Japan opposition leader said ready to press PM bid. By Chaitanya Kalbag

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TOKYO, April 15 (Reuter) - A leading opposition politician is preparing to revolt against his party in hopes of becoming Japan's next prime minister, NHK public television said on Friday.

Meanwhile, the fate of the nation's ruling coalition, riven by a struggle for power, hung in the balance with a small party of 15 lawmakers holding the key to choosing a successor to Prime Minister Morihiro Hosokawa.

In a new twist to the political turmoil that has paralysed government since Hosokawa resigned a week ago, NHK said former foreign minister Michio Watanabe had decided to break away from the opposition Liberal Democratic Party (LDP).

NHK said it was unclear whether Watanabe, 70, who leads a powerful faction within the LDP, would ally himself with one of the warring groups in the eight-way ruling coalition in pursuit of his long-held goal of becoming prime minister.

A rift within the LDP, which lost its 38-year grip on power to the coalition last year, deepened late on Thursday with media reports saying Watanabe was drumming up support to create a new group or party.

This coincided with a fresh dispute in the coalition, with the small New Party Sakigake digging in its heels on power-sharing.

Sakigake chief Masayoshi Takemura, chief cabinet secretary in the lame-duck administration, denied on television that he wanted to break up the coalition. He said his group merely sought to maintain its influence.

Coalition negotiators planned to meet again on Friday to try to find a way out of the impasse created by Sakigake's boycott of meetings to decide the succession.

The coalition controls just 265 seats in the 511-member Lower House and could lose its governing majority if Sakigake pulls out.

The conservative camp led by Ichiro Ozawa, the coalition's strategist and strongman, suggested a compromise which would allow only party chiefs to decide who should replace Hosokawa. Deputy chiefs like Ozawa would be excluded.

The opposing camp, led by Takemura's Sakigake, harbours deep suspicions of the controversial Ozawa's motives. After a party caucus late on Thursday, Sakigake rejected the compromise plan.

"But we have not decided to leave the coalition," a Sakigake spokesman said.

"One out of eight parties is holding the whole thing up. This is not democratic at all," grumbled Ozawa.

 T_{WO} days ago the coalition had appeared finally to have sunk its differences and to be ready to get on with the job of government.

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m On}$ Wednesday, Foreign Minister Tsutomu Hata emerged as the clear favourite to succeed Hosokawa even as he left for Morocco for world trade talks and meetings with U.S. officials.

But Takemura threw a wrench into the process by walking out of the talks. Fearing that Ozawa would try to dominate policy- making if Hata were installed as leader, he insisted that the political strongman agree to share decision-making.

The crisis has stirred concerns about continued instability at a time when the Japanese economy is deep in recession and U.S.-Japan relations are threatened by a bitter trade dispute.

Hata held talks with U.S. Vice President Al Gore in Marrakesh, Morocco, on Thursday but the two men shied away from specifics, a senior Japanese aide said.

Hata said: "It is not good to have concrete talks at a time when we are facing a change in the cabinet."

A bid for power by Watanabe could attract disgruntled coalition elements. But, asked if he planned to go over to the coalition, Watanabe said on Thursday he was more interested in joining a grouping that went beyond current boundaries.

"At this point we need something that exceeds the limits of party or alliance frameworks," he said.

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