard schedule! However, Kawamoto, who neither drinks nor smokes, did not touch any liquor even at the formal banquets and dinner parties in Peking. Rather, he kept asking the Chinese waiter for "cha" (green tea) instead of liquor. With that, he was able to survive his "forced march" (hard schedule).

Shiro Miyamoto, director of the International Trade Policy Bureau, who traveled along from the ASEAN nations to South Korea and China, became exhausted and experienced some stomach trouble. As soon as he returned home, he was in such a condition that he had to be hospitalized. But Kawamoto, who had hardened his body while working as a longshoreman during his younger days, was in perfect health, even after managing such a difficult schedule.

Listed below is a summarization of the problem points which, in Kawamoto's opinion, ought to be examined in the long-term trade agreement made during his second China visit and in the financing of trade and resources development.

There is a unanimity of opinion with China on this point: "In order to extend the Japan-China long-term trade agreement, it will be necessary to cram in as much trade as possible during the sixth through eighth years of the 1978-1985 authorized period. We were able to have a fundamental agreement on extending the long-term trade agreement, scheduled to end in 1985, until 1990. Given the increase in the number of people involved from Japan, the Japan-China Economic Society, with the society's president Irayama as the key person, will hold discussions with China to decide on the substance of the extension. Because the trade volume will rapidly increase, the government will give its opinion in contrast to the opinion of Inayama and the private sector. The government's support is necessary. An agreement between governments is also probably necessary.

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Hence, both countries will meet to decide whether it will take the format of a regularly scheduled conference between the cabinet ministers of Japan and China. Japan's import volume of Chinese crude oil has been set at 15 million tones in 1982; the amount from 1983 was left undecided. Concerning the period after 1983, when I say to China: 'Is there an agreement to accept even a full-scale increase,' the Chinese answered: 'we will supply any full-scale increase.' But no concrete figures were given by either side."

"Deferred payments for exports from the funds of the Export-Import Bank of Japan, based on the dollar, were "OK"---in line with a promise among the western nations, which set the interest rate at 7.25 % per annum for a term of less than five years, and an interest rate of 7.50% per annum for a term of more than five years. How to make practical use of the Export-Import Bank's system for resource development financing and how to finance the development of China's crude oil and raw coal and how to finance their import to Japan was explained as follows: 'If you use yen for capital, we can lend you funds at an annual interest rate of about 6%.'"

"But China saw this as a problem. 'Since the yen is a strong currency and its value will float upwards, were China to borrow yen, we would have to work under the view of being helplessly at a disadvantage.' No conclusion has been made concerning whether the Foreign Exchange Bank of Japan will make large deposits in the Bank of China."

"China has become extremely business-like. China and Japan are in basic agreement in the opinion that the terms of the transactions on crude oil and coal must be able to withstand international competition. They affirmed the principle that the terms of the transactions on areas such as price will be looked at on the occasion of each transaction."

China asked for an easing of the list of items under the embargo set by COCOM. "I said: 'the embargo list must change in accordance with scientific and technological progress and with the changes in the international situation occurring each year.' I promised the positive cooperation of Japan toward softening the list."

"A secure supply of resources and energy is directly linked to our nation's security. We will use China's crude oil as a reserve supply for Japan. There was no discussion with Chinese officials about importing weapons. However, China requested Japan's cooperation on a plan to build large hydroelectric power stations on the Yangtze River and Yellow River. Because China has an abundance of coal and water power, it is in no hurry to develop nuclear energy generation; and so, it made no such requests."

With Kawamoto's visit to China, the first curtain rose on the "Japan-China Drama" opera in the above manner.

New Order in MITI's Bureaucracy

On October 22, China's Vice-premier Teng Hsiao-ping came to Japan for the

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exchange of the ratification of the Japan-China peace and friendship treaty. He took a tour of the newest facilities of Nippon Steel Corporation, Nissan Motor Co., Ltd., Matsushita Electrical Industrial Co., Ltd. until the day he departed Japan from Osaka on the 29 of the same month. "It is a nuisance for Japan to have such a poor friend as China, but please remember us."

"China did not consider making loans between governments, but it will be a subject for future study."

"China calls the Senkaku Archipelago the Chiao Yi Archipelago. Since the names both countries use is different, there certainly is a difference in points of view on these islands by both parties. I would think that it would not make any difference if we shelved this problem temporarily. It would not matter if we shelved it for ten years. The people of our generation lack enough wisdom. Our discussions would not arrive at an agreement; but perhaps the next generation will be wiser than we."

On his first visit to neighboring Japan, Teng left a copy of "Teng Hsia-ping Aphorisms," which are mild at times and quite frank at other times.

From the final stages of the Japan-China peace and friendship treaty negotiations extending up to Teng Hsiao-ping's visit to Japan, it is said that the Chinese officials made this announcement: "Presently, China's first priority is 'the four modernizations,' and in order to achieve this purpose it cannot be helped even if China's political structure changes." Whether the words "it cannot be helped even if China's political structure changes" meant "changing the political structure, they will actualize the 'four modernizations'" or whether it was a metaphor meaning "we will concentrate our strength on the 'four modernizations' to the extent that we think it cannot be helped even if China's political structure changes." There were a limited number of Japanese who heard these words, but they were divided in their understanding of what the words meant.

However, even though there was indeed a difference in their understanding, the Japanese were in agreement in their opinion that Chairman and Premier Hua Kuo-feng and Vice-chairman and Vice-premier Teng Hsiao-ping, who form a complex combination in internal politics, are definitely committed to the "four modernizations."

On October 30, the day after Teng returned to China from Osaka, MITI opened a departmental council and set up a committee to expedite measures for Japan-China economic relations.

"When the Japan-China peace and friendship treaty was concluded, our country's economic relations with China underwent a large transfiguration; and they are expanding. In view of the importance of this, it is necessary for MITI to urgently promote accurate answers to cope with the situation. To do so, we will establish within MITI a committee to expedite measures for Japan-China economic relations, and the committee will draw up and regulate

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flexible as well as comprehensive measures." The above explained the purpose for setting up the committee to expedite measures for Japan-China economic relations.

Shiro Miyamoto, director of the International Trade Policy Bureau, became the committee's chairman. Miyamoto, who suffered the stomach ailment on his China visit with Kawamoto, has since stopped drinking and smoking. But he recovered so well from his illness that he disclosed: "should I go back to drinking whiskey and water?" They set up two vice-chairmen under Committee Chairman Miyamoto---Kiyoshi Takahashi, assistant director of the International Trade Policy Bureau, and Kiyotaka Kodama, assistant director of the Resources and Energy Agency.

Besides Tadayoshi Nakazawa, chief of the Administration Division of the Minister's Secretariat, they added to the committee membership Tsukasa Sakai, chief of the Administrative Division of the International Trade Policy Bureau, Moriaki Ueda, chief of both Administration Divisions of International Trade Bureau and of the Industrial Policy Bureau, Nario Saito, chief of the Administration Division of the Basic Industries Bureau, Kengo Ishii, chief of the Administration Division of the Machinery and Information Industries Bureau, Jiro Aiko, chief of the Administration Division of the Consumer Goods Industries Bureau, Masuo Shibata, chief of the Administration Division of the Director's Secretariat of the Resources and Energy Agency, and finally added the chief of the Administration Divisions of both the Patent Office and the Agency of Industrial Science and Technology.

Thus, there exists a structure wherein these related administrators can be called together in committee by just a command from Chairman Miyamoto, when-even necessary. In reality, assigning them to the committee is the same as a summons or command to the China subject for these "ace" administrators of MITI.

Moreover, as subordinate parts of the committee's structure, they established special project teams, according to subject area, such as "basic questions," "Japan-China long-term trade agreement," "petroleum prospecting development," "coal prospecting development," "non-ferrous metals development," "preferential customs duty," "processing trade," "industrial plant trade," "personnel of commercial firms stationed in China."

Shiro Miyamoto, director of the International Trade Policy Bureau, stated the following on the day the Committee to Expedite Measures for Japan-China Economic Relations started. "China has one contact desk. Although one sees a group working in connection with the long-term trade agreement on the part of the Japanese private sector, there are the two desks of the Committee to Expedite International Trade and the Japan-China Economic Society. Many related ministries and agencies have something to do with the Japan-China question---such as the Ministry of International Trade and Industry, the Ministry of Foreign Affairs, the Finance Ministry, the Ministry of Agriculture and Forestry's Fisheries Agency. They must simultaneously promote a

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coordinated policy, not as separate ministries and agencies acting differently on the Japan-China question, but as the government of Japan, who has won over the private sector. Likewise, especially since Japan must have one plan concerning actual questions, such as petroleum prospecting development, we will have Inayama's Japan-China Economic Society set up a team similar to our project team."

"When the government had come to a mutual understanding with Inayama's team, we set up the Committee to Expedite Measures for Japan-China Economic Relations in order to prepare a systematic approach for consulting with China's one 'desk.'"

In short; even with Japan-China economic relations, they used the formula of cooperation between government and the private sector, which had produced so efficiently a high level of growth in the heavy chemical industry of the 1960's---that was Japan's original formula for cooperation between government and the private sector.

With the liberalization of trade, capital and foreign exchange, MITI's jurisdiction to authorize approval to the private sector diminished. Instead, the Diet and Diet members began interfering in its administration. A decline in the value of the bureaucracy became a reality. Because of such an environment, bureaucrats in the principal ministries and agencies resinged from official life part-way through their terms. There was a remarkable increase in the number of elite bureaucrats who entered political life as Diet members or who turned to working as university professors.

If Japan-China economic relations really stand as a turning point in Japan's economy and if they have any future, the management of the economy and the industrial world by remote control of the discretion of MITI's bureaucrats, under the name of cooperation between the government and the private sector, as originally intended, in reality is connected to the "reinstatement of MITI's bureaucrats."

When the Japan-China long-term trade agreement was signed in Peking, Toshihiko Yano, director of the International Trade Policy Bureau at that time, had a premonition that "the time for MITI to start jumping ahead would come at last." Eight months later, his premonition was right on track, as least as far as form goes.

Future of PRC Market

The day after Vice-premier Teng Hsiao-ping returned to Peking, a mission came to Japan---a mission with with the long name of "People's Republic of China National Economy Committee Delegation for Visiting Japan." The rush to visit Japan by Chinese administrative officials, such as Teng Hsiao-ping and the National Economy Committee, opened the curtain on the second act of the opera, "Japan-China Drama." The assistant chief in charge of the National Economy Committee was Vice-premier Kang Shih-en. The head of the

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delegation visiting Japan, Yuan Baohua [Yuan Pao-hua], was the assistant director of the National Economy Committee. In Japan's ranking, that would be either cabinet minister or vice-minister.

Under delegation leader Yuan, there were Deng Liqun [Teng Li-ch'un] (Assistant Director of China's Institute of Social Sciences), assistant delegation chief Xi Liantu [Hsi Lien-t'u] (Assistant Chief of the National Economy Committee), and assistant delegation chief Yeh Lin (Assistant Chief of the Peking Revolutionary Committee).

There were 23 delegation members altogether, including interpreters--Ma Hong, director of the Industrial Economic Research Center of China's Social Services Institute, Sung Chi-wen, vice-minister of the Ministry of Light Industry, Yu Erliang [Yu Erh-liang], manager of the Shanghai Turbine Factory, Yin Chung-hua (a woman), assistant accountant for Capital Steel Company and others. As one can judge from the titles of those listed above, almost all of them are technocrats.

Many of the things which China has been purchasing from Japan, Great Britain, West Germany, France and the United States, such as a variety of industrial plants, are the latest equipment of the capitalist countries. If it is not the latest model from a technological point of view, they turn away their heads. That is, they will not buy.

In like manner, China has been desperately studying management systems in many areas---from the industrial technology developed by the highly industrialized countries of the west, to personnel and product quality control---and the "know-how" of economic and industrial policies.

The purpose of the Japan visit by delegation representative Yuan was the study of management and planning. On November 1, Yuan, who was visiting with MITI Minister Kawamoto, stated. "I hope you will support China's modernization, which was delayed technologically by the 'gang of four.'" When that delegation's schedule is looked at, the thought comes to mind that perhaps the "Chou line without Chou" means that "they are trying to have a high level of growth under the name of the 'four modernizations' by introducing such things as industrial plants, which the advanced capitalist nations have developed, and the practical application and use of such goods as computer hardware and software."

Immediately upon coming to Japan, Yuan's group received special training in the relationship between economic growth policy and productivity from Hisao Kanemori, private economist among the supporters of Japan's growth, and Tamisaburo Sasaki, vice-director of the Japan Productivity Center. They received an education in quality control at a university and in the movement to promote quality control from the Union of Japanese Scientists and Engineers, Inc. They heard a concentrated lecture on industrial standardization and quality control from the Japanese Standards Association. They heard views on the newly industrialized cities from the National Land Development Agency, and a lecture entitled "Economic Development of the 1960's" as well as a lecture on management of today's economy from MITI.

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Japan's Enterprise Secrets China Wants to Know

When Kawamoto and Yuan met for talks, the Chinese broke the ice with this comment: "I would like you to teach us the secret of the high level growth by which Japan achieved its heavy chemical industrialization in the 1960's and became a major economic power." This is equal to Yuan's delegation asking us to teach them the secrets of the enterprises of "Japan, Inc.," concerning high level growth, heavy chemical industrialization and expansion of exports.

At the same time they were studying high-level growth policies and were being instructed in technology, newly industrialized city planning, and business administration methods from scholars, economists and others responsible for policy, they examined the newly built factories of "Japan, Inc." These were plants actually in operation, such as Nippon Steel Corporation's headquarters and Kimizu Foundry, Tokyo University's Department of Technology, Toshiba Corporation and its divisions for computers, desk-top computers and large integrated circuits, Komatsu Work's Osaka plant, the Keihin Foundry of Nippon Kokan, K.K., Kobe Steel, Ltd., Toyota Motor Co., Ltd., the truck division plant of Hino Motor Co., Ltd., the Yokohama industrial plant and communications satellite installation division of Nippon Electric Co., Ltd., Tokyo Heavy Machinery's sewing machine division, the headquarters for Matsushita Electrical Industrial Company, Ltd. and its radio, dry-cell battery, related outside order, electronics parts, television, Braun tube and integrated circuits divisions, Sharp's Tenri plant (Taiyo Battery), the Takasago Works of Mitsubishi Heavy Industries, Ltd., and Sumitomo Electric Industries, Ltd. and its Itami plant (cutting blades and tools).

After that, they made a full study of the Kashima Kombinat as a living example of a newly industrialized city. They studied the kombinat from such points as the details of its construction and problems of where to station the plants. At various intervals, they had interviews with the leaders of Japan's modern capitalism, such as the Federation of Economic Organizations, Japan Economic Association and the Kansai Economic Association.

Certainly, men and machines work as one unit in the top level production facilities. That is, it can be said that men and machines become a synchronized system. This human systematization was highlighted as a problem of "man's alienation," because it was about to bring our high-level growth to an end. But China is trying to ardently learn from Japan for its "four modernizations" program, which includes a systematization of men as cogwheels.

The present Chinese regime is excited about making a success of modernization. They are indifferent to how they appear to others, but from Japan's perspective, it is wondered what happened to their past philosophy of "working out one's own salvation by one's own efforts."

For example, there is a money problem surrounding the "four modernizations."

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It is difficult to guess how much is in China's purse, but foreign specialists on China's economy have observed that, at the end of 1978, the balance for short-term debts was 367 million dollars, and the balance for the cost of importing industrial plants was 1.402 billion dollars (that total includes both principal and interest).

Of this, the limits for payment and repayment came due the same year---for the short-term debt, 333 million dollars; for the cost of imported plants, 422 million dollars (including principal and interest). It was expected that the amount would total 755 million dollars. It is tentatively calculated that the 1979 short-term debt and the total required repayment amount on the cost of imported plants will be 655 million dollars, and 648 million dollars in 1980.

Nevertheless, while China's governing body is explaining to Japan that China's foreign currency provisions are "only some 20 billion dollars," they are expecting to import a huge volume of products, including weapons from the United States, in addition to Japan, West Germany, Great Britain and France.

On account of this reference to foreign currency, they have diversified in a subtle way from their previous fundamental policy of "accepting no assistance from foreign countries." They are supposed to be discussing in Peking whether it is right or wrong to borrow resources development funds for their crude oil and long-term economic cooperation funds from foreign governments for the construction of hydroelectric power plants.

After the Hua-Teng regime came into power, they suddenly advanced countermeasures for the ethnic Chinese abroad. When Teng Hsiao-ping, who had visited Japan, visited Thailand and Malaysia, he extended his trip to Singapore, with which China has no diplomatic relations. Was that trip made because it is necessary for China to bring in the dollars that had been asleep on Singapore's Asia Dollar Market, due to the sluggish growth of Southeast Asian nations.

China's current regime, which has staked its reputation on the achievement of the "Chou line without Chou," began working on getting money from the ethnic Chinese, who are scattered throughout the world, in order to pull together funds for economic modernization.

In connection with gathering together this money, it has been indicated that "besides personal banking accounts, loans and trade financing, now, investments in bonds, real estate and securities, participation in transactions on the gold market and entry into consumer financing have been recognized by the thirteen PRC connected banks of Hong Kong, such as the Bank of China, Transportation Bank, Central South Sea Bank, National China Commercial Bank, Kinsong Bank, Kwangtung Provincial Bank, China Commercial Bank, South Seas Commercial Bank and Overseas China Commercial Bank.

On-the-spot reports concerning how the PRC connected banks are disguising

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this capitalistic financing were published almost simultaneously in the July 7, 1978 issue of the SOUTH CHINA MORNING POST, the English edition of the July 12 issue of the ASIAN WALL STREET JOURNAL, and the July 21 issue of the FAR EASTERN ECONOMIC REVIEW magazine's column on economy.

According to the SOUTH CHINA MORNING POST report, it was explained that, in order to serve the "four modernizations" that China is to achieve by the end of this century, the 13 PRC connected banks in Hong Kong have been advised to strengthen their business management so as to be able to increase their profits and lessen capital costs.

The FAR EASTERN ECONOMIC REVIEW offered the same kind of description in an article titled "Open capitalism for Peking." From manufacturing industries that are under the wing of the PRC controlled banks of Hong Kong to travel agencies---all received a directive "contribute to China by increasing your profit margins!" It is generally observed that the ethnic Chinese in Hong Kong are now remitting 500-600 million dollars annually to Peking.

China's new regime has begun aiming for a high-level growth, clearly modeled on Japan of the 1960's. With that, they seem to be trying to equip their economy with current technology, developed in the latter half of the 1960's, and to build plants that will operate with a great profit. However, do MITI officials, who ran to the PRC market, really think they can eulogize the "new Japan-China era" without any possibility of future friction for Japan, once China has made progress?

Japan---"Mansion Built on Oil"

Trips back and forth by key figures and technocrats from both countries flourished. Now, ten months after the signing of the Japan-China long-term trade agreement, the eyes with which MITI officials see China are bulging at the complexity of the situation. Perhaps they ran out of breath because they were too enthusiastic at first.

Now MITI officials are eager to throw cold water on the Japan-China economic boom. This attitude was preceded by a mood symbolized in the spirited statement of Toshinobu Wada, former vice-minister, on the day the Japan-China long-term trade agreement was signed. "Japan's economy, which passed a milestone 30 years after the war and 100 years after Meiji, is now at an historical turning-point."

Some MITI officials started making these statements: "When one looks at the political changes in China from the time when Teng Hsiao-ping was again reinstated in the summer of 1977 up until recent times, it is felt that the tempo of change has been too fast. Japan has to make up its mind that with such a situation, there may be a reaction against the Teng line, which is the 'Chou line without Chou'. It is dangerous to frolic about with the idea there is a PRC market out there with one billion people, and that market is a 'divine wind' sent to extricate us from an economic slump." Certainly,

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when one looks at today's China, not only the masses of Chinese people but also we ourselves cannot help but entertain feelings about what tomorrow holds. The feeling about "its days as a belligerent nation" still run deep.

Moreover, the basic idea for China's economic modernization is to try settling accounts with coal and crude oil (the available amounts and costs of which are uncertain), rather than paying with foreign currency for the import of plants, construction materials and equipment necessary to build the economy.

Not only that, but China is in a situation where it must collaborate with foreign technology and capital right from the first stage of prospecting for their coal and crude oil. On this point, MITI executives, who had recently visited China, said: "Until 1985, they will increase the rate of agricultural mechanization by 85% and will increase industrial production growth by 10% annually. If crude oil and coal production does not increase, it is possible there will be a breakdown in the present ten-year plan (1976-1985) for economic development, which will attempt to make crude steel production volume grow to 6100 tons by 1985, and will attempt to construct 10 steel kombinats, 9 non-ferrous metal kombinats, 8 colliery companies, 10 natural gas and oil fields, 30 power stations, 6 new railroad trunk lines and 5 major wharves. So far as Japan is concerned, they cannot buy plants from Japan, if they can not sell crude oil to Japan. Building China's economy, which has to progress in a money-less condition, has no choice but to depend on their oil. They do not know whether that oil will be forthcoming or not. That is the meaning of 'mansion built on oil.'"

Even without saying anything about "the mansion built on oil," so far as has been seen in the movement of China's economy in the first part of 1978, the production of coal and crude oil for export to Japan has not been that good.

According to reports from China, "industrial production in the first part of 1978 has grown more than 2.46%, compared to the same period in the previous year, and has achieved more than 50% of the annual plan." But crude oil and coal to be used to buy plants from Japan and others have been limited to an increase of 11% and 19% respectively, compared to the first part of the previous year.

As a result, despite the fact that exports of mainly crude oil and coal increased 29% in the first part of 1978, compared to the first part of the previous year, the stage was reached where it cannot be helped but be said that, as for imports, trade earnings and expenses ended up somewhat in the black, since there was a rapid increase of 60%, compared to the same period of the previous year, in the purchase of plants, machinery and survey equipment indispensable for development.

Uncertain Production of Chinese Crude Oil

If crude oil production really increases, if there is a sufficient export reserve, and if a stable supply can be promised, there will not be much of

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reserve and if a stable supply can be promised, there will not be much of a problem, even though their formula is to pay with crude oil and coal which will be produced in the future, rather than paying for import costs with foreign currency. The costs of importing plants is to be paid by means of crude oil. If commodities produced in those plants supply a market of one billion people, who are "poor buy on the way to becoming a developed nation," the people's standard of living will rise and an appreciation of the value of the "Chou line without Chou" will also rise.

But, if the rate of growth of imports continues to double as it did in the first part of 1978, compared with the growth of exports, they will have to appropriate part of the import cost settlement by earning foreign currency through "dumping" exports under the name of a political price, without being able to distribute throughout the country commodities produced in those plants that have been introduced.

Should that give rise to a criticism of the purpose of modernization by the Chinese people, the people promoting the "Chou line without Chou" will turn a deaf ear to one billion people.

To the question supposing that "China does not have enough crude oil," Shigeru Konno, present vice-minister of MITI, says: "If that is so, Japanese industry will be forced, willingly or unwillingly, to change its structure with desperate methods." That is to say, if China takes an export offensive for a political price, Japanese light industries would suddenly have to close up shop and would have to change their products substantially, because their products can not cope with the inexpensive Chinese made products."

For the nations of Asia, excluding Japan, the import surplus from China, in the amount of \$1,701,900,000 dollars in 1976, and in the amount of 1,677,900,000 in 1977, will grow even more. This will precipitate even more anti-Japanese feelings in Asia. "We have had to suffer hardships because Japan sold new, powerful plants to China." The blood pressure of those who see improved Japan-China relations as a Japan-China conspiracy, cannot help but rise, even if unwillingly.

But, it has already been mentioned before that the growth of imports of industrial plants and the like to China is greater than the growth of China's export of oil and the like. In addition to this, China negotiated imports from Japan of plants in excess of 10 billion dollars for 1978 alone, the first year of the Japan-China long-term trade agreement. Besides this, China has payments for deferred payment imports and for past debts. That is to say, should Japan not purchase from China products other than the exchange commodities which they had agreed to purchase under the Japan-China long-term trade agreement, the trade imbalance between the two countries will become even greater.

Officials Complain

The idea of the Japan-China long-term trade agreement is to balance trade

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by having China purchase plants necessary for its modernization and Japan import crude oil and coal, which are the easiest Chinese products for Japan to buy. If there were a balance in Japan-China trade at present between the amount of money from Japan's imports, excluding crude oil and coal, and the amount of money from China's imports, excluding industrial plants, there would be a balance in Japan-China trade, and trade would increase, due to progress promoted by the long-term agreement.

However, actual Japan-China trade has had no such luck.

During the period from 1975 to 1977, Japan's export of plants was stagnated by the death of Premier Chou and Party Chairman Mao Tse-tung, the Hopei province earthquake, and the incident of the purge of the "gang of four." When Japan-China trade statistics for 1977 are checked, there is hardly any mention of plant exports among the list of machinery and other products.

Accordingly, there would be no problem if there were a balance (subtracting crude oil and coal) between the amount of Chinese exports to Japan and the amount of Japanese exports to China in 1977.

However, Japanese exports of China in 1977 were 1.938 billion dollars; Chinese exports to Japan were 820 million dollars, after crude oil and coal are subtracted from the total of 1.547 billion dollars. That is to say, even in 1977, when Japan's export of industrial plants almost stopped, there was an export surplus in Japan-China trade for Japan, amounting to almost 1.120 billion dollars.

Granted there was a balance just in the long-term trade, in accordance with the Japan-China long-term trade agreement, linking Japanese export of plants with Chinese export of crude oil and coal, but if there are transactions in items other than plants, crude oil and coal at the same pace as in 1977, the Chinese deficit from Japanese trade will grow fat in the same way a snowman takes shape.

Therefore, if Japan tries to balance Japan-China trade even slightly while supplying capital goods, such as industrial plants China wants, there are only two ways---either China would not purchase anything from Japan but industrial plants, or Japan would greatly increase the import of Chinese products other than crude oil or coal.

As for purchasing items other than crude oil and coal from China, there are such things as processed foods, textiles and miscellaneous goods. These products have a general similarity to the products which both Japan's national manufacturers and the nations of southeast Asia (who want a similar revision in their trade imbalance) want Japan to purchase in increasing quantities.

The executive staff of MITI's International Trade Policy Bureau is at the point of making this complaint: "The more one thinks about it, the more

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one notices that there are many difficult questions with Japan-China trade. We are at the point in our thinking that we want this easy-going mood about Japan-China friendship to end quickly."

One more reason why the MITI bureaucracy, who have been running to China during these past ten months, began to run out of steam is that the modern, newest, most powerful technology, mentioned on COCOM's indiscriminate embargo list, which China wants is great---either because China is too conscious of its rivalry with the USSR or because of its aim for an effective political demonstration against its own national opposition factions.

Dealing With PRC Market Not Easy

International public opinion basically agrees with some relief on export of technology to China, since the United States has a strategy against the USSR. But at most, this talk is within the framework of politico-economic arithmetic, such as "raising China's level to the level of autonomous technology of the USSR/Eastern Europe bloc would provide a balance between the USSR and the PRC; there would not have to be any prediction of an "emergency" situation between the USSR and the PRC," or "even though that level of technology is sold to China, it would be no loss to western governments."

If the judgment is made that there is the possibility of having the effect of some loss for the west, the United States would immediately ask for an explanation, through diplomatic channels in Tokyo and Washington, as it did when the resources development export funds from the Export-import Bank were offered to China.

Nevertheless, there is much ultra-modern technology that COCOM has prohibited among the technology that China would buy from Japan, such as Nippon Steel Corporation's automatic regulators for steel manufacturing, which include large-scale electronic computers, and efficient high-level integrated circuit equipment, used for manufacturing, from Hitachi, Ltd. and others.

Even though it is said that "with the arrival of the US-China rapprochement era, the United States is trying to strengthen China's power as a strategy toward the USSR," the US posture toward China is that "even though it will sell various products, it will not sell the newest technology," the same as its posture toward other socialist countries. Therefore, Washington is keeping a sharp watch on the exports of Japan and others, together with keeping a sharp watch on the export of US made computers and computer terminal equipment.

Shingo Moriyama, director of MITI's Machinery and Information Industries Bureau, stated: "As for the newest technology, promising to export to China and actually exporting to China are two different stories. The government will confer with COCOM, while watching the state of progress in the business transactions; but, even if brief, these transaction will involve difficult negotiations, lasting more than six months.

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The export of a plant for Shanghai Baoshan Foundry by Nippon Steel Corporation, which has been in the newspapers of late as a large business transaction, based on the Japan-China long-term trade agreement, has not yet been approved by COCOM, since computers are involved.

One of the people in MITI's administration expressed the opinion that "there seems to be an overindulgence in technology" on the part of Peking, who is frantic about getting the most modern technology. Perhaps this means that their hunt for technology has gone too far.

The crowds of people from Peking visiting Japan continued unabated. From them, MITI officials came to know that China is planning to reverse-export to Japan certain products produced in the plants introduced from Japan, in order to alleviate the Japan-China trade imbalance.

This point is very clear---that China is trying to substitute in place of cash payments for the cost of foundries and color television plants a production share formula (PS formula), whereby they send back to Japan iron/steel products, color televisions and color television parts produced in those same plants.

China came out with this method of in-kind payment because, after all, it was difficult to get access to foreign currency.

However, Japan cannot take back, with a simple yes, the industrial products made by a country whose level of technology is such that they have had to send a mission to study quality control technology in Japan because they have so many many problems with their quality.

Certain products have remained in Japan because of the US export regulations on color televisions and other products. It is a fact that with regards to iron and steel products, Japan has curtailed operations at its national blast furnances. The sources of the headaches for MITI officials, who ran off to China, have continued to increase of late.

Bleak Future for the 1980's

MITI officials think that their economic relations with such advanced countries as Europe and the United States will become quite bleak in the 1980's.

The Society for Research on Internaitonal Trade and Industry Policy for the 1980's, under the leadership of Shinji Fukukawa, director of the Minister's Secretariat Planning Board, is the group which will begin to put together a vision of the 1980's. For the international economic societies of the 1980's, Fukukawa himself sees that "there will be antagonism among the advanced nations and in the relations between the northern and southern hemispheres; unemployment will increase, due to a prolonged period of 'stagflation,' caused by a weakening in the growth of European and American economies; protectionist movements, caused by political factors, will increase

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even more than now. Because of that, an era of chaos will come in which international economic systems, having to do with trade, currency and energy, will increase the instability further."

Therefore, on the day the Japan-China long-term trade agreement was concluded, Toshinobu Wada, vice-minister at that time, made this somewhat excited speech: "From now on, Japan must attach greater importance to China and the Southeast Asian countries, because exports to the European and American markets have already reached their ceiling."

Compared with the European and American markets, whose prospects for the future are not very bright, the untouched PRC market of one billion people perhaps seems very bright for Japan's economy.

Moreover, even MITI Minister Kawamoto, who knew business, could see that China, where the cultural revolution has been negated and where business faction of Teng Hsiao-ping's group took power, has become "business-like."

The valley separating the economies of Japan and China narrowed; but, as they came to understand China's financial circumstances and economic plans, they realized deep in their hearts that China's waters aren't so sweet after all.

Officials Wake From Their Dreams

The Japan-China Joint Trade Committee was opened in Peking on November 28, 1978, in order to look at future Japan-China economic relations. Agency directors and vice-directors of both countries met together. Urgent economic questions were reviewed, such as the question of continuing the long-term trade agreement, discussed during Kawamoto's China visit, financial settlements, the question of giving preferential customs rates to China, China's crude oil exports to Japan, and revision of Japan's surplus exports to China. Even at this conference, Japan was impressed with the fact that Japan-China trade is not "rose-red" by any means.

One of MITI's present executives, who participated in constructing the scenario for the high-level growth of the 1960's, has been looking at giving up on the "Chou line without Chou" from China, which wants to haphazardly imitate the Japan of the 1960's. He said: "I can not think that the high-level of growth of 'Japan, Inc.' is possible for them, because China's society is different from Japan."

"China's administrative structure is tied up with the past inefficient cabinet structure. Moreover, there is no department corresponding to Japan's fiercely competitive private enterprise. Although one may try to count the committees and departments in China that correspond to Japan's ministries and agencies, there are too many to make comparisons with Japan. In addition to this, the party's bureaucratic hierarchy is intertwined in such a complex way. The conflict over authority never ends."

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"Although they bring in advanced plants and technology, no socio-political basis has been built to advance the modernization program to the point of full operation. So China cannot help but hit a stone wall, even if they speed up the present regime's modernization program. After all, hasn't their political reform advanced in installments?"

He diagnosed China's modernization line in the above manner, and continued with: "Won't they perhaps settle into a repeat of the Soviet folly, wherein, even though they bring in equipment and technology from the west, what remains will be a huge loan debt, and wherein the masses of people have a blind belief in the European and American style of life?"

It seems that finally the scales have fallen from the eyes of MITI officials. MITI officials, cooling their China fever ten months after the Japan-China long-term trade agreement, are once again trying to wrestle with the basic question of how to heighten the security of Japan's economy for the 1980's, without relying so greatly on foreign demand for exports, together with re-assessing the PRC market as calmly as possible.

Within this situation of apparently bleak national and foreign economies and of new changes in China's politics, having to do with the modernization program---such as the criticism of the Mao-Hua regimes that began again on November 19, 1978---, one MITI official, responsible for the area on China's economy, expressed the following: "When one deals on an economic plane with China, who moves too abruptly, one cannot close his eyes to the aspect of such abrupt changes in Chinese society. With reference to Japan's economy and industry, China is a partner who cannot deal with the impetuosity peculiar to the Japanese. To rush to the Prc market and expect much is difficult. Isn't it just the ministers of some ministries and the economic news reporters for some newspapers and magazines who have overrated China's economy for Japan?"

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ECONOMIC

GOLD, EXCHANGE RESERVES SOAR TO NEW HIGH

Tokyo THE DAILY YOMIURI in English 3 Feb 79 p 4 OW

[Text] Japan's gold and foreign exchange reserves increased slightly in January, reaching another alltime of \$33,109 million high at the end of the month, the Finance Ministry announced Thursday.

The \$90 million gain over the previous record of \$33,019 million at the end of December was the fifth straight monthly rise.

The Finance Ministry said January's reserves were the world's second largest, after West Germany which posted \$52,136 million.

The ministry said it believed the trend of steep increases in Japan's foreign exchange reserves has been put under control somehow, thanks to growing imports and sluggish exports.

The month's increase resulted from the government's purchase of International Monetary Fund Special Drawing Rights (SDR) amounting to \$225 million and exchange gains during the month.

But the increase margin was rather small due to export-import banks loans in foreign exchange totaling \$245 million in the month.

The loans were extended for the first time in history for imports of foreign-made aircraft for lease to a third nation, and for foreign-registered ships built in Japan and chartered by Japanese shipping firms on a long-term basis.

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ECONOMIC

BUSINESS RECOVERS, UNEMPLOYMENT STILL HIGH

Tokyo MAINICHI DAILY NEWS in English 6 Feb 79 p 5 OW

[Text] While business showed signs of recovery last year, a recent labor ministry report noted this did not lead to any improvement in the employment situation.

The ministry's annual survey said business recovery was reflected in wages and working hours.

Last year's average monthly cash pay for a worker was 235,375 yen, up 7.1 percent over the previous year, the survey said.

It was a 3.3 percent increase in real wages over the previous year against only a 1.1 percent rise in real wages in 1977 over the previous year.

The rise in cash pay was remarkable in construction and real estate industries apparently because of effects of the government's public works projects.

Actual working hours last year totaled 172.5 hours a month, up 0.3 percent over the previous year, the survey said.

Above all, overtime working hours increased by 2.9 percent last year over the previous year and by 5.4 percent in manufacturing industry, the survey said.

The ministry report said last year's overtime working hours in manufacturing industry reached 80 percent of those in 1973 before the so-called "oil shock" against the ministry's yardstick of business recovery at 87 percent of the 1973 level.

However, the regular employment index last year stood at 96.7 against the base of 100 in 1975, down 1.2 points from the previous year.

The ministry attributed the stagnant employment situation to the policy of having employees work overtime to cope with increased work rather than employing new recruits.

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As a result, the labor turnover rate for 1978 was 17.6 percent in the employment rate and 18.6 percent in the retirement rate, showing excess of unemployment.

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ECONOMIC

PRIORITY GIVEN TO OIL SUPPLY PLANS

Tokyo MAINICHI DAILY NEWS in English 6 Feb 79 p 5

[Text] The government plans to give top priority to minimizing the impact on Japan of the current unstable supply of oil, government sources said Monday [5 Feb]. A package of steps now under study calls for collecting information on oil-producing countries, promoting international cooperation, utilizing oil reserves, strengthening price controls on oil products and urging the nation to save energy, the sources said.

Government experts agree that a protracted cut in the supply of Iranian oil will intensify a global shortage of oil.

The government is paying considerable attention to Saudi Arabia, the world's largest oil exporting country. Saudi Arabia increased oil output to 10-11 million barrels daily in October and November compared with its usual output of 8,500,000 barrels. However, it has imposed a new ceiling of 9,500,000 barrels a day, according to recent reports confirmed by the government. The world supply-demand situation for oil will immediately become tight if Saudi Arabia continues to keep the lid on output, the sources said.

The government has so far failed to take drastic measures to save oil, partly because it wanted to avoid disturbances like those seen in the 1973 oil crisis. The sources said the government plans to accurately assess the oil situation for the nation, to call for readiness against unstable oil supply.

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ECONOMIC

OIL CONSERVATION LIKELY ISSUE AT TOKYO SUMMIT

Tokyo ASAHI EVENING NEWS in English 6 Feb 79 p 1 OW

[Text] Oil conservation may be discussed at the Tokyo summit of major industrial democracies in June.

The first preparatory meeting will be held in Tokyo on 22-23 March to discuss the agenda of the summit and the roles to be played by the participating countries.

Since the summit will take place amid mounting criticism of Japan's massive current account surplus, the government is likely to have a hard time from the preparatory stage.

In unofficial talks between Japan and the other participating nations, strong opinions have been expressed that in view of the political crisis in Iran, the Tokyo summit should make energy as an important item on the agenda.

As a result, a common strategy for oil conservation may become a key theme of the summit, depending on developments in the international oil situation in the days ahead.

Deputy foreign Vice Minister Hiromichi Miyazaki will preside over the preparatory meeting. Delegates from the United States, West Germany, France, Britain, Italy and Canada will participate in the capacity of personal representatives of the heads of government of the six countries.

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ECONOMIC

BRIEFS

ENGINEERS OVERSEAS--The Ministry of International Trade and Industry (MITI) has announced that 130 technicians will be sent overseas to help developing nations. Last year only 48 experts were dispatched to other countries as part of Japan's economic cooperation programs. MITI had originally wanted to send 220 people overseas during fiscal 1979. The scientists and technicians will be part of a program set up by the Japan Overseas Development Corporation. Eighty of them will live abroad for three months and the rest will stay overseas for eight or nine months. [Excerpt] [Tokyo ASAHI EVENING NEWS in English 13 Jan 79 p 3 OW]

JANUARY EXPORTS--Japanese exports on a letter-of-credit basis totaled \$5,493 million last month, up 17 percent from a year earlier. The figure compared with December's year-to-year increase of 10.9 percent, the slowest 12-month rise since a 10.1 percent registered in July, 1977. Meanwhile, seasonally-adjusted L/C exports rose 1.5 percent from December to \$5,709 million. In yen terms, January L/C exports totaled 1,084.2 billion yen, up 4.2 percent from a month ago. Item wise, exports of chemical and steel products registered fairly large increases while automobiles, general machinery, electrical machinery and textile products dropped below the year-earlier level. Exports to the United States totaled \$1,753 million, up 2 percent from 12 months ago. Shipments to China more than doubled from the year-before level. [Tokyo MAINICHI DAILY NEWS in English 3 Feb 79 p 5 OW]

SPANISH STEEL MILL--Sumitomo Metal Industries, Ltd., of Osaka said Friday that it would begin extending technological help shortly to a Spanish steel company which is to embark on the production of quality wire rods. The top-rate Japanese steelmaker said it had signed a contract for such technological cooperation with Ensidesa Verina, a government-owned steel company of Madrid. Under the contract, Sumitomo will send several technological instructors to Spain, beginning with two to leave Japan next month. Sumitomo will also train a number of workers of the Spanish company at its Japanese mill. [Tokyo MAINICHI DAILY NEWS in English 3 Feb 79 p 5 OW]

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