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Japan Report

(FOUO 64/81)



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POLITICAL AND SOCIOLOGICAL

EXPERT ON THE CURRENT POLITICAL ISSUES

LDP Split Predicted

Tokyo USHIO in Japanese Aug 81 pp 134-137

[Article by Takao Iwami, Mainichi Shimbun reporter]

[Text] Points to Consider in Predicting the Life of the Suzuki Cabinet

The political world is rather active this summer. After Prime Minister Suzuki returned from his European visit, the Tokyo Metropolitan Assembly campaign went into its final phase. Early in July, the interim report of the Second Extraordinary Administration Study Committee was published and the dispute over administrative reform became more pronounced because of this.

In July, there was the Ottawa Summit. Without the resting time usual during summer vacations, the government is likely to keep moving at a rapid tempo. "Administrative reform" and "defense" will play the major surface roles in this changing situation. But the durability of the Suzuki government will be discussed with the same frequency.

Talk of Suzuki's reelection, which once seemed certain, has not been heard much recently. Predictions of a short duration for the government has emerged, but there is no telling yet what will happen. There are many unknown factors such as how well Suzuki will carry out administrative reform, how he will get through the reshuffling of personnel expected in the party and the cabinet in November, and who the successor would be if the life of this cabinet is cut short.

All that is certain is that Suzuki is facing a crisis after one year in charge of the government. It is difficult to tell which way the wind will blow with the information at hand.

The major newspaper opinion polls for the first part and middle of June showed the following results with respect to the Suzuki government. Asahi showed 36 percent supporting and 39 percent not supporting and Yomiuri showed 37.6 percent supporting and 42 percent not supporting, both newspapers giving the caution signal of the rate of lack of support moving ahead of the rate of support. In the Mainichi, the supporters just barely had the edge, 33 percent to 31 percent.

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All three polls agreed in showing a growing trend of non-support. The uproar surrounding former Foreign Minister Ito's resignation and "Reischauer shock" are probably the causes of the lack of confidence in Suzuki. However, the changes in numbers are not large enough to predict the fate of the government.

Along with the debate over the future of the Suzuki government, another thing that must be considered is how to interpret the movements inside the LDP.

Attention should be paid to the recent stocktaking with respect to the "40-day battle," the serious political battle between former prime ministers Ohira and Fukuda which shook the LDP in October and November the year before last.

Yohei Kono, the former representative of the Shin Jiyu Club which supported Ohira in the Rukuda-Ohira battle, recently said this. "The internal split in the LDP was advancing and it was definitely an opportunity to end the single-party leadership system of the LDP.

"Because the opposition parties had been in the position of perpetual opposition, they were unable to take advantage of that valuable opportunity and they let the chance slip by. We were the only ones who swung our bat and there were only four of us. The chance was lost and the LDP returned to their absolute majority of Diet seats. However, it continued to be unstable internally and there definitely will be a second and a third chance. After letting such a good pitch go by, the other opposition parties must be thinking to themselves, "Darn it, we should have swung.

"That was shown by the recent movements of the moderate parties. They may have come to a dead end themselves. Of course, that kind of opportunity would not result in an upset with just one hit. But if it recurs, a more definite move will take place. Even if they failed that time, they can probably meet the ball squarely the next time around.

"I was very disappointed last time, but I did not despair or give up hope. We have only been organized as a party for 5 years. The Social Democrats have worked as an opposition party for 22 years and the Komeito for 17 years, so there were differences in sensitivity on that occasion. What is important from now on is to continue being alert and reacting quickly. The LDP sits there like the Great Buddha of Nara but it is now engaged in the big job of changing a system built up over 56 years. They do not at all think that they can do this in 3 years or 5 years. They must work persistently over a long period of time. After making one try, they must begin preparing for the next effort."

It is not yet clear what really happened on the occasion spoken of by Kono. On the surface it seems that the abnormal situation, in which both Ohira and Fukuda named themselves as the leader, ended when the four members of an opposition party, including Kono, voted for Ohira. But this was only an irregular alliance between conservatives. Behind the scenes, there was frantic maneuvering for alliances between parties. Both Ohira and Fukuda acted with the idea of forming a new party with a coalition between conservative and moderate parties.

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Political Restructuring Announced by Tanaka

Some statements about that event have gradually emerged. For example, the recent statements of former prime ministers Fukuda and Tanaka printed in the SHUKAN ASAHI come close to telling the real story.

First, Fukuda replied as follows to an interview in the 5 June issue.

Question: "I have heard that there were people around you who maneuvered to form a new party."

Fukuda: "There was such a move. According to those people--I don't know if they succeeded or not--they made some overtures in the direction of the Social Democrats and the Komeito."

Question: "Did you ever think it would be all right to go along with that?"

Fukuda: "No, I didn't. Because I believe that I myself, represent the mainstream of the LDP and also the mainstream of Japan. I could not move so lightly to split the party."

Question: "In that respect, you are different from former Prime Minister Miki who acted together with you."

Fukuda: "Well, I don't think that Mr. Miki seriously planned to split the party. But some such thing may have flitted in and out of his mind."

In short, Fukuda admits that the Fukuda-Miki-Nakasone alliance carried out some maneuvering for a new party including the Social Democratic Party and the Komeito on the assumption that a catastrophe was in the offing because of the Ohira-Fukuda standoff. What about the Ohira-Tanaka side? Tanaka spoke as follows two weeks later in the 19 June issue.

Question: "Fukuda admits that in the middle of the '40-day battle' there was a movement among the anti-mainstream factions to split the party into two parts."

Tanaka: "This happened right in broad daylight. I suppose it was some sort of daydream. We have to think that. Because if they ever thought of doing it again, the results would be terrible."

Question: "Is it true that Mr. Ohira thought of joining together with the Komeito as a countermeasure?"

Tanaka: "It is a fact that Mr. Ohira thought this deep down inside. He thought that it was improper to run a government with one party relying on power alone. In that he was somewhat different from me. At the end of the Kishi administration, when the Ikeda cabinet was being formed, the Diet was besieged and there was an argument that the LDP should retire. Mr Ohira seriously proposed this. I asked, 'How can you run the Japanese government with such a weak-kneed attitude?'

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Question: "So, did Mr. Ohira plan to retire after the loss in the general election the year before last?"

Tanaka: "No, not that time. He did not think of the LDP as one party. Down deep he thought that those with the same policy ideas should join together and that it would be all right to divide the party into two. But that time, the opponents were unable to act."

Putting these two statements together, we get a scenario where the "40-day battle" stopped just short of a party split and a sudden restructuring of the political landscape.

The response of the Komeito and Democratic Socialist Party is not known, but it was apparently not as simple as the usual view of Ohira-Komeito and Fukuda-Social Democrat alliances. Both parties made contact with Fukuda and Ohira but neither party could make a decision. The Shin Jiyu Club, which was smaller and more flexible, went with Ohira.

Will more events like the "40-day battle" occur as predicted by Kono? In the same interview, Tanaka made a statement with great import.

Question: "Will such a daydream occur again in the future?"

Tanaka: "A daydream will not occur. It will be done resolutely and in the open."

Question: "If a restructuring of the political system is carried out boldly, in the open, what kinds of battles and alliances do you think will occur?"

Tanaka: "There probably will be a political restructuring. It will occur when, in connection with such things as the Rieschauer statement and the La Roque statement, we reconsider, together with the people, the true state of the Japan-U. S. Mutual Security Treaty. And when we really make an attempt to break down the ministries. The kind of administrative reform I am thinking of is a reduction in the total number of personnel. Create twice the present number of bureau chiefs, three times the number of section managers, 10 times the number of subsection managers, and cut the total number of personnel in half. In other words, change the present pyramidal structure to a trapezoid. The party that agrees with this is the Democratic Socialist Party."

Question: "The Democratic Socialist Party also agrees on the defense issue."

Tanaka: "Yes, the Democratic Socialist Party agrees on defense too. The Komeito agrees on domestic affairs."

On this occasion, why did Tanaka repeatedly mention the Democratic Socialist Party? Was he strategically trying to give the impression of an emphasis on the Democratic Socialist Party because of the frequent rumors of a close connection between Tanaka and the Komeito? Or has he seriously begun to think of the Democratic Socialist Party as a possible partner. His true intentions are unknown.

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Split Between Status Quo Faction and Reform Faction

The thing that should be noted, rather than how much distance there is between Tanaka and the Social Democrats or the Komeito, is the fact that Tanaka clearly stated that there "will be" a restructuring of the political system related to the issues of the security treaty and defense and administrative reform. There is some logical contradiction with his previous criticism of Ohira's coalition idea. However, we must pay attention when the powerful man who controls the largest faction in the LDP says there will be a restructuring.

It is not clear whether the Tanaka statement indicates that the tendency toward a split in the LDP is growing stronger or whether it assumes a coalition between the LDP and the Democratic Socialist Party and the Komeito. Judging from the drift of the statement, it seems to imply the former.

If that is the case, Kono's prediction of another "40-day battle" is not just a premonition. There may be a real possibility.

The Democratic Socialist Party is making an urgent appeal to other moderate parties, because it believes the internal conflict in the LDP will become acute within the year. According to party chairman Sasaki, "The Suzuki cabinet will probably be badly shaken after the Tokyo Metropolitan Assembly election."

Permanent advisor Kasuga has his eye on the possibility of an internal conflict. "There will certainly be voices inside the LDP who will question whether the LDP government is satisfactory under such conditions." As a presupposition, he seems to think that a political battle over Suzuki's successor is imminent. Any past strategies for restructuring including those taken during the "40-day battle," were all carried out concurrently with changes in the LDP government. Battles for political authority within the LDP are the best opportunities for inducing and escalating disturbances from the vantage point of the opposition parties, who are hoping for a political restructuring.

In line with Kono's statement, many of the Democratic Socialist Party members reflected on the "40-day battle" as follows. "We threw away the chance of a lifetime. If we had sprung into action at that time, there would have been a violent upheaval in the political situation. The double election where the LDP won a huge victory would not have taken place and the Democratic Socialist Party could have participated in the government." The Komeito has so far refrained from making a statement. All of the moderate parties are ready to move energetically and not lose the opportunity the next time that troubles mount up inside the LDP.

However, how much of a foundation is there within the LDP for carrying out a political restructuring in connection with "mutual security and defense?" One source of information is a poll of LDP Dietmen on the three anti-nuclear principles. An ASAHI SHIMBUN poll was taken, dividing the Diet members into hawks (98 Diet members comprising the Asian Problems Research Council) and doves (67 Diet members belonging to the Asian and African Problems Research Council and the International Parliamentary Arms Reduction Committee). "The results were as follows. (1) Less than half of the hawks but 64 percent of the doves thought that the present government

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policy of maintaining the three anti-nuclear principles is satisfactory. (2) 28 percent of the hawks but only 16 percent of the doves felt that "port calls and transit" should be excluded from the requirement of prior consultation."

Viewed by faction, the Suzuki and Komoto factions both favor maintenance of the status quo, the Fukuda, Nakasone, and Nakagawa group are strongly in favor of revising the three principles; and the Tanaka faction is close to the average position of the entire party.

The MAINICHI interviewed 43 officials connected with security and foreign policy organs. Only 12 (28 percent) of them were in favor of maintaining the status quo. 31 (72 percent) were in favor of revision. This is just the reverse of the 61 percent of the entire party (according to a MAINICHI poll) in favor of the status quo. We can see that the idea of revision is concentrated among the group of Dietmen connected with security and foreign affairs which includes many hawks.

In a joint meeting of related committees, research groups, and special committees of the LDP held right in the midst of the Reischauer statement uproar (2 June), the revisionist doctrine appeared again as follows. (1) It is common knowledge that U. S. warships carrying nuclear weapons stop at Japanese ports and pass through Japanese territorial waters. The government's reply is a lie. (2) The three anti-nuclear principles should be revised now. (3) A welcome party should be given for the Midway which is protecting Japanese sea lanes.

This three-way internal division of the LDP into hawks, doves, and moderates should become much sharper in the coming debate over nuclear policy. The recent flareup of the constitutional revision debate also split into three camps--one for the status quo, one for revision, and a third for an independent moderate position.

However, when faced with the specific choice of "what to do about port calls and transit," it is expected that the moderate faction will not be able to maintain its position and the three-way division will gradually polarize into two opposing camps. There is no data from a poll asking Diet members about both the three anti-nuclear principles and the constitutional problem at the same time. However, it is likely that the LDP would be divided into two widely opposing groups--one for the status quo and one for revision.

Will the Opposition Parties Foment Internal Disturbances?

Previously, there have been two tendencies in the LDP concerning security and foreign policy. At the time of the Mutual Security Treaty renewal 21 years ago, there was a positive and a negative faction. However, because there was no other political party with the ability to govern, the matter was ended with the resignation of the Kishi cabinet while the split remained hidden inside the party. If the party had been unified in support of the treaty renewal, Kishi may have been able to hold his ground in spite of fierce outside resistance. Even though the resignation was made in response to outside action, it was strongly urged from inside the party as well.

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Then on the occasion of the normalization of relations between Japan and China, the party was again divided into a group promoting the normalization and a group advocating caution. Normalization was just barely made possible by the great reversal in international diplomacy when the United States moved closer to China. The exertion of outside pressure, expressed in the terms "based on the understanding of the United States," was a big factor. Inside the party, Tanaka's political power was effectively utilized. This was just after Tanaka had acquired power by force of numbers. We should not forget the effect of the new government's momentum and the support given by the opposition parties.

If the cautious faction led by Fukuda had continued to resist (and a plan to leave the party and form a new party was considered at the time), a split may have occurred. However, it was apparent that they would fall into the position of a minority party. In the end, in the midst of situational changes, the conflict was kept inside the party just as it was at the time of the security treaty renewal.

After the normalization of relations between Japan and China, Mr. Ohira, the foreign minister at the time, made this public statement. "The inside of the LDP is like oil and water. Eventually, there will probably be a split over policy." This analysis of the LDP could have been behind Ohira's coalition idea. And it seems that Ohira's prediction has begun to take on the look of reality.

There may not be an upheaval this year as the Social Democrats hope. It would seem that Kono's statement that "They do not at all think they can do it in 3 years or 5 years" is more on target. At any rate, it is certain that the split in the LDP has grown to the point where it cannot be healed simple by internal adjustment.

This can be said because the LDP would almost certainly have split during the "40-day battle" if either the Democratic Socialist Party or the Komeito, or both, had been able to make a commitment.

Both Ohira and Fukuda extended an invitation to both parties. This was hindered mainly by the vacillation and calculating of the two parties. However, the resistance of both parties in relation to at least this issue is weakening. After repeated experiments, the ability of the opposition parties to respond has become more sophisticated and they are even making moves to initiate internal trouble in the LDP.

Even so, there is still a deep-seated fear that a party split would lead to tragic results and a desire for self-protection, a desire to continue in the position of siding with the ruling party. So without a strong stimulus, a sudden change is unlikely. There is no way to know whether the political battle to determine Suzuki's successor will become the occasion for such an event. However, there is certainly a movement, growing much stronger than before, to turn it into such an occasion.

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Nikaido's Maneuver Examined

Tokyo USHIO in Japanese Sep 81 pp 236-241

[Article by Takao Iwami, MAINICHI SHIMBUN reporter]

[Text] What Was the Influence of Tanaka's Arrest?

We can still recall the intense heat of the summer 5 years ago. On the morning of 27 July, 1976, a special edition of the MAINICHI SHIMBUN appeared with the following lead-in. "The symbol of money politics, former prime minister Kakuei Tanaka, has finally been arrested. The Special Investigation Department of the Tokyo District Public Prosecutors Office, which has been investigating the Lockheed Incident, issued a summons to former prime minister Kakuei Tanaka (57)--member of the House of Representatives, Niigata Third District--at 7:26 AM on the 27th. After investigation, Tanaka was arrested on suspicion of violating the Foreign Exchange Law at 8:53 AM of the same day. On suspicion of receiving 500 million yen from Marubeni with receipts made out for pieces and peanuts...."

The headlines of all the newspapers were lurid. "The World Is Shocked." "The Political World in Panic." "Rotten Smell from Money Politics." "LDP Thrashing About in Storm."

The title of the MAINICHI editorial for the next day, the 28th, was "The Problem of Tanaka's Arrest and the Conservative Position." It said, "This tells us that we must conduct an overall accounting and examination of postwar politics. The LDP has had its central core shot out. How can it cope with this situation? The future fate of the party will depend on the manner of its response. Determination and effort by the LDP, as well as the other political parties and people in power, is required for a major cleanup of present politics. The Tanaka arrest should be taken as an opportunity for political reform."

The ASAHI editorial was entitled "The 'Tanaka Arrest' and the Corruption of Power." It argued as follows. "The party custom by which the politician with the largest faction of Diet members gets the highest position of power, the party custom of using money to build up a private army for this purpose, the practice of neglecting organization with roots among the people and depending on corporate contributions--all these practices are now under indictment. This problem cannot be entirely attributed to Tanaka as an individual. We can say that certain elements of a conservative crisis have been growing stronger over a number of years and have come to the surface in the shocking form of the Tanaka arrest. A radical reform of the LDP is urgently needed to eliminate the odious connection between money and politics."

There seemed to be a premonition of the approach of a big ground swell that would cause the audible crumbling of the old order. Also, coming 30 years after the war, there was the intimation of an end point in time.

The powerful Kakuei Tanaka, who had just resigned from his post as prime minister had been arrested for a crime committed during his term as prime minister. Furthermore, Tanaka was the most powerful leader of the Liberal Democratic Party which had dominated most of postwar Japanese politics. Not only did he have the negative image of a politician who attained power by financial influence, he seemed to represent the hasty, hard-driving rebuilding of postwar Japan.

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For better or worse, the image of postwar Japan was concentrated in this rare type of leader, Tanaka. The reason that Tanaka's popularity does not decrease even after the time he has spent in the position of an accused criminal, must lie in the uncanny resemblance between the Tanaka personality and the personality of postwar Japan, frantically grasping for economic success.

It is for this reason that Tanaka's becoming a criminal made a deeper impression than the fact of receiving a 500 million yen bribe of which he is accused. Just as the MAINICHI editorial stated, the central core of the LDP "has been shot away." And as the ASAHI editorial stated, above and beyond Tanaka the individual, the nature of the entire system that has supported the LDP should have been under indictment. It seemed that the LDP was faced with a crucial decision of travelling the same road to destruction or radically reforming the party from the inside.

Why Has Political Reform Become Impossible?

But what happened? 5 years have passed quickly since that summer. The LDP has continued to hold power without changing a bit from the time when the Lockheed scandal was exposed. It has even secured a safe majority. Was the impression of coming to a turning point that we felt 5 years ago simply an illusion? In the 5 years since the Tanaka arrest the ruling power has gone from Miki to Fukuda to Ohira to Suzuki. In the last period of the Miki government (September 1976) and of the Ohira government (October 1979), the LDP came close to splitting but in both cases this was caused by political infighting within the party rather than by a conflict over party reform.

As a result, tired of the wear and tear of political battling, the party took short rest periods under Fukuda and then under Suzuki. However, these were only brief periods of waiting for the next round of political battles, and the present movements in the LDP include the same political infighting. I do not mean to directly criticize the fighting for political power. These battles are probably inevitable, but along with these political squabbles, the LDP, involved as it was in the Lockheed scandal, should have made a serious attempt at political reform.

However, none of these governments did anything in spite of the slogans they propounded. The "logic of numbers," by which the faction with the largest number of Dietmen gained the most power, continued to have top priority. The system under which all sorts of things are justified by numbers remained unchanged. Any political cleanup or reform was totally buried under the "logic of numbers."

The only difference with the past is that the function of the "logic of numbers" is somewhat changed. The Tanaka faction has superiority of numbers, but it cannot wield power directly, so it must content itself with the position of kingmaker. The three governments of Fukuda, Ohira, and Suzuki were created only with the approval of the Tanaka faction and they crumbled when they ran into Tanaka's veto power.

Putting it another way, without the "consent of Tanaka," no new policy of political reform can be undertaken. The situation might change if a powerful faction or man came along who could take power without the support of the Tanaka faction.

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But right now, there is no such strong opposing power and the real situation is that any faction aiming at power must be sensitive to Tanaka's feelings. A Tanaka faction leader has this to say about daily political operations as well as political power conflicts.

"If a problem arises, it is always the Tanaka faction that goes into action. The other factions make a lot of noise but we get things done in a straightforward efficient way. That means Noboru Takeshita, Shin Kanemaru, Takao Kameoka, Tatsuo Ozawa, and all the rest of us. When anything happens, we all get together. We act naturally, supported by the conservative mainstream awareness that there is no one but us who can get things done. Mr. Tanaka, who is directing us, has a deep-lying, strong sense of responsibility and a sense of the nation characteristic of himself. Even though he is accused of a crime, he is the only leader in the LDP and in Japan who can take action to solve difficult problems. There are others implicated in the same 500-million-yen scandal who the party will have nothing to do with."

This is not necessarily an exaggeration. The Tanaka faction has frequently mobilized its army-corps style energy and responsiveness. This has not only had the positive aspect of a problem-solving capability. It has been applied to all areas such as the manner of carrying out political reform.

If we look only at the one year since Suzuki took power, we see that the special committee for aircraft import study, which served as a stage for pursuing the scandals related to aircraft, was summarily abolished, and the ethics committee which Prime Minister Suzuki promised to establish in its place has somehow disappeared. There is no proof that all of this was done at the Tanaka faction's instigation but there is no doubt that it reflects their desires.

However, it is obvious that the political reform of the LDP must start from the "Tanaka problem." As the MAINICHI and ASAHI editorials cited earlier stated, the Tanaka arrest is more than a problem related to Tanaka as an individual. It is heavily linked to defects within the LDP and the political system itself. All politicians, including those of the opposition parties, should have thought deeply about how to cope with the Tanaka problem and continued to experience inner discord during the last 5 years. The Tanaka problem is the problem of every individual politician. Everyone knows that Tanaka was not the only one to mix money and politics. Every politician to one degree or another is tainted with the practice of using financial influence in the political sphere. In order to reform this system, it is first necessary to deal with the Tanaka problem or else cover up everything and let it go. Everyone knows that they must choose one or the other course.

But what has happened? Everyone has fallen silent. The opposition parties are no exception. They vacillate before "our own Kakuei Tanaka" and cannot cope with the "Tanaka problem" which stands in front of them. Everything moves at Tanaka's discretion.

The situation has been turned upside down. A political reform cannot possibly take place unless the criminal defendant Tanaka decides to undertake a reform. This is the most difficult part of the "Tanaka problem."

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The Background of Nikaido's Appeal for Restoration of Honor

The Tanaka faction has expanded its power even further since last year. Recently, it contains 105 Dietmen from both the upper and lower houses. Tanaka himself says, "There are even more. There are probably about 130. That will become apparent in the next election" (19 June SHUKAN ASAHI interview). So more will probably be added. This phenomenon could not have been imagined 5 years ago. When Tanaka was arrested, some people left the Tanaka faction. It was a common sense view that it would decline. Why did the opposite occur? Tanaka says, with great confidence, "It is because they trust me. I believe it is because of very strong friendship and complete trust. This should not be overlooked. If it were not for that, they would not go along with someone on his way to hell. The wife and children of a person going to the gallows have nothing to hope for. But I think that a person in a public position would not join my group unless he had confidence in me" (from the same interview).

However, the secret of the expansion of the Tanaka faction is not that simple. It cannot be singled out as this or that and is probably a gravitational pull resulting from many factors. In any case, it continues to expand steadily. We should not forget that this increases the Tanaka faction's power of intimidation and leads to further expansion.

Recently, the Tanaka faction has begun to move toward taking over political power rather than just having a kingmaking function based on its large numbers. At least, it has taken such a pose. In the fifth year after Tanaka's arrest, this is a momentous change. This appeared in extreme form in the appeal for restoration of honor by Susumu Nikaido (chairman of the party executive council). Nikaido is an influential man who is in a position representing the Tanaka faction. If the faction were to put up a candidate for party president, the faction has pretty well reached internal agreement that it would be Nikaido. However, as everyone knows, Nikaido is still seen as one of the "gray officials" in the Lockheed incident. Even though he was able to attain one of the three party leadership positions, it is said that there is a barrier to his even taking a cabinet position. Therefore, proof of innocence is a prerequisite to actually, making Nikaido the prime minister.

However, this is not a simple matter. According to the data submitted to the House of Representatives Special Secret Lockheed Research Committee by the Ministry of Justice and the Public Prosecutors Office on 2 November, 1976, Nikaido was involved with the "30-unit receipt" in the Lockheed incident. In the first part of November 1972, when he was serving as Tanaka's Chief Cabinet Secretary, he received 5 million yen in cash from Hiroshi Ito, senior executive managing director of Marubeni (at the time). This was compensation for acting to get the Tristar aircraft accepted. However, his official authority could not be proven and he was not indicted. At the same hearing, Nikaido and five other "gray officials" took 10 minutes each to defend themselves. Nikaido entirely denied the truth of all accusations. Since then he has used every available opportunity to appeal for a restoration of his honor. Even when Hori and Nadao were serving as speakers of the House of Representatives, he asked for "an opportunity to defend myself."

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The appeal he has submitted to present Speaker of the House Fukuda has the same content. (1) My identification as a "gray official" is due to one-sided information. I did not accept any money. (2) The parliamentary procedures which, in spite of this, one-sidedly announced my name in public at the Lockheed special committee hearing in November 1976 infringed on my personal rights and honor. (3) Because a similar case, not just related to myself, may arise in the future, the Diet should reevaluate the status of government investigations in the light of human rights and the constitution. (4) I would also like to have some action taken concerning myself.

There are three reasons behind Nikaido's present action. First, considering the gradual emergence of a cabinet restructuring and post-Suzuki movement expected toward the end of the year, Tanaka and the Tanaka faction are planning to recover power both in name and in fact. As a beginning, they want to put Nikaido in the cabinet or nominate Nikaido for party president. Restoration of honor is an essential step for this purpose. Second, the conditions are right for the side receiving the appeal. The LDP has a stable majority in the Diet so the resistance of the opposition parties can be stopped. The Speaker of the House of Representatives, Hajime Fukuda, who holds the key to the handling of this matter, is close to Tanaka and joined together with Nikaido 5 years ago to dump Miki. Mototoshi Yamashita, chairman of the Standing Committee for House management, is also a leader of the Tanaka faction. Suzuki, waiting in the background, with the prediction of a short life for his cabinet circulating around, must be worried about how the Tanaka faction will proceed as he sees that conditions are just right for them.

Third, the judgment on the All Nippon Airways route in the Lockheed trial has been delayed because of the sudden death of the presiding judge. The Tanaka faction is reported to be certain of the innocence of the defendant, former Transport Minister Tomisaburo Hashimoto. The Tanaka faction thought that if Hashimoto were exonerated, it would have the same effect as proof of Nikaido's innocence. Since the judgment expected this spring has been postponed a year, it will not coincide well with political moves, so some other action must be taken.

The 'Tanaka Problem' Is Not Just the Assessment of an Individual

On 14 July, in the midst of the controversy surrounding Nikaido's appeal, the prosecutor's final statement was presented against Hashimoto and others involved in the All Nippon Airways route.

Furthermore, in this statement, the Public Prosecutors Office mentioned Nikaido's name ten times. In the part concerning the 5 million yen gift to Hashimoto, they clearly stated the following as a related fact that could be affirmed by evidence. "Also, former senior executive managing director of Maubeni, Hiroshi Ito, handed a package containing 5 million yen in cash to Susumu Nikaido in the Chief Cabinet Secretary's official residence."

In the opening statement at the first public trial 4 and 1/2 years ago, the Public Prosecutors Office did not use Nikaido's name, although he had received funds from

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Lockheed along with Hashimoto and others, because they had come up against the wall of "official authority" and could not prosecute him for the crime. The fact that they used his name in the closing statement probably indicates confidence on the part of the Prosecutors Office. At the same time, it renewed the impression of "grayness" that had been fading in the public mind. However on the same day, Nikaido submitted another statement to Speaker Fukuda. It asked for the proper handling of the following three issues: (1) method for restoring honor to persons who rights have been infringed by the conducting of government investigations, (2) the issue of the legal concept of not punishing only because of suspicion and the actual practice in Diet politics of implying suspicion to get results in government investigations, and (3) the problem of investigating the truth or falsehood of government reports relating to the Criminal Procedure Code, Article 47. The previous appeal focused on washing Nikaido's own dirty clothes. Perhaps because of the prosecutor's closing statement and consideration of the protest from the opposition parties who are to help the LDP regain power, the present statement presents more general problems of the status of government investigations and the legislative system.

Speaker Fukuda accepted the statement and asked questions of House Management Committee Chairman Yamashita. It will be formally taken up by the committee on 4 August with no reference to Nikaido's individual problem. So it seems that the statement will be entered into the House Management Committee minutes as a reference document. Nikaido's apparent aim is to have an "assertion of innocence" entered into a public document of the Diet to cancel out the "recognition of suspicion" in the minutes of the special Lockheed committee. Right now, the Socialist Party is totally opposed to entering the statement in the minutes. Even if it is entered, the "suspicion of grayness" indicated by the prosecutor's closing statement will not be reduced by an argument about the facts. In fact, it will have the opposite effect in the public eye, giving the impression of an attempt to blur the suspicion.

However, the political world moves by a different logic than ordinary society. If the problem of the Nikaido statement is settled as planned, the voices within the LDP protesting the appointment of Nikaido to a cabinet position may disappear. In spite of being tainted underneath with the shock of 5 years ago, the "Tanaka problem" has followed the course described here. People are seeking Tanaka's support by word and deed but there is no criticism of Tanaka to be heard anywhere.

The Marubeni route part of the Lockheed trial is proceeding separately and gradually approaching the climax. The entire political world is holding its breath, waiting to see what the effects of the judgment will be.

Tanaka is completely confident about the judgment in this trial. "There is no possibility of a bad result. It will be settled this year (Does this mean the conclusion of the trial?). I believe it will be settled. I am being tormented from an idealistic position for a lack of discretion. You (the media) have decided I am a bad guy. Please don't give me a hard time. There are a lot of people who think that Mr. Tanaka is a good guy. There really are" (SHUKAN ASAHI interview).

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However, the "Tanaka problem" goes beyond whether Tanaka is a good guy or a bad guy. It is the larger issue of how Japanese democracy can survive a scandal like that of the Tanaka arrest which has never been experienced before.

Looking back with this in mind, we can see the last 5 years as retrogressive rather than just a blank. It is not difficult to understand the secret of Tanaka's rising popularity inside and outside political circles. There are certainly great expectations of Tanaka as a leader. And one cannot deny that Tanaka is a very able and charismatic politician. However, the "Tanaka problem" must be considered separately from all such personal evaluation. In this fifth summer, the humidity is getting worse.

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POLITICAL AND SOCIOLOGICAL

KOMEI TO REVERSES POLICY ON SECURITY TREATY, SDF

OW161045 Tokyo JPS in English 0913 GMT 16 Oct 81

[Text] Tokyo, 16 Oct (JPS)--The Komei Party on October 14 held an enlarged central executive committee meeting and decided on a draft basic policy and an action program, both of which are to be submitted to the 19th congress in December.

On these draft resolutions of the Komei Party, the October 16 issue of AKAHATA carried an editorial entitled "Elaboration of the Komei Party Line of Following the LDP Policy."

The draft resolutions of the Komei Party to be presented to its congress indicate that the Komei Party has arrived at the final stage of elaboration of the pro-LDP policy which has been promoted over the past years: the Komei Party has turned rightward in its policy toward the security treaty and the self-defense forces, and also turned to the line of propping up the Chon Tu-hwan regime in its policy toward the Korean Peninsula.

The important point of the Komei Party's draft resolutions is that the resolutions actively evaluated the Japan-U.S. security treaty for the first time in the party's basic policy, saying that the treaty is playing a deterrent role in maintaining Japan's security to some extent. The Komei Party has also approved that the self-defense forces are "constitutional," saying that the SDF "have many elements to meet the Komei Party-proposed capability of preserving the territory.

It was not long ago that the Komei Party criticized the Japan-U.S. security treaty for being "a dangerous military alliance which involves Japan in a war which has no relation with Japan and involves the country in the U.S. strategy toward Asia" (basic policy, 1978). The party also charged that "under the military alliance system called Japan-U.S. security treaty, the SDF are completely enrolled in the U.S. nuclear strategy and are going to make clear that they will bear a part of defense," stressing "there is a strong suspicion that the SDF are unconstitutional."

The Komei Party has made a turn-about in its policy.

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The Komei Party is alleging the policy change is a "realistic response to a change in the international situation." There is no irresponsible attitude of a political party other than [that of] the Komei Party, which, on the pretext of a "change in the international situations" at one time says that the SDF are "unconstitutional" and at another says that they are "constitutional." The party also says at one time that the Japan-U.S. security treaty is a "dangerous military alliance," which will involve Japan into war, and at another says that it plays a "deterrent role."

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POLITICAL AND SOCIOLOGICAL

JAPAN-PLO RELATIONS REVIEWED

Tokyo THE DAILY YOMIURI in English 18 Oct 81 p 3

[Behind the Scene column by Minoru Hirano: "A 'Success' With Arafat?"]

[Text]

The Foreign Ministry summarized Wednesday's talks between Prime Minister Suzuki and Foreign Minister Sonoda on one side and PLO leader Yasser Arafat as follows:

- Arafat was informed of Japan's long-standing position on the Mideast issue: it recognizes the Palestinians' right to self-determination and Israel's right to exist.
- Arafat took a negative position on recognition of Israel's right to exist but agreed to Saudi Arabia's eight-point proposal for Middle East peace which virtually recognizes Israel's right to exist.

In other words, Japan elicited a flexible attitude from the PLO without yielding on its basic position as a member of the Western camp. So it means a success for Japanese diplomacy.

The government of any country naturally desires to publicize as a success anything which it accomplishes. The desire of the Foreign Ministry is quite understandable on this occasion because the scheduled visit to Japan by Egyptian president Anwar Sadat, intended to counterbalance the visit by Arafat, did not materialize because of Sadat's assassination and the outcome of the PLO leader's visit to Japan is attracting world attention.

However, some observers cynically say the Foreign Ministry was excessively elated, self-complacent and naive.

To the PLO, the purpose of Arafat's visit to Japan is to make Japan recognize the PLO. In consideration of Japanese sensitivities, Arafat refrained from criticizing Sadat or bitterly censuring the US and employed a diplomacy of smiles toward every person he met. But will he show the same face in Hanoi and Moscow, his next stops? We should watch the PLO's moves hereafter.

How will the rest of the world interpret Arafat's visit to Japan? How will Japan, after the meetings of its top leaders with Arafat, approach the US which has a big influence on Israel? We should be watching these things, too.

Former foreign minister Toshio Kimura, who invited Arafat, as well as Prime Minister Suzuki, says that Japan can take a neutral and impartial attitude toward the Middle East because Japan has not soiled its hand in the Middle East. But a clean hand, in a sense, means that Japan has no experience in taking part in Middle East affairs and accordingly lacks influence in that part of the world. Moreover, Japan is under criticism for "free riding" in the Middle East.

Crude oil supplies to Japan from the Middle East are protected by the US Seventh Fleet. It is Saudi Arabia's economic strength that is curbing radical action by the PLO because Saudi Arabia is extending economic assistance to the PLO. Egypt's military strength has great significance toward the stability of the Middle East. Arafat flattered Japan by saying that Japan is an economic superpower, but there is criticism that Japan, which is doing nothing for the Middle East, should not talk big.

At the Tokyo summit in 1979, Japan proposed issuance of a special declaration on Middle East peace but was forced to abandon this scheme because of opposition from the rest of the participating countries. On that occasion, Japan learned its limit. How much difference is there between Japan's strength at that time and Japan's present strength?

Politicians like to play to the upper gallery. Immediately after the meeting with

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Arafat, one top Foreign Ministry official said he would advise the US to admit the PLO to the Middle East peace talks. After Arafat's departure, however, the official said he had no intention to offer this advice at the North-South summit in Mexico but would convey this conviction little by little after that. He probably thinks that if he now strongly urges the US to admit the PLO to the peace talks, it will give the impression that Japan is siding too much with the PLO and Japan-US relations will be soured.

The same official said he had no idea of what Japan should do for the Middle East after Arafat's visit. His real feeling must be a feeling of relief. The Japanese Government has recovered from the shock it received upon the assassination of Sadat. The visit by Arafat ended without any incident.

The Foreign Ministry eulogizes its diplomacy toward the PLO as a success, but this elated feeling is mixed with this feeling of relief.

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POLITICAL AND SOCIOLOGICAL

'AKAHATA' EDITORIAL SUPPORTS 'ARAFAT VISIT

OW120935 Tokyo JPS in English 0858 GMT 12 Oct 81

[Text] Tokyo, 12 Oct (JPS)--AKAHATA of October 12 carried an editorial entitled "On the Occasion of Chairman 'Arafat's Visit to Japan," the gist of which follows:

"From the viewpoint of defending peace and the self-determination of nations, the Japanese Communist Party [JCP], as the party which has supported the Palestinian people's cause for self-determination, expresses welcome of his visit to Japan, and its hope that genuine mutual understanding and friendship between the Japanese people and the Palestinian people will be deepened.

"To reach the goal of the Palestinian people's cause of self-determination is of important significance not only in the cutting of the root cause of ordeals of the Palestinian people, but also in the promotion of the peace of the Middle East and the world.

"As were indicated by all events 'which have happened since the Camp David agreement,' neither peace nor 'stability' came to the Middle East. This clearly indicates again that there will be no solution of Middle East problems and the realization of peace unless the Palestinian people's determination and their national rights are respected.

"The JCP pointed out in its 12th party congress in 1973 that 'total withdrawal of Israeli troops from the occupied territories and the solution of the issues of Palestinian residents in accordance with their determination and their national interests' are the 'basis of political solution.'

"However, the successive Liberal-Democratic Party [LDP] governments have actively participated in the U.S. imperialist policy of ruling the Middle East. In particular, during the past years, the U.S. alleged that the Middle East and Persian Gulf areas have 'vital interests' of it, and concentrated its interventionist and aggressive policy in these areas. In this situation, the Japanese Government has not only approved the sending of U.S. Armed Forces stationed in Japan to the Middle East, and has gone so far as to pledge to increase military share of surrounding seas of the Far East, which makes favorable condition of the sending of the U.S. 7th Fleet.

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"Of late, the LDP government is making gesture of 'understanding' of the demand of the Palestinian people for self-determination because of the need of Mideast oil. However, it does not exceed the framework of conventional Mideast policy, which is subordinated to the U.S.

"This is reflected in recent serial remarks given by government top officials, who said, 'we do not recognize the Palestine Liberation Organization' and 'we do not give diplomatic privilege.'

"We point out that the Japanese Government policy toward the Middle East in subordination to the U.S. will inevitably meet severe criticism by the peoples of the Middle East.

"The JCP held talks with the PLO leadership in 1975 and issued the joint statement. In this statement the JCP expressed solidarity with the Palestinian people in the struggle for the cause of building a democratic and independent state, the PLO expressed the solidarity with the Japanese people in the struggle for an independent and democratic Japan. The development of mutual support is also included in the statement.

"Availing itself of the occasion of Chairman 'Arafat's visit to Japan, the JCP expresses its hope again that his visit to Japan will become the opportunity of deepening of mutual understanding in true sense and that of the development of solidarity based on the respect for mutual independence," the AKAHATA editorial concluded.

Chairman Yasir 'Arafat is to meet Tetsuzo Fuwa, secretariat chief of the JCP, on the occasion of the meeting with party heads.

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ISSUE OF NORTHERN TERRITORIES ANALYZED

Tokyo MAINICHI DAILY NEWS in English 11 Oct 81 p 2

[Political Periscope column by Takuo Hayashi]

[Text]

A decisive stumbling block in the way of improving Soviet-Japanese relations is the question of the "northern territories." It is the cherished desire of the Japanese people to realize the return of the four islands—Habomai, Shikotan, Kunashiri and Etorofu, now occupied by the Soviet Union. Backed by such public opinion, the Japanese government has been calling on the Soviet Union for a package return of the four islands.

Although people are prone to talk about the islands simply as the "four northern islands," Habomai and Shikotan are different geographically from Kunashiri and Etorofu. Habomai and Shikotan belong to Hokkaido whereas Kunashiri and Etorofu have been called the "Southern Kuriles" historically. Notwithstanding the difference in geographical background, the Japanese government insists on a package return of the islands on the following grounds: In the first place, in addition to Habomai and Shikotan, Kunashiri and Etorofu comprising the Southern Kuriles are Japan's inherent territory,

viewed from the historical standpoint. Secondly, the Japanese government maintains that although Japan gave up its territorial right to the "Kuriles" in the San Francisco Peace Treaty which went into effect in April, 1952, Kunashiri and Etorofu islands comprising the "Southern Kuriles" are not included in the "Kurile Islands" which Japan abandoned.

Japanese Interpretation

Of the two points mentioned above, the former leaves no room for discussion. There is the opinion, however, with regard to the latter that "the interpretation of the Japanese government runs counter to the facts and that Kunashiri and Etorofu islands were included in the Kurile Islands which Japan abandoned in the San Francisco Peace Treaty." Several scholars on international law in Japan have adopted this view.

The October issue of the "Classroom for Jurisprudence," a monthly legal magazine published by the Yuhikaku publishing house, carried an essay by Prof. Yasuo Ishimoto

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of Sophia University entitled "Oblivion by Society." The essay, viewed from the standpoint above, is highly suggestive. In a nutshell, the professor says as follows:

"A column in the evening edition of the Yomiuri Shimbun, dated May 27, 1956, reported to the following effect: At a meeting held between Foreign Minister Mamoru Shigemitsu and diplomatic elders on May 24, former Prime Minister Shigeru Yoshida stated that 'although Japan gave up the Kurile Islands under the San Francisco Peace Treaty, it has not abandoned Kunashiri and Etorofu islands.' Young Foreign Ministry officials upon hearing his remark criticized him unfavorably saying that 'his memory has certainly declined.' Because, at the time when the National Diet was deliberating on the peace treaty, Yoshida as prime minister instructed the director of the Foreign Ministry's Treaty Bureau to reply in the Diet that 'Kunashiri and Etorofu islands are included in the Kurile Islands to be aban-

doned by Japan.'

"Worse still, compared with the decline of the memory of an individual, is the decline of the memory of society as a whole. The recognition of the facts which was the basis for making fun of Yoshida's declining memory is being passed into oblivion by people today. This is a very grave problem."

The "meeting between Foreign Minister Shigemitsu and diplomatic elders," which the essay referred to, was held in 1956 when the then Hatoyama cabinet was conducting diplomatic negotiations with the Soviet Union for the restoration of diplomatic relations. Most elders in diplomatic circles including Yoshida were of the opinion that "the Japanese government should not just be satisfied with the return of Habomai and Shikotan islands alone; it should push through its demand for the return of Kunashiri and Etorofu islands also."

In those days, the view calling for "a package return of the four islands" was the prevailing public opinion. Against such a background, it was politically impossible for the Hatoyama

cabinet to settle the issue by the formula of demanding the return of two islands alone, that is, Habomai and Shikotan, in disregard of public opinion. As a result, Japan and the Soviet Union merely issued a joint declaration for the restoration of diplomatic ties while failing to settle the territorial issue. Despite the lapse of 25 years since then, however, the situation still remains the same when viewed from the Japanese side.

But, is it proper policy for this country to continue calling on the Soviet Union for a "package return of the four islands?" If the interpretation, as pointed out by several international law scholars, is correct that "Japan abandoned Kunashiri and Etorofu under the San Francisco Peace Treaty," the "package" formula is considerably weak from the legal standpoint. It seems necessary for us Japanese to study postwar diplomatic history once again instead of letting it pass into oblivion.

(The writer is a journalist-lecturer at Musashi University in Tokyo)

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POLITICAL AND SOCIOLOGICAL

GOVERNMENT REFORMS HAVE BEEN WATERED DOWN

Tokyo THE JAPAN ECONOMIC JOURNAL in English 13 Oct 81 p 2

[Article by Teruo Tsutsumi: "Gov't Reforms Have Been Watered Down"]

[Text]

The shocking effects on the international society of the assassination of President Anwar Sadat of Egypt can hardly be over-emphasized.

Prime Minister Zenko Suzuki, however, decided not to attend the Egyptian president's state funeral on the ground that the Extraordinary Diet Session is now underway to study administrative and financial reform programs. Suzuki sent Foreign Minister Sunao Sonoda to Egypt instead.

This column is not to question the propriety of the Japanese Prime Minister's decision. The fact, however, cannot be denied that the juxtaposition of Sadat's death and deliberations on the lukewarm administrative reform programs will dramatically contrast the sharply growing tension in the international scene against the somnolent peace within Japan.

The primary objective of the administrative reform bill now in the Diet is to reconstruct the national finances, virtually bankrupt from heavy borrowings made to run the "engine" of the Japanese economy. The Government originally planned to cut back some ¥ 2,000 billion from its huge total deficit running up to some ¥ 46,000 billion (in the General Account Budget for fiscal 1981). In the course of translating the original plan into the final version, however, the Government has been forced to make considerable backpedalling and the plan has been greatly watered down.

It is only natural under the circumstances that the Japan Socialist Party and some other Opposition groups should be upbraiding the Government for failing to grapple with the administrative reforms with true determination.

They claim that the Government's administrative plan as it now stands is nothing but a heartless squeeze on the weaker elements in the Japanese society, citing the Government's cutbacks on its contribution to the welfare annuity system and tightening of qualifications for children's welfare subsidies as examples.

As the Government tried to more or less evenly distribute financial cutbacks over a wide range of fields, it has subjected to strong rollback attacks from the sectors having powerful lobbyist groups. Opposition parties certainly have their point when they say that the Government's administrative reform bill in the present form is far from a true reform.

The Government, on its side, is trying to wiggle out of the tight spot by claiming that the present reform bill is for fiscal 1982 only and that a more perfect reform bill will be presented to the Diet in or after next summer.

Burdened as it is with a number of problem points, the administrative reform bill is virtually assured of passage before the end of the current extraordinary session. If the Government really means to

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present a more perfect reform bill next year, we are not averse to letting it have additional time. If past experiences are any guide, however, such bill has little chance of coming into being. A great number of serious problems, including outright abolition and merger of certain government offices and agencies, eliminating deficits troubling the Japanese National Railways and the National Health Insurance System and reworking of the current unfair tax systems etc., will be left untended.

Even in the face of such eventuality, the conservative government of the Liberal Democratic Party seems to be assured of continued existence. Sadat's assassination is widely ascribed to the outburst of the pent-up dissatisfaction racking the Egyptian society. In Japan, dissatisfaction of the weaker elements of the society apparently will never reach such a bursting point. One reason, of course, is the comparatively affluent life the Japanese people are now enjoying. If the nation fails to seriously face up to the unhealthy nature of the present "equilibrium in disequilibrium," however, there will be no end to the comical existence of an extra high-grade hi-fi stereo set in a "rabbit hutch" and a shiny sports car coming out of a miserable dead-end.

(Teruo Tsutsumi is a Nihon Keizai deputy political editor.)

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POLITICAL AND SOCIOLOGICAL

'MAINICHI' CHIDES JAPAN SOCIALIST PARTY

Tokyo MAINICHI DAILY NEWS in English 13 Oct 81 p 2

[Zooming-In column by Hideo Matsuoka: "Can't Socialists Learn From the Past?"]

[Text]

Suehiro Nishio has died.

Several years ago I met Tatsuo Morito (who was education minister under prime ministers Tetsu Katayama and Hitoshi Ashida) to reminisce about Japan's postwar politics.

Morito then said: "Shigeru Yoshida represents Japan's postwar conservatism, and Nishio the reformism." I was struck by the force and the air of finality with which he said this.

After the end of the war, Nishio thought of forming a Socialist Party and moved to realize his thoughts before anybody else did. He is substantially the creator of the Socialist Party. He was the backbone of the party. He was chief cabinet secretary in postwar Japan's only socialist government, which was headed by Tetsu Katayama. In that position, he actually managed Japan's politics for awhile. Unlike today's chief cabinet secretaries, Nishio was a quasiprime minister.

Yoshida laid the rails for Japan's postwar conservative politics. Nishio took up the pickaxe to lay the rails for the Socialist Party. Morito, I

thought, was referring to the devotion Nishio showed in this work. But the track that Nishio set up was tampered with in later years, with various factions of the party adding sidings to their own liking. Nishio himself had to build one for his own exile from the party action.

The track built by Nishio gave way to party politics because Nishio, in building it, did not have enough time to solidify the railbed. Japan's socialist movements keep nursing foreign elements who identify with "leftism." The situation is untenable because these elements do not think of themselves as foreign but as the mainstay of the party. "Leftism" does not mix with other elements. No amount of tampering would firm the ground which consists of "leftism" and other elements.

From my personal contact with him before and after the war, I have many remembrances about Nishio that I cannot relate in a short time. I also have much criticism about him. One thing I am not sure about him is whether he was "happy" as a politician. He was a leader in the

Katayama government and was deputy prime minister in the cabinet of Hitoshi Ashida. From this, one may say he was one of the successful politicians who should consider themselves fortunate. But from my journalist view, he was staggering from one crisis to another with no peace of mind.

He was implicated in the Showa Denko scandal although he was cleared in the trial. For his involvement in the scandal, he was expelled from the Socialist Party, and formed the Social Democratic Party. The party did not grow as he hoped it would. I do not think there ever was a time when he was completely at ease.

Adversities

Adversities can be an asset for a politician. Therefore, he might not have been so much disheartened as I thought he was, after all. But I still think the world was too unfair to him for too long. The world, it seems, made short shrift of Nishio, the man who epitomizes the reformist movements in postwar Japan.

How has the Socialist Party fared after shoving Nishio out

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for his "rightist leaning". Nishio's ouster was the very beginning of the party's long decline. It firmly established the party as an entity completely alien to prospects of coming into power.

From the examples set by Britain's Labor Party, West Germany's Social Democratic Party and France's Socialist Party, it can be said that a Socialist Party can come into power only when the right-wing elements are dominant within the party. This is not a problem of right or wrong. It is the reality in advanced democracies.

Left-wingers dominate the Japanese Socialist Party. They move the party further away from real power. They have kicked out such leading right-wingers as Nishio and Saburo Eda by playing their exclusivist game. No wonder the party has been on the skids.

The Socialist Party had better be more disparate or composite in nature. It should have the right-wing, left-wing and middle-wing, with the middle-wing serving as the catalyst for the left- and right-wing.

In intraparty disputes, a middle-wing can work as a healing force, by pitching in with the left-wing on some affairs and with the right-wing on others as it sees fit in the interests of the party.

Such a flexible management may invite criticism that the party lacks a clear-cut definition of its nature. But flexibility of management, and of behavior, can enroll support from a broader layer of people.

The more the left-wing tries to establish the party's characteristic purity, the closer it moves toward Marxism. In that ideological sector, socialists are no match for communists or new leftists. However radical socialists may sound, they are only scoffed at by communists

and new leftists.

In the overall view of the Japanese political map, the Liberal-Democratic Party is the right-wing, communists the left-wing, and the socialists always the middle-wing. It is only laughable that these middle-wingers are playing right-wingers and left-wingers against themselves.

If the Socialist Party recognized its middle-wing nature and acted accordingly, there would be no Democratic Socialist Party, no United Social Democratic Party and no Komeito. They would all be included in the Socialist Party.

Once out of the Socialist Party and having formed the Democratic Socialist Party, the former socialist right-wingers are moving further to the right in a show of independence. The Komeito also moved rightward to adapt to reality. If they were merely elements within the Socialist Party, their swing rightward would be checked by other more moderate elements of the party. A composite nature in a party is both an asset and liability.

Look at the Liberal-Democratic Party. It has doves and hawks. Clearly, it is a composite party, and has managed to monopolize power. A ruling party may, by nature, be composed of disparate elements. Marxism and Marxism-Leninism can win only a small section of the nation. A small section does not have enough vote to give power to the Socialist Party.

Aware of this predicament, the Communist Party has gone out of its usual ways to change the forbidding wordings of Marxist political terms so that the party may appeal to a broader section of the nation. Only the socialists still keep upholding the Marxist banner.

Like JNR

The Socialist Party is like the Japanese National Railways (JNR) which shows a deficit at every account settlement. The Socialist Party loses strength at every election. Both have lost the self-righting functions.

The Socialist Party is of course endeavoring for a comeback. The party is now redrafting the document called "The Path to Socialism in Japan," which is the equivalent of party platform. The rewriting work is being thwarted by resistance from the left-wing. More recently, the party's Tokyo chapter was split down the middle into right-wing and left-wing factions. When he formed the Socialist Party, Nishio, too, ran into trouble on how to treat left-wingers. Thirty-five years have passed since then, and the party is facing the same old trouble.

Thirty-five years should mature anybody. No growth, no progress have been seen in the Socialist Party. This means it has not learned from past experience. It is impossible for such a party to increase its support.

The LDP is a party that publicly connives at corruption and seeks to step up national defense. It is not politically sane to have a party, whose biggest characteristics are corruption and a rightist trend, as the ruling party for such a long time. The fact that the LDP still retains a legislative majority shows that opposition parties are working only to help the LDP. In this connection, the Socialist Party should bear the biggest blame.

There must be many who are regretting the seemingly endless decline of the Socialist Party.

(The Japanese original is carried in the latest edition of the weekly "Sunday Mainichi.")

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POLITICAL AND SOCIOLOGICAL

JSP'S 'DISGRACEFUL' SITUATION IN TOKYO

Tokyo MAINICHI DAILY NEWS in English 14 Oct 81 p 2

[Nagatacho Doings column by Takehiko Takahashi]

[Text]

The Tokyo metropolitan headquarters of the Japan Socialist Party has broken up into two. The executive committee, which has Shogo Oki, member of the House of Councillors, as its chairman, had decided to resign en bloc, taking responsibility for the party's defeat in the election of Tokyo metropolitan assemblymen.

The seats held by the Japan Socialist Party in the Tokyo metropolitan assembly has been as follows:

1959-42	1973-20
1963-32	1977-18
1965-45	1981-15
1969-24	

The present composition of seats in the Tokyo metropolitan assembly at present has been Liberal-Democratic Party 52, Komeito 27, Japan Communist Party 16, Democratic Socialist Party 5, New Liberal Club 8, independents 4.

Among them, the DSP, NLC and independents have combined to form the Democratic Club with 17 seats. This has made the Japan Socialist Party the lowest ranking party and it has also lost the right to present bills.

It is only natural for the JSP to have shown such a decline in the Tokyo metropolitan assembly. This is because the JSP showed a similar decline in the dual elections for the House of Representatives and the House of Councillors.

In the case of the Lower House, there are 11 electoral districts in Tokyo Metropolis, totaling 43 seats. In the last general election, the JSP fielded 11 candidates but only seven were elected, less than one-sixth of the total seats. The Upper House has eight members from Tokyo (four elected every three years) but the JSP's number is now zero.

Intense Confrontation

Despite this decline in Tokyo Metropolis, an intense confrontation is continuing within the organization between the Shakaishugi Kyokai and anti-Kyokai elements.

Upon looking at the Tokyo metropolitan headquarters, the executive committee has 29 members. Since one person handles office work, the real executive committee members number 28. Among them, are 19 who are anti-Kyokai, including

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Chairman Ogi and two vice chairmen. Those belonging to the Shakaishugi Kyokai number nine, including Secretary General Sasaki.

As can be seen from this, the anti-Kyokai faction accounts for the majority in the executive committee.

Among party members (about 5,000), however, the number of those belonging to the Kyokai faction and centrist faction has increased. There will be 252 delegates to the regular conference of the Tokyo metropolitan headquarters but it is believed that the Kyokai faction and centrist faction will together number 157. When the anti-Kyokai faction boycotted an earlier conference on Sept. 4, about 100 of the boycotters assembled at a separate place while 252 attended the conference without boycotting it.

Among the seven House of Representatives members elected from Tokyo Metropolis, four belong to the Kyokai faction. Two are neutral, and one is from the anti-Kyokai faction. The Kyokai faction is thus more numerous.

Of the 15 members of the metropolitan assembly, however, 10 are anti-Kyokai. At the level of municipal assemblies also, an overwhelming number is from the anti-Kyokai faction. This is due to the votes obtained from other supporters besides members of the JSP.

In this way, a melee between the Kyokai faction and anti-Kyokai faction is taking place in the JSP in Tokyo Metropolis. The two sides are vying for leadership. Ideology is playing a prominent role in this struggle

for leadership. For example, in the election for the governor of Tokyo, to be held in 1983, the Kyokai faction is calling for a joint struggle with the Japan Communist Party. The anti-Kyokai faction, however, opposes a joint struggle with the JCP and is tending to move toward the middle of the road.

Together with this confrontation of ideologies and which course to be followed, there is at the same time a problem involving the personnel of the executive committee. If an executive committee reelection is held at the coming regular party convention, it is clear that the anti-Kyokai faction will be defeated, considering the number of delegates.

In order to prevent this, it is necessary for the anti-Kyokai faction to keep the convention from taking up the reelection of the executive committee. While the anti-Kyokai faction was looking for such a chance, the problem of a "conditional showdown" arose. The anti-Kyokai faction has seized this as an opportunity for launching a counterattack.

Chairman Ichio Asukata of the JSP has the first electoral district of Tokyo as his constituency. If the present situation continues, an election will become more and more difficult, but the Japan Socialist Party is probably unable at present to reunify its Tokyo headquarters.

(The writer is an adviser to the Mainichi Newspapers and former chief editorial writer).

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'JAPAN TIMES' ON SUZUKI'S 'HEADACHE'

OW251217 Tokyo THE JAPAN TIMES in English 22 Oct 81 p 12

["Politics Today--and Tomorrow" column by Minoru Shimizu: "New 'Headache' for Suzuki"]

[Text] Although the Diet has yet to reach the halfway mark in its discussions of the bills related to administrative reform, on which Prime Minister Zenko Suzuki is staking his political life, most members of the ruling party have recently started focusing their attention on a different issue.

This issue is the reshuffle of cabinet members and party executives scheduled to take place at the end of November following the close of the extraordinary Diet session.

The reason why the Diet members of the Liberal-Democratic Party (LDP) have already turned their attention to the November reshuffle is that the administrative reform debates are proceeding smoothly and there are good prospects that the related bills will pass the current Diet.

According to observers, Prime Minister Suzuki himself is now confident of being able to weather the Diet session. However, he reportedly told his aides that he is extremely worried about next month's cabinet reshuffle.

Observers interpret the fact that Suzuki is now making the cabinet reshuffle his main concern as meaning that he is no longer worried about the current progress of business in the Diet.

Prime Minister Suzuki, who unexpectedly took over the government in July last year, has substantially maintained the same cabinet and party executive lineup since the start of his administration. According to past practice, a cabinet reshuffle has taken place roughly once every year, which means that most members of the present cabinet have been in office several months longer than usual (although there have been changes in foreign affairs, health and welfare, and home affairs ministers).

Strengthen Position

As the power to appoint ministers rests with the prime minister, past prime ministers have endeavored to manipulate the party and thereby stabilize and

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strengthen their position within the party by taking advantage of cabinet reshuffles. Prime Minister Suzuki is no exception and has told his aides that "consideration of a person's merits will probably depend on his activities in the current Diet."

One reason why the Diet debates on the administrative reform bills are progressing according to the government and LDP schedule is that LDP Diet members hoping for cabinet posts are actively cooperating in the Diet proceedings. In other words, they have taken the prime minister's words at their face value and are acting accordingly.

However, former Prime Minister Kakuei Tanaka once said: "Depending on how they are carried out, cabinet reshuffles can sometimes shorten the life of an administration instead of lengthening it. This is because, in carrying out a reshuffle, one may make many enemies instead of increasing the number of one's supporters."

Only Twenty Cabinet Posts.

Excluding the prime minister, there are only 20 cabinet posts. Thus, Tanaka implied that, although the few lucky persons who were appointed to the cabinet could be relied upon to support and cooperate with the prime minister, there would probably be a far greater number disappointed in their hopes and these might well harbor resentment toward the prime minister.

Observers say that when the prime minister lacks strong leadership, a personnel reshuffle further exposes his deficiency of political power. Looking back on Suzuki's political performance over the past year and several months, one cannot say that he is a prime minister possessing strong political leadership.

Accordingly, the personnel reshuffle that Suzuki plans to carry out in November is fraught with many difficult problems. Unless he is able to solve these problems when reshuffling his cabinet, his administration is likely to become more unstable than before.

Following is a brief rundown on some of these problems.

1. Is the present mainstream group setup based on the Suzuki, Tanaka and Fukuda factions to be maintained?
2. What is to be done about the top three party executive posts, especially that of secretary-general?
3. Should he retain Yasuhiro Nakasone, director general of the Administrative Management Agency, and Toshio Komoto, director general of the Economic Planning Agency, both of whom are powerful candidates for the premiership in succession to Suzuki?
4. What should he do with Foreign Minister Sunao Sonoda and Finance Minister Michio Watanabe?

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5. Should the number of cabinet posts allotted to the Tanaka faction, the largest of the LDP factions with 104 members, be increased from four to five? And how should he deal with Susumu Nikaido, chairman of the LDP's Executive Council and the Tanaka faction's representative?

6. How should he treat Kiichi Miyazawa, chief cabinet secretary, and Rokusuke Tanaka, minister of international trade and industry, who, though executives of the Suzuki faction, are on bad terms with the prime minister?

All these problems being interrelated, they cannot be handled separately, which makes the whole business very ticklish and complicated.

Matter of Nikaido

Let us consider, for instance, the matter of how Nikaido should be treated. The Tanaka faction wants to run one of its members in the party presidential election in autumn next year and is considering Nikaido, the faction's representative, as its candidate. Because Nikaido has been regarded as one of the "gray officials" involved in the Lockheed scandal, both he and the Tanaka faction as a whole have been doing their utmost to dispel this image.

This unfavorable image was said to have become much diluted when Nikaido became chairman of the Executive Council at the start of the Suzuki administration, but his supporters hope to erase it altogether in the forthcoming cabinet reshuffle. Thus, Nikaido is hoping to get the post of party secretary-general with the powerful backing of the so-called "Tanaka corps." In the event that this proves difficult, he intends to ask to be kept in his present executive council post or to be given the position of foreign minister.

The Fukuda faction, which also belongs to the mainstream group, is not likely to agree to Nikaido's appointment to the post of secretary-general. The present secretary-general, Yoshio Sakurachi, is a member of the Nakasone faction.

Suzuki himself would probably prefer to appoint a secretary-general from his own faction rather than Nikaido in order to see himself safely through the remainder of his term as party president until next autumn when he aims to stand for reelection.

Post of Foreign Minister

Nikaido has made frequent trips to the United States and Europe during the past year or so and has shown strong interest in international affairs. Accordingly, he is attracted to the post of foreign minister. If he is given this post, it will mean changing places with Foreign Minister Sonoda, with whom Prime Minister Suzuki has a close relationship. Sonoda wants to keep his present position or to be given one of the three top party posts.

If Nikaido fails to get the sort of post he wants, the large Tanaka faction would no doubt turn against Prime Minister Suzuki. Suzuki needs the cooperation of the Tanaka faction to ensure the stability of his administration, but if in order

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to retain its support, he gives Nikaido a post which would put him in an advantageous position he runs the risk of having Nikaido compete against him in the presidential race next year, thereby jeopardizing his chances of reelection.

The Nikaido question is related to problems 1, 2, 4 and 5 listed above.

Prime Minister Suzuki hopes to carry out the November reshuffle in such a way as to enable him to gain reelection in the LDP presidential race next year. On the other hand, there has arisen an opinion in some quarters of the LDP that he has no chance of reelection. And some members of groups supporting rival candidates for the next premiership are planning moves to obstruct Suzuki's reelection by taking advantage of the forthcoming reshuffle. Against this background the cabinet reshuffle is likely to prove a major headache for the prime minister.

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POLITICAL AND SOCIOLOGICAL

MIYAMOTO ADDRESSES JCP ACTIVIST CONFERENCE

OW081137 Tokyo JPS in English 0855 GMT 8 Oct 81

[Text] Tokyo, 8 Oct JPS--Kenji Miyamoto, Presidium chairman of the Japanese Communist Party, gave an introductory speech to the party activist conference opened on October 5 at Izu Party Study Hall, Shizuoka Prefecture.

In his speech, Miyamoto referred to the present international situation. The gist of which follows:

An unlimited arms race between military blocs is continuously developing, which was pointed out in its document 'for true peace communism,' and in the JCP letters to the Communist Party of the Soviet Union. On October 2, U.S. President Reagan announced a new plan for nuclear arms buildup. In the meantime, Soviet Foreign Minister Gromyko gave a speech in the United Nations, in which he proposed a declaration of prohibition of the use of nuclear weapons. The proposal itself is good.

But as a whole the Gromyko speech is the repetition of the conventional standpoint. The important point is that, despite the old tune in the whole of his speech, why he had to propose a declaration of banning the use of nuclear weapons. Against the background of his speech, there was a JCP letter of refutation dated September 4, in the wake of the 7th plenum of the JCP CC, rebuffing the former letter of refutation addressed to the JCP by the CPSU. In the JCP letter of September 4, we pointed out the fact that the Soviet Union failed to claim a total ban on nuclear weapons in the 'peace program' called for by the CPSU, and abstained from voting in the United Nations on the proposals for signing of an agreement for prohibition of the use of nuclear weapons. In this situation, it has become more and more significant to widely spread, both internally and internationally, the view expressed in the JCP's 'for a true peace program.'

What is characteristic in this situation is the great upsurge of the movement in Europe against the development of nuclear weapons. The movement is developing all over Europe, against the development so far of SS-20 missiles by the Soviet Union and the planned deployment of new Pershing II missiles by NATO, as well as other steps. It is characteristic that the movement is developing as self-reliant movements, in which the establishment of nuclear-weapon-free zones is being eagerly called for.

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In West Germany, the German Federation of Trade Unions (DGB) affiliating 8 million workers is carrying on a signature collection movement for a total ban on nuclear weapons. The British Labor Party decided in its conference in September that the next labor-party government will carry the clear-cut policy of renunciation of nuclear weapons. To the L'UNITA festival of the Italian Communist Party, Ms. Kurokawa, A-bomb victim, was invited, and many impressive episodes were heard on her visit. This is an important advance in the solidarity between the Japanese movement against A and H bombs and the European movement.

In these circumstances, the international significance of the Japanese movement against A and H bombs had increased. The movement is now developing toward the 2nd special session for disarmament, United Nations General Assembly. What is important in this connection is to strengthen public opinion and movement for a total ban on nuclear weapons, a ban on the use of nuclear weapons and dissolution of military blocs--the common flag of peace in the world, not letting the movement end as a mere petition movement. This is the fundamental goal of this movement.

The important significance of our policy on war and peace, and on the right of nations to self-determination, which have been set up by the 15th party congress, and a series of recent articles, have been proved by practice. Now, it is very important to propagate in this country, too, the view expressed in the document of the JCP 'for a true peace program.'

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POLITICAL AND SOCIOLOGICAL

MIYAMOTO ADDRESSES ANTINUCLEAR RALLY

OW221035 Tokyo JPS in English 0903 GMT 22 Oct 81

[Text] Tokyo Oct 22 JPS--Japanese Communist Party Presidium chairman Kenji Miyamoto said, "Future rests with progressive unity," and emphasized by saying, "Let's make this historic rally a step toward advance." This is the speech given by him at the central rally of the October 21 united action. His speech follows (gist):

"Today's internal and international situation indicates that how important it is to struggle against arms expansion and the reactionary administrative reform line by the ad hoc commission, and for the abrogation of the Japan-U.S. security treaty. In this sense, the following two points are questioned as a touchstone of the progressive forces: unity of actions on the basis of the above-said purposes: whether do they favor or not favor arms expansion and the abrogation of the security treaty. In this sense, I express my sincere calls for genuine unity of actions, while upholding the correct objectives."

After referring to the two features of the reactionary administrative reform line, Miyamoto said, "The reactionary administrative reform line is very dangerous. Let's confirm definitely that a resolute opposition to this line is an urgent task in the struggle for the defense of peace and democracy of Japan, and the living of the Japanese people.

"I call on again the Socialist Party of Japan to come back at an early date to the tradition that we have so far maintained to go on struggling together with us."

On the issue of nuclear weapons, the JCP Presidium chairman said, "In the United Nations, the United States and Japan belong to the minority group, no more than 20 percent of all U.N. member countries. In Europe the movement calling for the total ban on nuclear weapons, and opposing to nuclear weapons is spreading like a storm. One feature of this movement is that Japanese peace activists, such as buddhists, and men of religion are standing at the forefront of peace marches in Europe, and woman Hibakusha Machiyo Kurokawa took part in the festival of L'UNITA of the Italian Communist Party. Thus, the voices of the Japanese movement against A and H bombs is growing stronger throughout the world.

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"Though the Liberal-Democratic Party wants to carry on mal-administration as it pleases by utilizing anti-communist forces, the Japanese people will surely unmask them and splitters [as received], because the Japanese people are very wise. Let's try to be more successful in defeating the LDP totally in the coming election while spreading solidarity."

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POLITICAL AND SOCIOLOGICAL

THIRTY-YEAR U.S.-JAPAN SECURITY SYSTEM REVIEWED

Tokyo CHUO KORON in Japanese Aug 81 pp 72-83

[Special report: "Japan Within the U.S. Military Strategy" discussed by: Toshio Kimura, LDP Lower House Diet member, and Yonosuke Nagai, professor, Tokyo Institute of Technology]

[Text] The enforcement of President Reagan's policy of "peace based on strength" can possibly result in the payment of a big price, that of aggravating the relationship existing between Japan, the United States and the West European countries. Now is the time for Japan and the West European countries to forthrightly seek from the United States a revision of its world policy.

30 Years To Reach "U.S.-Japan Alliance"

Editorial staff: This year marks the 30th anniversary of the San Francisco Peace Treaty. The U.S.-Japan Security Treaty, too, has reached its 30th anniversary if dated back to the signing of the old treaty, and it is 21 years old if counted from the revision of the existing treaty. But following the Reagan-Suzuki U.S.-Japan summit conference, such occurrences as the nuclear weapon delivery statement by former Ambassador to Japan Reischauer and America's strong demand for a larger share of defense responsibilities for Japan have occurred like scheduled events, and the defense debate is spiritedly carried on. It can be said that the U.S.-Japan security system, with the 30th anniversary as the juncture, has reached a turning point.

Today we have Mr Kimura, who has held such prominent government posts as minister of foreign affairs and chief cabinet secretary and who has been deeply involved in international politics, especially on U.S.-Japan relations, and Mr Nagai, who in the New Year issue of our CHUO KORON publication contributed "The Defense Theory of a State in Moratorium," which contained his unique proposal on Japan's posture regarding its defense, to discuss such topics as the international situation, defense, foreign diplomacy, etc, as they affect U.S.-Japan relations.

Kimura: It can be said that, for the most part, after World War II Japan walked hand in hand with the U.S.-Japan Security Treaty, but each country had its own knotty problems. The security treaty of the 1950's was said to be an extension

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of the occupation by the allied forces. Japan was under America's paternalistic protection. The security treaty of the 1960's was characterized by Japan continuing without change to assume the subordinate role to the United States in politics, but on the other hand, in economics Japan chose its growth pattern in order to advance, taking advantage of America's kindness. From the Korean War to the Vietnam War, America considered that based on world strategy, especially Asian strategy, Japan would naturally follow U.S. policy, which Japan did without complaining. But economically America was magnanimous to Japan by allowing it without objection to rise to economic prosperity at will from the Korean and Vietnam special procurement.

But in approaching the 1970 decade, America's international position militarily and economically underwent a relative decline. In comparison, Japan's national power economically became stronger gradually, and it finally reached the state of becoming America's rival. As a result, the first discord to occur was the U.S.-Japan textile issue. Politically a situation arose in which it was Japan's turn to seek demands from the United States. This was the Okinawa reversion talks. At that time, because America was undergoing a transition from the standpoint of world strategy, the demand for Okinawa's "nuclear withdrawal and reversion with full sovereignty" were granted, but after that, with the decline in authority of the White House which began with the Watergate scandal during the Nixon administration and the consequences of the Vietnam War, America was beset by confusion and instability both economically and socially. It was in this context that changes in the structure between Japan and the United States that had been concluded in the Japan-U.S. Security Treaty began to surface.

And since it was clear that Japan, which had now achieved the status of an economic superpower, could not surge back with military power because of constitutional limitations, the United States and the West European countries strongly demanded that Japan make international contributions corresponding to its economic power and to further exert influential political power based on its economic strength. These demands were given impetus with the Soviet invasion of Afghanistan in late 1979.

Nagai: Mr Kimura has lucidly accounted for the changes by decades, and how time has flown; 30 years ago if the old security treaty is dated to 1951 and 21 years ago when counted back to the origin of the existing security treaty. The generations born in the postwar period now constitute 55 percent of the entire population, and the generations which experienced war are now in the minority. Even those born during the 21 years since the inception of the existing treaty constitute one-third of the entire population. In other words, the hard facts are that the generations which consider the security treaty to be a given framework or inconsequential have increased, and the generations which considered the security treaty to be like a heterogeneous "rockbed" forced upon the people which must be met with resistance are now the considerably older generations.

Kimura: So we are now the minority. (laughter)

Nagai: During that period, the U.S.-Japan ties broke away from a leader-subordinate relationship between two countries to become gradually one of parity within a

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mutually dependent relationship among many nations. By era, the occupation from 1945 to 1951 was a leader-subordinate relationship. George Kennan said that the uniqueness of the U.S.-Japan relationship lay in the "intimate unnaturalness" of its birth, but if I may venture a vulgar description, the U.S.-Japan relationship was a rape; in other words, it was a unique relationship that sprang out of a violent force called war. From 1952 to 1960, it was freedom from the occupation in form, but still Japan suffered from the consequences of being under the unilateral, old U.S.-Japan security treaty system. To achieve independence in the true sense of the word, Japan had to experience a kind of "formality test," which was the 1960 security treaty riots.

The 10-year period from 1961 to 1970, as Mr Kimura pointed out, was characterized by the readjustment of U.S.-Japan relations centered around economics under the security treaty system. Then the era from 1971 to 1980 was said to be the period when the U.S.-Japan partnership was formed. Prime Minister Ohira visited the United States in May 1980 and for the first time in a public speech, he mentioned in the Rose Room at the White House that "Japan will assume responsibility as a member of the alliance." It is a fact that the word "alliance" was used explicitly. Currently, use of the word "alliance" in the U.S.-Japan joint statement is being questioned, but the fact is that former Prime Minister Ohira had already used it.

Kimura: That's right.

Nagai: Just about that time, the hostage recovery operation in Iran had failed and former President Carter was in a miserable state, and so former Prime Minister Ohira's statement must have made him feel as if he had gained a million supporters. On top of this and at the same time, the decision on a policy that, in effect, Japan would not purchase Iran's oil, like it or not, became a tremendous encouragement to America, for it meant rendering indirect support to ally America whose strength had relatively declined. It would be safe to say that a new era, that of a U.S.-Japan alliance relationship, emerged as the turning point in 1980.

Kimura: That is true.

Nagai: At present three problems are lagging in U.S.-Japan relations. In the security treaty, as a result of Japan's defeat, the Pacific zone came under the total control of America, and this means that even as a regional power, Japan has not yet gained its independence. In politics, as symbolized by the use of the word "alliance," Japan is on the verge of reaching equal status similar to that accorded to NATO countries. Frequent mention is made of the "bilateralism" within NATO as against the "unilateralism" of the U.S.-Japan Security Treaty, but as Mr Phillip Trezise and others have emphasized, NATO in reality is based on "unilateralism," as with Japan. And the U.S.-Japan economic relationship is a trading relationship similar to vertical specialization that is akin to an advanced industrial country versus a developing country relationship. In other words, it is a reverse arrangement from the military affairs standpoint, because Japan purchases farm products and raw materials from America and exports industrial goods. That these areas in military affairs, politics and economics are lagging rather seriously can only mean that the problems hereafter are already loaded.

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In the Midst of the Detente Tide

Kimura: The security treaty of the 1950's was without doubt in an era of U.S. paternalistic protection. Japan was manned only by an infantile Self Defense Force which could only assume a supplementary role to the American military power. Finally in 1960, even though in form only, Japan became an equal partner. Symbolic of this status was the prior consultation system. Although Japan finally attained a position of independence with regard to the security treaty, its true strength was not compatible. Thus, even with the Vietnam War, Japan could only perform in a supplementary role, as in the past. The Okinawa reversion, too, was accomplished under similar conditions, and the nuclear problem which became controversial with Reischauer's recent statement originated there.

But with the drawing up of the 1970 security treaty after the end of the 10-year fixed period, independence was added on, so that either party can call for discontinuance on a year's prior notification; in other words, Japan unilaterally can dissolve the U.S.-Japan Security Treaty. Although this feature was an eyeopening change, surprisingly it came about with hardly any public attention.

Nagai: At that time, a segment of the hawk group, who were absolute advocates of the security treaty, clamored for a change to automatic renewal.

Kimura: True. There were various unstable factors in the Asian region in the 1960's, but peace once again reigned in Asia with the end of the Vietnam War. In its place came the oil shock. Because of this oil shock, the central issue became, not the instability of military affairs, but instability of world economics. Born out of this background was the summit conference of the leaders of the seven advanced countries. Security treaty problems were downplayed in the 1970's, and the move toward international economic cooperation to cope with the disorder of world economic became the priority subject, with the summit as the focal point.

Nagai: The prominence of the U.S.-Japan-West European relationship is a manifestation of the move toward cooperation.

Kimura: With the growth of Japan's national strength, the international mutual dependence relationship has become increasingly stronger, but confusion in international currency was to occur. Problems that could not be solved only by Japan and the United States were to arise, and the trilateral relationship of Japan, the United States and West European countries was to assume importance. Within this framework, discussions on the U.S.-Japan Security Treaty have been relegated and a comparatively tranquil time has prevailed.

Nagai: True. A product of the cold war, the U.S.-Japan Security Treaty passed through a major turning point in 1968 and 1969, and its character underwent a major change in the 1970's.

Kimura: The three events characterizing international politics of the 1970's were the termination of the Vietnam War, the friendly overtures between the United States and the PRC, and U.S.-USSR detente centering on SALT.

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Nagai: Because the world trend of detente followed one course, that phase of the security treaty which revolved around the military affairs issue took a back seat. With the occurrence of the oil shock in October 1973, coordination of the economic mutual dependence relationship among the various advanced industrial countries was thrust to the fore.

Kimura: Any priority matter in international economics has characteristic of inevitably becoming a global issue [sic].

Nagai: The period of transition from Prime Minister Sato to Prime Minister Tanaka was a major turning point in Japanese diplomacy, involving the return of Okinawa, the textile issue and the Japan-PRC normalization of diplomatic relations, but at the same time it became the watershed in postwar international politics. In substance, the major turning point occurred in 1968 and 1969. That America's Vietnam policy was a fabrication was exposed with the Tet offensive in January 1968, a part of the gold conversion system of the seven-nation gold pool was stopped in mid-January and suspicion was cast on the IMF. On 31 March the halt in bombing of North Vietnam occurred, President Johnson made his statement declining the presidential candidacy, a major change in Vietnam policy, and following this came the beginning of the big change in America's Asian policy. The Soviet Army's occupation of Prague came in August. The announcement of the "Brezhnev Doctrine" occurred in November, making it clearly known that parity of relations between socialist countries was impossible, and USSR-PRC relations quickly entered a state of tension. With the worsening of the USSR-PRC confrontation and as a strategy against the Soviet Union, the Foreign Ministry in Peking sent its first overture for U.S.-PRC rapprochement to the United States.

Then in 1969, a military skirmish between the PRC and the USSR occurred at Damanskiy Island in March, and Brezhnev's Asian collective security plan was unveiled. And as symbolized by the announcement of the "Guam Doctrine" by President Nixon a month later, the East-West detente elsewhere related to the development of Soviet strategy to contain the PRC.

At the real core of the big change in American world policy was the setting up of an international atmosphere so as to effect an honorable withdrawal from Vietnam. As long as the United States clung to the policy of containing communism, the withdrawal from Vietnam would be an admission of defeat, but if it could be thought of as a step toward a new peace structure, then it would be a positive act.

However, this Kissinger plan was laid on the premise that the South Vietnamese Government would last for 5 or 6 years after the withdrawal of the U.S. military. Unfortunately, the Watergate scandal occurred and the South Vietnam Government, contrary to expectations, collapsed in 1 and 1/2 years. To make matters worse, in Africa, the Cuban volunteer army controlled Angola, and in a 5-year period between 1975 to 1980, pro-Soviet governments were established in seven countries. The Americans had an extravagant expectation that with detente the Soviets would exercise self-restraint in the aggrandizement of the Third World. Utilizing this "recognition gap" in detente, the USSR unilaterally expanded its sphere of influence over Third World countries. The impression conveyed to the United

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States and Western nations was that the finishing touch was the Soviet military intervention in Afghanistan.

Formulation of Third World Policy Is Japan-U.S. Task

Ironically, the 1973 oil shock created tremendous confusion in international economics, and leaders of the various countries were totally engaged with domestic problems and lacked the time to study East-West relations. Meanwhile, the Soviets looked askance at the confusion of the Western nations and hastened the buildup of their military strength.

This was the time when the trend toward racial self-determination in the Third World gained momentum, and despite the mushrooming of the struggles for racial freedom beginning in Africa, America still adhered to the outmoded suzerainty concept in branding racial freedom movements as being anti-establishment, and its Third World policy was one of blocking these movements. The Soviets took advantage of these opportunities. Brzezinski, the special assistant on national security affairs during the Carter administration, a hardliner against the USSR but possessing a superficial knowledge of Third World affairs, on relinquishing office stated that the Soviet gains in the Third World were not based on direct Soviet attacks into the Third World, but that the matter was simply the ripeness of time and that the Soviets had adroitly ridden the crest of the racial freedom movement to reap the benefits.

Why didn't the United States sense this matter much earlier? By being absorbed only with the East-West cold war and neglecting the gravity of the North-South problem, America brought about heavily disadvantageous results in Soviet relations, Middle Eastern relations and Central and South American relations.

Nagai: Exactly. Brzezinski stated that at this rate the United States might be forced to isolate itself from the world.

Kimura: The balance of East-West relations altered greatly just when attention on the security treaty had been relegated during the 1970's, which was the decade of confusion in international economics. In late 1979, when world economics had just about reached a level of normalcy, came the Soviet invasion of Afghanistan, which caused the United States, in shocked amazement and anger at the Soviet threat, to resolutely call on its allies. The destiny that must be pursued hereafter by the security treaty of the 1980's is already rooted in this problem.

Nagai: Not since the double punch shock of the "loss of China" and the "Soviet success in nuclear test explosions" during the Korean War served as catalysts in consolidating American public opinion has anything affected American public opinion as deeply as the Soviet military invasion of Afghanistan and the Iran hostage affair. And so Reagan won with the support of American public opinion seeking a "tough America."

The Reagan administration's Third World policy is still nebulous. The speech by Secretary of State Haig at the recent Japan-U.S.-West Europe committee dinner which I attended, contrary to expectations, dwelt on "human rights diplomacy."

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The foundation of American diplomacy has been based consistently on protection of human rights, patterned after the Declaration of Independence. Except that the mistake of Carter's diplomacy--although not mentioned specifically--occurred in not having clarified the relationship between America's "national benefit" and "human rights." With this remark, Secretary of State Haig clearly separated the concepts of totalitarianism and authoritarianism, defining totalitarianism as that system which suppresses fundamental human rights and naming the communist governments led by the USSR as embodying that system. Against that are the allied countries, which may be suppressing human rights temporarily because of circumstances, but which pursue the democratic system of values. This is defined as authoritarianism. His speech covered the indiscriminate application of the universal concept of human rights, and he called it a mistake to turn an authoritarian state over to the enemy.

America's basic dilemma was fully expressed in Secretary of State Haig's strained speech. When differentiating between "friend" and "foe" in the many Third World countries which are complex and involved, the "standards" must conform to the traditional basic values of America. But after the collapse of the cold war measure of anticommunist or procommunist positions, if ignoring the issue based on the theory of Kissinger's power politics or utilizing the measure of "human rights" is considered unreasonable, then how else can the division be accomplished? America had a most vigorous diplomatic policy when it had its "cold war consensus," which was the strange combination of two originally incompatible ideas, namely the anticommunist crusading moral principle and power politics. Herein are the contradictions and concern of American diplomacy now assumed by the Reagan government.

If the Reagan government should set forth a strong diplomatic policy toward the USSR while still plagued with the basic dilemmas, it will unavoidably be forced to pay a big price, which will be the worsening of relations with West Europe and Japan. This is the fundamentally different point when the period of the Korean War is considered.

Kimura: You mentioned the Reagan administration undergoing suffering, but I believe that the suffering will begin now. To suffer, there must be a serious followup to a policy, but at present the Reagan administration lacks any policy. It has a stance only. There is loud talk of Soviet threats, but like Dulles' diplomacy, there is only a stance of confrontation.

I believe that the Reagan administration will begin to suffer only when its confrontation stance, which is dependent on military strength, meets head-on with the complex reality of international affairs hereafter.

Nagai: You are absolutely right.

Kimura: At this point let me dwell on the "U.S.-Japan joint statement" issued during Prime Minister Suzuki's visit to the United States. Setting aside the minor issues, what I am most concerned about is: besides flaunting a stance of "peace based on strength" centering on military power and dealing with the Reagan administration which does not have a positive policy, what, if anything, did he discuss? Oozing out from the "U.S.-Japan joint statement" is the

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military security guarantee phase of cooperation between Japan and the United States to cope with Soviet threats. And because this was expressed as an "alliance relationship," serious criticism resulted. What Japan should be working out with the Reagan administration is world strategy, including peace strategy, but the result was only a discussion of superficial issues.

Prime Minister Suzuki Should Apply Lessons Gained From European Trip

Kimura: I have a strong interest on the Middle East issue at this time and I cannot help but be concerned about paragraph four, on the Middle East issue, in the "joint statement." It is said that Japan recognizes America's efforts to stabilize the Persian Gulf region and this has resulted in large gains to various countries, including Japan, but this sort of Middle East undertaking is a big mistake. Even former Secretary of State Vance has said that American should be more conscious of the various lessons that were to be learned from Secretary of State Haig's visit to the various countries of the Middle East. In other words, the thinking that to achieve stability in the Middle East the top priority should be given to deterrence of Soviet advances is a big mistake. As can be seen from the Israeli attack on Iraq's atomic reactors, in order to achieve total peace in the Middle East, of importance is the settlement of the Israel-Arab issue and the Palestinian problem, which is an aggravated manifestation of that issue, and America must realize that the crucial point in checking Soviet advances into the Middle East in the future lies in the long-range settlement of the Israel-Arab issue.

Why didn't Prime Minister Suzuki discuss these topics with U.S. officials?

Nagai: I agree. Regarding the "U.S.-Japan joint statement," Foreign Ministry officials have variously engaged in self-praise, but I am doubtful. For instance, they have stated that Japan shares the central values with the Western allied countries, but I wonder if this is true. I doubt whether the central values which the Japanese people think of in the bottom of their hearts and the central values thought of by the United States and West European countries are in complete agreement.

Has the Soviet threat theory truly been boiled down? A large gap exists between West European countries and America as to the stance taken against the USSR. For example, a clear contrast exists between Prime Minister Schmidt of West Germany and the Reagan administration on the anti-USSR image. Even on the Soviet invasion of Afghanistan, West Germany is concerned about its historical background and has a considerably different interpretation than the United States.

Kimura: On that point I believe that the trip to the various European countries offered tremendous lessons to Prime Minister Suzuki.

Nagai: I also had high hopes regarding the prime minister's trip to Europe. Heard frequently among some Japanese are the arguments that U.S.-West European relations are smoother than U.S.-Japanese relations because Japan alone is "unique" or that Japan runs counter to "commonsense practices of the world" in its views on the USSR and on defense. Some people judge that for the first time

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Japan is marching abreast with the "commonsense practices of the world" with the recent "U.S.-Japan joint statement," but I believe that this is wrong.

Kimura: Yes, in that context.

Nagai: The issue of defense for the Persian Gulf region which Mr Kimura mentioned is the biggest focal point for us in the Western alliance. But the Reagan administration lacks a coordinated policy to deal with the issue. Although the truly basic issue is the Palestinian problem, in a sense America began to entertain an optimistic hope with the Iranian revolution and the Soviet invasion of Afghanistan. In other words, by emphasizing the Soviet military threat and the newly emerged Islamic fundamentalist threat, America has the superficial hope of possibly switching the basic points of contention from the issue of Arab-Israeli confrontation. There was the danger of this erroneous hope distorting America's Middle East policy during the 1980's. This illusion was dispelled in an instant with the Iran-Iraq war and the Israeli bombing of Iraq's nuclear reactors.

Kimura: I am sure America could not help but be concerned about its errors in Middle East policy. During Secretary of State Haig's visit to the various Middle Eastern countries, the six countries along the Persian Gulf region, in a round-about way, rejected U.S. military advances. Even Oman, which previously had agreed to offer military bases to the United States, changed its attitude. This was a big blow to America. The six gulf countries expressed their positions clearly, that establishment of bases by America will only invite trouble by provoking Soviet advances. Also, King Husayn of Jordan directly told Secretary of State Haig that America's Middle East strategy is mistaken and that Middle East peace cannot be achieved without settling the Palestinian problem.

However, the Reagan administration's Middle East policy has not yet been firmed up. Not only the Middle East policy but also its policy on foreign diplomacy has not been firmed up. If this delay in formulation is attributable to the simple, short-circuit type Reagan foreign diplomacy which was advocated during the election campaign, then I believe it would be desirable for it to undergo revision in the light of reality.

Therefore, the priority political theme of the Ottawa summit scheduled for 20 and 21 July should be Japan and the West European countries in concert offering frank counsel and urging revision of America's world strategy, not only Middle East policy but also Soviet relations. In that respect, Prime Minister Suzuki's European trip should lead to significant contributions. Will he express his views? Here is the test case on whether Prime Minister Suzuki can make judgments on diplomacy.

Nagai: For instance, a concrete issue affecting Europe is that of war zone nuclear weapons, that is, the introduction of the Pershing II [tanks] and cruise missiles. The NATO countries are not necessarily in total agreement on these two subjects. When NATO decided on the introduction of the Pershing II and cruise missiles in December 1979, West Germany approved conditionally. In other words, NATO and the USSR negotiated to mutually reduce war zone nuclear weapons; and if the USSR did not cease the buildup of SS-20 medium-range missiles and Backfire

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strategic bombers, the installation of war zone nuclear weapons by 1983 was unavoidable; thus, the introduction of war zone nuclear weapons became a measure for arms control negotiations with the Soviets. The basic stance of paving the way for talks on strategic arms limitation and strengthening the negotiating position with the Soviets reflects the basic attitude of the West European countries; already in countries like Denmark, Belgium and Holland, the introduction of war zone nuclear weapons is linked with Reagan's diplomatic policy, and this has become an internal political issue. We should not allow this sort of misjudgment in Japan.

Kimura: I agree.

Use of Bypass Diplomacy

Kimura: I have no objection to the use of the expression "alliance relationship between Japan and the United States." I do not dispute the fact that the U.S.-Japan relationship is the main axis of Japan's foreign diplomacy. This is the main route, but from the standpoint of Japan's geopolitical position as well as for political and economic reasons, Japan is not fated to have an identical world strategy with America. And because the West European countries are fated in a similar manner to Japan, if anything, Japan's fate lies in cooperation with West Europe.

Nagai: West European strategists, when encountered, are unanimous in calling for Japan-West European cooperation to serve as a brake against runaway U.S. action.

Kimura: In that respect, the main route should be opened, but a bypass route should be maintained for Japan's diplomatic strategy hereafter. Japan should have a deeper alignment with West Europe by taking a common position on Soviet relations and Third World diplomacy utilizing the bypass route. And shouldn't Japan inform America that Japan's position differs from that of America?

Nagai: I have emphasized "circuitous strategy" from way back. Japan must formulate a new strategy by considering the presence of the West European countries. The trouble with U.S.-Europe relations in the 1960's was caused by De Gaulle of France. The principal in the U.S.-European confrontation in the 1970's was West Germany. As the nucleus of NATO, West Germany harbors a deep feeling of rivalry with the United States. There is a confrontation on security, let alone on economic problems. The deep-seated fear is West Germany's geopolitical position, that the country used as a battleground means its annihilation. Japan and West Germany literally have staked their survival as a race. They must unavoidably maintain the balance of detente and deterrence as the priority. I hope Prime Minister Suzuki has this sort of awareness.

The Wisdom of a Confident, Good Japan

Editorial staff: In the event, hereafter when Japan asserts itself in international society, with a unique national state of affairs of being saddled with Article 9 of the constitution and called an economic superpower, how will things be interpreted and what sort of influence can it exert?

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Nagai: When other countries refer to Japan as a "unique nation," there are two definitions. One is based on discrimination. When a Frenchman stresses the uniqueness of Japan by describing a Japanese to be a working bee living in a rabbit's cage, the discrimination factor is the inference of "an outsider" in an international society.

On the other hand, recently several countries, principally America, have come to emphasize the superiority of Japan. This is a reflection on their evaluation of Japan's high productivity, tough foreign competitiveness and advanced governability. In other words, the expression has the character of an "excuse" made by advanced industrial nations after they have fallen back relatively from Japan. Just as a paper-thin difference exists between a "genius" and an "eccentric," the expression connotes that Japan is not average and that comparisons should be avoided. This psychology prevails in the hit movie "Shogun."

This "very unique ability and quality syndrome" is most seriously applied to the "free ride" argument as relates to Article 9 of the constitution. The excuse is that Japan achieved economic prosperity today because of a cheap defense policy. This sort of criticism by America began to be heard from around the time of the textile negotiations. This was the sort of excuse made by a nation whose confidence in its strength collapses when competing fairly in a free market system, and which in defeat accuses the rival of engaging in unfair practices.

Kimura: As to problems confronting Japan, there is the delivery argument in the "three non-nuclear principles." The problem is whether America is of the same understanding since a second party is involved, and it is felt that developments will occur.

The revision of the constitution is strictly an internal issue and therefore it is ridiculous to consider a foreign country's desires for the total revision of Article 9. I believe revision is proper if the national consensus is for approving a constitutional revision, but in the present political climate, revision is impossible. If the national consensus is that Article 9 approves the present Self Defense Forces, then there's hardly any meaning in the fact that the subject occupies 0.9 percent or 1.1 percent of the gross national product.

Nagai: You are so right, and not only on the issue of Article 9, but also on the issue of economic prosperity; in defeat, Japan could rely only on human resources, from among the ashes; that is, it started off only with quality manpower. Out of this, as a matter of course, emerged the principle of respecting man's life and dignity. As a result of building up a system of cooperation between management and workers with a will to live and of not treating apprentices or workers like tools or devices, as the neoclassical economists would say, an economic system harmonizing free competition and stabilized order was naturally established. This system includes Japan's cultural idiosyncracies fused with modern practices for the realization of universal principles that even Westerners could comprehend.

I agree with Mr Kimura on his views on Article 9 of the constitution, that the presence of the Self Defense Forces and a security treaty with regard to Article 9 of the constitution, from the standpoint of a shyster's legal interpretation,

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would be logically contradictory. But the fact that these have been harmonized from a high-level political viewpoint is a reflection of the superior political wisdom of the Japanese people. From a Western viewpoint, supporting Article 9 of the constitution, building an economic superpower, refusing nuclear arms and equipping with light armaments, may be lacking in logical consistency. But the Japanese people have this instinctive feeling that this way of life is sensible.

As for the Japanese idiosyncracies which have been fused into principles for universal acceptance, Japan can and must express them and have them understood in a language that even Westerners can understand.

This is personal, but my book "Defense Theory of a State in Moratorium" has been translated into English. Prof David Riesman, formerly of Harvard University, read and showed my book to well-known columnist Joseph Kraft, who occasionally visits Harvard. Riesman wrote that he had asked Kraft to explain the format [of the book] so that with wide coverage Americans would understand Japan's position. I believe that Japan in clear language should make Western people understand that, although at a glance the Japanese way of life may appear peculiar, it has foresight and universality from a long-range view.

Kimura: In summary, the 1960 security treaty was strictly between Japan and the United States. The scale of the security treaty of the 1970's broadened to include Asia. And finally in the 1980's, the U.S.-Japan Security Treaty lies in the midst of world relations. Taken as a whole, it can be so described. Japan's diplomatic route hereafter must staunchly follow the main axis of Japan-U.S. relations in support of the Japan-U.S. Security Treaty. Although Japan has been nurtured by the longstanding Japan-U.S. relations, at this time the concerned diplomatic offices should resolutely discard the practice of relying on America for an overview of the world.

Japan is now on the threshold of drawing up its own plans for world strategy and of instituting them with its resourcefulness and effort. I am concerned and fearful that if the U.S.-Japan Security Treaty of the 1980's should be continued without effort and in the form of the recent "U.S.-Japan joint statement," then Japan's diplomatic route will not only run smack against a big wall, but the possibility exists of U.S.-Japan relations becoming imperiled.

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POLITICAL AND SOCIOLOGICAL

REFORM PANEL AT ODDS WITH GOVERNMENT OVER TAX INCREASE

Tokyo ASAHI EVENING NEWS in English 19 Oct 81 p 1

[Text]

The Extraordinary Administrative Research Council is at odds with the Finance Ministry over recommendations the council is to make next summer on administrative reform, and has strongly urged Prime Minister Zenko Suzuki to change his policy of going along with the ministry, it has been learned.

The council, the Government's advisory body on administrative reform, is dissatisfied because, though it wants a tax cut to be made after fiscal 1983, the Government and the ruling Liberal-Democratic Party are increasingly in favor of tax increases, including the introduction of a large-scale indirect tax. The council is also unhappy because the Finance Ministry has rejected the council's proposal that it should study financial reform, such as ways to correct the glaring inequities in the taxation system.

The conflict springs from different views of things. Suzuki views administrative reform as a means of rebuilding the deficit-ridden state finances, but the council takes the stand that the aim should be small government, and that the benefits from small government should be funneled to the people in the form of a tax cut.

The council has conveyed its regret over Suzuki's Diet statements on the tax issue to Government and LDP leaders, including the Premier, Finance Minister Michio Watanabe, Yasuhiro Nakasone, director-general of the Administrative Management Agency, and Shintaro Abe, chairman of the LDP Policy Board.

If Suzuki does not change his attitude, the council plans to challenge him openly.

The council, headed by Toshiwo Doko, honorary president of the Federation of Economic Organizations (Keidanren), believes that the tax burden should not be increased during the years when efforts are to be made for the reconstruction of the state finances, but should rather be reduced.

Doko told a press conference on June 3 that Suzuki had agreed to this policy. But Suzuki's remarks in the current Diet session have always left room for tax increases.

In informal talks with the council late last month over the recommendations the council is to make next summer, officials of the Finance Ministry talked as if the panel's mission had ended when it presented its first report earlier this year.

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POLITICAL AND SOCIOLOGICAL

BRIEFS

REFORM PLAN POLL--A majority of the Japanese are dissatisfied with the approach by Prime Minister Zenko Suzuki to the proposed administrative reform, according to a recent poll taken by the MAINICHI SHIMBUN. Most answered that they thought administrative reform was necessary but only 36 percent of those polled said they support the administrative reform favored by the Suzuki government. On the other hand, 18 percent answered they were opposed while 42 percent said they were indifferent to the government's program. To the question "Are you satisfied with Prime Minister Suzuki's approach to reform?" Forty-one percent said they were not very satisfied while 24 percent said they were dissatisfied. As a result, a majority of 65 percent expressed dissatisfaction with the premier's idea of administrative reform. Only 3 percent stated they were satisfied. Of those who expressed dissatisfaction, people in their 20's accounted for 75 percent and those in their 30's, 73 percent. Meanwhile, on the question of wage increases for public workers, 64 percent said that an increase should be restrained. Even among those who support the Socialist Party 49 percent said it should be restrained as against 45 percent who stated the increase proposed by the national personal authority should go through. The poll was taken between Sept. 25 and 27 involving 5,601 persons over twenty years of age across the nation. A total of 4,325 persons, or 77 percent, answered the poll. [Text] [OW081057 Tokyo MAINICHI DAILY NEWS in English 7 Oct 81 p 1]

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MILITARY

INTERVIEWS WITH JAPANESE DEFENSE EXPERTS REPORTED

Japan Needs 'Rejection' Power

Tokyo MAINICHI DAILY NEWS in English 6 Oct 81 p 3

[Interview with Masamichi Inoki, head of Research Institute for Peace and Security, date and place not given: "Japan Needs 'Rejection' Power"]

[Text]

Editor's note— At an unprecedented intensity, debates are heard on the old but always controversial point: Japan's military role.

Some argue for a greater military potential while others favor a smaller military role.

And the question is: How should Japan appropriately act in pursuit of its security strategy?

In an effort to get answers on this subject, the Mainichi Daily News starts a series of interviews with five prominent Japanese defense experts.

Masamichi Inoki is former superintendent of the Japanese Defense Academy. He now heads the Research Institute for Peace and Security.

Regarding the Soviet threat, Inoki said that the definition of the threat lies in the extent to which we actually feel it. In an interview, Inoki went on:

"I believe the United States still overwhelmingly tops the Soviet Union in terms of strategic missiles and naval power. Overall, the American military edge over the Soviets is basically intact.

"Moscow is well aware of the ravages of World War II and steers clear of confrontation with the U.S. yet on its own security, the Soviets follow the "200 percent" security concept. Moscow has, therefore, a propensity to fill any military

vacuum zones it feels exist around the nation.

"The Soviets are fundamentally prudent. They will never land on Hokkaido or Niigata as long as Japan maintains 'rejection' power.

"Japan should correct five weak points—Anti-air, anti-submarine, sea sweeping, real support and repudiation of landing force. In reality, the Self-Defense Forces lack the ability to endure actual war."

Inoki stressed that the strengthening of the five military fields should not pose a threat to other countries, adding that the buildup should be effective only for defense purposes.

Touching on the Japan-U.S. Security Treaty, Inoki said that the treaty, in a sense, makes

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China, South Korea and other neighboring countries feel easy in the belief that under the mutual security treaty, Japan will never become able to play a big military role in the Asian region.

Raw Materials

"A narrow land and excessive reliance on foreign countries for raw materials, these all point to the impossibility of Japan becoming a big military power," he noted.

"Opinion polls show that nearly 70 percent of the Japanese people support the status quo of the security treaty. This is why I advocate a course of 'realistic pacifism' in combination with a military resilience to a certain extent.

"But it is useless to think that if Japan abandons its armament, that will create a favorable atmosphere for the security of Japan. I can say that an 'entirely defenseless Japan' will only cause 'uncalled-for' military adventurers from the outside."

In addition, the former Defense Academy superintendent said Japan, by possessing specific military power, can hold military talks with the U.S. on an equal footing.

"The efforts are the source of the crucially needed 'bargaining power' that Japan can use in talks with Washington. After gaining

power, Japan can demand that the U.S. shift its tough stance toward Moscow, or Washington should resume disarmament talks with Moscow," he went on.

"America can easily overcome the current global tension of a new cold war, even if it lasts for a long period. But for Japan and West Germany, their involvement in the tension spells a 'life-and-death' problem."

Concerning Japan's non-nuclear policy, Inoki said that the Japanese people must maintain the nonnuclear policy because it is the brain child of the Japanese wisdom.

"Historically or geographically, nuclear armament will be of 'no value' to Japan's security. If Japan arms itself with nuclear weapons, we will be in for nuclear attacks in an emergency," he went on.

"We will meet with the same fate if U.S. forces stationed in Japan are allowed to deploy nuclear weapons on our soil. Of course, I am not saying that transits of nuclear-armed U.S. warships through our waters and their calls at our ports will constitute the 'introduction' of nuclear weapons."

"Soviet warships may pass through our waters with N-arms on board. We cannot check them. Why should we check American warships going through the Japanese waters."

"The peace-time introduction of nuclear weapons into Japan by America means the 'breakup' of the principle of the bilateral security treaty. The breakup means the breakup of the division of military roles under the treaty—limited military resilience for Japan and the presence of a nuclear umbrella by the U.S.," Inoki added.

"The condition that U.S. forces in Japan have no nuclear weapons in peace time apparently underscores the most significant meaning for Japan's security."

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Defense Sharing Politically

Tokyo MAINICHI DAILY NEWS in English 7 Oct 81 p 3

[Interview with Michio Royama, professor at Sophia (Jocji) University, date and place not given: "Defense Sharing Politically"]

[Text]

Michio Royama is a political science professor at Sophia (Jochi) University in Tokyo.

Concerning the Soviet Union's muscle-flexing worldwide, Royama said, "The accelerated buildup of Soviet naval power is to counter the American intervening power for trouble spots in Third World countries. The Soviets may raise an objection to this thinking. But Moscow's message to Washington behind the Soviet military buildup is clear. That is, 'we have as much military power to interfere anywhere in the world as the Americans.'

"I am not going to share the view that Moscow aims to ideologically dominate the world with its communist ideology. Such a view is meaningless, the same as the view that America is spreading its breed of democracy all over the world.

"Concerning the Afghan crisis, Moscow regarded the country as one of its satellite states. Although in a vague perception, America viewed Afghanistan as a country outside of Soviet influence. In a sense, Afghanistan is a 'gray zone' where it is hard to discern which superpower is exerting its influence," he went on.

Royama also said that if the U.S. had attached a greater importance to Afghanistan, its reaction to Soviet interference would have been much tougher.

"Moscow is not so naive and simple as to move its forces across the border to places

where its influence is weak and fragile," he explained.

Touching on the Soviet threat in the Far East, Royama said that in basic terms, military power is intended for menacing and destroying opponents, adding that it is quite natural to think if a power is excessively built up, the opponent will take it as a threat.

However, he said, it is too early to conclude that the Soviet Union is building up its Far East forces to take over Hokkaido some day.

"Should Moscow attack Japan's northernmost island, the result would be more drastic than the Kremlin anticipates," he said. "Most probably, Moscow would be dragged into confrontation the West."

The professor said that while Japan depends on the American nuclear umbrella for its security, the Japanese government is trying to dilute the "significance of the umbrella" by publicly refusing to allow N-armed U.S. warships to call at Japanese ports or pass through Japanese waters.

Big Contradiction

"This is a big contradiction. At the root of the contradiction is a lack of Japan's long-term security scenario," he opined. "I must admit that Japan is left to the mercy of the U.S. in the making of the security-strategy."

"Thus, the creation of our own independent security

strategy should be our priority task," he went on. "Then, we can pursue strategy most suitable for us. We must learn from the way European countries deal with the U.S. in security affairs."

On the joint Japanese and American defense role, Prof. Royama said that going by the fact that Japan is a global economic power dependent on foreign countries for raw materials, Japan should not give the U.S. the impression that Japan is still enjoying a "free ride" on the American nuclear umbrella. "To a certain extent, Japan should meet America's defense buildup request," he continued.

"My idea is to scale down the Ground Self-Defense Force because I believe there is no imminent threat that could justify the buildup of tanks and other land-based hardware," the professor said. "We should also cut back the number of personnel. Instead, our naval and air forces should be strengthened."

Prof. Royama added that "surplus" ground troops should be sent abroad on disaster relief or peacekeeping missions.

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Will To Resist

Tokyo MAINICHI DAILY NEWS in English 8 Oct 81 p 3

[Interview with Hiroomi Kurisu, former chairman of Joint Staff Council of JSDF, date and place not given: "A Strong Will To Resist"]

[Text]

Hiroomi Kurisu is former chairman of the Joint Staff Council of the Japanese Self-Defense Forces.

Commenting on the Soviet threat, Kurisu said that it is a remote possibility that the Soviet Union will first use nuclear bombs against Japan. He said, "If a global crisis erupts, part of the Soviet Far East divisions will be deployed against Japan, although most of the Soviet forces are placed on the alert against China."

"What is worth thinking about is how many war machines the Soviets are ready to mobilize 'qualitatively' against Japan," Kurisu said. "In fact, the Soviet Union has built up its Far East force enough to invade not only Hokkaido but also the Japanese main island."

In concrete terms, he went on, the Soviet Far East Force has installed long-distance SS-4 or SS-20 missiles to cover Japan. The Soviets are also deploying "long-range" aircraft to reach Japan, Kurisu stressed.

"This does not mean that the Soviet Union is bound to stage military operations against Japan. From the Soviet Union's domestic problems, it is unlikely that the Soviets will launch an attack on Japan," he explained. "The Kremlin is gripped with increasing domestic problems. For Soviet leaders, it is now the time to tighten their grip on internal problems and to reunite the satellite countries."

Kurusu warned, however, that the Soviet Union would take drastic action should a serious crisis threaten its very existence, adding that the fuel problem or the ongoing Poland crisis will not fall under the category of a "life-and-death" problem for Moscow.

Concerning Japan's defense policy, Kurisu said that the policy should primarily be based on the principle that Japan will never tempt the Soviets to attack Japan. "We must make the Soviets realize that a high price must be paid for the invasion of a country," he went on. "We must show that both the Japanese people and the Self-Defense Forces would not hesitate to resist invasion at all costs."

If the Soviets are fully aware of the Japanese determination, they would not launch an attack easily, he said.

"Basically, the Self-Defense Forces must upgrade training and resisting power within limited capability," he went on. "They should also study measures to cope with all emergencies imaginable."

Equally important is the fact that "epoch-making" military technologies should be developed, Kurisu indicated, adding that Japan should, for example, develop laser weapons ahead of other countries. The weapons, though barred from use, will serve as a deterrent. The same can be said of the development of cruising missiles capable of reaching Siberia, he went on, saying these developments would deter Soviet adventurism.

"These missiles should not necessarily be nuclear-powered, but must have accurate striking power," Kurisu stressed. "It is vital that Japan should show the Soviet Union that the former is capable of striking Vladivostok."

Touching on the American request for Japan's stepped-up defense role, the former top SDF uniformed officer said that Japan is faced with a lamentable situation concerning the defense policy.

"While Japan lacks a long-range defense strategy, the government often bows to outside pressure for more defense burdens. This should be corrected," he stressed.

"First of all, Japan should have its own defense strategy before listening to the American requests. The absence of Japan's solid will to defend itself, I think, frustrates the Reagan administration most. The manifestation of the solid, long-range defense strategy will help ease Washington's irritation."

"The Soviets would be glad to learn that Japan is building up forces without a strong will to resist. The will to resist is needed."

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Wisdom To Face Reality

Tokyo MAINICHI DAILY NEWS in English 9 Oct 81 p 3

[Interview with Yonosuke Nagai, professor at Tokyo University of Technology; date and place not given: "Wisdom To Face Reality"]

[Text]

Yonosuke Nagai is a political science professor at the Tokyo Institute of Technology.

On Japan's option for light armament, Prof. Nagai said that the Soviet military buildup is overestimated although the Soviets have actually strengthened their nuclear forces in the Far East.

"We cannot overlook the fact that seven pro-Moscow regimes have been established in Indochinese and African countries since 1975," Nagai went on. "On Japan's part, it will be significant to formulate the security policy based on two perspectives: Strategically long-term and tactically short-term viewpoints."

"The Soviets are keenly aware of Japan's vast economic wealth and highly advanced technological assets," the professor said. "From the long-term viewpoint, Japan should maintain economic ties with the Soviet Union. Japan should not arm itself with nuclear weapons because Japan has no other alternative but to rely on the American nuclear umbrella."

Yet, Prof. Nagai stressed that we must discuss Japan's military role from a short-term viewpoint—in view of the Soviet propensity to take advantage of vulnerable spots in the world.

"Now, the question is how we should deal with the new situation arising from America's shift of its naval power from the Western Pacific to the Middle East," he remarked. "To fill the military

vacuum in the Western Pacific area, I think Japan should increase its air and naval capabilities."

Concerning Japan's non-nuclear policy, the professor said that Japan is undoubtedly dependent on the American nuclear umbrella "although the Japanese government has not formally allowed nuclear-armed U.S. warships to call at ports or sail through the Japanese waters."

"This is a logical contradiction," the professor emphasized.

"I doubt newspaper reports that nearly 70 percent of the American warships calling at Japanese ports are nuclear-armed," he said. "That might have been so in the mid-1960s, but is unlikely in the 1980s."

In his opinion, Prof. Nagai said, the Japanese have proved themselves to be "intelligent" enough to skillfully harmonize the war-renouncing Constitution with the presence of the Self-Defense Forces.

"Our wisdom should be fully utilized so that we can harmonize the nonnuclear policy with the 'fact-of-life' situation that some American nuclear-armed warships are calling at Japanese ports or passing through Japanese waters.

"What I would like to emphasize is the fact that 'reality' is always pluralistic and manifold," Prof. Nagai went on.

Commenting on the U.S.

pressure on Japan for a bigger military role, the professor said that by the Western standard, the possession of a big economic capacity can develop into a big military strength.

But, he said, Japan can retain some advantage by remaining a "potentially" big military power. "In other words, it is necessary for Japan to show the world that Japan can become a big military power at any time," the professor went on.

"The keener the United States, Soviet Union, China and other countries feel about Japan's big power potentiality, the bigger diplomatic bargaining power Japan can have."

Now is the time for Japan to create its own long-term strategy not limited purely to military purposes, Prof. Nagai opined.

"By helping the Third World countries in economic and technological fields, Japan can contribute to the overall security of the West," he said.

"Japan's dedication to assist poor countries will give Tokyo a 'persuasive' leverage to check the U.S. pressure for Japan's bigger military role."

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Keep No-Nuke Policy

Tokyo MAINICHI DAILY NEWS in English 10 Oct 81 p 3

[Interview with Saburo Kugai, military affairs analyst, date and place not given: "Keep Japan's No-Nuke Policy"]

[Text]

Saburo Kugai is a critic of military affairs.

Commenting on the Japanese-U.S. "Alliance," Kugai told the Mainichi that the present bilateral military relationship will not be changed radically in the immediate future, despite the Suzuki-Reagan communique in May stressing a new, stronger "alliance."

"But we should acknowledge that a new phenomenon is surfacing in the relationship," Kugai went on. "In fact, more and more American military leaders are trying to shift the direction of the alliance."

"Traditionally, there have been two expectations among American leaders on Japan's military role," he explained. "On one hand, some American leaders favor a nuclear-free Japan, only armed with small-sized conventional weapons because Japan's might as an economic giant, would be a potential military threat to America. They insist that Japan shoulder more of the burden of supporting the American forces in Japan."

Kugai went on to say, "On the other hand, other American leaders share the view that Japan should be heavily armed with nonnuclear weapons. This view is supported by President Reagan."

The noted military affairs analyst remarked that America wants to place China under its nuclear umbrella in the belief that the communist giant is no

longer a hostile but friendly, developing country. Even so, he went on, the U.S. will not build military bases in China.

In his observation, Kugai said that the U.S. expects Japan to play a larger role as a communication base for its nuclear umbrella network. "If all goes well, America will be able to deploy strategic, theater and tactical nuclear missiles in and around Japan."

Touching further on the American nuclear umbrella, he said that U.S. Defense Secretary Weinberger's assertion that the American nuclear umbrella made Japan's postwar economic recovery possible was "willful."

"Had we been heavily armed and backed by the draft in postwar years, Japan, as a military giant, might have been a great burden to America," Kugai opined. "Because both Tokyo and Washington would have become competitive for sales of not only TV sets and cars but also weapons."

The U.S. is putting greater expectations on Japan's armament with nonnuclear weapons in its grand design of establishing an America-Japan-China axis against the Soviet Union, the military commentator explained.

"It will be inevitable for the U.S. to press Japan to build up its heavy armament in the future," he predicted. "Moreover, Washington will ask Tokyo to formally allow the introduction of nuclear weapons into Japan."

As for Japan's nonnuclear policy, Kugai opined that it is meaningless, adding, "Japan should extricate itself from the nuclear strategies of Washington and Moscow. Japan must establish its own independent antinuclear strategy which is similar to that adopted by NATO countries."

"We can understand the European fear that the deployment of American nuclear weapons would mean 'life or death' for most Europeans in case of a nuclear war, limited or otherwise," Kugai said. "More and more Europeans and Americans are inclined to follow Japan's three nonnuclear principles of not introducing, having or manufacturing nuclear weapons."

Asked about the contradiction why people under the American nuclear umbrella are opposed to the introduction of nuclear weapons despite their dependence on the nuclear umbrella, Kugai said that "it is the politicians' role to balance the logical contradiction so as to keep the nonnuclear policy."

He also said that various polls showed that most Japanese approve of the existence of the Japan-U.S. Security Treaty. But, he stressed, they reject the deployment of nuclear forces because of their sufferings from the atomic bombing during the last war.

"Japan must emphasize this antinuclear sentiment in future talks with America," Kugai said.

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ECONOMIC

FINANCIAL DIFFICULTIES OF MARUZEN OIL COMPANY DISCUSSED

Tokyo EKONOMISUTO in Japanese 15 Sep 81 pp 32-36

[Article by Akihiko Morita: "Maruzen Oil Company: 20 Years of Poor Management and Bankruptcy; Going Behind the Restructuring Plan"]

[Text] "If the company's debt reaches 50 million yen per day, the management will turn pale and run around seeking help. However, if the debt reaches 200 or 300 million yen per day there is nothing to do but stand and fight."

These words were spoken by oil company presidents in the hot month of July.

Despite the talk of fighting, the action actually taken by the oil industry was to ask the politicians and the government to help save the industry.

The top management of the domestic oil companies made the rounds of the Diet and MITI seeking the establishment of a "standard amount" for oil product selling prices. At the time, the following memorandum appeared in one company's internal documents.

"A big cause of the present crisis in management is the fact that when the prices of oil products should have been raised, the government stepped in improperly and held them down in consideration of the spring labor offensive and consumer price increases.

"Therefore, we are requesting the establishment of a 'standard amount' based on the Petroleum Industry Law only as an 'emergency escape measure.'

"Since MITI officials have failed to act, we would like you (Diet members) to press strongly for the establishment of a standard amount as soon as possible" (quoted from original).

30 Vessels Drifting

The troubles of the oil industry basically stem from a worldwide oil glut. When the second oil shock occurred after the uprising in Iran, the price of crude oil quickly tripled. This resulted in worldwide cutbacks in consumption and conversion to alternative energy sources. Because of this worldwide stagnation, the demand decreased steadily.

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In response, OPEC oil production dropped from 30 million barrels a day 2 years ago to 2.2 million barrels a day recently. However, one informed view is that "there is an excess supply of 4 million barrels a day in the free world" (U.S. petroleum journal).

This excessive supply has spread across the ocean to Japan. At present, all domestic petroleum tanks are full, so about 30 tankers full of petroleum are circling around in the seas near Japan.

When the Iran-Iraq war erupted last fall, the oil companies descended on the oil-producing countries and made large oil purchasing agreements out of fear concerning future supply problems. However, there was far more decrease in consumption than expected. It would have been all right if the companies could have cancelled these agreements or postponed the transactions. However, the oil-producing countries threatened them with a \$6 per barrel penalty for cancelling agreements, and they were afraid of the effect on the future stability of the oil supply if trouble arose between them and the oil-producing countries now. Therefore, it was actually impossible at the last moment to prevent the oversupply of crude oil.

This oil glut led to an excess supply of products, causing gasoline price wars at the gas stations, the end point of the distribution system, and made it impossible to shift the crude oil price hike onto product prices.

A drop in the yen market added to the problem. Therefore, a medium-sized oil company was going into the red at the rate of 200 or 300 million yen per day and the industry raised the white flag, going to the government for help.

In Showa Oil's interim financial statement announced at the end of August for the first half (January-June) of this year, the recurring losses were 32.8 billion yen, a tremendous loss equivalent to five times the total capital. According to industry sources, the recurring losses for the September interim settlement, estimated at an exchange rate of 230 yen to the dollar, were 100 billion yen for Idemitsu Oil, 80 billion yen for Maruzen Oil, and 50 billion yen for Mitsubishi Oil.

Avoidance of Worst Possible Situation

Is the future of the industry completely dark then? Recently, there has been a change in the situation.

MITI has made a number of moves since July as emergency measures to save the oil industry. A guided 15-percent reduction in production has produced results and a rise in the price of oil products has rapidly taken effect. Also, the foreign exchange rate, which had dipped as low as 247 yen to the dollar, came back to the neighborhood of 230 yen. With a favorable balance of international payments, the yen is expected to continue to be high in value.

"Looking at the 34 oil refining and distributing companies, the exchange profit of 500 billion yen in the first half of 1980 shrank to 300 billion yen in the second half, and turned into a loss in the first half of this year. Looking at the cycle of these changes in the exchange rate, we can expect a return to black figures in the last half, so the real problem is the restoration of profit," according to the speculation of an influential bank executive.

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As a reflection of this change in the current of events, MITI and the Petroleum Council, a MITI advisory body, are very likely to postpone the establishment of a standard amount for petroleum product selling prices. The operating crisis that enveloped the entire petroleum industry has not passed yet, but in the present situation, the yen can be expected to remain strong, to some extent, and it seems that the worst problems will be eliminated.

The company which has been hardest pressed during this oil industry crisis is Maruzen Oil. However, looking only at the first half of this year, the entire industry, including foreign ventures, failed to break even, and among domestic companies, Idemitsu went furthest into the red. Therefore, when asked why Maruzen should be singled out for special treatment, company executives evasively complain that the company was made a scapegoat.

It is a fact that the "Maruzen Oil management crisis" was extensively used in publicizing the industry crisis. However, there is also sufficient reason for Maruzen to receive special treatment. First, in the settlement of March 1980, Maruzen reported recurring losses of 28.8 billion yen, its worst ever, while the industry as a whole was well in the black. The only other company to register recurring losses was Daikyo Oil, at 1.9 billion yen. During the same period, Nippon Oil was 103.7 billion yen in the black and Mitsubishi Oil (a joint venture with foreign capital of the same size) had profits of 11.4 billion yen. This displayed Maruzen's weakness clearly.

Second, a stronger impression of a management crisis was given to the public when President Sanae Honda, formerly of MITI, gave up his post at the end of March to Vice President Masahiko Shima, formerly of Sanwa Bank.

The proposal for autonomous restructuring announced by Maruzen Oil on 23 July was made up of six items, including the following: 1) reduction of over 1,000 employees (actually 1,200); 2) liquidation of 40 billion yen in assets, including the Osaka headquarters building; 3) separation of two small-scale refineries, Shimotsu (Wakayama Prefecture) and Matsuyama (Ehime Prefecture), into new companies; and 4) efforts to reduce the purchase price of crude oil.

The main point of this plan for rebuilding is to leave the Chiba and Sakai refineries, which are comparatively the most advanced of Maruzen's refineries, and reduce volume drastically by making the inefficient Shimotsu and Matsuyama refineries into separate companies.

The 1981 equipment plan submitted to MITI by the company called for reducing the capability of the Shimotsu and Matsuyama refineries and increasing the equipment capacity of the efficient Chiba refinery. The restructuring plan carried this one step further, making more reductions, including personnel, by making the Shimotsu and Matsuyama refineries into separate companies.

The Sanwa Bank is taking the lead in building a financial support system for the restructuring of Maruzen Oil. In August, Sanwa, the Industrial Bank of Japan, the Long-Term Credit Bank of Japan, and Tokyo Trust Bank cooperatively made an initial loan of 30 billion yen. In September, 16 banks, including Tokyo Bank, Daiwa Bank, Nihon Shoken Trust Bank, Sumitomo Bank, Taiyo-Kobe Bank, and a number of other trust banks will make another cooperative loan.

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Doubts About Rebuilding

However, the group of banks providing financial support are not necessarily satisfied with the company's restructuring plan. The biggest doubt the banks have about the plan is whether separation of the Shimotsy and Matsuyama refineries will actually lead to an overall reduction in the size of the main body of Maruzen Oil.

A more detailed restructuring proposal presented to the major banks in August says that, of the Shimotsy refineries, the west refinery with the atmospheric distillation facility (topper) will be retained as a part of Maruzen Oil and the east refinery will be organized as a separate company (100 percent capitalization by Maruzen Oil) with capital of 2 billion yen. Initially, 200 employees in the west refinery will not be included in the personnel reduction. The separate company will be a blending plant for lubricating oil and will use the same number of personnel. So of the present 650 employees, 150 will be eliminated.

The west refinery which will remain a part of Maruzen has topper and vacuum equipment and, for the time being, it will supply the base oil for lubricating oil to the east plant. A probable view is that the real aim is to prepare for the time when the entire industry will have to abandon plant and equipment. Rumor has it that it may be transformed into a government oil storage base in the future. However, these developments are not yet public and they will probably come up in the second phase of the restructuring plan.

A tie-up with Fuji Kosan, which is putting an effort into lubricating oil, is being considered for the Shimotsu plant which is to become a separate company. Nippon Mining Company built lubrication base oil facilities in a joint investment with Maruzen at the company's Mizushima plant. In a collateral arrangement, Maruzen has the right to build the same facilities at the Shimotsy plant after 10 years. However, all the Shimotsy facilities may be abandoned. If this right were taken over by Fuji Kosan's Kainan plant (in Shimotsy), it would have the merit of expanding the company's plant and equipment and the Shimotsy plant would be able to obtain a base oil supply from Fuji Kosan. Right now there is no process being made in discussions on a business and capital tie-up between Maruzen Oil and Fuji Kosan, but if an agreement is reached, Fuji Kosan could put up 30 to 40 percent of the capital for the separate company in Shimotsy.

The policy for the Matsuyama refinery, on the other hand, is to tie up with other petroleum companies and make it a distribution center for petroleum products. This refinery, in the western part of Matsuyama city, faces the Iyo Sea. There are 139 tanks, including tanks for crude oil, intermediates, and finished products, situated on a 530,000-square-meter site. The thinking is that if this were leased as a tank yard, there would be no problems even if it were made into a separate company. However, if it is made into a tank yard, half of the present 500 employees would not be necessary. The plan is to eliminate one-third of the employees for the time being and make the plant a separate company (totally capitalized by Maruzen Oil) with capital of 5 billion yen next spring.

At this point, the idea of moving the petrochemical facilities at the Matsuyama refinery to the Chiba refinery is also under study. Another problem is what to do with the topper, which has a daily production of 30,000 barrels. In addition, the suggestion has arisen of building the pilot plant for heavy oil cracking, now under development by a joint industry association, at the Matsuyama refinery with a cooperative investment.

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Personnel Reduction the Key

If both these refineries are made into separate companies in this way, the main body of Maruzen Oil will be somewhat lightened. However, can it be reborn as a company that can compete among the domestic oil companies?

A person in charge of auditing at a major bank says: "If Shimotsy and Matsuyama are made into separate companies, the main office will be able to squeeze out 25 billion yen in transfer profits (separation profits). This is not a plan for restructuring in any real sense, but under the circumstances, there is no alternative, is there?"

From the point of view of the banks offering financial support, approximately 80 billion yen of the total loans to Maruzen Oil are being differentiated from ordinary operating funds and inventory funds and being loaned in cooperative loan as loss funding. This figure of 80 billion yen is the amount of the previous period (1980) losses of 23.8 billion yen and the first-half losses for this year minus the sale income for the Osaka head office building, the Nagoya building, securities, and company housing.

Furthermore, according to the preliminary calculations of bank sources, Maruzen Oil would have to eliminate a structural recurring debt of 25 billion yen in order to become a competitor among the domestic oil companies.

In the restructuring plan, 7 billion yen would be released by eliminating 1,200 employees, and the repayment of loans through sale of bank stocks and real estate would lighten the interest burden by 3 billion yen. This would reduce the structural debt by a total of 10 billion yen. The remaining 15 billion yen would be made up through positive policies such as (1) cutting premiums with crude oil purchases and (2) increasing the production rate of profitable oils like gasoline and naphtha and intermediates like fuel oil.

The idea is that by increasing the extraction of the "white" products, gasoline and naphtha, refining efficiency can be improved by distributing production between the FCC (fluid contact cracking equipment) at the Sakai refinery and heavy oil direct desulfurization facilities at the Chiba refinery. These facilities were made use of rather late compared to those of other companies and a huge investment was required. Because there is a large remaining debt and a high debt ratio for long-term borrowings, these facilities have been a drag on Maruzen's financial condition. However, they are expected to have an important role in strengthening the company's position as the ratio of heavy oil increases throughout the world.

Will this scenario for restructuring play out smoothly?

Many problems have been pointed out. The biggest problem is the elimination of 1,200 employees, something that has never been done on such a scale in the history of the industry. Of this number, 300 have already been sent to work for dealers, so the remaining 900 must now be dealt with.

The company is setting up a system for job changes and retirement, including (1) establishment of workplace development programs, (2) sending personnel overseas for technological cooperation, (3) sending personnel to dealerships, (4) moving personnel development companies, and (5) a special retirement system. There have been requests

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for personnel from over 100 companies, including major companies, for workplace development programs. The company hopes that if this goes well, it can find a large number of new positions for its people.

However, if we look at the special retirement system under which middle-aged and older employees can volunteer for retirement and receive a larger retirement allowance, we find that there are few takers. Most of the employees are awaiting developments with an eye fixed on the future of the company and trends in the industry. The company has a long history of overseas technical cooperation, sending technicians to Algeria and Iraq. However, it is questionable whether as many people can be sent there as called for in the restructuring plan. In any case, the success in disposing of employees is the key to the success of the restructuring plan.

The next problem is increased production of profitable petroleum products. This is an area in which every oil company is implementing its own business strategy and there is a question of how well sales will go.

Mistakes of Past Presidents

Looking back, we can see that a management crisis has kept recurring in Maruzen Oil for the last 20 years. Each time, an industry reorganization debate centering around Maruzen Oil has received extensive coverage by the media.

The first crisis took place in 1963. Kanji Wada, the president at the time, carried out excessively aggressive operations and came face to face with a funding problem. At that time, Maruzen Oil was about even with Idemitsu Kosan and was rushing to expand its market share and catch up with and pass the industry leader, Nippon Oil. The company was based in the Kansai region but it built a refinery in Chiba, to move into the Kanot region, as well as moving into petrochemicals. In addition to the equipment investment for this rapid expansion of refining facilities, Maruzen also purchased ultralarge tankers, hired large numbers of new employees, and made political contributions. The domestic sales war caused by the liberalization of crude oil imports in 1962 pushed Maruzen into a business failure.

That time, Maruzen was bailed out by financial aid (stock acquisition and an American bank loan) from an independent American oil company, Union Oil. Then Kazuo Miyamori, who had been a vicepresident of Sanwa Bank, became president in 1964. Miyamori's administration lasted 12 years, including the period of the first oil shock. During this time, almost nothing was done to make substantial improvements. In fact, it would not be an exaggeration to say that the continuation of the aggressive management of the Wada period created the situation Maruzen Oil finds itself in today.

However, the weakness that did not surface during the expansion of the high growth period appeared after the oil shock. In 1975, there was a recurring loss of 26.1 billion yen and Maruzen faced a second business pinch, but no decisive measures were taken. The only measures taken for settlement in 1975 were to sell 44 oil storage sites to Maruzen Distribution Service, a wholly owned subsidiary. The income from the sale, more than 20 billion yen, was posted as special profits to patch over the red figures. It is no wonder that a bank source made the following criticism: "The managers who came in for restructuring continued to avoid taking any significant measures."

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One reason for the delay in rationalization was that the construction plan for a new refinery near the ocean in Bungo Takada in Oita Prefecture was carried over after the oil shock. The excess personnel in the Shimotsy and Matsuyama refineries were held in readiness as "personnel to be moved to the new refinery in the future." However, demand did not grow after the oil shock and the Oita refinery plan was abolished.

Sanae Honda, formerly of MITI, became the next president in 1976. He proclaimed "through efficient management," but he did not take any special action. In the end, the only thing he accomplished was a merger with Kansai Oil in 1979.

Honda had a poor reputation in the industry and in the company. "There were many actions not befitting a manager, such as being caught in the M fund fraud in 1979 and writing the memos he wrote. At the same time, he did not have the political ability to introduce DD crude oil from Saudi Arabia like President Hiroshi Ohori of Kyodo Oil did."

Looking at the troubled history of Maruzen Oil this way, we see an undercurrent of laxity in the company. In the present crisis, this can no longer be tolerated.

Oil is a strategic product that is absolutely essential to the national economy. There is always the presumptuous attitude that "when there is trouble, the government will help us out." However, compared to the other materials industries, which have been overprotected by the government, the oil industry has been treated like an outcast. The reason for this is that the main part of the industry is made up of affiliates of the majors which are backed by foreign capital. So there has been a strategic consideration that the prosperity of the oil industry ultimately fattens the companies with foreign capitalization. Now that the economy has slowed down and economic phenomena have taken on the aspect of a zero sum game, large profits for the oil industry mean losses downstream in the petrochemical industry.

Many observers take this acerbic view: "MITI talks as if it desires a restructuring of the oil industry, but it has not actually done anything to strengthen the oil industry. Its real intention is probably to carry it just far enough to keep the company from falling apart.

MITI's previous plan to build a Japanese major around Kyodo Oil fell through because of the change in the oil situation, and it does not seem likely that it has new plans for such restructuring.

But how long can it just leave the oil industry alone in the present situation which fluctuates with each wave of change in the currency exchange market?

As we have seen, a government policy for restructuring the industry was hoped for in the restructuring of Maruzen Oil, and such a policy was involved as a subplot. It is too soon to tell whether the Maruzen Oil crisis will lead to a restructuring of the oil industry. However, it would be safe to say the such a tendency has already started behind the scenes.

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SCIENCE AND TECHNOLOGY

STEADY PROGRESS SEEN IN BIOTECHNOLOGY

Tokyo SHUKAN TOYO KEIZAI in Japanese 3 Oct 81 pp 84-87

[Profile of Hayashibara Biochemistry Laboratories by Toshihiko Katsuro]

[Excerpts] Biotechnology (the industrial use of life sciences) is a field of intense world competition for a huge market. Europe and the U.S. have taken the lead in this field, but Japan is finally catching up, and has now produced results not inferior to those of Europe and the U.S.

Biotechnology, technology which puts life sciences to various industrial uses, is in the limelight as innovative technology which will dominate the next century.

Biotechnology can be roughly classified into (1) techniques for rearrangement of genetic material, (2) cell fusion technology, (3) technology for mass cultivation of cells, and (4) bioreactor (industrial organism reaction) technology. Such technology can be used by growing numbers of industries, including pharmaceuticals, food, wines and liquors, and chemicals.

Consequently, huge markets are expected when practical application is made of such technology. According to the technology report recently issued by the Ministry of International Trade and Technology, in 20 years the scale of this market is to be from 4.2 to 6.8 trillion yen.

Fierce development competition aimed at this huge market has unfolded among the companies involved--not to mention research institutions--in Japan and abroad. But at present, venture enterprises of Europe and the U.S. have a great lead over Japanese forces.

In Japan, on the other hand, a few companies like Japan Microbiochemistry of Matsumoto in Nagano prefecture have begun to appear. But Japan differs from Europe and the U.S. in its business climate and in links between scientists and industrial circles, and so far no outstanding companies have emerged; venture capital has not been skillfully mobilized in this regard.

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Technology is Key, even with Little Capital

The fermentation sector is closely related to biotechnology, and there are those within that industry who say there is almost no gap with Europe and Japan in the technological capacity accumulated over the years, but so far this has not been reflected in accomplishments.

At present, Japanese companies are obtaining technology through tie-ups with European and U.S. ventures and technologically strong firms--Green cross with CRI and Genex, Mitsui Toatsu Chemicals with Genex, Sumitomo Chemical with Britains' Welcam, [phonetic] Takeda Chemical Industries with Rosch, and Mochida Pharmaceutical with G.D. Saar [phonetic].

There are a few points in this field, however, on which it can be said research and development are relatively advanced. One example is Mitsubishi Life Science Laboratory, a subsidiary of Mitsubishi Chemical Industries. Of its more than 100 researchers, about 70 hold doctorates, and almost all are engaged in biotechnology research in some form. It was established some 10 years ago, and has continued to carry out basic research, but this year research began to shift in the direction of practical application. At the end of last year it had seven patents related to genetics.

This laboratory has put its efforts into gene splicing and cell fusion. The ultimate goal is application to chemical responses processes, but at present it is aiming only at the fields of drugs and foods. This spring the laboratory, together with Mitsubishi Chemical Industries, developed an optical system for checking immunity which has already been submitted to the Ministry of Health and Welfare. And in September it entered a franchise arrangement with Hybritech Co. of the U.S. for sale of monochlor antibodies (reagents). This is a beginning for the development of reagents and medicines through cell fusion. The laboratory is also said to have established technology for using colon bacilli to produce physiologically active substances, and to have applied for a patent.

This research is not a venture of the European and U.S. type, but is a matter of using low capital and superior researchers to carry out biotechnological development. The same is true of Yuei Pharmaceuticals and Hayashibara Biochemistry Laboratories.

Yuei is a drug firm located in Osaka which primarily manufactures and sells nutrient tonics. Sales exceed 5 billion yen. It is a small business with about 350 employees, but 110 of these are researchers. Researchers have been sent to work under Dr. Keiichi Itakura (City of Hope Medical Center in the U.S.), an international authority on genetic research. Nine of his students lead the company's research. They have succeeded in using genetic combination technology to synthesize interferon and secretin, a duodenal hormone.

Hayashibara in the Lead

Hayashibara Biochemistry Laboratories (1 million yen capital) has established technology for mass production of interferon, which had been a bottleneck, and it is now one of the world's leading producers. It is now doing research on a physioactive substance (rhenocaine), and is in the forefront of the biotechnology field.

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Hayashibara Biochemical Laboratories was established in 1970 as the independent research arm of Hayashibara Corp. (100 million yen capital), which is located in Okayama city. Research is done at corporation headquarters and at the chemical laboratory; the two have a total of 110 researchers. For the past four or five years research costs have been at a high level--13 or 14 percent of sales--and the two companies have 3,000 patents in the fields of food, chemicals and medicine.

Prior to the mass production of interferon, the company was hardly known outside Okayama, but now it is well known overseas because of its patents.

In 1881 the prominent Hayashibara family of Okayama started in the business of producing glucose from malt. The Hayashibara group now consists of two public service companies, and twelve subsidiaries in the food, chemical, real estate, distribution and leisure sectors. The annual turnover of the group as a whole is about 30 billion yen, and there are 600 employees.

In the early 1960s the company moved from its original concentration on glucose toward new products and new technology, and since then it has adopted the strategy of relying on its patents.

Since it happened that starch was handled in the manufacture of glucose, the company accumulated microbiological technology. By applying this, the company became involved in research in (1) starches, (2) nutrient cultures, and (3) organic synthesis.

The achievements began with development of oxysaccharide glucose in 1965, followed by a new method for production of high purity maltose as an injection medium in 1968 (turned over to Otsuka Pharmaceutical Co.), a coupling sugar sweetener which does not cause tooth decay in 1972, and a nonpolluting plastic puller [phonetic] in 1973. Development of interferon using hamsters was achieved in 1980.

The interferon developed by Hayashibara Biochemistry is the alpha type, and the use of hamsters in production is a unique method which opened the way to mass production. Patent applications have been filed in 22 countries.

In this method, human lymphocytes are first put directly into the hamster's body--rather than a tank culture--for propagation. Then the lymphocytes which have been produced are extracted, an agent to stimulate interferon (sender [phonetic] virus) is introduced, and the product is separated and refined. About five weeks is required from introduction of the agent to final manufacture.

Using this method it is possible to extract from several tens of thousands of units to several hundreds of millions of units of interferon per animal. With the old tank culture method, fetal lymph must be used, and only about three million units can be produced. Moreover, when this fetal lymph is the high-quality product of the Gibco Company, it costs a full 11,000 yen per 100 cc. With the hamster method, however, the cost per million units is about 2,000 yen, and it may be possible to reduce the cost to 500 yen or below.

The Fujisaki Laboratory began production in January of this year, and reached an annual production level of 300 billion units by this June. It raised about 10,000 hamsters--3,000 to 4,000 for making interferon and the rest for breeding and the production of physioactive substances.

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Hayashibara Group

(leisure)

Kyoto Station Hotel

Kyoto Century Hotel

National Park Desaki Development

Inland Sea Ijima Development

(Research, Production)

Vesserschmidt (V.Ger.)

Mochida Pharm.

Otsuka Pharm.

Pasteur Lab. (Fr.)

Refining
technology
Inter-firm
supply

(public service)

Hayashibara Cooperative

Okayama Museum of Arts

Hayashibara Corp.
(headquarters)

(food, drugs, chemicals)

Hayashibara Biochemistry
Laboratories (Biochemistry)

Fujisaki Laboratory

Nippon Photosensitive
Element Laboratory
(pigment synthesis)

Fujita Laboratory

Mitsubishi Foods
(confections)

(distribution, real
estate)

Hayashabara Trading

Taiyo Industrial

Taiyo Transport

Showa Warehouses

Okayama Central Oil

Okayama Plant No. 1

Okayama Plant No. 2

Harasue Maltose

Otsuka Pharmaceutical

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Following up Interferon

In April of this year Hayashibara Laboratories linked up with Mochida Pharmaceutical and Otsuka Pharmaceutical as part of the move into medicines. With the exception of a drug exported to Pasteur Laboratories for clinical use against rabies, the companies carry out safety testing jointly for all products. This testing will continue through the end of this year, and doctors' groups are being formed for clinical testing of high dosages on people early next year.

A commercial product to treat such things as chronic hepatitis and herpes should be possible in about two years, and work will be done on an anticancer agent during the period. It is also possible that interferon will be purified in space through a link-up with West Germany's Messerschmidt Co.

The company has invested about 1 billion yen in order to open a clinic next year, and laboratory facilities will be expanded in November. The size of the room where hamsters are raised will be increased by 150% and a new testing room will be provided. The number of hamsters will grow to 20,000 or more. The expansion is to be completed by next summer, and will enable production of 600 billion units of interferon per year.

At present Hayashibara is providing interferon to the Mochida and Otsuka companies at no charge, and when it is sold as a commercial medicine the know-how will be turned over to the two companies in return for a technology fee. Hayashibara has no intentions of selling the medicine itself, and at that point it will stop dealing with alpha interferon.

As for the other types of interferon, the company "has done experimental work with gamma interferon, but has not considered beta. The emphasis is shifting to rehnocaine (a physioactive substance) instead." (Director Masaji Kurimoto of the Fujisaki Laboratory)

This rhenocaine will be Hayashibara's most important project after interferon. Kurimoto says, "If it were just a matter of increasing the amount of interferon produced, it would be enough to raise the yield per hamster." Considerable numbers of hamsters will be used for mass production of substances formed by cell fusion, and the present expansion of facilities is aimed largely at development of rhenocaine.

"There are no concrete plans to get started" on gene splicing at present. (Executive Director Yashusi Hayashibara) Gene splicing methods involve 100 percent protein and might well cause problems in making rhenocaine, a variety of glycoprotein.

Moreover, a combination of cell fusion technology and the mass production technology using hamsters will permit production of various glycoprotein hormones in quantity.

Moreover, if the cell fusion method is applied to genes which produce physioactive substances in lymphocytes in the present hamster method, it will be possible to produce interferon and various hormones simultaneously.

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Such methods have already been established for production of a number of organic substances, including the production of human corpus luteum hormones and human epithelial growth factor; patent applications have been filed in Japan and overseas. It appears that a physioactive substance with an effect against tumors has been discovered.

Japanese biotechnology is still in its infancy. We have fallen behind Europe and the U.S. in the field of genetic engineering but while Hayashibara Biochemistry Laboratories is not a pure venture company, it is a world leader in cell fusion and culture technology, and is a central presence in the "take off" of the biotechnology industry.

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SCIENCE AND TECHNOLOGY

RECENT EXPORT DEALS, INQUIRIES FROM USSR DISCUSSED

Butadiene Plant

Tokyo NIHON KEIZAI SHIMBUN in Japanese 7 Aug 81 p 1

[Text] According to a disclosure by a government source, the government and the Export-Import Bank of Japan have given consent in principle to apply a bank loan from the Export-Import Bank of Japan to the butadiene plant business talks (total of 30 billion yen) involving the Mitsubishi Heavy Industries-Nissho Iwai group and the Toyo Engineering (TEC)-Mitsui & Co group. With this consent, both groups submitted the final price estimate to the Soviet Union, and serious negotiations have started. As a credit offer for exports to the Soviet Union, previously a supplier's credit (credit offered to export firms) was applied, for the first time since the economic sanction, for the export of large-diameter steel pipe by the iron and steel manufacturers. However, the application of a large bank loan decided on in principle at this time was the first big step toward the relaxation of Japan's credit offer for exports to the Soviet Union. The business world is hopeful that plant exports to the Soviet Union will eventually get back on the right track.

Japan's plant exports to the Soviet Union, which involve export credit offers from the government and the Export-Import Bank, have been steadily dipping for the last couple of years. The Nippon Steel Corporation-Ammco (U.S.) alliance unofficially had reached agreement to accept an order for an electromagnetic steel plant for the total sum of 80 billion yen, and had received the consent of the Export-Import Bank to apply the bank loan. However, due to the ban on the export of high technology to the Soviet Union imposed by the U.S. Government, the technology export permission was not granted, and the order was after all not accepted. Since the ban, business deals concerning large plant exports to the Soviet Union have disappeared, and there were only one or two cases of small proposals amounting to less than 2 billion yen per case in FY-80.

The butadiene plant will be built in Sverdlovsk, to the west of Moscow. It will be a large plant comprised of two units of installations which can annually produce 900,000 tons per unit. It is to be used for the manufacture of synthetic rubber. The business talks involve competition among four rivals--two Japanese groups, Eurotacnica of Italy and Procon of France. The butadiene manufacturing process of each group will use the process developed by Hoodly

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of America. In this respect, it was pointed out that there was a possibility of conflicting with the high technology export ban to the Soviet Union imposed by the USA. However, because of the following perceptions, the issue of the butadiene plant export has rapidly surfaced as a highly realizable business talk: 1) The Nissho Iwai-Mitsubishi Heavy Industries team has the experience of exporting a butadiene plant using a Hoodly system to the Soviet Union in 1972. 2) This butadiene plant export will not be caught by the export ban possibly to be issued by COCOM (committee for control of exports to the communist bloc), since it looks like it will require another year before the discussion can be held at a COCOM table to review the export of large chemical plants to the Soviet Union.

The final price submitted by each group was said to be within the 27-30 billion yen range. One report indicates that the Soviet Union is leaning toward sending the order to Japan because of its experience in exporting such plants.

In any case, the bank loan promised this time prescribes a 5-year life and an annual 8-percent interest rate, which is in line with the official export credit guidelines of OECD (Organization for Economic Cooperation and Development). It is quite certain that the Soviet Union will ask for a reduction of the interest rate, and haggling over financial conditions is anticipated at the negotiating table. Also, it is reported that France decided on an export credit offer which broke the guidelines for the Yamburg project for the development of natural gas--an 8-year credit after a 3-year grace period at an annual rate of 7.8 percent. This reminds us that there still remains a possibility that a European manufacturer might snatch away the desired order, depending upon the financial conditions.

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Large Welding Robots

Tokyo NIKKAN KOGYO SHIMBUN in Japanese 8 Aug 81 p 1

[Text] Shin-Meiwa Industry (president, Shinji Tamagawa) received orders for four large welding robots and six wire strippers (roller feed type terminal setting) from the Soviet Union one after another. With these robots, so far a total of 12 robots have been exported to the Soviet Union since 1977. This is the first large export (total sum of 70 million yen) of wire strippers, and it is expected to be delivered by the end of November.

The welding robots contracted for export at this time are three large models-- TW200D model with a work weight of 2 tons, followed by the PW150 series, one of which was purchased from the display at the "All-Soviet Welding Exhibition" held in Leningrad. In the Soviet Union, recently a trend to incorporate robots positively in production lines has been gathering momentum, and the welding robots ordered this time are expected to be distributed to a factory concerned with heavy electrical machinery.

The order of six wire strippers bound for the Soviet National Automobile Industry Export-Import Corporation was confirmed at this time following the sale of one wire stripper at the Electrical Appliance Manufacturing Machinery Exhibition held in Moscow last year. The stripper is the most advanced electrically

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controlled machine that can totally automatically cut wires, strip wires on both edges and set terminals. At present, the Altos (American wire stripper is popular in the Soviet Union and Europe. However, Shin-Meiwa, which ranks first in realized domestic sales, is anxiously planning to expand exports in the future.

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Bulldozers

Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Aug 81 p 7

[Text] Caterpillar Mitsubishi announced on the 11th an export contract of 400 bulldozers worth approximately 7 billion yen with the Soviet National Tractor Export-Import Corporation. This contract is based upon the Third Far East Forest Resource Development Project of Japan-USSR cooperation (generically called the KS project). According to the project, our country exports the construction machinery necessary to develop the forests in Siberia and imports timber from that area. Since last March, when the basic contract was concluded, business talks concerning the export of construction machinery have been pushed forward between the Soviet and Japanese construction machine companies and trading firms involving the gigantic total sum of 23 billion yen. Following the contract by Caterpillar Mitsubishi at this time, it looks like many more companies can gain export contracts one after another.

What will be exported by Caterpillar Mitsubishi is the ATD model bulldozer, a middle-class model with the following specifications: 42 horsepower output and 7.5 tons gross tonnage. In consideration of its use in an extremely cold area, Siberia, the specifications call for a frozen land excavating function equipped with a straight ripper. The present contract was mediated by Mitsubishi & Co, and the delivery date is set for February 1982. Caterpillar Mitsubishi established a record of exporting a total of some 1,900 bulldozers to the Soviet Union, headed by approximately 1,700 units exported through the first and second KS projects. Now, 400 bulldozers will be newly added to the record.

Inquiries have been received from USSR regarding related machinery in association with the third KS project for a total of some 7,500 vehicles, including 1,500 bulldozers, 2,000 timber transporting machines, and 500-1,000 forklifts and truck cranes. The economic sanctions against the Soviet Union which started with the Afghanistan problem have been eased since around this spring, and business talks, following the mood of political sensitivity, are rapidly developing into a concrete stage of negotiations. As for the construction industry, which suffers from a continuous stagnation in demand, it is becoming more interested in the outcome of the deals following the case of Caterpillar Mitsubishi.

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Dump Trucks

Tokyo NIHON KOGYO SHIMBUN in Japanese 14 Aug 81 p 5

[Text] According to a related source, the Soviet National Machine Export-Import Corporation (Machino Import) has approached the Japanese truck industry to hold

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business talks regarding the purchase of 120-150 large 8-ton carrying capacity dump trucks. This deal is based upon the Third Siberia Forest Resource Development Cooperation, and the dump trucks will be used by the Soviet Union to cut and transport timber in Siberia. This is the first time in 3 years, since the second agreement (1975-1978), that a large quantity of dump trucks will be discussed. Isuzu Motors (president, Toshio Okamoto) and Hino Motors (president, Seiji Arakawa), two Japanese companies, disclosed their interest in the deal, and are competing fiercely for the order. The conclusion of the competition is predicted to be near at hand.

The Third Forest Resource Development Cooperation Project of Japan and the USSR follows in the footsteps of the second project, which was completed in 1978. The basic contract was signed in March of this year. The agencies involved are the Timber Committee (chairman, Ryoichi Kawai) of the Japan-USSR Economic Commission from Japan, and the Foreign Trade Ministry (Director for Administration Bolin) and the Ministry of Timber and Woodwork Industry (Deputy Minister Stupunez) from the USSR. The framework of the deal is as follows: 1) Japan will supply machinery, equipment and materials worth approximately 200 billion yen to the Soviet Union through the bank-loan system for 5 years, from 1981-1985. 2) In return, the Soviet Union will supply 12 million square meters of timber and 1.24 million square meters of lumber for 6 years, from 1981-1986.

Preceding this business deal, the Export-Import Bank of Japan and the Foreign Trade Bank of the USSR agreed on the matter relating to the granting of the bank loan to facilitate the project, and the protocol was signed in December of last year.

The business talks which the Soviet Union initiated at this time in regard to the purchase of dump trucks surfaced as a result of its intent to procure dump trucks from Japan based upon the Third Siberia Forest Resource Development Project. A related source says that the Soviet Union is planning to purchase 120-150 8-ton carrying capacity vehicles as the first part of a dump truck order.

Speaking of trucks exported from Japan to the Soviet Union, the automobile industry remembers that Isuzu Motors has a history of exporting a large quantity of vehicles--53 trucks for the First Siberia Forest Resource Development Cooperation and 1,245 trucks for the second cooperation.

However, truck exports to the Soviet Union have been stagnant for the past few years, maintaining a low level of transactions--23 trucks in all last year from four companies--Toyota, Mitsubishi, Isuzu and Nissan Diesel--and 55 vehicles including passenger cars during the first half of this year (January-June).

Furthermore, the majority of those vehicles were not exactly exported to the Soviet Union, but were purchased for use by the Japanese Embassy, mass communication and business related employees stationed in the Soviet Union. Therefore, this will be the first deal in a long time concerning a large quantity of dump trucks to be exported to the Soviet Union. In addition, since it is a time when all truck makers have been forced to engage in difficult business operations due to the cooling of domestic demand, they are eager to win the order. Isuzu

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Motors and Hino Motors, which have already announced their candidacy, are firmly determined not to yield even a single step in confronting the challenge for the deal.

Incidentally, as a link in the chain of this Third Siberia Forest Resource Development Cooperation, Caterpillar Mitsubishi has just concluded a contract to sell 400 bulldozers to the Soviet Union.

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Wire Rope

Tokyo NIHON KOGYO SHIMBUN in Japanese 24 Aug 81 p 1

[Text] The Third Siberia Forest Development Project entails prospective inquiries for some hundreds of tons of orders to the Japanese wire rope industry. A related source says that the Soviet Union has begun to send unofficial preliminary inquiries to Japanese manufacturers which are members of the Japan Wire Rope Industrial Association. The wire rope industry is presently in a slump not only due to the sluggish domestic demand but also due to the predictable attack of imports from overseas makers such as Koryo Steel of Korea, which submitted an application for JIS standardization to the Ministry of International Trade and Industry. The business inquiries from the Soviet Union are a welcome and promising break opening the door for the depressed industry to find new export markets.

The wire rope market is estimated to do a business of over 100,000 tons a year. During the last several years, the domestic demand has been in a slump, which has been responsible for Toyo Seiko's extensive rationalization of business operations. Even recently, Teikoku Sangyo, a major manufacturer in the Kansai region, took action to reduce its employees by soliciting applicants for retirement.

The slump in domestic demand partially stems from the depression in public construction works. The discontinuation of exports to China, which used to reach an annual average of 30,000 tons, is also a factor that has worsened the situation. Also, the issue of dumping in the USA was raised, and the industry is obliged to exercise self-restraint.

In the midst of this, the inquiries from the Soviet Union are encouraging expectations for business possibilities. For the Third Siberia Forest Development Project, Japanese makers recently received orders for some hundred bulldozers, and currently negotiations involving over 1,000 large dump trucks for export are about to enter the final stage.

A related source estimates that the wire rope import quota that the Soviet Union has in mind is at the \$10 million level, but it may be increased as necessary. Some estimates go as high as several 10,000 tons in terms of the final scale.

KS Industry will represent Japanese interests in actual business transactions.

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Dump Truck Order to Isuzu

Tokyo NIHON KOGYO SHIMBUN in Japanese 25 Aug 81 p 6

[Text] Isuzu Motors (president, Toshio Okamoto) has disclosed the receipt of an informal order totalling approximately 1.6 billion yen from the Soviet Union, consisting of 240 8-ton carrying capacity dump trucks and repair parts, and has announced that the formal contract will be signed soon.

This export deal of dump trucks to the Soviet Union blossomed from the inquiries made on the premise that the vehicles would be used for the comprehensive development of the forest resources in the Far East and the area along the Bam railroad to be undertaken by the Soviet Union as a link in the chain of the Third Siberia Forest Resource Development Cooperation Project, the basic contract of which was concluded between Japan and the Soviet Union in March this year.

In response to the inquiries, the Japanese truck industry took a positive attitude, since the business talks to export dump trucks to the Soviet Union occurred for the first time in 3 years, after the completion of the Second Siberia Forest Resource Development Project in 1978. Isuzu Motors and Hino Motors, which announced their interest in getting in on the deal, fought for the orders up to the last moment.

The competition has just ended, with the decision given to Isuzu Motors, which came out ahead of Hino Motors. The order, amounting to a total of some 1.6 billion yen, is for 240 "TD 50 Model" 8-ton carrying capacity dump trucks and repair parts. They are to be shipped starting from the end of this year to the beginning of next year. With this victory, the company is expected to conclude a formal contract soon with the Soviet National Machinery Export-Import Corporation (Machino Import).

As reasons which led Isuzu to succeed in getting the order, the following points can be noted: a past record of exporting nearly 300 dump trucks to the Soviet Union and a maintenance edge over the other contender from the beginning to the end of the negotiations.

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Anticorrosive Agent

Tokyo NIHON KOGYO SHIMBUN in Japanese 14 Aug 81 p 7

[Text] On the 13th, the Fujikura Cable Works disclosed that it had received an inquiry regarding the purchase of a large quantity of anticorrosive agent to be used for natural gas pipelines from the Soviet Union. Sample manufactured goods have already been sent to the Soviet Union and are being tested for performance. "We might be able to sign the contract even before the end of this year," said the company (executive director, Teijiro Uchida). The Soviet Union is asking for a long-term 5-year contract, and this large-scale deal is estimated to involve an order for a total of 30 billion yen.

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The negotiations are being handled through the Ministry of Gas Industry of the USSR. The Soviet Union is the largest natural gas producing nation, holding one-third the world's reserves, 29 trillion cubic meters. According to the 11th Major Fuel Production 5-Year Plan starting in 1981, it is projected that 640 billion cubic meters will be newly developed. This has promoted activities relating to the building of pipelines, which rapidly raised the demand for an anticorrosive agent for the pipelines. The government embarked on purchasing the agent from overseas makers.

In the past, the Soviet Union not only bought anticorrosive materials from Nitto Electric Industry, the top manufacturer in this field in Japan, but also from tape manufacturers in America. However, this time, the choice fell speedily upon Fujikura Cable Works possibly because, from one point of view, it became difficult to import from the United States after President Regan's expression of opposition to the "Yamburg Project," a pipeline construction plan that stretches 4,400 km, from western Siberia to Western Europe.

Fujikura Cable Works only entered the field of various anticorrosive materials in July last year by utilizing its experience gained in electric cable insulation technology. The company delivered some tens of meters of special polyethylene tape samples that prevent rust, dust and moisture from adhering to pipe surfaces to the Soviet Ministry of Gas Industry. Those samples are being tested for aging characteristics to see whether they can endure use in Siberia, where the temperature drops down to minus 60°C.

The sample test final results will be ready before the end of August. According to the message that came to Fujikura Cable Works recently, "the Soviet Union gave high scores in evaluating the quality of the product in the areas of tackiness, electric characteristics, water-resistant properties and bacteria-resistant properties of the anticorrosive agent." (Machinery, Equipment and Electric Material Business Department)

Because of this favorable news, it is likely that an export contract will be concluded with the Soviet Union as early as this autumn, or before the end of the year at the latest. The Soviet Ministry of Gas Industry reportedly will purchase anticorrosive tape worth approximately 6 billion yen each year within the period of the 11th 5-Year Plan, and deals are expected even for the 12th plan and thereafter.

On the basis of the progress of the transactions with the Soviet Union, Fujikura Cable Works has begun to reinforce the production system of anticorrosive agents such as anticorrosive tapes. The company is constructing a production line in this field at an equipment investment of 300 million yen in the Numazu plant, Shizuoka, known as a base of manufacture for power cables, aluminum wires and rubber wires, and is aiming to open the line for operation in September. Also, Fujikura is planning to promote aggressive sales activities for the export of anticorrosive tapes to be used for oil pipelines in the Middle East with this export to the Soviet Union as a breakthrough.

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Trailer Trucks

Tokyo NIHON KOGYO SHIMBUN in Japanese 19 Aug 81 p 2

[Text] Komatsu Ltd (president, Ryoichi Kawai) and Nissan Diesel Motor (president, Takashige Matsuyama) announced on the 18th that they received an order for 800 timber trailer trucks for the Third Siberia Forest Resource Development Project from the Soviet National Automobile Export-Import Corporation of the Soviet Government. The trailer trucks will be shipped from the end of this year to the first half of the next year. The total amount of the order received was worth approximately 8 billion yen.

The trailer truck that successfully attracted the large order is called the "KNWF 12T" and was developed by the two companies specifically for use in Siberia, so the performance of the vehicle will not be degraded in the minus 40°C weather. Nissan Diesel was in charge of the body and Komatsu the engine. The carrying capacity of the trailer truck is 27 tons.

The Third Siberia Resource Development Agreement is a joint project of Japan and the Soviet Union, under which Japan purchases timber from Siberia and the Soviet Union procures machinery and equipment necessary for development. In 6 years, Japan plans to buy 12 million cubic meters of timber and 1.24 million cubic meters of lumber, while the Soviet Union plans to buy machinery and equipment worth 35 billion yen. As the first machine export, Caterpillar Mitsubishi confirmed an order for 400 bulldozers from the Soviet Union, and the order received by the two companies at this time was the second of the orders to come.

Incidentally, the two companies have an actual record of delivering a total of approximately 5,000 timber trailer trucks for the first project (1969-1973) and the second project (1975-1978).

Three trading firms are handling this deal--Marubeni, Mitsui & Co, and Nissho Iwai.

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SCIENCE AND TECHNOLOGY

DEFENSE INDUSTRY PREDICTED TO GROW RAPIDLY

Tokyo NIKKAN KOGYO SHIMBUN in Japanese 16 Sep 81 p 9

[Text] Weapons Industry To Become a 1-Trillion-Yen Business;
Defense Industry to Grow Rapidly Due to Arms Race

Japan has been strongly urged by the United States to share the defense burden in a joint response to the threat of Soviet military expansion. The effort to increase Japanese military strength is proceeding at a rapid pace. The LDP and the financial sector say that "the strengthening of national defense is a much higher priority political problem than financial reconstruction," and accordingly, the increase in defense spending is treated as a special category outside of the range of administrative reform. The Self Defense Forces, which have a limited defense function, are the illegitimate offspring of the San Francisco peace treaty which set up the postwar Japanese political establishment. Now that 30 years have passed since the organization of the Self Defense Forces, Japan has begun to move down the road from being a small military power to being a strong non-nuclear military power. Recently the weapons industry, which backs up national defense, has begun to get a solid foothold in the industrial sector even though the volume produced is still small compared to the actual capacity of Japan as a great economic power. The equipment purchases of the Defense Agency, equivalent to the annual sales of the Japanese weapons industry, amounted to 550 billion yen in 1981. The Defense Agency's procurement for next year will amount to 954.5 billion yen, very close to the 1-trillion-yen mark. The annual equipment budget of 500 billion yen is on the same scale as the annual sales of ice cream. Compared to the huge business of the U.S. military-industrial complex, this is still a small industry. However, because of the U.S. demand to accelerate the increase scheduled in the defense guidelines, the government has adopted a military expansion policy, making additional weapons orders by incurring an unbudgeted national treasury debt of 2.2 trillion yen. So it seems certain that the Japanese arms

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industry will become a 1-trillion-yen industry in the next year or two. Therefore, we have investigated the active market strategies of the arms industries for large transactions involving the leading products of this 1-trillion-yen business. These include the next-period BADGE system, new medium-range training aircraft, the missile which will succeed the Nike missile, and new tank development. The 1980's are being called "the arms industry era," and the Japanese weapons business is rapidly building up its technical capacity and performance.

BADGE X

The competition over the BADGE X (next-period air defense warning control system) has officially just begun. However, it would not be an exaggeration to say that the last phase is already completed.

The Defense Agency had planned to submit performance requirements for BADGE X to six domestic companies with system design capabilities--Fujitsu, Hitachi Ltd, Nippon Electric, Mitsubishi Electric, Toshiba Corp, and Oki Electric Industry--on 7 August. The performance requirements list is a document explaining the performance which the Defense Agency is seeking for BADGE X.

However, the Defense Agency received a report on the morning of the 7th of a tie-up between Mitsubishi Electric and Nippon Electric and a large six-company association including Toshiba, Oki Electric, and Nippon Avionics (joint venture between Nippon Electric and the Hughes company of the United States). Therefore, it only delivered the performance requirements to three companies--Nippon Electric, Fujitsu, and Hitachi.

The six-company association came as a shock to the Defense Agency, but the extraordinary effort put into the business negotiations was even more of a surprise to Fujitsu and Hitachi. These two companies have new presidents, Takuma Yamamoto and Katsunari Mita, both of whom graduated in the same class from the number two Engineering Department of Tokyo University. And both companies are focusing their entire efforts on BADGE X as a good means for entry into the defense industry.

Fujitsu Chairman Daisuke Kobayashi could say no more than "I was shocked when I heard the news." Chairman Kobayashi has taken command on the front line of sales for many years. He judged that a large group had made the decision on the six-company association and he could not hide his dumbfounded response to the brilliant maneuvering of Mitsubishi Electric and Nippon Electric. Fujitsu is the number one Japanese computer company. Even though it is somewhat behind Nippon Electric in the type of communications equipment necessary for BADGE X, it has sufficient technical capacity. In becoming the number one company in Japan, it merged and aligned itself with other companies in the computer industry in a restructuring and second restructuring of the industry, using every trick in the book. It had placed great hopes on the BADGE X business and feels badly beaten by the expert maneuvering of its rivals.

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An industry source says that Takashi Abe, number one sales department manager at Mitsubishi Electric, the person thought to be behind this maneuver, "is telling his men to fasten their helmet straps," putting a total effort into preparation of the proposal.

The great warrior of the electronics industry, President Tadahiro Sekimoto of Nippon Electric, laughs that "(If we were to lose out) it would be like letting a visitor get a hole in one." He thinks that he will beat Fujitsu and Hitachi easily and that this transaction is, in reality, already settled.

Objectively, it may be said that the technological capacity of Fujitsu and Hitachi is not at all inferior to that of the allied army. However, they have had hardly any success in past expenditures for defense. In the amounts of procurement by company for 1980 (announced by the Defense Agency), the first three positions were taken by heavy equipment companies, headed by Mitsubishi Heavy Industries. Mitsubishi Electric, Toshiba, and Nippon Electric are lined up abreast in positions four, five, and six. The allied army definitely has the advantage of position. In addition, it has the participation of Hughes, which has received orders for 20 BADGE systems and has 12 systems in operation.

20 Top Arms Production Companies in 1980

Rank	Company Name	No of Items	Amount (million yen)	Percentage of Total Annual Procurement
1	Mitsubishi Heavy Industries	183	234,541	24.6%
2	Ishikawajima Harima Heavy Industries	66	108,479	11.4
3	Kawasaki Heavy Industries	106	81,198	8.5
4	Mitsubishi Electric	185	72,386	7.6
5	Toshiba Corporation	208	32,906	3.4
6	Nippon Electric	289	22,313	2.3
7	C. Itoh Aviation	43	14,044	1.5
8	Nippon Oil	212	12,907	1.4
9	Japan Steel Works	30	12,270	1.3
10	Sumitomo Shipbuilding and Machinery	4	12,043	1.3
11	Komatsu Ltd	45	12,026	1.3
12	Hitachi Shipbuilding and Engineering	29	11,413	1.2
13	Tokyo Precision Instrument	77	9,394	1.0
14	Hitachi Ltd	49	8,927	0.9
15	Maruzen Oil	181	7,935	0.8
16	Okai Electric Industry	118	7,753	0.8
17	Shinmeiwa Industry	18	7,299	0.8
18	Mitsubishi Corporation	25	6,945	0.7
19	Daikin Kogyo	63	6,764	0.7
20	Shimadzu Seisakusho	89	6,714	0.7
	Total	2,020	688,257	72.1

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So are Hitachi and Fujitsu left totally without hope? Chairman Kobayashi has given up, but Tomio Tanatsugu, former chairman of the Arms Industry Association, says: "We must consolidate the strength of all the companies in order to build a good system." He speaks as if he were trying to find a way for the two companies to participate. This is because the problem has become complicated under the fierce competition of the major companies, and the industry feels strongly that anything that would allow the interference of politicians should be avoided at all costs. Indeed, in the BADGE competition 18 years ago, three groups--GE, Toshiba, and Mitsui and Co; Litton, Mitsubishi Electric, Fujitsu, and Nissho Iwai; and Hughes, Nippon Electric, and C. Itoh--fought a hard battle. There was even a suicide in the Defense Agency. Related individuals say that "it (the 'black mist' incident) occurred because the previous aircraft was imported." They seem to be thinking that because the next BADGE system will be domestic, they will not, or do not want to, do the same thing again.

At any rate, this battle will be officially decided by next summer, when the approximate budget proposal is prepared for 1983. The cost of the system is reported to be approximately 200 billion yen.

MTX: Industrial Policy Intended To Avoid Oligopoly; Technology of Kawasaki Heavy Industries Adopted

In the competition for the new medium-range training aircraft (MTX), which will cost a total of 350 billion yen, Kawasaki Heavy Industries was chosen as the general contractor. It will begin joint development together with Mitsubishi Heavy Industries and Fuji Heavy Industries. The battle for general contracting of the MTX was expected to be a one-on-one fight between Fuji and Kawasaki which had been doing research on it since the late 1960's. However, before the decision was made, Mitsubishi Heavy Industries came in with its fighter aircraft technology, and it became a fierce three-way battle. In the end, the nod went to Kawasaki, which had proposed a midsection wing structure using its technology for joining composite materials. However, it was a case of fisherman's luck due to an industrial policy decision to reject the oligopoly of Mitsubishi and helped by Fuji's overeagerness in the technological area. The Defense Agency's Technical Research and Development Institute plans to carry out the development together with the three companies, starting production of a practical aircraft in 1988.

The Defense Agency has undertaken this development to replace its obsolete T-1 and T-33 jet training aircraft and has set the target date for 1988, when the T-33 will be retired. The objective of the Defense Agency is to produce the entire aircraft, including the jet engine, domestically. The engine, an XF3 small turbo fan jet engine, is already being developed by Ishikawajima Harima Heavy Industries. The Defense Agency is positing a capacity for the MTX similar to the F-86, the main fighter used in the Korean War--a speed of Mach 0.9 and a climbing rate above the sea of 3,000 meters per second. Also, the landing speed will be reduced by 10 percent to make it easier to handle.

The MTX is a medium-range training craft, but it is seen by European countries as an important light attack plane. They conduct high-level battle tactics training in the medium-range training plane and then deploy the pilots for actual

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combat. Mitsubishi Heavy Industries had not been interested in a medium-range training aircraft, but it became excited about becoming the general contractor for the MTX "because it became clear that it was a high-level training aircraft which could substitute for the T-2" (Yoshio Sasaki, Mitsubishi Heavy Industries director).

Mitsubishi Heavy Industries received the highest evaluation for its performance requirements proposal, but it was excluded in order to avoid oligopoly and because it overemphasized battle functions. The Defense Agency gave high marks in technology to Kawasaki Heavy Industries because of its midsection wing system. Previously a support structure was necessary for the midsection wing system which ate into the fuselage and greatly limited the space available for other equipment. However, Kawasaki used a composite material for most of the parts and applied F-15 adhesive technology for attaching the wings. The middle wing system is stable and makes many kinds of training possible. That is supposedly why it won the "heart" of the Defense Agency.

New Tanks: Reevaluation Starts With Armor Material; Concentration of Electronics Technology; Objective of Building World's Strongest Tank

Equipment plans have given priority to the Air and Maritime Self Defense Forces, but the research and development for new tanks necessary for defense on land in the 1990's is finally getting underway. The plan calls for upgrading everything, beginning with materials. Features will include heavy and accurate firepower with the use of guided shells (CLBG), quick maneuverability like that of the Ushiwakamaru, and very strong armor. It will be built in a style similar to the model 74 tank and, with a concentration of electronics equipment such as automatic aiming and loading devices, it will be the world's strongest tank.

The plan for the new tank will be formalized as model 88, and only a few features have been made public. However, it will be a heavy tank with guns having a maximum diameter of 120 mm. Of course, its destructive power will be greater than that of the 74 tank with its 105 mm guns. However, the main reason for using 120 mm guns was the use of CLBG. When CLBG shells are fired from 120 mm guns toward the objective, their path can be corrected on the basis of the reflection of a laser beam aimed at the enemy tank by ordinary troops in order to make accurate hits.

Of the three functions--mobility, firepower, and defense--the next function to attract attention after firepower is defense. All countries are competing to strengthen tank armor because of claims that tanks are powerless against improved antitank missiles. In the Japanese model 88, as well, methods will be adopted to prevent the penetration of shells, such as developing new steels to upgrade the armor material and inserting a layer of ceramic material between two layers of armor.

In addition, new functions not seen in the model 74 will be used to avoid enemy attack. Tank gun sights use infrared light and lasers. A major feature of the new tank is an ability to instantly sense these aiming lights and move quickly to avoid them.

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This Ushiwakamaru-like maneuverability is due to an increase in horsepower per unit of weight. While model 74 had only 20 horsepower, the 88 will have about 30 horsepower. Therefore, there will be no sacrifice in cruising distance. The 88, like the 74, will be able to travel about 300 kilometers. Japan is an island country divided by mountains, so it is not suited to tank warfare. Therefore, tanks with a capacity for long distance operation are not necessary for defensive purposes. Even in Hokkaido, which borders on the Soviet Union, the usual distance between major cities is only about 100 kilometers, so there is little necessity for increasing the cruising distance.

After Nike: 1.5-Trillion-Yen Project; Leaning Toward Patriot; Largest Production Ever

In the competition between the Patriot and Nike-Phoenix for the next surface-to-air missile (SAM-X), it is certain that the Patriot will be adopted by the Air Self Defense Forces in charge of regional air defense and the Ground Self Defense Forces in charge of war zone air defense. The Nike-Phoenix was presented aggressively to the Defense Agency by Mitsubishi Heavy Industries as a domestic SAM. However, in consideration of the facts that (1) the Patriot was the newest SAM already completed and (2) the United States had requested adoption of the Patriot for standardization of weapons, the Defense Agency has allocated about 0.3 billion yen for Patriot research costs in the estimated budget request for 1982.

The Air Self Defense Forces are planning to use the SAM to replace the obsolete Nike J. The type of missile to be used was to be officially determined in March, but the decision was postponed because of other big projects like the new BADGE system and the new medium-range training aircraft (MTX) and very large purchases like the F-15 and P-3C.

The business competition for the post-Nike missile will amount to more than 1.5 trillion yen. It will be the biggest defense manufacturing project ever undertaken in Japan. Mitsubishi Electric is recommending the Patriot, developed by Raytheon of the United States. Its brother company, Mitsubishi Heavy Industries, has come up with a plan for domestic production of the Nike-Phoenix in conjunction with Hughes and McDonnell Douglas (both of the United States).

The Nike-Phoenix also received the support of those in favor of domestic production so there was an even contest. However, the Ground Self Defense Forces had undertaken a strengthening of field air defense and had decided internally to use the Patriot in four of its eight anti-aircraft artillery groups. The Patriot has a wide range of applications and can be used from a distant location. These features gave it precedence over the Improved Hawk. Also, in the U.S.-Japan working level talks in Hawaii held in June, the United States made a strong request for adoption of the Patriot and a slight shift appeared in the power relationship between it and the Nike-Phoenix. The Defense Agency has not yet made an official decision on the post-Nike missile. However, it has allocated 0.3 billion yen for research on the Patriot in the budget request for 1983. The United States has taken a policy of not providing information until a purchase decision is made. So it is expected that the Defense Agency will soon state its intention to adopt the Patriot.

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U.S.-Japan Joint Research: Bound by 'Three Principles'; MITI Cautious; United States Aiming at Light Technology

The issue of military assistance to the United States in the form of Japanese technology, assumed to be chiefly in the field of electronics, came out of the talks between Director General Omura of the Defense Agency and U.S. Secretary of Defense Caspar Weinberger. Partly because of a confused government response, the issue seemed to have quieted down. But now, Hiroshi Wada, Equipment Bureau chief of the Defense Agency, the person seen as holding the key to this problem, is visiting the United States. On the 18th, he will exchange views with important officials of the U.S. Department of Defense on this same problem, so it has reemerged as a hot issue between Japan and the United States. MITI is cautious, as before, because of the three antinuclear principles. Related industries are also urging caution. Leaders of the electronics industry are saying: "The advanced technology that we have worked so hard to develop will flow back."

However, there is a growing tendency toward a positive response by the government, especially in the Defense Agency, which is under pressure to share the defense burden. This complicated problem has emerged from conflicts between the Japan-U.S. military alliance and the Japan-U.S. electronics technology war. It is likely to be a disturbing factor in the relationship between the two countries for some time.

The issue of U.S.-Japan joint military development in the electronics field, which sprang out of the June talks between Omura and Weinberger, is not yet clear in its entire scope. Nevertheless, it is quite clear that the United States is asking our country to submit its applied advanced technology, chiefly in electronics, and private sector technology at that. Since the proposal came out of the American government's recent pressure on Japan to share the defense burden, the Defense Agency and other government departments immediately gave a positive reaction and the problem quickly became the object of debate. It is believed that the idea of buying off part of the Japanese share of the defense burden with military technological assistance is behind the favorable approach of the Defense Agency.

However, there is strong opposition within the government. MITI is bound by the three principles opposing weapons trade, and has shown a very negative response. Minister of International Trade and Industry Tanaka expounded a doctrine of caution on various occasions immediately after the proposal was made. In the previous session of the Diet, he was persistently attacked by the opposition parties over the Horita Hagane problem, and the bitter experience of facing that barrage seems to have made him more cautious in handling the present problem. Moreover, the "administrative reform Diet," which will determine the fate of the Suzuki cabinet, is close at hand. The ministry has judged that the Suzuki cabinet may be in danger if the administrative reform Diet is overshadowed by this technology export problem.

This discrepancy in opinions within the government is one reason the problem quieted down quickly after the initial flareup.

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However, the general consensus of related sources is that the military electronics technology sought by the United States is light (optoelectronics) and LSI (large-scale integrated circuit) technology. Light technology is being rapidly developed, chiefly in the communications field, and LSI technology is making rapid progress in the consumer electronics field. In some areas, they have reached a higher standard than in the United States.

The reaction of the targeted industry, the electronics industry, is complex. At first there was a tendency to take up the challenge. As one electronics industry leader put it: "The inevitable has happened. It is time to reevaluate the three principles of armament." However, gradually, a cautious approach, keeping in mind the rivalry with the United States, has become more common. "It would not do for the United States to come for our advanced technology with empty hands."

However, under the idea of sharing the defense burden, it is a fact that the favorable approach is gaining strength in the Defense Agency and the financial sector.

It is certain that the government will move to deal with this problem without touching on the three principles concerning weapons.

In any case, it will probably take quite a bit of time to solve the problem of providing America with Japanese electronics technology for military use, caught between the U.S.-Japan electronics technology competition and the U.S.-Japan military alliance.

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SCIENCE AND TECHNOLOGY

DEVELOPMENT OF LINEAR MOTOR CAR UPDATED

Tokyo SHUKAN ORU TOSHI in Japanese No 457, 4 Sep 81 pp 78-80

[Article by Yasushi Ariga]

[Text] The "linear motor car" (or "magnetic lift train") makes use of magnetic repulsion and attraction to run (fly?) along over the surface. Tests of this operation are to be conducted in the Miyazaki prefecture city of Hyuga, at the Japan National Railways (JNR) Miyazaki Floating Railroad Test Center.

The unmanned magnetic lift test vehicle "ML-500" recorded speeds of 504 km/h on 22 December 1979 and 517 km/h on the 23rd, surpassing the goal of 500 km/h. At this speed, Tokyo and Osaka would be only an hour apart.

This may be an overstatement, but there is no limit to the speed of the linear motor car. 700 or even 1000 km/h is possible. But that would require an immense expenditure of horsepower, since there would be a sharp increase in wind resistance to the train. Therefore, JNR, with an eye to economic factors, set 500 km/h as a practical goal for speed.

This is the same speed as that of Japan's YS-11 passenger plane; to achieve this speed on the ground is indeed revolutionary. Moreover, if it is possible to run the linear motor car in a vacuum tunnel, air resistance will disappear and speed of 1,000 or even 3,000 km/h may be possible. It has been suggested that if this method were used in the U.S., it would be possible to cross the continent from Los Angeles to New York in 21 minutes. At a speed of 20,000 km/h it would be literally a "bullet train."

And so JNR, which has built the world's fastest railroad, took the next step and began development and operational testing of a manned test vehicle. This test vehicle is called the "MLU 001" (see photo). In addition to being manned, it differs from the ML-500 in the shape of its guideway (see diagram).

The guideway has been changed from an inverted "T" shape to a "U" shape. The change has already been made along 4 km of the 7 km test track.

This means a change on the arrangement of coils and superconductive magnets on the guideway and the car. The "U" shape is more logical, and can be expected to form the basis for operational linear motor cars when they make their appearance. For that reason I will describe the characteristics of this method.

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First I will explain the principle of "railroads." A "railroad" is, generally speaking, a mode of conveyance which does not require a steering device. In place of a steering wheel, facilities are designed to guide the vehicle over the ground. Rails and guideways are such facilities.

It is thus easy to provide safe, high-speed transportation. Human operators, will do, or automation is possible. Trains can be controlled from a central location, and mass transportation can be provided economically. Three functions are necessary for running cars on this railroad: (1) cars must move in both directions; (2) they must be guided along the path; and (3) there must be means to propel and to stop the cars.

For an ordinary railroad, these functions are performed by the rail and wheels. But at speeds above 300 or 350 km/h, the friction between wheel and rail diminishes and the locomotive loses traction. Forward motion stops.

In the case of the linear motor car, the three functions are performed by the attraction and repulsion of magnets on the car chassis and the guideway; speed and grade do not constitute limits. Because the car floats above the surface, the only noise pollution is the sound of the car passing through the air. There is no wear on the car or the guideway, so maintenance is simple and durability is great. These are the merits of the magnetic lift method.

The magnetic lift method is one type of lift. The air cushion method is another, in which pressurized air is used for functions (1) and (2).

For the past few dozen years JNR has been steadily accumulating the results of magnetic lift development, and its technological level is now highest in the world. Of course there are two types of magnetic lift: the repulsion type and the attraction. JNR had adopted inductive repulsion, which is the mainstream of the repulsion type. Through the cooperation of Toshiba Corp., Hitachi Ltd., and Mitsubishi Electric Corp., the car chassis was fitted with small, light, superconductive magnets. This is a characteristic not seen elsewhere.

A cross-section of the "U" shaped guideway shows a flat portion in contact with the ground and vertical portions on both sides. The flat portion has two rows of independent lift coils running at fixed intervals in the direction of travel. As superconductive magnets skim along the lift coils, current is applied to the lift coils and they become magnets. Because the magnetized coils and the superconductive magnets repel each other, the superconductive magnets are pushed up and the car floats about 10 cm up.

There is little lift at speeds of 50 to 100 km/h and it is necessary to run on lowered auxiliary support wheels.

If the lifted car drops too much the magnetic repulsion increases and it is pushed up. And conversely, if it goes up too much the repulsion is lessened and gravity brings the car down. In other words, a stable float is maintained without a control device to control the lift height.

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Because the strength of the current flow through the lift coils corresponds to the speed of the car, the car floats higher at high speeds and sinks lower at low speeds. It is also possible to change the amount of lift by adjusting the strength of the magnets fixed to the car. JNR has established 10 cm as its average lift. If there is that much margin, it will not matter if there is some unevenness in the way the ground coils are lined up. It also makes maintenance easier.

Incidentally, the coils consist of a number of turns of aluminum wire encased in a polymer. The term "superconductivity" refers to the drop of electrical resistance to zero when alloys like niob-titanium are cooled to nearly -273° (absolute zero). Superconductive magnets are created by immersing coils made of such alloys in liquid helium at -269° C. Because the coil has no electrical resistance, an electrical charge will continue to flow almost perpetually with no voltage loss. It is just like a superconductive permanent magnet.

And so how is the car propelled at ultrahigh speeds? The linear motor provides the motive force.

In an ordinary alternating current motor, there is a rotating portion (rotor) and a fixed portion (stator) with an outside power supply. The outer surface of the rotor, which is supported on a shaft, is separated from the inner surface of the surrounding stator by a fixed gap. If these cylindrical outer and inner surfaces are spread out flat, the result is the linear motor, an arrangement in which the fixed gap is maintained but movement is linear.

If one of these surfaces is fixed to the ground and the other is attached to the car and power moving in a straight line makes the car go. There is no need for the traditional gears and wheels.

Linear motors can be roughly classified as linear synchronous motors (LSM) and linear induction motors (LIM).

The world's lift-type railway systems are divided into two groups: inductive repulsion (ED) lift combined with LSM propulsion and magnetic attraction (EM) lift combined with LIM propulsion. JNR, using superconductive magnets, is at the head of the first group.

The side walls of the guideway are also equipped with coils lined up in the direction of travel at such a height that they interact with the poles of the superconductive magnets attached to the car. The coils are connected and serve as the stator of the LSM. In technical terms, the stator is the primary element, which receives outside power.

On the sides of the car are superconductive magnets arranged with north and south poles alternating, so as to interact with the primary elements. These correspond to the rotor of the LSM. It can thus be seen that the superconductive magnets on the car have two functions: To lift the car and to guide and propel it.

The train is driven by automatically detecting its position and speed in the control center and controlling the current (and its frequency) supplied to the drive coils on the walls of the guideway. In this way the drive coils work with the north and south poles of the cars' superconductive magnets to generate the magnetism which

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propels the train. Power is supplied only to the drive coils required by the length and speed of the train, and waste is eliminated.

This motor has the advantage that when the brakes are applied, the generation of electricity is damped and the train's kinetic energy is recovered as electricity energy. Moreover, cars which draw power from outside through a contact device like a pantograph are limited to a speed of about 300 km/h, but there is no limit on the speed of a synchronous motor with its primary element in the guideway.

JNR is now conducting operational tests of the MLU 001 with several connected cars, which is one step closer to commercial operation. About 23 billion yen has been invested in development so far, but it is not known how much time and additional investment will be required by remaining technical problems before manned trials materialize. But when that happens, it is expected that trillions of yen will be invested in construction, cars and facilities for what will be over 30 percent of the new trunk lines.

The ED/LSM method used by JNR is an ideal system in which the lift setup on the train is simple and no power collector is needed, the train is lighter and thus performs better, and maintenance costs are kept to a minimum. It has also been pointed out that the ground facilities are more complex and costlier than for the EM/LIM method.

But such a comparison is completely in error. The EM/LIM method is limited to a speed of 350 km/h; 500 km/h would be impossible. And although ground facilities are said to be complex and costly, this evaluation does not include the element of wear; durability in the ED/LSM method is almost permanent.

At present the new trunk lines and the airlines compete on equal footing, and even if the fare on the linear motor car were higher than for air travel, the cost-performance superiority from time saved by boarding in the heart of the city would attract a large volume of passengers.

In other words, the ED/LSM method will kill two birds with one stone. That is, it will relieve the increasing congestion of the new trunk lines, and at the same time it will give JNR the strategic victory of taking passengers away from airlines.

Photo, p 79: Full scale test car "MLU 001"

Diagram, p 80: "MLU 001" lift and propulsion

- | | |
|----------------------------|-----------------|
| (a) car chassis | (e) side wall |
| (b) superinductive magnets | (f) lift coils |
| (c) guideway | (g) drive coils |
| (d) flat portion | |

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DIVERSIFIED OPERATIONS OF KOBE STEEL DESCRIBED

Tokyo SHUKAN ORU TOSHI in Japanese No 457, 4 Sep 81 pp 60-65

[Article by Yoshio Onishi, assistant chief editor: "Next Star Among Major Corporations; Technology Mix; Flowering of 'Composite Technology Business' for Kobe Steel"]

[Text] An executive managing director of Kobe Steel said the following with deep feeling: "Our company has made a specialty of 'diversified operations,' including both metal materials and machine engineering. But to tell the truth, until the last few years, our various divisions were scattered and we were not able to obtain the real benefits from diversification. However, beginning a few years ago, the seeds of technology sowed over the last 20 years have begun to sprout. On this basis, we are about to see a great flowering in diversified operations."

These words are backed by confidence in the rapidly growing machine engineering division and the expansion of the growth areas of industrial robots and titanium products. Moreover, this statement contains regret for Kobe Steel's continuous backseat position in the shaft furnace industry, where it has not obtained a place in the sun.

Kobe Steel is commonly thought of as "the fifth son in the shaft furnace industry." It has been a small-scale "fifth son," with the specialty of "wire rod and bar steel" accorded to it in the shadow of Nippon Steel, the eldest son reigning over the industry.

Indeed, the sales of Kobe Steel's steel division in 1980 were 663 billion yen, one-fifth of Nippon Steel's, and crude steel production was one-fourth that of the larger company. In product composition, the specialties of the top four companies differ--"Nippon Steel and Kawasaki Steel in plate" and "Nippon Kokan and Sumitomo Metals in tube"--but they are fully developed, all-round steel producers, handling plate, tube, drawn steel (formed steel, bars, and wire). In contrast, Kobe Steel does not handle formed steel or pipe.

Put positively, you could say it is an individualistic steel maker. Put negatively, it is an incomplete steel company.

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Kobe Steel's steel division does not handle steel pipe, and steel pipe has turned into a gold mine during the worldwide boom in drilling for oil and natural gas. It was also slow in utilizing the "effects of rationalization" which became an income source for all companies under the steel recession which followed the oil shock. The continuous casting rate is considered the best indicator of effective rationalization. Until recently, Kobe Steel's rate was no higher than 25 percent.

Of course, Kobe Steel was not just loafing with respect to the continuous casting rate. The continuous casting rate at the Kakogawa steel mill, its major steel plate mill, reached 70 percent of the industry average after introducing continuous bloom and slab facilities in 1980. In 2 or 3 years, it will introduce another continuous slab casting facility and plans to reach 90 percent of the industry average. The Kakogawa steel mill generates 90 percent of its own electricity. It is the top steel mill in Japan in the area of oil conservation.

The problem for Kobe Steel is to introduce continuous casting of bar steel and wire rod. The bar and wire made by Kobe Steel is a high-quality product made from special steels such as carbon steel or steel alloys. It is a type of steel that is very difficult to cast continuously. Kobe Steel overcame this difficulty recently by installing two sets of continuous bloom casting facilities for special steel at the Kobe mill. However, the continuous casting rate at the Kobe steel mill remains at 40 percent. Therefore, the present continuous casting rate for the entire company, including the Kakogawa works, is only 50 percent, the lowest of the five companies in the shaft furnace industry. This is the negative side of having high-quality wire and bar steel as major products.

However, it has led to progress in developing continuous casting technology, especially continuous casting technology for special steels and has made possible the additional benefit of continuous casting equipment sales to Sanyo Specialty Steel, another manufacturer of special steels (bearing steel).

Good Showing by Engineering

While Kobe Steel continues its hard fight as the "fifth son" in the shaft furnace steel industry, it has blossomed tremendously in other areas. Plant engineering orders last year came to a little less than 250 billion yen. It was the largest order amount for a single year for any company in Japan. It was even higher than such plant manufacturers as Mitsubishi Heavy Industries and Ishikawajima Harima or engineering companies such as Chiyoda Chemical Engineering and Construction.

Beginning with a bar and wire rod rolling mill for Libya (170 billion yen), it continued with successful bidding for such projects as cement plants in Indonesia and Jordan and a polypropylene plant in Singapore. There are many large-scale projects coming up such as an LNG plant for Algeria (60 billion yen), a reduction steel mill (joint project with Nippon Kokan) in Egypt, an expansion of the Qatar reduction steel mill, and a plant for pelletizing (preliminary processing of ore), a secret weapon. The outstanding definite orders through

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the end of September reach 400 billion yen. At this rate, it will not be impossible to reach 500 billion yen in outstanding orders.

Nippon Steel ran into difficulty with the Shanghai Baoshan steel plant and successively failed to get orders for Soviet electromagnetic steel plate equipment, Romanian steel making equipment, and the Teikoku Sekiyu oil rig off the Joban coast. In contrast, Kobe Steel has had steady success.

The shaft furnace companies went into the engineering business with great fanfare, but the only company which has made a reputable profit is the "fifth son," Kobe Steel.

"It is not necessarily a good policy to have too many outstanding orders. As far as we are concerned, it is sufficient to have 100 billion in sales per half-year and outstanding orders for three to four half-year periods (300 to 400 billion yen)" (Vice President Mori). The company is quite free from pressure. Beginning in the first half of 1982, when this pace is reached, the income of the engineering division will climb steeply, producing net profits of several billion yen per half. This net profit is calculated on an annual basis to cover the 10 billion yen needed to pay a 10 percent dividend for Kobe Steel.

As far as the plant engineering division of Kobe Steel is concerned, it is the earliest and most conservative among the five shaft furnace companies. Its plant department was established in 1954, 15 years before Nippon Steel established an engineering business. The engineering knowhow accumulated in the 20 plus years since then has grown enormously. It crystallized in the success of the Qatar reduction steel mill (total amount of order; 170 billion yen). The Qatar steel mill is the combined result of the diversified operation of machinery and steel making technology adopted by Kobe Steel. The Qatar success was the jumping off point for today's rapid growth in plant engineering.

Kobe Steel's specialty areas in steel making engineering are reduction steel making, milling of bar steel and wire rod, and oxygen plants. Other specialties include fertilizer and cement plants. All of these plants are necessary for developing countries to build up their industrial base.

Nippon Steel specializes in the most advanced unified steel production plants and steel plate facilities for export to the advanced countries. Kobe Steel, on the other hand, has established a style of providing services for developing countries from preliminary studies to operating knowhow after the plant is completed. It has the knowhow to provide plants which match the resources, technological capacity, and labor capacity of the developing countries. It is quite different from companies like Nippon Steel, which are experiencing failure in exporting the most advanced steel plants to "developing countries" like China.

Kobe Steel can offer many other kinds of growth plants outside its specialties-- for example, chemical plants, extreme low temperature LNG plants, pelletizing plants, and cast and forged steel mills. It will expand its plant orders with plant designs which match the circumstances of the country to which the plant is exported.

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One project which bears watching in the plant engineering business is the lignite gasification 50-ton test plant (largest for Japan) which will be constructed beginning this fall in the state of Victoria in Australia. If this plant operates on a commercial scale, the plant business could easily exceed 1 trillion yen. In addition, there are undeniable merits in technological acquisition for Kobe Steel to be derived from this high technology plant with its concentration of the latest technology. For example, the cast parts used in the coal degasification reactor are huge pieces of steel with walls 250 mm thick and a weight of over 50 tons. The technology for fabricating and welding them will be a new one for Kobe Steel.

Hidden Group of Top Products

Kobe Steel has many important products which are surprisingly unknown, perhaps because of its conspicuous steel division which accounts for 60 percent of sales or because they are obscured in the image of a heterogeneous mixture of products produced by the publicity given to "diversified operations." Some of the top products are shown in the accompanying chart.

In the steel field, Kobe has a 50-percent share of the domestic welding rod business. This makes it tops in the world in this area and provides a stable source of income. It also has the top position in Japan for carbon steel, which is used in auto making. In nonsteel divisions, it is at the top in high technology and advanced fields such as copper tubing for use in coolers, material for aluminum cans, rolled titanium and titanium condensing pipe, and zircon alloy pipe for use in nuclear fuel rods.

In the machinery and cast and forged steel area, it is in first place in electric shovels, cranes, rock crushers, crankshafts and propellers for use in ships, large-diameter ball valves, and painting robots. It is also in the top class in cutting tools and iron powder for powder metallurgy. One of its hidden top products related to electronics is an aluminum alloy material for memory disks.

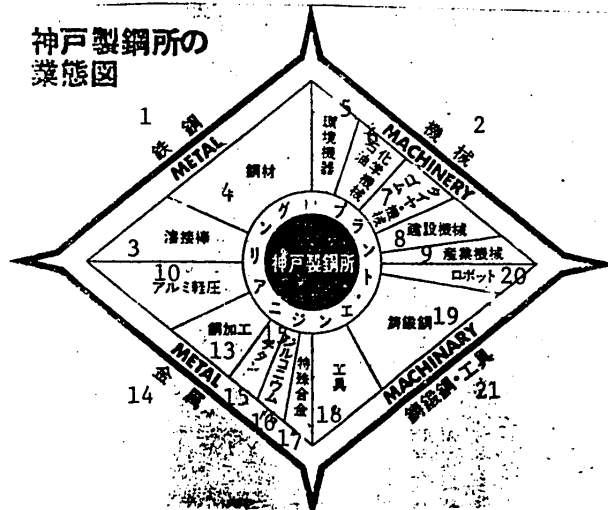
Some of the items attracting the most notice among this wide variety of product groups are the industrial robots, titanium products, and products related to aircraft and defense which combine titanium and cast and forged steel.

Most of the industrial robots produced are painting robots, in which Kobe has almost a 50-percent market share in Japan. It has a monopoly on deliveries to Nissan and Honda. It is now negotiating on deliveries to Toyota. Last year it began selling arc-welding robots developed jointly by the machine division and the welding division. The prototype of the processing robot for cutting and machining castings, developed autonomously, is completed and awaiting sales on the open market. The next development will be assembly robots and intelligent robots. The company is ranging its forces to start with the robots which are most widely used and is moving into a period of substantial shipment. Robot sales for last year were about 3 billion yen. They should exceed 10 billion yen in 1983, and are expected to begin contributing to profits in the next period. The total orders for the last 6 years have been in the range of 100. They broke the 100 mark in 1980, and a rapid expansion is expected, passing the 200 mark in 1981, the 300 mark in 1982, and the 400 mark in 1983.

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Business Composition Diagram for Kobe Steel Co Ltd



- | | |
|-------------------------------------|----------------------------------|
| Key: | 11. Plant engineering |
| 1. Steel | 12. Kobe Steel Co Ltd |
| 2. Machinery | 13. Copper processing |
| 3. Welding rods | 14. Metals |
| 4. Steel stock | 15. Titanium |
| 5. Environmental machinery | 16. Zirconium |
| 6. Petroleum and chemical equipment | 17. Special alloys |
| 7. Diamond and rubber equipment | 18. Tools |
| 8. Construction equipment | 19. Cast and forged steel |
| 9. Manufacturing equipment | 20. Robots |
| 10. Light rolled aluminum | 21. Cast and forged steel, tools |

Kobe Steel's Products With a Leading Market Share

Steel, Welding Rods

- SC steel (structural carbon steel)
- Nonmagnetic steel plate (for use in nuclear fusion reactors)
- Welding rods
- Powdered high-speed steel
- Iron powder for powder metallurgy

Aluminum, Rolled Copper Products, Titanium

- Memory disk material (aluminum alloy)
- Copper tubing for coolers, light pressed products for railroad cars
- Pipe covered with zircon alloy
- Processed titanium products (forged products, rolled stock, pipe)

Machinery, Plants

- Electric shovels, painting robots, rock crushers, oxygen plants, cranes, tire equipment, automatic welding machines, compressors

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Cast and Forged Steel

Crankshafts and propellers for ships, large-diameter ball valves

Another growth area is titanium products. The previous period sales of 12.1 billion dollars will grow to 20 billion yen in the next period. Kobe Steel's titanium business consists of purchasing the raw material, sponge titanium, from Osaka titanium, melting it down, and processing it into rolled, cast, and forged products. The processing capacity is 6,000 tons, the best in Japan, and is in full operation. Forty percent of the products are exported for use in aircraft, nuclear electricity-generating equipment, and sea water desalinization equipment.

Kobe Steel has the world's leading aircraft manufacturers as customers. The U.S. B-1 strategic bomber program, which will require a large volume of titanium, may start up again. The company has built up a route for expanding sales if sponge titanium can be obtained.

There was an inquiry last year from Boeing for a 5-year transaction beginning in 1982 for 12,000 tons of aircraft materials including titanium alloys, worth 100 billion yen. Unfortunately, Kobe had to refuse because of difficulty in obtaining the sponge titanium.

Kobe Steel has the nonferrous metals essential for aircraft such as titanium, aluminum, zirconium, and copper and the alloy technology to process them. Also, it has completed an 8,000-ton aluminum forging press in the Nagoya plant. The 8,000-ton forging press in the Takasago plant has already been used extensively for forged parts for ships, and it will be very useful in this field also. Kobe Steel is ready for battle in all areas from materials to processing. It is not necessary to emphasize its great potential strength not only for commercial aircraft, but also for defense-related items such as fighters, bombers, and warships.

Becoming a Total Plant Manufacturer

Kobe Steel's total sales in 1981 are expected to expand to 1.2 trillion yen. However, the recurring profit will fall to 30 billion yen (previous period; 45.9 billion yen) and net profit will drop to 18 billion yen (previous period; 25.6 billion yen).

The steel division is greatly curtailing production because of the reduced production cost burden and high raw material costs. The aluminum rolling division has been forced to take a loss because of a poor market and a slump in volume. This has caused a large reduction in profits.

However, even with this business slowdown, Kobe Steel is steadily moving ahead with the conversion of its operations. The previous composition was 60 percent steel, 20 percent rolled light metal, and 20 percent machinery and engineering. In this period, steel will fall below 60 percent, and machinery and engineering will rise to around 30 percent of sales.

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The steel division can only be expected to grow at the same rate as the economy, but the machinery and engineering division could exceed this. Company strategy is aiming in this direction.

The steel division will require an investment during the next 5 years in the range of 199 billion yen per year, combining a recovery investment for delayed rationalization and labor saving along with a renovation investment. Also, the steel division will be made more profitable by making even better quality bar steel and wire rods, steel plate with high tensile strength, and improved steel plate with surface treatment such as zinc plating.

Meanwhile, the results of the plan to emphasize machinery and engineering will appear in 1981. The level of profit is expected to exceed that of 1979, the highest for any period so far.

President Takakichi Takahashi says: "In the future, we will build up strength as a total plant maker. If our potential capacity as a diversified operation is correctly evaluated, we expect our stock price to reach the price of a steel stock plus alpha."

Kobe Steel is beginning to change from its old position as a "fifth son" company to that of an advanced "technology mix" company on the strength of its growth area, machine engineering.

Interview: President Takakichi Takahashi

Our company has two sides--manufacturing of materials like steel and total plant engineering. In the future, our strength as a total plant maker will grow. If our potential strength as a total plant maker is correctly evaluated, we expect our stock price to reach the price of a steel stock plus alpha.

In our steel division, we would like to devote a total effort to rationalization of facilities and technological development so that we can take pride in the Kobe reputation for drawn steel and respond to our users' needs for high-grade, high-quality steel. Also, we will increase our development of such items as high tensile strength plate, both thick and thin, and surface-treated steel plate and maintain solid technological competitiveness as a unified major manufacturer. In addition, we will make an equipment investment of more than 100 billion yen per year in order to maintain overall cost competitiveness by introducing alternative energy sources, energy-saving measures, and continuous manufacturing processes.

We established an engineering division last year. It has performed well and we have been able to secure the largest amount of orders in the engineering industry, starting with the Libyan steel plant.

From now on, we will continue to develop new processes in all fields, especially steel, nonferrous metals, and welding rods. We are proceeding to develop new products through an organic combination of the operating knowhow and hardware technology of our machine division in related fields for such items as robots,

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mold presses, pipe setters, and continuous casting equipment. We will carry out vigorous technological development with interdivision cooperation and improve the quality of our diversified operations.

In 1980 we reached 1.1 trillion yen in sales, becoming a 1-trillion-yen company. We would like to make it to 2 trillion yen by 1985, concentrating on increasing our machinery and engineering sales. I am sure that our income base will be greatly strengthened by supplying large plants, improving the competitiveness of our nonferrous metals division, and increasing the earning power of our older divisions such as steel and welding rods.

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