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Japan Report

(FOUO 23/80)



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JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

FUKUDA AIMING FOR POSITION OF 'GENRO'

Tokyo MAINICHI DAILY NEWS in English 20 Aug 80 p 4

NAGATACHO DOINGS column by Takehiko Takahashi: "Fukuda Aiming for Position of 'Genro'/"

/Text/

The Suzuki Cabinet has been referred to as "Tanaka-shadowed" and "Fukuda-shadowed." The fuse that led to the establishment of the Suzuki Cabinet was former Prime Minister Takeo Fukuda. Upon looking at the Suzuki Cabinet following its formation, however, the Tanaka faction can be seen occupying the posts of important cabinet ministers. This has led to strengthening the view that just as in the case of the Ohira Cabinet, the Suzuki Cabinet is more under "the shadow of Tanaka" rather than "the shadow of Fukuda."

There is also an opposing view to this which declares that the cabinet is more "Fukuda-shadowed" than "Tanaka-shadowed." One reason for this is the emergence of Kiichi Miyazawa as chief cabinet secretary. It is said that former Prime Minister Kakuei Tanaka vigorously opposed Miyazawa's appointment as chief cabinet secretary. In spite of this, Prime Minister Suzuki appointed Miyazawa to that post because of Fukuda's strong recommendation, it is believed.

Former Prime Minister Ohira disliked Miyazawa. This attitude of the deceased is said to have been reflected in the inability of Miyazawa to succeed as prime minister. There are rumors that Ohira's widow is said to have asserted: "any one but Miyazawa."

Former Prime Minister Tanaka was on very close terms with Ohira. As in Ohira's case, Tanaka also disliked Miyazawa. It is only natural that Tanaka opposed Miyazawa's appointment to a post corresponding to that of "the chief clerk" of the cabinet.

Miyazawa was at one time a secretary of former Prime Minister Hayato Ikeda. Former Prime Minister Eisaku Sato, who highly evaluated Miyazawa's ability, sought to appoint him as chief cabinet secretary. This was not realized because of opposition that arose within the Sato faction.

"Because of their relationship with Sato, former Prime Ministers Nobusuke Kishi and Fukuda both evaluated Miyazawa highly. During last year's 40-day struggle involving

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the designation of the prime minister. Fukuda urged Ohira to withdraw. At that time, Fukuda said, "let Miyazawa take care of things." Ohira rejected this.

Recommendation

Because of these circumstances and despite Tanaka's opposition, the view prevails that Miyazawa became the chief cabinet secretary on the strength of the recommendation by both Kishi and Fukuda. This is denied by Fukuda who says "that's not true — the chief cabinet secretary is chosen by the prime minister."

Nevertheless, the reason why Prime Minister Suzuki selected Miyazawa despite Tanaka's strong opposition was that there was an even stronger recommendation, according to the common sense observation. The opinion that Fukuda made this recommendation does not fade. Hence the opinion that the Suzuki Cabinet is "Fukuda-shadowed."

Fukuda has a friendly attitude toward the Suzuki Cabinet. According to Fukuda, "Suzuki is now being charged, just like a battery." Expectations are being placed on Suzuki's future activities.

Fukuda likens himself to a "god of thunder." This seems to mean that like such a god, he generally observes the situation quietly but, if the need arises, he will roar in a loud voice and act positively.

What Fukuda is most concerned about at present is the reform of the Liberal-Democratic Party.

He has two aims concerning this. One is the freezing of the preliminary voting for the party president. The other is a separation of the functions of party president and prime minister.

"Even if an election of the party president by the party

members is carried out, if that party president does not automatically become the prime minister, the abuses seen in the preliminary voting should disappear. Then again, if the selection of the candidates for the prime minister and the party president is carried out separately, the use of money to gather votes will naturally become the crime of bribery. The use of money in the competition should disappear.

Strong Belief

This way of thinking seems to be based on Fukuda's strong belief built up through long years of experience. He believes that if sums totaling hundreds of million of yen are spent in the struggle to become the party president, enhancement of the ethical standards of the Liberal-Democratic Party can never be hoped for.

The greatest concern that Fukuda has about the Suzuki Cabinet is the occurrence of a scandal. Even if a structure is built to cope sufficiently with problems in the policy phase, if a scandal occurs, the Suzuki Cabinet will disintegrate. This is Fukuda's anxiety.

Fukuda believes that in order to prevent such a scandal from occurring, it is necessary now to establish a system so that money will not be needed in choosing the party president.

Because of the mood favoring a "generation change," it has become difficult for Fukuda to attempt to assume the reins of administration once again. Thus, while calling himself a "god of thunder," what Fukuda is trying to do is to aid the Suzuki Cabinet and, at the same time, become firmly established as the "Genro" (elder statesman) of the Liberal-Democratic Party.

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

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POLITICAL AND SOCIOLOGICAL

MIYAZAWA'S NEW IMAGE EXAMINED

Tokyo THE DAILY YOMIURI in English 23 Aug 80 p 2

[POLITICAL BEAT column by Raisuke Honda: "Miyazawa's New Image"]

[Text]

Chief Cabinet Secretary Kiichi Miyazawa appears to be getting accustomed to his role as No. 1 government spokesman, apparently gaining self-confidence from prospects of his becoming the successor to Prime Minister Suzuki.

Right after the death of former premier Masayoshi Ohira, then Liberal-Democratic Party's (LDP) executive board chairman Suzuki had moved actively to win the premiership for his relative, Miyazawa.

Miyazawa himself did show at one time his willingness to lead a post-Ohira administration.

However, Miyazawa was hard put to obtain support even from his fellow members of the faction headed by the late premier, while Suzuki of the same faction got "spontaneous" support from all LDP factions to succeed Ohira.

The bitter experience might well have made Miyazawa aware of the need to contribute to the settlement of party affairs, a matter he had earlier tended to shun.

As his strongest supporter Suzuki was of the same view. Miyazawa was at first expected to assume the post of LDP policy board chairman under the Suzuki government.

When Suzuki actually start forming his cabinet and party leadership lineups, however, he preferred naming Miyazawa, well-known for his good knowledge of policy matters, as the chief cabinet spokesman to give him a chance to handle intraparty affairs.

Miyazawa, for that matter, also had second thoughts, saying he thought himself better suited for the task of chief cabinet secretary rather than dealing with party affairs.

Since he took office as chief cabinet secretary, Miyazawa seems to be going all-out to form closer relations with as many LDP men as possible.

Miyazawa's detractors often describe him

as a "cold rationalist" or "political analyst" for the bystander attitude he tended to take over controversial problems. His aloofness was put down to an unsociable personality.

Bearing his poor past image well in mind, Miyazawa now appears to be making efforts to cultivate friendships with as many people as possible.

Recently, he went out together with several journalists and made merry with them to the extent of singing a song over a drink.

Such gregariousness was hardly conceivable for Miyazawa before, although he is said to be a secret tippler.

Besides, his close aides have disclosed that Miyazawa went to Karuizawa, Nagano-ken, to meet with former prime Minister Kakuei Tanaka about a week ago.

Miyazawa earlier was rather at odds with Tanaka, even declining to accept Tanaka's overture to be seated side by side at the wake for the late Ohira.

That he took the trouble to go all the way to Karuizawa for a tete-a-tete with Tanaka indicates his determination to seek power in a post-Suzuki government.

Rumor has it that a tacit agreement already has been reached between Suzuki and Tanaka to give joint backing to Miyazawa in his drive to succeed Suzuki as prime minister.

Tanaka has reportedly told his associates that he will help Miyazawa assume either of the executive posts of the LDP after serving as chief cabinet secretary so as to foster him promptly as a strong candidate for the top LDP post.

Since two other power aspirants, Yasuhiro Nakasone and Toshio Komoto, have also been keen to win Tanaka's support in their race for the top post, the emergence of Miyazawa as another contender may add to public interest in future developments of the LDP's power struggle.

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POLITICAL AND SOCIOLOGICAL

'AKAHATA' ON 'REVISED' U.S.-JAPAN SECURITY TREATY

OWO31047 Tokyo JPS in English 0851 GMT 3 Sep 80

[AKAHATA Editorial: "Arguments Surfacing for a Revised Japan-U.S. Security Treaty in 1980's"]

[Text] Tokyo, 3 Sep (JPS)--"Recently, under the rule of the liberal-democratic party government, plans have been worked out one after another to make Japan a military power worthy of the second largest economic power in GNP in capitalist world. They are expressed in the 'Outline of the Security Policy' published at the end of July by the security policy planning committee of the Foreign Ministry, the 'White Paper on Defense', published in August, and the 'Blue Paper on Foreign Policy'".

"Now a blueprint for a security treaty for the 1980's, which has been suggested in them, is now being put forward in bolder terms. This is represented by a concept for the 'reorganization of the Japan-U.S. alliance' presented by Asao Mihara, chairman of the LDP committee for research on security affairs, at a Japan-U.S. seminar held recently under the title of 'U.S.-Japan Mutual Security--The Next 20 Years'", said an AKAHATA editorial on 3 September.

The points of the Mihara concept are: 1) The term "Far East", expressing the coverage of the Japan-U.S. Security Treaty, which is written in the present treaty, cannot express such a situation in which Japan shares "responsibility for the defense" of large areas including the Persian Gulf area; and 2) as Japan's GNP stands at one-half of that of the United States, the "unilateral character" of the present treaty in which only the United States carries the duty to defend Japan, should be revised.

The AKAHATA editorial also referred to a proposal presented by Osamu Miyoshi, president of the "Japan Center for the Study of Security Issue", at the Japan-U.S. seminar. The proposal substantiates and develops the Mihara report. Miyoshi proposed to strengthen the self-defense forces in line with a 6-year plan, including the SDF's taking responsibility for the security of sea lanes in the West Pacific, and after that to conclude a "new Japan-U.S. Security Treaty." In that case, a drastic increase of Japan's military budget, even to 5 percent of the GNP, is supposed as a calculation.

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"This is the way for Japan to become a military power both in name and reality to share a role of the global strategy, together with the United States and the NATO countries. This is a system in which Japan will become able to send its troops to any area in the world without any restriction, and in which absolute priority will be given to military, in the fields of the national budget, economy, politics and society," said the paper.

This is also the way through which Japan will inevitably become "involved in a war between the U.S. and the Soviet Union," promising "danger and misery" for all of the people, the AKAHATA editorial concluded.

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JCP OFFICIAL REBUKES OKUNO'S REMARKS ON JAPAN-U.S. SECURITY

OW031101 Tokyo JPS in English 0903 GMT 3 Sep 80

[Text] Tokyo, 3 Sep (JPS)--Zen'mei Matsumoto, chairman of the Diet policy committee of the Japanese Communist Party, announced the following views on the remarks by Justice Minister Okuno. He says:

"The statement by Okuno is in concert with a series of dangerous arguments in the recent Japan-U.S. seminar to make the Japan-U.S. security system into an alliance of offense and defense. We call the present period the second period of reactionary offensives since the end of the war, and his remarks indicate that reactionary offensive is now in full swing. His remarks are one of those campaigns aimed at literal mal-revision of the constitution, and clearly show an intention to adversely revise the constitution, so that it is possible to send the self defense forces to overseas countries and put into effect the conscription. Suzuki cabinet approves his remarks. The Japanese Communist Party together with the nation seeking peace, will struggle inside and outside of the Diet against these dangerous trends.

"Okuno argues that 'arguments for revision of the constitution' belong to his freedom of speech. The justice minister, however, has the duty to execute the constitution strictly. It is the issue affecting the capacity of Okuno as the justice minister that the minister himself takes up a part of the campaign for constitutional changes. This also affects the political stance of the Suzuki Cabinet. We resolutely question this issue, too.

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POLITICAL AND SOCIOLOGICAL

DSP DISCUSSES COALITION WITH LDP OFFICIALS

OW290246 Tokyo THE JAPAN TIMES in English 28 Aug 80 p 4

[Text] The Democratic Socialist Party (DSP) earlier this month approached three rising leaders of the ruling liberal-democratic party (LDP) and advanced a proposal for a coalition between the two parties in a major about-face of its avowed policy of forming a centrist coalition government among opposition forces.

This secret offer made by Ikko Kasuga, former DSP chairman who is known for his Machiavellian maneuvering, was disclosed Wednesday by one of the three "new leaders," International Trade and Industry Minister Rokusuke Tanaka, who is known as an outspoken politician.

Tanaka, a close aide of the late prime minister Nasayoshi Ohira and now for Prime Minister Zenko Suzuki, made the bombshell disclosure in a casual manner during a press luncheon at the Japan National Press Club in Tokyo.

The other liberal-democrats present at the meeting were Finance Minister Michio Watanabe and Ichiro Nakagawa, director general of the science and technology agency. Several DSP leaders, but not Chairman Ryosaku Sasaki, were also present, Tanaka said.

Tanaka quoted Kasuga as declaring that the DSP was ready to leave the opposition camp to join hands with the LDP.

The three LDP leaders, however, refrained from committing themselves to the Kasuga proposal, according to Tanaka. The LDP, which has a controlling majority in the Diet, apparently does not need the DSP's help, at least for the time being.

In an apparent effort to down play the political impact the disclosure of the secret Kasuga proposal would have on the domestic political scene, Tanaka added. "Mr Kasuga is popularly known to be an advocate of such a coalition."

Tanaka did not elaborate, either, on why DSP Chairman Sasaki was not present at the secret meeting, Sasaki is known to favor a closer alliance with Komeito, a centrist opposition party.

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ECONOMIC

GIST OF 'WHITE PAPER' ON ECONOMY

Tokyo MAINICHI DAILY NEWS in English 19-20 Aug 80

[Two part article on national economy]

[19 Aug 80 p 5]

[Text]

Following are highlights of the white paper on the national economy for fiscal 1980, published by the Economic Planning Agency last Friday.

Part 1: economic upturn, price stabilization challenged

Chapter I: Japanese Economy In 1979-80

With the second oil crisis casting a cloud over the Japanese economy in 1979-80, its strength and stability was again tested while on the path toward a self-propelled, full-scale recovery.

- Economy and prices during second oil crisis. Shrugging off the impact of oil price increases, the economic upturn stayed solidly in place. The impact was eased because the markup was staggered over several small increases, unlike the sudden runups in prices during the first crisis. The latest crisis came at a time when the economy began pulling itself out of the doldrums.

Price movements were featured by a slower tempo of

consumer price increases than the pace during the first crisis and the longer period of time taken to restore calm to prices. Nation-to-nation comparisons show that Japan was responsive to price problems more effectively than many other nations.

- Challenges remain unanswered. The economic unrest caused by the second oil crisis proved to be minimal and the economic stability was maintained. But the challenges have not been fully answered. Effects of wholesale price increases remain yet to be felt on the consumer price level in the form of higher retail prices and reductions in real spendable incomes are eroding consumer confidence. Besides, economic recession is tightening its grip on many industrial nations.

Chapter II: Characteristics Of Economic Recovery

- Resumption of business fixed investment. A pickup in business fixed investment has played a major role in maintaining the spontaneous and

sustained growth of the economy since the second half of fiscal 1978. It must be stressed as an important point that the upturn in the economy has entered a medium-range, cyclic expansion phase, reflecting a rise in replacement investment and a pickup in spending on production expansion programs.

Also noteworthy are increased investments for energy-saving as well as technological renovation, production improvement and labor-saving programs.

- Increases in inventory investment. Investment has continued to rise since the second half of fiscal 1978, first to build up retail inventories and then stockpiles of unsold products and raw materials. The uptrend followed the completion of inventory adjustment in the first half of the year and the upturn in commodity market and wholesale prices.

Business corporations, however, remained more cautious than before about

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investment. There was speculative demand, nevertheless, for oil-related products between late 1978 and 1979 and for products related to capital goods in the first quarter of this year amid proposals for electricity rate hikes for the coming quarter. They could be called changes in inventories induced by imported price inflation.

- Strong but cautious consumer demand. Consumer confidence stayed strong generally in fiscal 1979. Real income continued its steady climb, though at a decelerating rate. Although consumers turned cautious about spending amid rising consumer prices, consumer behavior stayed strong.

- Saturation of housing demand. Saturation of demand added to difficulties in obtaining high-priced land to put the brakes on construction of new homes and housing units.

- Rising production and profitability. A marked improvement is evident in business profit positions. Cost-reduction efforts trimmed fixed cost and improved business positions. Such efforts brought about desired effects as they came simultaneously with a rise in the rate of capacity utilization. In addition to these favorable medium-range factors, business corporations were benefited by short-term factors such as sales gains, profits resulting from an upward adjustment of inventory valuation and the yen's depreciation that made export earnings more profitable.

- Improvement in employment. The employment situation clearly turned around for the better. Employment in manufacturing industries

began picking up. Employment of male workers by major business also turned higher. The ratio of effective job offers to job applicants moved higher while unemployment declined.

Chapter III: Second Oil Crisis
Price increase and international balance of payments.

- Price increase. In and after 1979, wholesale prices skyrocketed with consumer prices increasing gradually, bringing new difficulties to the Japanese economy.

The sizable markup in wholesale prices was caused mainly by overseas factors, including depreciation of the yen and upswing in prices of imported raw materials.

Likewise, consumer prices rose after the autumn of 1979 due to soaring prices of seasonal commodities like vegetables and in reaction to wholesale price increases, notably after the beginning of 1980.

But the prices remained calm as in West Germany without showing an inflationary trend of the home-made type.

- Deficits in international balance of payments position. Japan suffered record deficits both in current and overall accounts in its international balance of payments. There also were major changes in foreign exchange rates, as in the yen's decline in value against the dollar. Exports surged ahead, mainly in respect to autos and electrical machinery due to the depreciation of the yen and the firm world economy.

In the import sector, quantitative growth was slow but the value increased considerably due to sizable markups in crude oil prices.

In the international balance of payments position, the current account suffered a record deficit due to markups in oil prices.

- Yen market undergoing substantial change. The yen's exchange rate continued to drop since 1978 presumably due to such fundamental reasons as deficits in the current account and aggravation of price situation. Vulnerability of the Japanese economy to oil price increases also acted as a psychological factor.

Chapter IV: Financial And Monetary Policies

- Money policies were tightened step by step in April 1979 and later. Characteristically, policy changes were made a little earlier and consideration was paid to effects on foreign exchange markets.

Money rates followed a straight upswing during 1979. Interest rates on short-term loans exceeded those on long-term loans at the start of 1980.

- Fiscal policies turn to control total demand.

Meanwhile, fiscal policies made a major shift to neutral and further to restrictive ones from conventional stimulative policies enforced since fiscal 1977. Anti-inflation measures were worked out at an early period.

Efforts should be made to reduce national bond issues, control money supplies and to promote smooth flotation of bonds.

Chapter V: Current Economic Situation

The Japanese economy has so far tided over the second oil crisis and maintained relatively favorable results.

However, there remain some

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points on which attention should be paid. They include (1) effects of rising wholesale prices on consumer prices, (2) slowdown in consumers' demand, (3) stagnation in some economic activities in reaction to imaginary demand, (4) the U.S.

economic recession and (5) instability in the oil supply situation.

Under these circumstances, economic policies are faced with the tasks to ensure stability for consumer prices first of all and then to maintain a continued growth.

[20 Aug 80 p 5]

[Text]

PART 2: new themes for economic development:

The Japanese economy has almost caught up with Western industrialized nations and Japan must strive to solve its problems on its own.

Chapter I: Development Of The Japanese Economy

- Internal and external conditions which supported the development.

The Japanese economy has been improving its international position both in "flow," such as income level, and in "stock," such as household economy, housing condition, overhead capital and fixed business equipment.

Among the internal and external conditions which supported such a development are a peaceful world situation, development of free international trade and exchange, stability of the resources supply situation and the diligence and high intellectual level of the Japanese people.

- Changes of conditions.

These conditions, however, have been undergoing a considerable change. International tensions have been mounting, free international economic

systems have been in turmoil, resources circumstances have been changing and the Japanese economy has become big in scale and must cope with issues independently.

Chapter II: Coping With Limitations In Oil Supply

- Changes in oil circumstances.

Behind the changes in the oil situation in and after 1973 is the limit to oil resources from the long-range point of view.

Oil price hikes stemming from this resulted in concentration of wealth in oil producing nations from oil consuming nations through income transfer, which greatly affected the world economy.

- Japanese economy affected by oil.

The Japanese economy has suffered relatively strong effects from oil price hikes since its dependence on oil has increased since the 1960s.

The current account deficit widened due to oil price boosts, as crude oil and oil products now account for a considerable portion of Japan's imports.

- Capability to recover from oil crises.

The Japanese economy may be vulnerable in respect to oil crises, but it can be said that its capability to recover from the crises is strong. Among the reasons are flexibility of wages in relation to the employment situation and adaptability to changes in circumstances due to active competition among enterprises.

- Increase in productivity.

Increase in productivity is the key to overcome Japan's vulnerability to oil. In particular, the Japanese economy has been maintaining a high growth rate in productivity in manufacturing industries due to the high capital equipment ratio, young average age of capital and the excellent quality of the labor force. This became the main factor in softening the effects in both the inflation and deflation aspects in the second phase of the world oil crisis.

- Raising of oil productivity.

The amount of oil needed in output of real GNP has been declining since 1973. It is necessary for this country to continue efforts to enhance efficiency in oil consumption—oil productivity—in the future, through such measures as effective utilization of the price

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mechanism, a further increase in oil stockpiles and technological development for effective use of oil. This is the way to lessen the vulnerability of the Japanese economy to oil supply shortages.

Chapter III: Coping With International Economic Frictions

International frictions are occurring over Japan's surging exports, closed market for imports and Japan's responsibility in international society, as Japan is rapidly becoming an economic giant.

- Coping with trade friction.

In an effort to lessen trade friction, Japanese export-oriented enterprises are starting production abroad, raising export prices and trying to hold down exports to some specific markets. The firms are also opening up new exports markets, such as the Middle East, and are exporting goods, like plant equipment, all of which tend to reduce friction.

It is also necessary to actively make industrial adjustments and promote imports of finished goods.

In a bid to contribute positively to international society, Japan should strive to promote cooperation with international organizations, and expand economic cooperation and international exchanges.

Chapter IV: Utilization Of Vitality In The Private Sector

- Progress in technical innovation.

A new wave of technical innovation has been mounting in this country since 1977. The phenomenon is particularly conspicuous in the field of efforts to strengthen ties between electronic elements and computers, between computers and machines and between machines and human beings.

- High savings ratio and its utilization.

Reflecting high income growth in past years, the ratio of savings to income has so far remained high in Japan. The savings ratio of Japanese households will likely decrease in the future but even so is expected to remain at a high level by international standards. It is important to effectively utilize such savings in business activity, public investments and expansion of economic cooperation in the future.

Chapter V: Response to Changing Economic Pattern

The change in the nation's manpower supply structure is one of the most remarkable changes now taking place in the Japanese economic community.

- Increases in the number of middle-aged and old and female workers.

The proportion of middle-aged and old people in the nation's labor force is expected to increase faster than their proportion in the nation's entire population, to reach the highest

Conclusion: Challenges And Problems Facing Japan As An Industrial Nation

The Economies of industrial nations in the 1980s are faced with five problems carried over from the preceding decade—(1) maintenance of the global economic order for free international economic interchanges, (2) coexistence of the need to enhance economic development and the necessity to promote welfare requiring ever-increasing cost burdens, (3) the North-South problem, (4) oil crises and (5) the ever-growing influence of politics on international economic interchanges.

level among the world's advanced countries in the near future. At the same time, Japanese workers will be more educated, and the number of female workers is increasing fast.

Japanese enterprises are responding fairly smoothly to the changes in the labor market in such forms as extension of the compulsory retirement age limit. An increasing number of Japanese businesses, mainly larger ones, are adopting new wage structures and groping towards new personnel management policies. The traditional Japanese labor practices, such as lifetime employment and seniority system, seem to be about to undergo a drastic change.

- Necessity to enhance the efficiency of the public sector of the economy.

When compared with the United States and European countries, Japan used to have a relatively "small government." But since the beginning of the 1970s, the scale of the Japanese government has been showing signs of expanding, reflecting the need to improve the people's welfare. The public sector of the Japanese economy is now required to promote efficiency by taking lessons from business rationalization efforts now being promoted in the private sector of the economy.

In order to solve these problems as well as domestic difficulties, Japan is now required to look at things from an international viewpoint. The view that Japan is not rich enough to solve international problems will hardly contribute even to a solution of domestic issues.

Japan must search for ways to promote economic

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development from a new angle. In this direction, it is required to solve three problems—(1) enhancement of measures to cope with limited oil supplies, (2) contribution to the international economic community, and (3) maintenance of the vitality of the domestic economic society.

The path to be followed by Japan for its economic survival in the 1980s leads directly into the road towards the survival of the world. Japan, as an industrial nation, must cooperate in construction of the road to global survival.

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ECONOMIC

MAJOR CORPORATIONS EXPAND 1980 INVESTMENT PLANS

OW250045 Tokyo THE JAPAN TIMES in English 23 Aug 80 p 11

[Text] Japan's major business corporations, notably those in the processing and assembling industries, have revised sharply upward their investment programs for fiscal 1980 ending March 31, 1981, according to a report by the long-term credit Bank of Japan, Ltd.

The major commercial bank compiled the report on the basis of a survey concerning 1,143 corporations capitalized at 100 million yen or more on their investment plans as of mid-July for fiscal 1980 and 1981.

Despite growing signs of an economic slowdown, total investments planned by the corporations for the current fiscal year advanced 22.8 percent over fiscal 1979, compared with the 8.6 percent annual growth recorded in fiscal 1979. This was a sharp upward revision from the 15.6 percent increase projected in a similar survey conducted last February.

Investments planned by manufacturing companies jumped 20.5 percent from 8.7 percent in the previous survey, while those planned by non-manufacturing firms rose 24.1 percent from 19.5 percent.

Notable among such manufacturers were those in the machinery, precision instrument, shipbuilding and auto industries.

These processing- and assembling-type industries will increase investments 40 percent or more from a year before, the report said.

In the non-manufacturing sector, electric power firms will expand investments 33 percent. Real estate, shipping and city gas companies also will increase investments sharply, it said.

On a half-year basis, investments by all the corporations surveyed will increase 14.2 percent in the first half (April-September) from the preceding six-month term and 5.2 percent in the latter half (October-March 1981).

Investments planned by manufacturers will be 16.3 percent more in the first half but 0.2 percent less in the second half.

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Bank officials said the slowdown in the latter half meant a mere leveling-off for manufacturers' investments.

Manufacturing firms are actively engaged in increasing investments chiefly for resource-saving, pollution prevention and research and development projects.

Of the total investments by manufacturers, those for output expansion accounted for 24.4 percent, down from 27.8 percent in fiscal 1979. In contrast, investments for resource conservation rose to 7.8 percent from 5 percent in fiscal 1979, those for pollution prevention to 5.7 percent from 4.5 percent and those for research and development to 6.4 percent from 5.1 percent.

Oil refiners will promote investments for desulfurization equipment, pushing up the total investments by manufacturers for pollution prevention projects.

Big business corporations capitalized at 1 billion yen or more will increase investments by 24.1 percent from fiscal 1979.

Medium-size firms capitalized at less than 1 billion yen will increase investments by 11.1 percent.

Meanwhile, all the corporations surveyed planned to expand investments for fiscal 1981 by 6 percent from fiscal 1980.

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ECONOMIC

FOREIGN EXCHANGE RESERVES INCREASE IN AUGUST

OW011317 Tokyo JIJI in English 1245 GMT 1 Sep 80

[Text] Tokyo, 1 Sep (JIJI Press)--Japan's foreign exchange reserves at the end of August grew \$255 million over the previous month to \$23.048 million, the Finance Ministry said Monday.

This represented a fifth consecutive gain since April, reflecting the yen's appreciation.

The ministry explained that the increase was mostly brought about by profits accruing from investment in the United States' treasury bills.

The yen's value was slightly lower in the first 10 days of August, but rebounded in the middle of the month due to a sharp increase in foreigners' investment in Japanese securities and brisk yen buying on overseas markets.

However, since the market's moves continued relatively stable through the month, the Bank of Japan apparently made little intervention.

Meanwhile, Japan ranked seventh in foreign currency holdings as of the end of June with \$22.642 million after West Germany (\$53.863 million), France (\$29.536 million), Italy (\$23.590 million), Britain (\$23.155 million), the U.S. (\$23.014 million), and Saudi Arabia (\$22.647 million at the end of May).

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ECONOMIC

OVERALL ECONOMIC OUTLOOK: FAIR SKIES FOR JAPAN

Tokyo BUSINESS JAPAN in English Aug 80 p 66

[Article by Hokaji Mino, editor in chief of BUSINESS JAPAN]

[Text]

THE Japanese economy faces some disquieting imponderables, chief among them the impact on the nation's now-booming export business from deepening recession in the United States (Japan's largest single trading partner), the rising threat of protectionism there and the outlook for escalating energy costs.

The overall outlook, however, is far from bleak. While other advanced economies seem to be slowly sinking into recession, Japan's economy remains on comparatively solid ground. Exports have been ticking along nicely (the major factor in business buoyancy here) as profits from overseas sales have, until only recently, been boosted by a sagging yen.

Private business investments in capital goods and inventories have been on the upswing for the past nine months or so and corporate managers have kept operating costs down thanks to the modest pay rises (slightly less than 7%) they have been able to negotiate with workers during the annual shunto, or spring labor offensive.

Japan is piling up sizeable deficits in its current accounts (U.S. \$8.75 billion in 1979 with a similar or slightly larger amount forecast for this year). But the fact that the yen has appreciated sharply since mid-April and is likely, according to economists here, to stay at stronger levels in the foreseeable future should help to minimize the impact of rising dollar-

denominated import costs for oil and other basic commodities on the nation's payments accounts.

This should also help take some of the steam out of the inflationary spurt which has bedevilled the economy over the past 18 months. Wholesale prices, which had been rising consistently since November 1978, fell 0.2% in May. Consumer prices, on the other hand, are still on their way up and now run at an annual rate of 8.4% though they are expected to reach their peak in the next few months and level out thereafter.

At least part of the credit for keeping inflationary pressures under control must go to the policies of the late Prime Minister Masayoshi Ohira, with their emphasis on tight money and energy conservation to save on oil import costs. But perhaps the most significant underlying factor in keeping the lid on prices is Japan's prodigious level of productivity.

A study published recently by the Ministry of International Trade and Industry (MITI) shows that in 1960 the productivity of Japan's labor force (measured by output per working hour in the manufacturing sector) rose at an annual average rate of 8.2%, compared to 3.4% in the U.S., 3.2% in Britain and 5.5% in West Germany. The nation's current yearly rate of growth in productivity, just under 8%, has managed to keep pace with yearly across-the-board wage increases

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thanks, in large part, to the amicable relations between management and labor here and the hefty amounts business continues to spend on streamlining and improving production facilities and on technological innovation.

To be sure, stronger yen tends to cause problems for the competitiveness of Japanese products in international markets by effectively boosting dollar-denominated export prices. But Japanese exporters have faced this difficulty before. When the yen hit its highest postwar level of ¥176 to the U.S. dollar in 1978, companies here fought back by pouring even greater efforts into rationalizing production to avoid falling into the trap of making up for adverse foreign exchange fluctuations simply through marking up export price-tags.

A sizeable number of export-dependent companies did fall by the wayside, largely because the Japanese government and the banks have refused, for the most part, to prop up ailing companies unable to pass the competitive muster. Managers who have successfully guided their companies through this weeding-out process, while not exactly relishing the prospects of the yen rising too far too fast, feel generally confident about their ability to cope with a more muscular yen.

While recessionary conditions in the U.S. are likely to pinch Japanese exports, at least to some degree, the Japanese remain confident, too, that

their reputation with American consumers for turning out high-quality products and providing scrupulous after-service will keep sales for finished consumer durables such as their fuel-efficient vehicles from falling too abruptly.

While a global economic slowdown stemming from recession in the U.S. is expected to be manifested here in a period of declining export sales and a fall in company profits for the half-year period ending this September, private economists predict that by the end of the current fiscal year in March 1981, business activity should be humming along nicely.

Barring any unforeseen problems such as the outbreak of war in the Middle East (which would exacerbate Japan's oil supply problems, with its near total dependence on imported crude), Japan's bout with recessionary conditions should be, according to the current thinking of a number of business leaders and economists here, relatively short-lived.

Tokyo's official target for overall economic growth in fiscal 1980 (ending March 1981) remains set at 4.8%, but perennially cautious government forecasters say the actual figure could well go slightly higher. Private economists, meanwhile, are more bullish, predicting that the nation's gross national product (GNP) will rise 5 - 6%, compared with 6.1% in fiscal 1979.

(T.D.)

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ECONOMIC

FAVORABLE TRADE RELATIONS WITH MIDEAST COUNTRIES REPORTED

Examination of Relations

Tokyo BUSINESS JAPAN in English Aug 80 pp 45-51

[Article by Hokaji Mino, editor in chief of BUSINESS JAPAN]

[Text]

THE Middle East supplies approximately 80% of Japan's petroleum requirements. Not only does it figure prominently as an export market but it is also an extremely important region for the world economy as a whole. Events occurring there have immediate global effects and repercussions.

It is only recently that relations between Japan and the Middle East have become active, but they are expected to expand rapidly hereafter. The present situation is described below, country-by-country, in extremely general terms.

Saudi Arabia: Saudi Arabia is an extremely important energy supplier for Japan, accounting for 30% (the largest percentage) of its petroleum and 50% of its LPG imports. Prior to the first oil crisis, petroleum transactions were conducted principally through the majors, and Japan had few direct dealings or economic cooperative relations with Saudi Arabia. Following the outbreak of the oil crisis, however, economic relations between the two countries rapidly grew stronger over a period of a few years as a result of the visits to Saudi Arabia of then International Trade and Industry Minister Yasuhiro Nakasone and special envoy Takeo Miki (Dec. 1973) and the subsequent conclusion of a Japan-Saudi Arabia economic and technological

cooperation agreement (signed March 1975, implemented May 18). This was followed by MITI Minister Toshio Komoto's visit and the subsequent convening of the first Japan-Saudi Arabia joint committee meeting (Jan. 1976), on the basis of which the joint committee office in Riyadh was established.

Also, in the private sector, a Japan-Saudi Arabia cooperation organization was set up in August 1973, and, later in October, a higher level Middle East Cooperation Center covering the whole of the Middle East was established.

The economic and technological cooperation agreement between the two countries consists of five articles: Promotion of economic and technological cooperation (Article 1), establishment of joint ventures and the contents of technological cooperation (Article 2), supply of required services and facilities (Article 3), encouragement of economic and technological cooperation between the peoples of the two nations (Article 4) and encouragement of Japanese capital investments (Article 5).

The Saudi Arabian government attaches particular importance to joint ventures and technological transfers and regards plant exports on the basis of tenders as business transactions. This attitude differs greatly from that

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of Iraq, which regards large-scale plant construction as a type of economic cooperation, an attitude which is due probably to the smaller structure of the latter's economy.

Japan-Saudi Arabia joint ventures already number 25, the most notable of which are in the fields of methanol and petrochemical production. In the case of methanol, Mitsubishi Gas-Chemical Co., Inc. and C. Itoh have together invested 50% and the Saudi Arabia Basic Industries Corporation (SABIC) 50% in a joint company which will build a plant in Al Jubayl in eastern Saudi Arabia, with completion targeted for 1982. A contract for the purpose was signed on November 24, 1979.

Under the plan, 600,000 tons annually of methanol obtained from petroleum-gas for chemical use will be produced, to be utilized for the manufacture of formalin for urea resin and for synthetic textile material. The Japanese government will invest part of the capital from the Economic Cooperation Fund. For its part, the Saudi Arabian government will reportedly allocate crude to Japan as incentive, but no details have yet been decided. Japan has a methanol production capacity of 1.4 million tons, so when this project is completed, adjustments will probably have to be made.

This petrochemical project is what might be called a monumental project between the two countries, and its economic aspects are of utmost importance. Along with the rise in the price of oil, the advantage of using gas, reportedly obtainable without extra cost at the site of the well, has grown as compared to the present method of producing naphtha obtained from crude oil.

The Saudi Petrochemical Development Co. (authorized capital: ¥1,000 million; 54 companies of the Mitsubishi group) was established in January 1979 for the purpose of conducting a joint survey. A year and a half was required for the study undertaken in cooperation with SABIC, the Saudi Arabian company, after which a joint company (a 50 - 50 investment by Japan and Saudi Arabia) was established. Construction will get under

way with the project targeted for completion in 1984 or 1985. Under the plan, 450,000 tons of ethylene and 200,000 tons of high-pressure polyethylene will be produced at the plant, also to be located in Al Jubayl, where the methanol plant is to be built. The Japanese government will treat the project as a national project, utilizing capital from the Economic Cooperation Fund.

In addition, the two countries will carry out joint research in seawater distillation. A basic contract was signed in September 1979, and details are now being studied. Technological cooperation will also be provided with over 150 experts to be dispatched to Saudi Arabia and more than 100 people to be trained in Japan.

The Saudi Arabian government is also greatly interested in research on the utilization of solar energy as a post-oil measure. It is reported that it has already signed a contract with an American firm for the construction of a large-scale solar-energy-utilizing community. Since Japan is also engaged in research and development in this field under its "Sunshine Project," it should also undertake joint research with Saudi Arabia which has great potential for utilizing solar energy. In addition, as a private sector project, the development of desert farming is being undertaken.

Iraq: Japan's relations with Iraq were greatly strengthened following the visits of special envoy Takeo Miki in December 1973 and MITI Minister Yasuhiro Nakasone in January 1974, and they took concrete shape as a result of the signing of an economic and technological cooperation agreement in August 1974 (implemented on November 11). Under the agreement, Japan cooperated in the construction of six projects by providing US\$1,000 million (calculated on the basis of the exchange rate at the time) in funds, while Iraq promised to supply 90 million tons of petroleum products and LPG to Japan over a period of 10 years. It was indeed a landmark development that joined the stable supply of energy with economic cooperation.

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Thereafter, on the occasion of MITI Minister Toshio Komoto's visit to Iraq in January 1976, Iraq requested an additional loan of US\$1,000 million, and this was agreed to at the first Japan-Iraq joint committee (in Tokyo) in January 1977.

At the second joint committee meeting held at the time of MITI Minister Masumi Esaki's visit to Iraq in July 1979, concrete discussions were held on project replacement and on promotion of technological cooperation.

According to the agreement, Japan was to purchase 10 million tons of crude annually, but an easing off in global supply and demand and a recession in Japan came together, and as a result Japan purchased only half the agreed volume — five million tons. But because of the recent stringent supply and demand situation, Japan has now asked Iraq to increase the volume, which it promised to raise by 40%. It is a good example of a contract, despite having been signed, not proving useful because purchases are based on the profitability of private businesses.

A similar situation was seen in the case of Mexico. In November 1978, on the occasion of the visit to Japan of President Jose Lopez Portillo, Mexico offered to supply oil to Japan, but Japanese companies refused to accept delivery because of a slight price differential. When supply and demand became tight in 1979, however, they competed wildly for contracts. It will be necessary hereafter to reorganize the Japan Petroleum Development Corporation and establish a system that will insure stable purchases from abroad. Without it, there is the risk that economic cooperation, achieved after much effort, will become meaningless.

As for project cooperation, Iraq, because of its internal circumstances, sometimes requests changes in the contract — from a full turnkey to a separate formula. It would appear that there is the need to leave the road open for greater flexibility in the application of agreements.

At the second joint committee conference, it became obvious that Iraq's requests were moving into more advanced fields, from simple production technology to higher levels of production and control technologies as well as policy decision knowhow. It is believed to be due to the fact that Iraq's industrial technology is quite advanced. Already, over 470 trainees have come to Japan, while more than 70 experts have been dispatched to Iraq. An electrical industry training center has also been built.

Iran: Among the Middle Eastern countries, Iran's relations with Japan are the oldest. And since industrialization was carried out relatively earlier than in other Mideast nations, an agreement on economic and technological cooperation had already been signed in December 1958. Also 99 joint ventures had been approved up to 1978. Japan has accepted as many as 1,300 Iranian trainees and dispatched up to 400 experts to Iran. It is the most industrially advanced nation in the Middle East, and if its wealth of resources are effectively utilized, it has extremely great potential for development.

It will be interesting to see what effects the revolution, beginning with the exile of the Shah in January 1979, will have on the foregoing economic development.

A monumental project being carried out by Japan and Iran is the construction of a petrochemical complex. It was begun by five Mitsui companies during the reign of the Shah, and, when completed, will produce 300,000 tons of ethylene and 1,800,000 tons of LPG annually.

In July 1971 the Japanese government had decided to provide assistance in the form of a yen loan (documents exchanged in March 1976), but taking into consideration the suspension of construction due to the recent revolution and the possible cancellation of government assistance by the revolutionary regime, the Japanese government on October 12, 1979 decided to treat the project as a national project

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which would include investment of money from the Economic Cooperation Fund.

Since then, because of various circumstances including confusion in matters related to personnel within the Iranian government, the resumption of construction has been delayed, but completion at an early date is anticipated. As in the case of other projects, there has been a big rise in costs, which in January 1976 rose to ¥550,000 million as a result of the inflation following the oil crisis. Now the estimate is as high as ¥730,000 million. Taking into account the rise in oil prices, however, the project is expected to pay off over the long run.

In addition, the construction of a refinery for export purposes requested during the reign of the Shah has been suspended because of the revolution, but the revolutionary government has renewed that request for cooperation. It would be a Japan-Iran joint venture

involving the construction of a 500,000 bbls.-per-day capacity refinery at Bushehr, the products of which would be exported to Japan. It was requested by the Shah during then-MITI Minister Yasuhiro Nakasone's visit to Iran in January 1974.

Against the background of the then-stringent supply, the oil companies jumped at the prospect, but their interest waned thereafter as the situation eased. On the occasion of MITI Minister Toshio Komoto's visit to Iran in January 1976, it was decided to take up this project as a means of promoting friendly relations between Japan and Iran. A committee was established within the Middle East Cooperation Center to consolidate the setup on the Japanese side, a high-level group of experts representing the two countries was set up, and a joint survey was undertaken with the cooperation of the International Cooperation Agency. □

Promoting Cooperation

Tokyo BUSINESS JAPAN in English Aug 80 pp 53, 55

/Article by Michiyoshi Kawada, executive director, Japan Cooperation Center for the Middle East/

/Text/

THE Japan Cooperation Center for the Middle East (JCCME) has been engaged in a variety of projects involving Japan's international cooperation programs in relation to cementing economic and trade ties with Mideast countries. It was organized seven years ago, right after the fourth Middle East war when oil-producing countries in the region restricted their oil shipments overseas.

These restrictions awakened the world to the fact that there is a limit to oil deposits and that mankind must use the limited amount of this important energy source as economically as possible. Seven years have passed since then. Oil producing countries and importer nations have been groping for the best possible way to reach agreement, while each side strongly insists on its own views concerning oil resources.

Japan depends on Mideast oil for 75% of its oil needs. No one can deny the importance of this fact to Japan. Meantime, Mideast oil-producing countries are very much in need of helping hands from overseas in the course of their social and economic development projects which they are presently undertaking. No doubt the high level of technology Japanese industries can offer has interested them greatly as a way of proceeding with their national projects most effectively.

This can be a relationship of mutual dependence between Japan and the Mideast, and Japan should make every possible effort to meet the area's requirements for technologies necessary to facilitate development projects.

Outlined below are some of the important activities JCCME has completed so far.

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Promoting Dialogues With the Mideast

1. Arab-Japan Cooperation Seminar and its related meetings: At the suggestion of the OAPEC Secretariat, the Arab-Japan Cooperation Seminar was held in Tokyo in November 1976. The occasion, the third of its kind after the first seminar in London in May 1974 and the second in Paris in November 1975, was designed to help smooth communications between Arab oil-producing countries and advanced industrialized nations.

With full support of MITI and the Foreign Office, JCCME acted as co-organizer with the Federation of Japanese Economic Organizations (Keidanren) for the Tokyo seminar. During the seminar, three themes — Energy, Infrastructure and Transfer of Industrial Technologies — were agreed upon by the participants for further in-depth study, on which the JCCME has organized a series of international meetings.

On the theme of Energy, views are exchanged every year between oil-producer nations and importer countries at a meeting sponsored by JCCME to which either Japan or the Arab side dispatches lecturers to make key speeches.

The subject of infrastructure has also been studied at three meetings so far. In June 1977, the Arab-Japan Port Facility Conference was held under the joint auspices of AFESD representing the Mideast side, and Japan's International Marine Development Center and JCCME. This was followed by the Arab-Japan Electric Telecommunications Conference in February 1979. The sponsors of this meeting were the IDCAS, ATU and ARABSAT from the Mideast, and Japan's Overseas Telecommunications and Broadcasting Consulting Cooperation, Federation of Electric Telecommunications Industries and JCCME. Another conference discussing development of the Mideast infrastructure was the Arab-Japan Electric Power and Energy Conference. It was held in February 1980 by OAPEC, AFESD and IDCAS representing Mideast nations, plus the Japan Plant Association, Federation of Electric Enterprises, Electric Power Sources Development Company and JCCME.

In the field of technological transfer, IDCAS and JCCME co-sponsored the Arab-Japan Conference of Technological Transfer in April 1978.

Instrumental in realizing all these conferences were Dr. A.A. Attiga, OAPEC's Secretary General, Dr. M. Imady, Secretary of AEESA, A. Azabi, secretary of IDCAS, and many key figures in Middle East countries who extended friendly assistance to facilitate communication between Japanese and Arabian sponsors.

2. Technical Seminars and Survey Teams: Prior to the series of international meetings outlined above, JCCME held the Mideast-Japan Sea Water Desalinization Cooperation Conference in coalition with MITI's Industrial Science and Technology Agency and the Water Desalinization Promotion Center. An outgrowth of the conference has been Japan's cooperation programs with Saudi Arabia and other countries in the Mideast, creating opportunities for Japanese industries to participate in desalinization plant construction projects in many of the Middle East nations.

While communications have been facilitated through meetings and seminars on varied subjects, groups of leading figures from Arab countries have visited Japan on many occasions. Each time they had opportunities to make on-the-spot observations of Japan's highly sophisticated technological achievements, to become acquainted with Japanese culture and way of life, and to make personal contacts with the people.

Prominent figures in Japan's governmental and business circles have made many visits to the Mideast over the last six or seven years to further increase cooperation. At JCCME, several survey teams have been sent to collect data from many regions in the Mideast. They were the Port Facility Survey Group dispatched in 1977, the Infrastructure Study Team and the Electric Power Group in 1978, and the Electric Telecommunication Survey Team in 1980.

According to recent survey reports, many areas of the Mideast have expressed their desire for a greater number of Japanese specialists on various industrial technologies. Japan's program of

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training technicians and extending greater assistance to local technical training centers have also been highly evaluated. It can be said that giving technical guidance must come before expanding trade transactions. It is also apparent that these countries are fully aware that nothing is more important to a developing country than educating human resources.

A Bridge Between the Government and Private Sectors

JCCME, whose members are all private firms, is a semi-governmental organization since it is partly subsidized by the government. All its activities have been carried out through the closest possible coordination with MITI.

Although it is an advocate of a free economy, the Japanese government requires services of a coordinator between official and private interests when it comes to significant private projects which must be carried out from a long-range or a national point of view. When projects of such specified nature in the Mideast are worked out by the private sector, JCCME, which represents the interests of both parties, is called in to act as coordinator.

In such instances, JCCME organizes a special committee to deal with the matter. The first of these committees was the Saudi Arabia Cooperation Organization formed at the time of JCCME's inauguration. In 1974 the Iraq Committee was organized, followed by the Iran Committee in 1976 and the UAE Committee in 1977. It was necessary to have these specialized committees established in order to organize a consortium of Japanese firms, which otherwise might not have been prepared to undertake the large scale overseas projects.

Concerning the petrochemical plant construction program in Saudi Arabia, the JCCME committee acted as organizer of Japanese contractors, while it served as liaison body for the supply of major items for a large-scale indus-

trialization plan in Iraq immediately following signing of the Iraqi-Japanese Economic Cooperation Pact. When Japan's private participation in the Iranian petrochemical project was upgraded to a national project, the JCCME committee was given the task of coordinating private interests.

Another important activity of JCCME is to hold an annual forum for government officials and businessmen to discuss how best to promote Japan's economic cooperation with the Mideast in practical terms. Invited to the meeting, held every year since 1976, are Japanese representatives of manufacturers, trading companies and financial institutions doing business in many parts of the Mideast, together with leading figures in business and financial circles. Japanese government officials including those from MITI and other agencies also participate.

Usually the first two days are devoted to exchanges of information and discussions among the participants. On the third day, a joint meeting of governmental and private circles is held under the sponsorship of the Foreign Office. From 1976 to 1978, Istanbul, Turkey, was chosen as the site of the meeting, while the 1979 and 1980 meetings were convened in Vienna, Austria. It is expected that each of the participants will make the most of the results of the meeting in carrying out policies. Demonstrating its value, the meeting has seen an ever greater number of participants year after year.

No doubt the scope of JCCME activities will become more diversified in the future as projects become of greater significance and more challenging. Yet it is felt that the basics of Japan's cooperation programs with these countries lies mainly in expanding the range of mutual communications in economic, cultural, educational and many other fields, by which mutual understanding is promoted. The staff at the JCCME Secretariat has been dedicating its efforts to help deepen the mutual understanding between Japan and Mideast countries. □

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Contacts With Iraq

Tokyo BUSINESS JAPAN in English Aug 80 pp 57-64

[Article by Keiichi Matsumoto, Middle East Office, International Trade Policy Bureau, Ministry of International Trade and Industry/

[Text]

THE relations between Japan and Iraq in the field of oil supply, trade and economic and technological cooperation have become increasingly closer in recent years. Iraq, led by President Saddam Hussein, is now making successful efforts to modernize the nation through strengthening the economy and improving welfare. Iraq now can expect more and more from Japan, which has contributed to Iraq's modernization, as the economic relations between the two countries have become closer. The present state of Japan-Iraq economic relations will be surveyed below.

Japan's trade with Iraq, like Japan's trade with other countries in the Middle East, has expanded rapidly since the quadrupling of oil prices toward the end of 1973. In 1979, Japan's exports to Iraq increased by 69.1% over the previous year, whereas its imports from Iraq increased 2.3 times from the previous year.

Japan's exports to Iraq increased steadily throughout the 1970s. The pace of increase quickened from 1974 onwards and, in particular, from 1977 onwards. The big increase in Japan's exports in 1979 from the previous year was due to the active demand for materials for import-substitute industrial projects, as based on the fourth five-year plan (1976-1980, total investment of \$49,000 million), relative to the hydrocarbon industry, agricultural development and housing construction. The 69.1% increase in Japan's exports in 1979 is remarkable when compared with the overall decrease of 2.2% in Japan's exports to the Middle Eastern countries.

A particularly large growth was recorded by heavy and chemical industry products (67.3% increase over the previous year) such as steel (100% increase) and transport machinery (138.8% increase) and also by textile goods (84.0% increase) and other light industry products such as tires and tubes (80.9% increase).

Japan's exports to Iraq stood second only to those to Saudi Arabia among the Middle Eastern countries in 1979.

Japan's imports from Iraq have increased rapidly from 1974 onwards, as in the case of Japan's exports to that country. The imports in 1979 totaled \$1,815,670,000, increasing by more than two times from \$776,870,000 in 1978.

Most of Japan's imports from Iraq (99.7% in 1979) are oil and other mineral fuels. Food items such as dates and processed goods account for the remaining tiny portion of the total. This means that the total value of Japan's imports from Iraq goes largely to its oil imports. In 1979, the import of mineral fuels in terms of value increased 2.4 times from the previous year. This was due to the fact that the volume of crude oil imports increased by about 60% from 1978 and, in addition, the Iranian revolution led to reduced oil production and, hence, a sudden hike in oil prices.

Table 1 shows how greatly Japan's oil imports from Iraq in terms of quantity have increased in recent years. Iraq's oil accounts for an increasing portion of Japan's total oil imports.

Table 1. Japan's crude oil imports from Iraq

Fiscal year	Import volume (1,000 kiloliters)	Import share (%)	Compared to the previous year (100%)
1973	978	0.3	-
74	2,611	0.9	167
75	6,060	2.3	132
76	8,344	3.0	37.7
77	8,696	3.1	4.2
78	10,481	3.9	20.5
79	16,953	6.1	61.7

Source: Energy statistics

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Japan's Economic Cooperation with Iraq

For Japan, Iraq is an important oil producer. Since the fourth Middle East War in 1973, Japan's economic cooperation with Iraq has progressed rapidly. In August 1974, an economic and technical cooperation agreement was concluded between Japan and Iraq to bring about closer relations in economic and technical cooperation between the two nations. The gist of the agreement was that in compensation for Japan's economic and technical cooperation in Iraq's economic development projects in the form of mixed loans (initially \$1,000 million of yen credits and private credits), Iraq will ensure Japan a supply of 90 million tons of crude oil (in 10 years) and 1,200,000 tons per year of LPG (for 15 years).

In September 1975, a mixed loan of ¥87,400 million (¥21,800 million of yen credits and ¥65,500 million of export credits) was granted for a fertilizer plant project at Khor Al Zubayr. This was the first project launched under the economic and technological cooperation agreement. In January 1977, a mixed loan of ¥58,100 million (¥14,500 million in yen credits and ¥43,600 million in export credits) was granted for a thermal power plant project.

These are the two projects that have been undertaken so far under the Japan-Iraq agreement. An additional loan of ¥294,000 million (all export credits) was made in response to the rising project cost at the first Japan-Iraq joint committee held in January 1977.

Table 2. Japan's trade with Iraq

(Exports)				
Item	Year			Compared to the previous year (100%)
	1977	1978	1979	
Total exports	872,159	951,450	1,608,823	169.1%
Foodstuffs	925	2,137	2,111	98.8
Light in industrial products	140,555	99,214	183,451	184.9
Textile products	83,926	35,635	65,578	184.0
Non-ferrous metal products	21,379	14,456	20,685	143.1
Other light industrial products	35,250	49,123	97,188	197.8
Heavy chemical industrial products	726,223	843,322	1,410,909	167.3
Chemical products	19,629	22,223	34,303	154.4
Metal products	190,900	198,596	483,147	243.3
Machinery and tools	515,694	622,503	893,459	143.5
General machinery	322,929	299,879	355,493	118.5
Electric machinery	96,389	188,237	218,904	116.3
Transport machinery	85,993	124,805	298,080	238.8
Precision machinery	10,383	9,581	20,982	219.0
Re-exports and special items	2,753	3,945	6,415	162.6

(Imports)				
Item	Year			Compared to the previous year (100%)
	1977	1978	1979	
Total imports	735,211	776,874	1,815,670	233.7%
Mineral fuels	731,808	767,686	1,810,330	235.8
Crude oil	731,540	758,113	1,775,383	234.2
Oil products	0	9,572	34,947	365.1
Liquefied petroleum gas	-	-	-	-
Re-imports and special items	688	8,901	4,998	56.2

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Of the total loan of ¥592,000 million, about 25% went into the two projects; no decision has yet been made on the remaining 75%. In August 1978, a note was exchanged to extend the term for concluding contracts from four years to nine years.

Technical Cooperation

One of the major technical cooperation projects on a government basis concerns the establishment in Baghdad of a training center for electrical technology. This center is to provide training relating to elevators, refrigeration, air conditioning and general electronic equipment. In order to establish such a training center under the cooperation of the Iraq Ministry of Mining and

Manufacturing Industries and JICA (Japan International Cooperation Agency), Japan sends materials and machinery as well as specialists in related fields to Iraq.

Other technical cooperation projects have included preliminary studies for the development of rice farms in the Qatar district and an agricultural reconstruction program, both in 1978.

Up to the end of fiscal 1979, Japan had sent to Iraq a total of 61 specialists through JICA in such fields as heavy industries, agriculture, postal services and administration, and received from Iraq a total of 482 JICA trainees in postal services, transport and light industries and 216 other trainees in the chemical and automobile industries.

Table 3. Receiving trainers and dispatching specialists

	Organization	Fiscal 1979 (persons)	Total up to the end of 1979 (persons)	Field
Receiving trainees	JICA	76	482	Postal services, transport, light industries
	The Training Association	86	216	Construction Chemistry, automobile, food- stuffs
Dispatching specialists	JICA	10	61	Heavy industries, agriculture and forestry, postal services Administration

Exchange of Important Personnel

Japan and Iraq have strengthened relations in the area of cultural exchange as their economic relations have become closer.

The first Japan-Iraq joint committee meeting was held in Tokyo in January 1977 under the Japan-Iraq economic and technical cooperation agreement. This was attended by, on the Iraq side, Vice-President, Foreign Minister, Trade Minister and, on the Japanese side, International Trade and Industry Minister Tatsuo Tanaka, Foreign Minister Ichiro Hatoyama and Director-General Kuranari of the Economic Planning Agency. The participants exchanged views on trade and economic relations in general between the two nations.

In July last year, the then International Trade and Industry Minister Masumi Esaki visited Iraq to attend the second Japan-Iraq joint committee meeting. This was attended, on the Iraqi side, by Planning Minister. Esaki also had talks with Vice-Chairman Haddam Hussein of the Revolution Command Council and other high-ranking officials of Iraq.

Prior to the conclusion of the Japan-Iraq economic and technical cooperation agreement, special envoy Takeo Miki and the then International Trade and Industry Minister Yasuhiro Nakasone visited Iraq, in December 1973 and January 1974, respectively, to discuss the agreement issue.

In February this year, special envoy Sunao Sonoda visited Iraq to have

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high-level talks with President Hussein, Trade Minister and Vice-President. In June-July, Councillor Naohiro Amaya of the Ministry of International Trade and Industry went to Iraq to exchange opinions with the Vice-President and Trade Minister Ali on the Japan-Iraq trade and economic relations. In August 1974, Iraq's Economic Minister Azawi came to Japan to sign the Japan-Iraq economic cooperation agreement.

Cultural Exchanges

Cultural exchanges between Japan and Iraq have expanded since the autumn of 1977. Instances include an excavation project in Iraq by a Japanese university team, judo and karate demonstrations, film shows and invitations to students and young leaders. In March 1978, an aviation agreement and a cultural agreement were con-

cluded between the two nations.

In Baghdad, the "Baghdad International Trade Fair" is held every year under the sponsorship of the Iraqi Trade Ministry. JETRO (Japan External Trade Organization) and many Japanese corporations have participated in the fair since 1974.

Iraq is one of the exhibitors at the Arab Exhibition currently being held in Tokyo (July-September) under the sponsorship of JETRO.

As we have seen, the relations between Japan and Iraq have become closer than ever in recent years with regard to trade and economic and technical cooperation. Such cooperative relations will become even stronger in the future now that Iraq looks more and more to Japan for assistance in promoting its economic development. □

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ECONOMIC

'LEARNING FROM JAPAN' DIFFICULT MEDICINE FOR AMERICANS

Tokyo BUSINESS JAPAN in English Aug 80 pp 37-43

[Article by Hokaji Mino, editor in chief of BUSINESS JAPAN]

[Text]

THE enemy of yesterday has become the friend of today. And perhaps the friend of today may become the enemy of tomorrow. 'Car War' between Japan and U.S. has entered the new age.

In July this year Japan's biggest automaker Toyota Motor Co., and America's second largest maker Ford Motor Co., have agreed to consider small car manufacturing in the U.S. jointly by Toyota, Ford and Toyo Kogyo Co., which is Ford's Japanese partner. Some 20,000 units of compact passenger cars might be produced a month in 1982 at one of Ford manufacturing facilities solely for sale in the U.S.

Details, including investment shares, the type and number of cars to be produced and the starting date, are still in preliminary stages and it will take time before three companies reach a final agreement on the joint venture.

A top executive of Toyota disclosed that the fundamental agreement was reached in June this year when Ford President Donald E. Petersen made a secret visit to Japan and held talks with President Ichiro Isoda of Sumitomo Bank which is Toyo Kogyo's principal bank, and Toyota President Eiji Toyoda. Petersen called on Toyoda on June 24 and discussed how to help U.S. car industry out of its present plight and ways in which the Japan's car makers can co-produce.

In the meeting, the joint car production plan was proposed by Toyota.

Of course the Japanese government welcomed the new age of "Car War" and hoped it would contribute to easing the current Japan-U.S. friction over bilateral trade matters. But it will not eliminate trade problems between the two countries; further friction is certain to arise and develop into serious problems because of Japan's continuing, powerful global economic expansion due mainly to exports. It is inconceivable that resource and energy-poor Japan will reduce exports voluntarily. Every time the problem of excessive exports arises, it is treated symptomatically by adopting OMA and voluntary restraints. Are there no fundamental measures that could be taken to assure an overall solution of the problem?

In 1970, Herman Kahn predicted the possibility of Japan's GNP catching up with that of the United States in the 21st century. In fact, Japan's GNP is said to have recently overtaken the Soviet Union's and now ranks second in the world. At the time, Kahn's prediction was criticized as being overly optimistic. But today, after surmounting two oil crises, the possibility of his forecast becoming true is growing.

Factors supporting this possibility are 1) the Japanese are still hard workers and their productivity is high; 2) Japan's savings rate is high; 3)

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Japan's anti-inflation and interest policies are more successful than the U.S.'s; 4) Japan's yen exchange rate is quite stable; 5) Japan has already surpassed the U.S. in the steel, motor vehicle, home appliance, shipbuilding, machinery and timepiece sectors and can also adequately compete in the field of electronics; 6) Japan has fewer troubles relating to crime, racial problems and labor disputes; and 7) Japan spends less than 1% of its GNP on defense.

In fact, with respect to motor vehicles — the major problem between Japan and the United States — American manufacturers are no match for their Japanese counterparts, at least in the small car market. For the present, the U.S. has lost to Japan. This is reflected in Japanese cars having a more than 20% share of the American motor vehicle market. Figures are honest.

The large market share indicates strong consumer demand which in turn means nothing less than the fact that Japanese cars are superior to American cars in terms of economy as well as performance. At this rate, the share of Japanese cars on the American market will rise to 30% or 40%, which is why the United Auto Workers is taking the lead in demanding that a stop be put to any further expansion of Japanese car imports. The UAW is currently faced with a massive layoff of 300,000 workers. When unemployed, and the outlook is bleak, people become irritated leading to emotional instability. Signs of this are evident in the anti-Japanese car import demonstrations staged before the showrooms of Toyota and Nissan dealers in the neighborhood of Detroit.

Unfortunately for the peoples of the two countries, the OMA and Japan's voluntary export restraint about to be adopted are so obviously superficial — more like a grandstand play — that they only constitute a symptomatic treatment. They are not suitable measures for dealing with the growth of the extremely powerful Japanese economy. It is too simplistic to react to the problem by wrecking a Japanese car with a hammer. Acts of such nature do not even alleviate feelings of frustration.

There are many scholars, government officials, journalists, diplomats and businessmen in the United States who are well versed concerning the Japanese economy. But they do not constitute a leading force in moulding U.S. public opinion and American policy aimed at establishing basic measures to compete against the Japanese economy by properly evaluating Japanese economic strength. Even economists and political scientists who receive research grants from Japanese corporations, such as Mitsubishi, Mitsui, Toyota and Nissan, do not express positive ideas on such problems in the American press.

I do not know whether Herman Kahn's prediction will come true in the future, but if U.S. policymakers in the fields of political, foreign and economic affairs, as well as business managers, had sooner worked out measures to cope with Japan's economic development, at least along the lines of Kahn's thinking, it is unlikely price inflation which hit Japan right after the oil crisis.

The amount of total retail sales as announced by MITI showed a double-digit gain during the first two months of this year. February sales were 12.6% greater than the figure recorded in the same month last year. The gain cannot necessarily signify a smooth growth in consumer spending. The sales gain can be attributed partly to the fact that retailers had one additional business day in February this year because of leap year, and partly to the overall uptrend of merchandise prices.

In the future, it is most likely that consumers will attempt to guard their family budget more carefully by tightening their expenditures against rising prices and failure of real income to show a sizable gain.

Economy in Saitama Prefecture

Industrial production in the prefecture for the January-March period this year followed a moderate upcurve thanks to good performance of export industries which have benefitted from the yen exchange rate. Active demands from domestic enterprises also contributed greatly to pushing up production.

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In the manufacturing sector, automakers, producers of household electric appliances and audio equipment, and precision machinery firms, all heavily dependent on exports for their operation, are enjoying growth both in production and shipments under the recent foreign exchange conditions which favor them.

Active demands have also been registered for heavy machinery since many domestic enterprises have started proceeding with their equipment investment programs. In addition to labor-saving and energy-saving specialized equipment to streamline production operations, general machines are much in demand from makers planning to expand their production capacity. Receipt of orders for machinery parts related to such equipment investment programs has stood at a high level as well.

In the Kawaguchi region where high-quality die-cast products are produced, manufacturers have received capacity orders, mostly from makers of industrial machinery. In the category of small steel bars, demands exceeded supply later last year because of speculative purchases within the trade in expectation of a future rise in the market price. The situation has been on the way to normalization, however.

Textile and ready-to-wear production in Saitama Prefecture has remained inactive due to a slowdown in overall consumption, while reduced public investments have affected construction and civil engineering enterprises.

But hardest hit are the food processing industry and the ceramic/cement manufacturers. The former is highly dependent on imported raw materials whose costs have become higher than ever, while the latter suffers from high fuel costs. These sectors have recorded declining profits.

Concerning personal consumption, spending has been increasingly trimmed since the outset of this year, due to a series of price raises for many daily necessities including heating oil and gasoline. Public utility firms also increased their rates by as much as 50%. Although sales of department stores in Saitama showed a year-to-year increase of 8.9% in January and 8.8% in February, a large part of the increase was a result of discount sales or other special events programmed by stores. A high level has been maintained in passenger-car sales, yet it's hard to expect any big gain in the future.

The employment situation has shown a favorable turn. The rate of operation in manufacturing industries has been improved while in many sectors overtime work has been expanded. With the sole exception of the construction industries, the number of permanent employees has increased. This year, not a few enterprises in the prefecture hired a greater number of new school graduates for the first time in several years.

Although corporate financing concerns are tightening their requirements as a result of repeated increases in the prime rate and intensified bank lending restrictions amid rising production costs, most businesses have so far managed the situation. They, however, have come to a point where they can hardly absorb a further rise in fuel costs. A possible raise of their product price is the only solution conceivable to them, an action that, in most cases, has been found unacceptable by their customers because of reduced overall consumption. Under the circumstances, an increasing number of businesses are taking pessimistic views on economic developments in the future. It is feared that business failure may increase unless proper official measures are implemented to tide over these uncertain times. □

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ECONOMIC

UNDERSTANDING NEEDED TO SOLVE NTT PROCUREMENT ISSUE

Tokyo BUSINESS JAPAN in English Aug 80 pp 40-41

[Article by Hokaji Mino, editor in chief of BUSINESS JAPAN]

[Text]

FURTHER detailed negotiations between Japan and the United States concerning the right to bid on Nippon Telephone & Telegraph Co.'s procurement of equipment and materials is likely, with the target date for agreement set at January 1, 1981.

From the time the issue erupted in the spring of 1979, both the U.S., which was on the offensive, and Japan, on the defensive, found it difficult to reach a proper understanding of the issue because of cross-accusations and limited comprehension of the problem. However, in the coming negotiations, unlike in the political negotiations a year before, solid and fruitful progress is anticipated. In May this year, United States Special Representative for Trade Negotiations, Reubin Askew, who visited Japan for talks, warned prior to his departure that unless the problem were resolved by January 1, 1981, the U.S. would shut out Japanese businesses from bidding on U.S. government procurements.

Quite regrettably, such an attitude on the part of Askew is not constructive. The injection of this sort of political remark is liable to return the negotiations to where they were last spring; after all, their successful outcome depends on the steady accumulation of agreements.

The Japan-U.S. talks on the procurement issue in May this year ended on a

note indicating that the sharp confrontation between the two parties had not been solved.

The first point on which they are at odds is, whereas the U.S. wants NTT to conduct competitive bidding for its procurements, the Japanese side is seeking to limit the bidding to only certain items by including the American companies among those businesses with which NTT concludes "private contracts."

Whereas the U.S. side regards the NTT procurement issue as being within the framework of the government procurement rules and regulations agreed to at the Tokyo Round of GATT, the Japanese side does not. The latter insists that the telephone and telegraph industry is not familiar with the system of competitive bidding. It takes this stand because of its fear of the relative superiority of the American industries in the fields of various electronic switching equipment, transmission cables (to link urban and rural stations), transmission/relay equipment, subscriber cables, data communication computers, facsimile machines and on-line systems. In contrast, there is a feeling of confidence on the American side. If the bidding were, therefore, made competitive, the Japanese are deeply concerned that they would be handing over the country's brains and nerve center to a foreign country.

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Up to now, NTT has followed the private contract formula with domestic manufacturers regarding procurement of equipment and materials which total approximately 55,000 items annually, the entire value of which exceeds ¥600,000 million.

Procurements from foreign sources account for only 0.5% of the total value. Most of the procurement orders are placed with the "NTT family" of approximately 200 companies, the nucleus of which are Nippon Electric Co., Fujitsu Ltd., Hitachi Ltd. and Oki Electric Industry Co., Ltd., with whom private joint development contracts have been concluded.

The introduction of competitive bidding would thus mean the abolition of the private contract system as well as the breakup of the NTT family and a complete change in the procurement method. NTT feels that such a change is absolutely unacceptable.

As to be expected, the foregoing four companies have a number of directors on their boards who were formerly with the NTT, and if department and section heads are included, the number of ex-NTT employees number into the hundreds. These people form a solid front. In other words, the domestic manufacturers are what might be called the manufacturing department of NTT.

The fact that this relationship is linked together by private contracts led Tokuji Akigusa, president of NTT, to declare in February last year: "About the only things we can purchase from the U.S. are rags and buckets," a controversial remark which nearly brought about his resignation. He was strongly dissuaded from resigning only because the government felt that it would lead to more serious problems.

Looking at the question from the other side, the U.S.'s strong insistence on competitive bidding is understandable; the sharp confrontation arises from the foregoing situation of close government-NTT ties.

The second point over which the two sides are in disagreement is the difference in interpretation of the "principle of reciprocity" which surfaced as a result of the Ushiba-Strauss

agreement of June 2, 1979. NTT figures that any open competitive procurement bidding system it adopts should correspond in scope to that of AT&T, America's largest telephone and telegraph company. The U.S., however, feels that government procurements as a whole should be balanced between the two countries. This is because the U.S. trade deficit vis-a-vis Japan amounted to \$12,000 million in fiscal 1978. The value of Japanese telephone equipment exports is also quite large.

According to the Communications Equipment Industry Association, exports in fiscal 1977 amounted to ¥166,700 million, or approximately 30% of Japan's entire production. Of this amount, around ¥50,000 million worth was exported to the U.S. However, most of it went to private customers; neither the U.S. government offices nor AT&T have opened their doors to competitive international bidding.

Yet, Representative Askew issued a stern warning that unless government procurements between the two countries were balanced, the U.S. government would put into effect the provisions of the U.S. Trade Law and shut out Japanese products from the American market.

What comes to mind at this point is a Japanese proverb, "Words to sell and words to buy." Representative Askew's remark falls into this category. In other words, it lacks reality. Admittedly, if Japanese products were shut out from the U.S. market, Japan would encounter difficulty, but so would the U.S. The imbalance in Japan-U.S. trade is not good, but what would happen if the U.S. rashly drove the trade between the two countries to the lowest level? Both Japan and the U.S. would enjoy no profits while their losses would rise beyond imagination.

Consequently, such a remark does not help at all in resolving the NTT procurement problem. The mutual distrust with respect to Japan-U.S. trade has to do with the other party's intentions and sincerity and is not limited to the NTT procurement issue; if both sides recognize each other's position, the situation will move rapid-

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ly toward solution. Unless distrust is removed, the talks will not make any progress at all. That is the present situation.

This is not to say, however, that NTT has not so far adopted a receptive position with an eye towards overcoming the impasse. One is its decision to purchase pocket bells manufactured by the Motorola Co. of the U.S. and data communication circuit measuring devices from the Digitek Co.; another is a measure to facilitate the entry of American manufacturers into the Japanese "interconnect" market. (The interconnect market includes equipment connected to telephone circuits, which manufacturers sell directly to consumers, such as pushbutton phones, extension phones, and ornamental phones; office exchange equipment; facsimile machines, etc.)

In the case of pocket bells, NTT has decided to purchase 150 units for testing, while it bought two data communication measuring devices in January. NTT is also studying the possibility of buying several other items.

Also, NTT says it will relax the technological standards approval on items handled in the interconnect market and use the lower standards as a means of luring American manufacturers into this field. At the same time, it will allow them to participate in the research and development of the main components of such communications equipment. It will develop a joint research and development system, and if in the process of research and development a certain product is deemed to be outstanding, NTT will purchase it from the United States.

The U.S., however, is wary about the idea, anticipating that the statement will prove to be more words than action. It is in this area that there exists a deep chasm in mutual Japan-U.S. credibility.

In June, specialist-level talks were resumed. Only the steady accumulation of results through such talks between experts is likely to persuade NTT to open its procurement doors. In that sense, Askew's remark will only serve to close the Japanese side's doors even tighter. ■

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BRIEFS

AID TO INDONESIA--Tokyo, 27 Aug (JIJI Press)--The government Tuesday signed a contract with Indonesia to extend yen loans totaling 8.216 million yen [about \$32.86 million]. The credits will be provided through the overseas economic cooperation fund. Of them, 1.795 million yen (about \$7.28 million) will be used for the Asahan hydroelectric power generation and aluminum smeltery project. This will carry an annual interest of 3.5 percent with repayment spread over 30 years, including an 8-year grace period. The rest are a 2.670 million yen (about \$10.68 million) loan for the waterworks project and a 3.751 million yen (about \$15 million) credit for the urban railroad improvement project, both in Djakarta. Both loans will be repayable over 30 years, including a 10-year grace, at an annual interest of 2.5 percent. Those loans are based on agreements reached between the two countries in September 1976 and November 1979. [Text] [Tokyo JIJI in English 1239 GMT 27 Aug 80 OW]

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