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Japan Report

(FOUO 7/82)



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JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

INTERNAL PROBLEMS OF FOREIGN MINISTRY ANALYZED

Tokyo CHUO KORON in Japanese Oct 81 pp 294-309

[Text] The Foreign Ministry "sickness" continues: the terrible fear of being transferred to a less developed country, the feeling of extreme distrust of the Suzuki cabinet, the breakdown in the ability to gather information, and the strain of overwork due to a shortage of personnel. Is Japan's diplomacy of the eighties all right like this?

Unable To Voice a Sincere "Congratulations"

In the first place, let us look at the position the Foreign Ministry is in now by starting with "the bitter tale of the Foreign Ministry."

Great changes are made in the Foreign Ministry every summer. This year as well, beginning with the decision to transfer Deputy Vice Minister Katori as ambassador to China, quite a few people in the ministry proper were transferred overseas. In the case of domestic officials, every change is a step up the ladder of success. Thus, farewell parties are joyous occasions. However, in the case of the Foreign Ministry, it is difficult to voice a sincere "congratulations" to someone appointed to a post overseas. Why? The reason is that among the approximately 150 foreign postings, 30 at most are in developed countries; the rest are in less developed countries.

If one goes to a developing nation, living conditions are bad compared with Japan. One is apt to get sick due to differences in climate. And if one does get sick, death often results due to a lack of complete medical facilities such as are available in Japan. One official whose transfer to Africa was decided showed us instructions that carried the title "To everyone traveling on official business to unhealthy countries." It was handed to him by the Foreign Ministry's Bureau of Health. It begins:

"The territory to which you have been assigned is an unhealthy country, where standards of health and nutritional hygiene are poor. You must be very careful of viral hepatitis, bacterial gastrointestinal sickness, amoebic diseases, parasitic diseases, cholera, intestinal typhus, dysentery, and so forth. Thus, you must adhere to the following warnings."

Among the warnings are: 1) do not drink tap water; 2) do not mix whiskey with cola or use ice, because the water is not safe; 3) avoid raw fish; 4) raw oysters, sea

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urchins, and shellfish are dangerous; 5) we must warn you to eat broiled meat--steak should be well-done; 6) avoid raw eggs; 7) avoid strawberries, figs and other fruits that may be infested with worms; 8) in remote areas, it is dangerous to use unboiled water--even for gargling; 9) in areas where there are blood-sucking insects, do not set foot into lakes, swamps, rice fields, and so forth.

Moreover, there are other warnings, such as: 1) maintain restrained behavior so that you won't contract a venereal disease; 2) if you are bitten by a dog, wash the wound well with antiseptic soap; 3) to prevent hepatitis, have immunization shots. In areas where there are outbreaks of malaria, it is dangerous not to have preventive quinine immunizations. However, frequent immunizations may result in hepatitis. This is how one diplomat died.

It's not just health problems. When posted to a less developed country, one may encounter guerrilla fighters, rebellions, and wars. Embassies have been occupied by Red Army factions. In the Iran-Iraq war, the living quarters of personnel serving in Jordan were bombed. In Cambodia, a promising young embassy couple was attacked and killed by a burglar.

The ordinary person wants to flee at the outbreak of war. When the Iran-Iraq war broke out, a Foreign Ministry emergency order to return to his post went out to an embassy staff member at a certain station who was on temporary leave. However, he was reluctant to return to his post. When the personnel chief said "it is the mission of the diplomat," even the person's father resisted. In the end the staff member did not return to his post and he left his job.

Talk of such matters lowers morale. However, the majority of diplomats endure the fear of air raids and remain at their posts in wartorn countries, even after their fellow countrymen have been called home.

Until recently, no special compensation was paid for those who died on duty at their posts, even when working in such a harsh international environment. Due to talk about such a bad situation, several years ago a special public service disaster system was set up. However, its authority is very strict. When the Soviet Union invaded Afghanistan, the designation "dangerous compensation" was extended to diplomatic personnel serving in that country. However, when the street fighting settled down, the Finance Ministry declared "there is no longer danger" and removed the "dangerous territory" designation.

When that happens and a diplomat receives his orders, he must proceed to his post. Moreover, when a member of the bureaucracy is transferred abroad he almost never goes back to his ministry post. For about 10 years, between the ages of 50 and 60, a person is moved around various foreign countries. The possibility of returning as a section head remains for only a few among the bureaucratic class. However, someone who leaves as section head may later get a lower-ranking post in the ministry; only one in 40 or 50 at a time can be a section head, and without strength and luck one cannot be honored with such a post. It is no wonder that the less developed country transfer-fear sickness is widespread.

Unable to Visit a Dying Parent

When one is about 50 years of age, one's elder child is in college and the younger one is preparing for college entrance exams. One's transfer orders come at that point. Is it all right to go off leaving a high-school-age daughter by herself? One leaves Narita Airport shaking off the worries that any parent would have. After reaching one's post, except on business one will only be able to return to Japan for a visit once in 2 years. One won't be able to attend a daughter's or son's wedding or visit a dying parent.

Japanese Ambassador to Iran Wada Tsutomu was in Iran at the time of the student takeover of the American Embassy and at the time of the Iran-Iraq war. The Japanese Government supported the United States, and the ambassador reduced personnel in order to carry out sanctions against Iran. There was a protest from the Iranian Government and some unpleasantness. The ambassador had to arrange matters so that future relations between Japan and Iran would not be damaged. On top of that, there was the Iran-Iraq war. The few remaining embassy staff members were overwhelmed with the work of those who were sent home. There were many Japanese who harshly criticized the embassy's way of doing things at that time.

Furthermore, the staff was caught up in the storm of criticism concerning Mitsui's petrochemical project in Iran. Ambassador Wada probably considered that working in Iran at that time shortened his life. During that period, his daughter, who had remained in Japan, became engaged. The ambassador could not attend the wedding ceremony because it was right after he implemented Japan's sanctions against Iran. At that time, too, his mother became ill and died. He could not even return to Japan for that. It is nothing less than cruelty that a person who has worked until nearly 60 years of age cannot attend family ceremonial occasions. A diplomat, who at first glance appears to lead a glamorous life, works with much pain in his heart.

To Leave Is Hell, To Stay Is Hell

Thus, a tendency has recently emerged among college students to stay away from careers that require service in foreign countries where the standards of living are lower than in Japan. It is enough to carry out one's foreign travel on a honeymoon trip. Provincial civil servants, whose salary is higher than state workers, do not have money worries. Moreover, job seekers throng to work in the convenient halls of medium size cities, where the chance of transfer is slim. Diplomats, seeing this, grit their teeth.

Moreover, the workload of diplomats tends to be heavier. Every time Prime Minister Suzuki visits the ASEAN nations, the United States, or Europe, or attends an Ottawa summit, Foreign Ministry offices and local embassies have workloads that require working through the night for several nights running. Does Prime Minister Suzuki know that each year, thanks to the prime minister's diplomacy, numerous diplomatic workers collapse due to overwork?

Diplomats of developed countries usually leave work at 6 pm, have dinner at a restaurant with their families, go out to the theater, and so forth. If Japanese diplomats were to do that, our diplomatic functions would immediately be paralyzed.

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When foreign wives who have made international marriages with Japanese diplomats come to Japan, they are amazed at their husband's overwork. When the prime minister is planning to travel or there is an international conference, for days in a row the husband comes home very late, or not at all. Among the foreign women who have a strong sense of rights, there are those who resist and tell the section chief that "it is an infringement of a person's rights." But the situation does not change at all. Rather, it erupts in a domestic dispute, with the foreign wife ending up divorced.

Even though it is such exhausting work, when diplomats are asked, "Are you satisfied with your work?", many admit "There is much that is painful, but because there is a sense of duty that one is doing it all for Japan..."

However..., in the Foreign Ministry there is an increasing number of people who bitterly complain that "no matter how hard we work, the politicians use us." "Being used by the politicians" obviously refers to the blame Prime Minister Suzuki put on the Foreign Ministry regarding the joint U.S.-Japan agreement. It is more a danger signal for Japan than for Prime Minister Suzuki personally.

At recent diplomatic farewell parties, there have been many occasions when the sake was passed around and habitual resentments burst out. Almost always there is criticism of the politicians. At a recent party, one person left saying: "To leave is hell, to stay is hell"; "it is better to dig a deep trench where the bullets won't get you"---such things were also said during the great Mitsui vs Miike dispute in the late 1920's. Now such things are coming from the mouths of Japan's superelite. This is very unusual.

Foreign Ministry Officials Are Shocked

Why do Foreign Ministry officials resent Prime Minister Suzuki? When one asks for the inside story, one begins to see that it is understandable. When Prime Minister Suzuki visited the United States in May, the process of preparing the joint U.S.-Japan agreement was being diplomatically negotiated and thus kept secret; almost nothing was announced to the press. At the same time, however, the Foreign Ministry was doing things in its own way. Moreover, in the event negotiations succeeded, Prime Minister Suzuki and Foreign Minister Ito had agreed to announce it. A certain Foreign Ministry official who took part in the negotiations revealed the trouble to the author as follows:

"Actually, in Japan's original draft the word 'ally relationship' was not used; 'joint responsibility and cooperation' were used as catchwords to express the Japan-U.S. relationship. However, when it was handed over to the Americans, they rewrote 'the Japan-U.S. relationship' as 'ally relationship based on the Japanese-American protection treaty.' At that point the Foreign Ministry considered from various angles the propriety of using the term 'ally relationship.' It concluded that: 1) former Prime Minister Ohira used it when he visited the United States in May 1980; 2) if Japan rejected the use of the term 'ally relationship,' it would give the impression that, on the contrary, the Japan-American relationship is not one of allies, and this would be undesirable for Japan. Thus it agreed to leave the word 'ally relationship' in the joint agreement, judging that to do so would be better this time for international relations.

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"However, domestically there would have been a misunderstanding over the expression 'ally relationship based on treaty of protection.' Therefore, it took out that part and negotiated with the Americans to change the wording so that it would symbolize the Japanese-American relationship. As a result it came out 'the allied relationship between the two countries is built on the value both countries put on freedom and democracy.' When the negotiations for this were complete, Foreign Minister Ito made the announcement. In New York, Prime Minister Suzuki was given a detailed explanation. I hear he agreed with it, saying: 'I have nothing to change.'"

Even so, after Prime Minister Suzuki returned to Japan, on learning that the joint agreement was getting unfavorable reviews and on receiving complaints about the agreement he had consented to, he pushed off the responsibility on to the Foreign Ministry. It is natural that the Foreign Ministry officials should resent him.

At the conference of LDP advisers, Prime Minister Suzuki said: "Because the joint agreement was drawn up before the prime minister's second talks began, a gap developed between the contents of the agreement and the announcement made at the prime minister's interview--without sufficiently incorporating my intentions." Furthermore, even at the cabinet meeting the prime minister said: "The problem is that the agreement was concluded before the discussions were over. We'll have to look into the way things were handled."

Foreign Ministry officials, hearing what the prime minister said, were in the first place shocked that Prime Minister Suzuki lacked international commonsense and did not even understand the nature of the joint accord. It is too awful--he is the prime minister chosen by the LDP. Prime Minister Suzuki thinks of the joint agreement as something on the level of the minutes of a conference.

What would happen if the minutes of the conference were announced as a joint agreement? Instead of Japan's points being published, America's strong anti-Japanese demands would be stated. If both made statements with an eye toward legislative and domestic opinion, far from expressing the conference's "fruitful Japanese-American relationship," only the points of opposition between Japan and America would be recorded, and this could not but result in damage to Japanese-American relations. For this very reason it was decided to express the joint agreement of friendly understanding between the two countries softly, and to play down as much as possible the points of contention, expressing how well the cooperative relationship is going and showing that there is a solid relationship between the two countries. Prime Minister Suzuki did not understand that at all.

Moreover, it saddened Foreign Ministry officials that Prime Minister Suzuki, who had consented to the joint agreement, later criticized it. They said: "The shock this has given the United States cannot be calculated." Because the Americans are adults they will not frankly reveal their dissatisfaction. But there has been a great shock wave that will make the American power elite think: "Is Prime Minister Suzuki that kind of person?" It won't be easy to remove this stain. It's not a problem that will be solved by shutting the mouths of Foreign Ministry officials. It is essential for the prime minister himself to show the world that he is dealing seriously with diplomatic problems.

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However, according to the newspapers at least, Prime Minister Suzuki gave over his summer vacation to golf. Of course, Prime Minister Kichida and even Prime Minister Ohira--when they secluded themselves in the mountains at a summer resort--read books and thought about the future of the country, giving the Foreign Ministry a pile of paperwork that needed to be done. Prime Minister Suzuki wanted to appear to be making an effort, and he summoned Foreign Ministry officials to Karuizawa every day. The Foreign Ministry, with extreme lack of faith in the Suzuki cabinet, thinks that "the saying, 'work first play later,' no longer holds true for politicians."

Symptoms of the Sinking of the Base of the War Group

When Foreign Ministry officials who criticize politicians look at what is going on around them, they get more and more gloomy. That is because signs of the imminent destruction of the foundations of the Foreign Ministry war group (those who came into the ministry during World War II)--which should be the highest group--are clear.

Ministry officials had complex reactions regarding vice foreign ministerial personnel at the time former Ambassador to Korea Sunobe Ryoji was chosen, following Takashima Masaji. In the first place, they thumbed their noses at personnel choices whereby, in many cases, the rules of seniority were ignored. Thus, it was said: "It may be more typical of Sunobe than the war group of the Foreign Ministry." After all, they became pacified under Vice Minister Sunobe.

Why would it be more typical of Sunobe? Mr Sunobe was a prewar group diplomat. After joining the ministry, he had language training in England, then America. He received strict training from his senior colleagues and served in China. By comparison, war-period diplomats, on joining the ministry, were immediately drafted into the military. Even after the war, there was no opportunity to be assigned abroad until the overseas office was set up in 1950. Moreover, after 1941, the language training program was phased out and there was no adequate language instruction. The 1942 group was selected from those who took the standard high school examination; the diplomat test had been abolished. With the 1944 group, even the high school test was eliminated, though there was some testing in special cases. In terms of language ability, diplomatic education, and techniques of diplomacy, there is a noticeable difference between the prewar and later groups.

Thus, signs have appeared in the Foreign Ministry that give cause for anxiety. Although we have reached the point when the wartime group of diplomats occupies the vice ministry and the ambassadorships of major foreign countries, it is obvious that the number of capable personnel is decreasing. There are almost no candidates for vice minister. If things were as they used to be, Vice Minister Takashima would have been succeeded by Deputy Vice Minister Katori. For a long time it was the practice in the Foreign Ministry to raise the deputy vice minister up to vice minister. Because an amateur politician becomes foreign minister with each change of cabinet, it has been established that the highest ranking person from the ministry itself becomes foreign minister--out of the necessity for maintaining an unbroken line of diplomatic responsibility. If a person were to assist vice foreign minister for 2 years as deputy vice foreign minister, and then serves as vice foreign minister for 2 years, the rhythm of Japan's diplomacy would not be interrupted. Moreover, ambassadors from various countries in Tokyo have said: "This [continuity] is what we want for the Foreign Ministry to keep in mind."

However, having Deputy Vice Foreign Minister Katori accompany Prime Minister Suzuki on his visit to the United States, after the most recent change in vice minister, raised questions--the issue of raising the status was evaded. The responsibility for the confusion surrounding the Japan-U.S. joint agreement is attributed to Prime Minister Suzuki's lack of diplomatic commonsense. To put the blame for the confusion on the Foreign Ministry is exceedingly far from the mark. But the power of appointing the vice minister rests with the cabinet. If the Prime Minister's Office was dissatisfied with Mr Katori, even the Foreign Ministry would not have the power to oppose the appointment.

The problem arose afterward. At present there are 12 people from the 1942 group. The 1943 group has 22, the 1944 group 11. Despite that, no names from among the 45 were proposed to succeed Mr Katori as candidate for vice minister. It was said that there was only one--Okawara Yoshio, ambassador to the United States (from the 1942 group)--an ace. However, he took up his present post only a year ago and has a 2-year assignment to fill. It has been said in the Foreign Ministry, which gives top priority to diplomatic relations with the United States, that the post of ambassador should not be reassigned after a mere 2 years. If the wishes of the Foreign Ministry should be ignored and Ambassador Okawara should be called back to the ministry, no one will be found from the war group to replace him.

Personnel Unable To Act

Even the ambassador to the Soviet Union is in the same situation. The Soviet Union is a superpower whose institutions are different from ours. Although the Soviet Union is our geographic neighbor, it is particularly important to keep an eye on trends there. For that purpose the Foreign Ministry has invested much effort in diplomatic channels in the Soviet Union since the war. Former Vice Minister Hogen Shinsaku, former Ambassador to West Germany Sono Akira, former Ambassador to the Soviet Union Shigemitsu Akira--all were capable diplomats from this group. Diplomats in the Soviet section are required to be able to observe night and day the goings-on in the Soviet Union, to glean keenly what is happening politically, militarily and economically. It is not something that can be done in a single day.

A diplomat assigned to the Soviet Union must learn Russian, he must live in Moscow, in an environment where it is difficult to collect information. He must carefully search through PRAVDA, IZVESTIA, and the Red Army organs, and draw from them minute changes in the Soviet Union. He must check his information by making contact with Soviet diplomats in the party. Diplomats in the Russian section undergo rigorous training. However, since the time of Ambassador Shigemitsu, diplomats in the Russian section, to a surprising degree, have not amounted to anything.

When Ambassador Shigemitsu retired from the service, he left a bad situation behind. Former Ambassador to Egypt Uomoto Torakichiro was then recruited. Ambassador Uomoto was trained in English, and he did not know Russian. He had never worked in Moscow. To make up for his weak points, the Foreign Ministry got the number one person of the postwar group in the Russian section to help Ambassador Uomoto adjust to the Soviet section. Thus, the weakening of the embassy was avertd. Ambassador Uomoto has been in the service a long time, and there are indications he will retire at the end of the year.

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However, we cannot find, among the wartime group of diplomats, any who can speak Russian, to say nothing of people who can run an embassy, "fence" with the powerful Soviet Foreign Ministry, and find out the Soviet attitude toward Japan. According to the press, former Vice Minister Takashima's name is being mentioned as the next ambassador to the Soviet Union--indicating the fear within the ministry of going with someone from the midwar group who has not demonstrated his ability as ambassador. Mr Takashima, as well, does not have Russian experience. But he handled the arduous negotiations for the Japan-China normalization and for the Japan-China friendship and peace treaty, and knows the technique of negotiating with a socialist country.

When he was deputy foreign minister he participated in Japanese and Soviet Foreign Ministry-level discussions and in periodic Japanese-Soviet foreign ministerial discussions. He was also part of the off and on discussions with the Soviet Foreign Ministry head. If Mr Takashima is chosen, the feeling of hope will be the basis of his ambassadorship--hope that he can tie together Japan-Soviet relations in the increasingly harsh eighties.

What about the ambassadorship of that other communist country, China? The former minister, Yoshida Kenzo, of the 1939 group, was in the China service. However, Deputy Vice Foreign Minister Katori, who has been assigned there next, has German, not Chinese, training. He has never served as Asia section chief, nor has he experience in China. His being assigned to China stemmed from concern about something outside the ministry--he was not chosen because he is the most suitable person for the post of ambassador to China. In terms of suitability, the ambassadorship to West Germany would seem more appropriate for a person trained in German. This shows that aside from Mr Yatori, there was no one else from the war group suitable for the ambassadorship to China.

Thus the Foreign Ministry vice minister and the ambassadorial personnel of major countries are in a situation where all doors are closed. The Foreign Ministry cannot forever turn back time. Diplomats from the war group will be made vice minister and ambassadors to major countries in a year or two. Can we weather the stormy eighties with these people? It's not just the dismal feeling of the postwar group in looking up to the war group as their superiors, but also for the Japanese people it raises serious questions.

The Higher Cost of Defense Raises the Cost of the Insurance Premium

In the Foreign Ministry, the postwar group of diplomats are at the center of the debate on how to survive in the eighties. The major topics are Japan's security and the policy of strengthening the information network. Japan is a nation committed to peace, but around it are countries with strong military establishments. In an emergency, a country with military power will be able to defend itself. Even when there is no emergency, a country with military might will be able to assert its interests.

America intervened in Vietnam. The Soviet Union is engaged in an invasion of Afghanistan. China has made incursions into Vietnam. Despite the opposition of Japan and other Pacific countries, France occasionally carries out nuclear tests in the Pacific. Ignoring UN prohibitions, Israel continues to hold the territory of

several Arab countries that it occupied during the third Middle East war in 1967. Iraq may have built a nuclear reactor for producing nuclear weapons but it was destroyed in the recent air raid. These are the realities of international relations.

What about Japan? The Japanese people, in their constitution, have committed themselves to a policy of peace. However, despite Japan's wishes, the current international climate makes it difficult for us to keep our promises--and maintain our security. The recent debates on defense have taken place with this changing situation in mind.

The Foreign Ministry, in the face of this situation, in 1979 established a security policy committee in the ministry, drawing members from the vice-ministerial group in each branch. They went over the questions of security our nation faces in the first half of the eighties. Their conclusions were published in "An outline of round one of the security policy planning committee," which was made public in July 1980. In it the Foreign Ministry's security policies for the first half of the eighties are brought together.

According to the outline, the Foreign Ministry views world peace as being maintained by the mutual defense capabilities of America and the Soviet Union. However, recently: 1) America has lost strength; 2) in 20 some years the Soviet Union has dramatically built up its military establishment; 3) backed by its military strength, the Soviet Union has plans to enter the Third World, and because of this the Third World is unstable--thus the analysis is that from the Western perspective there is danger in the East-West military balance.

Accordingly, viewing the maintenance of the East-West military balance and the prevention of war as tied together, the outline concludes that it is necessary for Japan to make up for America's loss of power, and for the Defense Agency quickly to achieve an interim estimate for such a plan in order to maintain the dominance of the West.

The outline, touching on our neutral defense policy, flatly denies that such an attempt would be nearly impossible economically, that it would invite the destabilization of Asia and the cooling of Japanese-American relations, and that Japan would lose its diplomatic foundations. Moreover, it says a prerequisite to any defense move is to take into consideration the Japanese-American peace treaty.

In addition, it proposes cooperative measures to strengthen Japanese-American relations in order to cement the American commitment to Japanese defense, to encourage Japanese-American research cooperative defense based on guidelines in order to create conditions whereby it would be easy for America to come to our aid, and to enlarge our share of the cost of keeping American forces in Japan.

The outline of the first round cites the following points as necessary for cooperation aimed at preserving peace: 1) a positive contribution to world peace; 2) cooperation in disarmament; 3) investigation of sending needed personnel to participate in UN peacekeeping activities; 4) increased foreign aid; 5) contributions to strengthening refugee camps; 6) strengthened cooperation with respect to the political and economic aspects of support to Korea and the ASEAN countries.

The Foreign Ministry's peace policies for the first half of the eighties are based on this type of thinking. A look at the Japanese-American joint agreement demonstrates this thinking in several areas.

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This suggests that the Foreign Ministry and the Defense Agency are taking the same line with respect to the question of security. Actually, however, they see things differently. The Defense Agency leans toward the implementation of the latest weapons when the question of defense preparedness arises. On the other hand, the Foreign Ministry seems to believe that it is almost impossible to resist a Soviet attack while spending the present 1 percent of the GNP on the defense establishment, without increasing it to 5-6 percent.

Thus, the Foreign Ministry's idea of the best way to protect Japan is to maintain the military balance between America and the Soviet Union. The Foreign Ministry stresses that at the present time, when America is declining in military strength, Japan as a Western nation must pay for part of its own defense.

If the American-Soviet balance should break down and Japan should be threatened with attack, what would it do? The Foreign Ministry thinks it important that Japan strengthen harmonious ties with America and make sure that America would definitely be able to come to Japan's aid in an emergency.

If America were to come to Japan's rescue, the blood of American people would be shed. It is wrong for Japan to be saying "Yankee go home" and "Kill the peace treaty" when it expects America to defend it. From the moment America asked that Japan pay more for its own defense, it has been important that we show a spirit of cooperation.

The Foreign Ministry views America's demand that Japan increase its defense spending as comparable to raising the insurance premium of a wealthy person. However, the Japanese people, to whom the peace treaty is as insubstantial as air, do not understand this. If the Foreign Ministry were to say anything, right away people would call it "diplomacy that blindly obeys the United States" and "weak-kneed diplomacy." Press reports exacerbate the melancholy of Foreign Ministry bureaucrats.

The Ever-Changing Forecast

Do you know that collectively the Foreign Ministry reports reveal signs of a deterioration in analytic capabilities?

Diplomacy can be described as a war of information. We find out what another country has found out about us. If it is not good for us, we must fix it so that we reverse policy decisions ahead of time. If a dictator, from a desire to make himself famous, thinks he wants to upset the economic superpower, Japan, it is necessary to invite him as a state guest to Japan, welcome him, and in some way appease his delusions of grandeur.

At all events, people capable of gathering information are crucial. Every country invests great amounts of money and people in information gathering and analysis. However, although Japan is economically number two in the world, it puts almost no money or manpower into obtaining and analyzing information. That Japan is behind in the information race is less the blame of the Foreign Ministry than of the government as a whole--which up to now has done little to strengthen information facilities.

I'll give you an example of how weak Japan's information gathering and analytic powers are. Every December the Foreign Ministry published "Next year's international forecast." The use of the past tense is deliberate; last December it stopped publishing the forecast. Why did it stop? The head of the investigative bureau explained: "It is because we are living in unstable times when things happen that cannot be predicted."

One would expect that we should put all our strength into avoiding situations that would mean loss of profit for our country and that the more the world changes, the more necessary it is that we immediately learn of changing conditions. Despite that, the investigative bureau, whose job it is to carry out research and analysis, will not publish the forecast in December--and that is due to nothing other than loss of confidence in research and analysis.

It is understandable. If we look at the forecasts the Foreign Ministry published in the seventies, they were off-base on all major world events. Starting with President Nixon's big turnaround on China in 1971--the so-called Nixon shock; the dollar shock that came a month later, the outbreak of the fourth Middle East war in 1973 and the Arab oil embargo; the 1979 revolution in Iran; the Vietnamese invasion of Cambodia; the Soviet invasion of Afghanistan--all these major events were misjudged.

Why do the forecasts miss the mark? One reason is that the Foreign Ministry has neglected its research facilities. But, as I said before, it is not only the Foreign Ministry that is to blame. Inadequate allocations of money and of people for strengthening the facilities are also to blame. The prime minister is also partly to blame.

At any rate, the Foreign Ministry's information facilities are relatively weak when compared with those of other developed countries. We don't match the U.S. CIA, the Soviet Union's KGB, or England, France, Italy, Israel, Egypt, or Korea. West Germany has 6,000 people in intelligence work, 700 in analysis alone. Thus, each country protects its security and gathers information abroad to be used for its own profit, and looks for any danger to itself. Such efforts pay off; for example, Israel knowing that Iraq was building a nuclear reactor.

In Japan's case, including the women doing office work, all together there are 37 people in the Foreign Ministry's investigative office. Of course, this does not include intelligence-gathering personnel abroad. The investigative personnel are assigned elsewhere after 2 years. The flow of investigation and analysis is interrupted. Thus they cannot profit from lessons learned from past mistakes.

At present, Japan's information gathering is left to embassies around the world. However, every diplomatic establishment is short of personnel. In the less developed countries, especially, language experts above all are in short supply. With the exception of Indonesia, it is a matter of contention whether there is even one person in the diplomatic establishments who can read the vernacular newspapers and understand the radio. Thus, it is impossible to cull basic information from vernacular newspapers and magazines.

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In September 1978 then Prime Minister Fukuda visited Iran at the time Shah Pahlavi was still in power. However, when Prime Minister Fukuda spoke with Shah Pahlavi, the city of Tehran was already being torn by antigovernment demonstrations. Around the time Prime Minister Fukuda left, the revolution was just erupting in full force. Even so, at the time, there was no one in the Japanese Embassy in Iran who had foreseen the shah's downfall. This is due to there being insufficient number of embassy personnel competent in Persian and to the consequent insufficiency of information-gathering facilities. In the end, Prime Minister Fukuda's visit to Iran was expensive, but resulted in no profit to Japan..

Investing Money and People in Information Gathering

What should we do to strengthen our information facilities? In the first place, we must educate many language and country experts. There are many who, pointing to current international relations, indicate that the world has shrunk. That is true, but on the other hand the world has grown more complex, and the independent nature of small and medium-size countries has strengthened. For that reason we are at a period in history when specialists, strong in the knowledge of their respective countries, are needed.

Ten years ago, knowing what was going on in Washington, London, Paris, Bonn, and Moscow was enough. Even if a person who had served in London was transferred to Singapore or Malaysia, he spoke the same language of the elite wherever he happened to be--educated as he was at a university in England. However, recently there has been a remarkable tendency for native-trained people to enter a country's power elite.

If we take the example of Korea, the elite is switching from the Japanese-speaking to the Korean-speaking generation. Nevertheless, there is only one career diplomat in the Foreign Ministry learning Korean (English, 306; French, 117; Arabic, 18); Korean specialists number 13, approximately 15 in all. This being the case, how can we get quality information from the Korean power elite? Moreover, it is ridiculous for us to talk about forging closer relations with Korea and do nothing about it. Up to now our policy toward Korea has been excessively unbending and we have met with hatred from the Koreans. After we crammed aid down their throats, an insufficiency of experts prevented us from gaining high-level information--and thus we repeated the same mistakes.

Second, it is necessary for diplomats at foreign posts to have long-term assignments in order to gather important information. A high-ranking government official will not give information if he does not trust the Japanese Embassy person. Thus, it is important to lengthen overseas' assignments, for the staff to become friendly with and win the trust of high-ranking government people. However, the Foreign Ministry assigns people to developed countries for 2 years and to unhealthy territories for 1 and 1/2 years. Just as personal relations are becoming cemented, the person is transferred. Thus, it is impossible to get good information.

In the third place, information gathering requires investing more money. We must first of all gather basic information from vernacular newspapers, magazines, and so forth, to find out what is happening in a country. However, Foreign Ministry expenditures have hardly increased in the past 10 years. There is at present a spotty budget for foreign newspapers and magazines. Thus, we cannot with certainty get basic information.

In the fourth place is the need to strengthen information-gathering facilities. At present the Foreign Ministry does not have informational materials adequately filed. And the materials themselves are incomplete. We assume the CIA has complete dossiers on top Japanese officials--with information on school records, family, character, hobbies and interests, even relations with women, friends at school, and whose advice the person heeds, whether he becomes talkative when he drinks, times when his weaknesses are obvious.

If such material is complete, a country is one-up when it comes to negotiations. When Prime Minister Suzuki went to the United States in May, the Americans flew the Japanese flag across from Blair House, where he stayed, and gave a big dinner for him. This reading of Suzuki's character is an example of American diplomatic technique.

However, the Foreign Ministry does not have that kind of basic information on hand. There is a pressing need to get this information on file in a computer.

In the fifth place, we must strengthen our investigative branch; a total staff of 37 people is too few. If we look at Chief Akiyama's record, we see: domestic information head; head of policy; Asian section; attache, Japanese Embassy in China; ambassador to Mongolia; then head of the investigative branch. He's had a great deal of culture-related experience, but no experience in America, the Soviet Union, Korea, or the Middle East. He has never done work in the investigative branch. No matter how talented Mr Akiyama is, when the Foreign Ministry needs to make an important policy decision, how valuable will Mr Akiyama's opinion be?

At present the investigative branch hardly takes part at all in important policy decisions. It chiefly deals with short- or mid-term questions. Thus, the information gathering and analysis power of the Foreign Ministry will never increase.

Pressing Need for Reform

The Foreign Ministry is at the stage where there is a pressing need for reform. "Don't rock the boat" has gone too far. Those who tried to stamp out abuse and failed in the attempt were given demerits and criticized as "lacking in discretion" and as "ignoring custom." If one goes on defending the actions of those who have gone before, nothing happens and it is simply said that so-and-so was bad and things can't be helped. In foreign diplomacy, the safe course is to walk in someone else's footsteps--even after being extremely cautious, there are many who won't act unless someone has done it before them.

Apple-polishing of superiors is widespread. In the Home Affairs Ministry, even if someone's opinion differs from that of a superior, if the person makes a great effort others will notice and his future will not be harmed. However, it is rather different in the Foreign Ministry. If one falls into disfavor with an ambassador in a diplomatic establishment abroad, it may be one's downfall. The ambassador has absolute say over a person's evaluation.

Of course, an investigator comes approximately once every 2 years to hear views. But because it could mean big trouble if something were to get out later, one keeps silent even if something is not particularly important. Finally, the ambassador

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is totally deferred to. Thus, if the ambassador is a don't-rock-the-boat type, the staff will be, too. Thus, the effectiveness of the embassy decreases.

As I mentioned, we are at a period when the war-period group diplomats will head up more than half of the embassies. If they do not choose able assistants, one worries that Japan's diplomatic capabilities will drop. As long as Vice Minister Sunobe does not stamp out the abuse in the Foreign Ministry, the melancholy of young diplomats will not abate.

On the other hand, there is pent-up dissatisfaction of the section chief class with the young diplomats. It is apparent that the quality of diplomats entering since the seventies is lower than before.

The current class of section chiefs are people who were trained around the time of the San Francisco peace conference. At the time, memories of World War II were fresh, and wherever one went there was an anti-Japanese feeling. Moreover, the cultural differences between the developed countries and defeated Japan were plainly evident. These are people who now have prospered in an advanced country.

The diplomats of the prewar group are now in leading positions. Their language training meant not just simply being able to speak the language of a country, but it meant getting the same level of education as the elite of the country. If they didn't use language that was appropriate and refined for diplomatic use, they were severely scolded by their seniors. Therefore, the postwar group of diplomats, those of the fifties and sixties, can use language rather exactly.

We Want To Say: Go Back and Study

However, since the seventies, there have appeared young diplomats who are not perfectly literate. They are not subject to culture shock. At school they listened to their Sony stereos, and they have absolutely no complex about it. They use words carelessly.

Senior colleagues in the Foreign Ministry on hearing them are startled. Without giving it a thought they use slang at parties for high-ranking diplomats from other countries. At the Foreign Ministry itself, when foreign guests arrive in Japan, they translate for the prime minister and emperor for practice. However, lately translators are being carefully selected to avoid embarrassing situations.

It's not just the awful words. They have no continuing interest in studying Japan and other countries. I have experienced this myself.

When those assigned abroad speak with diplomats of other countries, the others' interest is in conditions in Japan and in the rest of the Far East and in the relationship between Japan and other countries. However, there are few who can accurately explain these things. Other countries' diplomats will scorn the Japanese: "This man only is this much of a human being"--no matter how friendly we try to get they will keep us at arm's length. Among the section heads is one who grumbled to the writer: "I would have diplomats reread Nicholson's 'Diplomacy' and relearn what it is to become an ideal diplomat."

The Lack of Workers and the Strain of Chronic Overwork

Thus, stories of gloom in the Foreign Ministry pile up. What should be done? Supposing something to alleviate the situation were to be done right away, there are several ways of doing this. Vice Minister Sunobe, in his position as supervisor, must see to the details of amending the situation.

However, when it comes to basic problems such as strengthening information facilities and enriching the diplomatic organization, nothing will happen unless the staff of the Foreign Ministry is increased. Compared to the increase in work at the Foreign Ministry, there is an absolute shortage of staff to do it.

Please look at the following figures: Using 1969 as a base of 100, in 1980 there were 1,271 cables, 793 overseas travelers (among the ministry officials) 393 treaties made, 277 Japanese nationals abroad, and 255 investigations. Even so, the staff was increased by only 128. It is a fact that this tremendous load meant overworking the Foreign Ministry staff. Indeed, the LDP has recognized the need to strengthen diplomatic facilities, and at budget time there have been those who would increase the Foreign Ministry's appropriations. As a result, if we look over the past 2 years, the number of personnel has increased. Even so, the rate of increase is 4.6 percent--not more than 160 people.

What about businesses? In the past 5 years the average increase in business personnel living abroad has been 17 percent--which means they have put strength into their operations. However, the diplomatic staff, which protects the national interests, is not increased. As a result, information gathering is slow. What does the prime minister think about a situation where there is a loss to the nation's profits?

Compared to the number of diplomatic personnel of other major countries, Japan has considerably fewer. In 1980, the United States had 13,601 diplomats, England had 10,037, France had 6,801, West Germany had 6,118, and Italy had 5,156. Even India had 4,652. However, Japan's number does not exceed 3,580. Developed countries have, in addition, information gathering centers and so forth.

Let's look at the number of embassy personnel of major countries. In Washington, the center of international politics, England has 442 diplomats assigned, observing the policies of the United States toward other countries. France has 243, West Germany has 102. However, Japan, which complains about Japanese-American relations, has 77.

What about in Paris, the center of Europe? The United States has 385 diplomats there. England has 111, West Germany has 85. Japan has 38 embassy personnel. Those countries with more personnel assigned to other countries have more eyes with which to gather and assess information. Nevertheless, the attitude of Japan, an economic superpower, is very narrow. Moreover, each country has the ability to dispatch military forces to these various areas in case of emergency.

When the Iran-Iraq war broke out, the various Western nations dispatched military forces to get their nationals out of the area. Japan, which had the most personnel in the area, was the naked king. There was no way to get the Japanese out quickly. Luckily, there were no casualties, but next time, in a similar emergency, what responsibility does the Japanese Government intend to take?

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Diplomacy and Domestic Affairs Are Different

Japan, which does not have any corresponding emergency shelter, must quickly establish a corresponding policy, to know in advance of danger from other countries. However, as has been said, embassies, which are the means of getting such advance warning, are almost nonexistent in the less developed countries.

In this connection, if we take a look at personnel currently assigned to diplomatic establishments abroad: there are 11 with more than 30 people, 15 with 20 to 29 people, 6 with 15 to 19 people, and 24 with 10 to 14 people. In other words, there are 56 diplomatic establishments abroad with 10 or more people. Almost all the diplomatic establishments in the developing countries have less than 10 people. There are 30 with eight or nine, 31 with six or seven, and 408 with less than five.

In diplomatic establishments abroad, the most important people besides the ambassador are those who speak the language of the country and the experts in the political and governmental climate. However, in almost all the diplomatic establishments, only about one person speaks the language of the country--and we would like Prime Minister Suzuki to be well aware that there are 40 diplomatic establishments consisting of only the ambassador, the telegraph operator, and a typist.

Unlike the Home Affairs Ministry, educating a person to be a talented diplomat takes 10 years. First, the candidate must be sent to school in the country to study the language. And he must live in the country and study life there. Then he must learn about the workings of the Foreign Ministry and be taught Japan's diplomatic policies. To make a real diplomat takes from 10 to 15 years, sometimes 20.

To compensate for the present insufficiency of talent in the Foreign Ministry, the following steps are under consideration: 1) take personnel from the Home Affairs Ministry; 2) measure the rate of success of investing personnel in priority diplomatic establishments; 3) transfer staff to needed diplomatic establishments and make more efficient use of personnel; 4) do more to train specialists; 5) put more effort into the training program; 7) reform the appointments system and pay more attention to noncareer people.

However, if the number of Foreign Ministry personnel is not increased, these things cannot be accomplished.

Although Prime Minister Suzuki, when conferring with the foreign minister about the problems of reforming the ministry, said: "I am aware of the troubles you have and I know there is much room for reform"--this year he announced that the number of Foreign Ministry personnel would not increase much.

Diplomacy is different from domestic affairs. President John F. Kennedy once said: "The big difference between domestic affairs and diplomacy is the difference between a bill being rejected and a country being obliterated." We would like Prime Minister Suzuki to reflect on these words as he maps out the future of our nation.

More than being a way to rid the Foreign Ministry of its melancholy, this is the only way for Japan--which has rejected war--to survive in today's harsh international climate.

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POLITICAL AND SOCIOLOGICAL

SUZUKI'S BASIC POSITION RE-EXAMINED

Tokyo SEIKELJIN in Japanese Dec 81 pp 26-29

[Article by Taro Kamakura, a critic on political affairs]

[Text] Reorganization of a cabinet, if done well, can effectively revitalize the cabinet but, done poorly, can prove fatal. It is not certain at this point in which direction the reorganization of the Suzuki cabinet will tend.

Reorganization of the Suzuki cabinet accompanies election of officials to fill the top three posts in the Liberal Democratic Party. Even if this were not the case, however, Prime Minister Suzuki would certainly have to have made a move to clear away the atmosphere of bad feelings caused by those who are suffering from ministerial fever. This is so because the bad feelings caused by ministerial fever, following the dynamics of factional squabbling, had become very intense and were on the verge of inflicting a conspicuous blow on the vitality of the Liberal Democratic Party.

Even if I attempt to say what will be the new line-up in the Party's three top posts of what will be the new cabinet, these questions may already be decided when this magazine is published. Consequently, any demands I make at this point would have no effect. One thing, however, will worry me to the very last moment; i.e., where is Foreign Minister Sonoda going? I think it is about 99.9 percent certain that he will not be able to remain in his post but this, in any case, is up to Prime Minister Suzuki. That worries me.

The way Foreign Minister Sonoda got into good favor with Prime Minister Suzuki was rather disagreeable to see than very hard for the average person to understand. From Prime Minister Suzuki's standpoint, however, there was no other minister as loyal as Foreign Minister Sonoda. According to what journalists have reported as a remark the prime minister made to those close to him, Suzuki said, "Mr Sonoda speaks out on what I am thinking and am going to say before I do. No friend of mine is more trustworthy than he."

Certainly, it would seem that the several statements by Mr Sonoda which have caused problems were things which Prime Minister Suzuki, who originally came from the Japan Socialist Party, wanted to think and say. He criticized United States policy in the United Nations by telling the United States, "Do not try to tell us what to do." When former United States Ambassador to Japan Reischauer, acting out of friendship for the Japanese people, made his

disclosures regarding the question of calls to Japanese ports by ships carrying nuclear weapons, Foreign Minister Sonoda denounced his statement by calling it "unnecessary meddling." Foreign Minister Sonoda also revealed an ignorance of international law unbecoming to a foreign minister when he said, "The United States-Japanese Joint Communiqué is not binding." These remarks, undoubtedly, were manifestations of a critical perception of the "basic United States-Japan line" arising from Mr Sonoda's so-called "omnidirectional peace diplomacy."

It is probably no exaggeration to say that these statements by Foreign Minister Sonoda are completely in consonance with the ideas of Prime Minister Suzuki who personally met with President Reagan and then found fault with the joint United States-Japanese Communiqué which was announced after the meeting. Prime Minister Suzuki not only found fault with the joint communiqué; after he returned to Japan, he kept quiet and made no attempt to mention enhancement of Japan's defense capability which he had promised President Reagan. Basically, an increase in defense capability which a prime minister promised to the president of an allied nation was a matter on which the prime minister would have to actively try to persuade the people even at the price of some adverse reaction. Prime Minister Suzuki, however, completely abandoned such attempts at persuasion. He feigned innocence, saying, "Japan has shouldered no new obligations in its relationship with United States." Later, he dealt with the matter by pushing it off on his director general of the Defense Agency.

Only such a prime minister would deserve such a foreign minister; Mr Sonoda's series of "anti-American statements" become understandable if one takes the view that Prime Minister Suzuki is not following Prime Minister Ohira's "basic Japan-United States line" but is really involved in an "omni-directional peace diplomacy" and that these remarks heralded that policy. It is also consistent to take a similar view of the fact that when Mr Sonoda was minister of health, and welfare, he spoke out loudly at a cabinet meeting to criticize a statement by Foreign Minister Ito which concerned actively building up defense capability and which stressed the importance of cooperation with the United States.

Because of this relationship between Prime Minister Suzuki and Foreign Minister Sonoda, there was very early speculation among the people who are knowledgeable about politics that the prime minister wanted, if possible, to allow Foreign Minister Sonoda to remain in his post. However, criticism of Foreign Minister Sonoda surfaced at a meeting of a Liberal Democratic Party joint working group on foreign policy and defense attended by a large number of the diet members, more than 100 of the members in all. Consequently, rumors spread even into the mass communications media that Prime Minister Suzuki seemed, in spite of himself, to have given up the idea of letting the foreign minister stay in his position.

It goes without saying that it was Prime Minister Suzuki who made Mr Sonoda the new foreign minister after Foreign Minister Ito had resigned. Furthermore, although Mr Sonoda was at that time holding the post of minister of health and welfare, his coming into the cabinet had been due to the resignation of Mr (Kunioyoshi) Saito, a trusted friend of the prime minister, as minister of health and welfare because of a scandal involving the Fujimi Hospital of Obstetrics and Gynecology.

Nearly all of the other members of the cabinet became ministers through the support of the leaders of their factions; Mr Sonoda alone became a minister

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of state through the initiative of Prime Minister Suzuki. Accordingly, the relationship between Prime Minister Suzuki and Foreign Minister Sonoda could be called inseparable. When the problematic statements by Foreign Minister Sonoda have dealt no little blow to Japanese-American relations, Prime Minister Suzuki has shared in the responsibility. For those who more or less understand the political situation not to mention those who are of sound judgment within the Liberal Democratic Party, it has been easy to surmise that Foreign Minister Sonoda has made those "grand" statements because Prime Minister Suzuki had always taken a position to protect him.

Since Foreign Minister Sonoda's showy behavior was tinged with an "anti-American coloration," it was welcomed by NHK and all of the major newspapers except the Sankei Shimbun and the Nihon Keizai Shimbun. Since this suited Prime Minister Suzuki perfectly, he did not caution Foreign Minister Sonoda at all even though there was criticism of Sonoda's statements within the Liberal Democratic Party.

However, the facts have demonstrated that, as stated earlier, there is no small amount of criticism of Foreign Minister Sonoda within the Liberal Democratic Party. Had nothing been done at this point, the criticism of Foreign Minister Sonoda could have been expected to flare up sharply into undisguised criticism of Prime Minister Suzuki. When this is the case, Prime Minister Suzuki, who consistently looks to his own interests, cannot protect Foreign Minister Sonoda. Therefore, even the prime minister has, reportedly, resigned himself to a decision to change his foreign minister.

However, as I said earlier, this is a matter involving Prime Minister Suzuki who is said to be tone deaf as far as international politics and diplomacy are concerned and, moreover, involving Foreign Minister Sonoda who is, more than anything else, like Mr Suzuki's "faithful dog". One cannot say it is completely impossible that Mr Suzuki will make clever use of the complicated political dynamics to retain Mr Sonoda as foreign minister. Therefore, by way of a final effort before the reorganization of the cabinet, which, judging from the publication schedule of this magazine, could be tomorrow, I insist that Foreign Minister Sonoda be moved.

What, then, are the prospects for the reorganized Suzuki cabinet? Surely, if Mr Yasuhiro Nakasone, who along with Prime Minister Suzuki, aspires to be the next president of the Liberal Democratic Party, and Mr Toshio Komoto are allowed to remain in their posts, this would be a stabilizing factor in its own way. However, as the end of the presidential term in autumn next year gets closer, unless these two gentlemen abandon their political ambitions, their presence might turn into a destabilizing factor for the Suzuki cabinet at some time. The view of common sense would probably be that, when age is considered, it would not be impossible for Mr Nakasone to let one term go by but this is not the case for Komoto. What Mr Komoto will do will probably be watched as the eye of the hurricane, at least as far as the Suzuki cabinet is concerned.

For the Suzuki cabinet the main political tasks ahead will be full-scale administrative reform which is to be carried out next year and formation of foreign policy which will be mainly concerned with readjustment of relations between Japan and the United States. The role of the minister of finance will be particularly important for the former while, for the latter, the big

question will be who is to take the post of foreign minister. Unfortunately, because of the publication schedule for the magazine, I cannot discuss this question at this time.

I would, then, like to ask the prime minister about his basic political attitude. With what sort of resolution will he, at the head of his reorganized cabinet, assume responsibility for the nation and the people? Will he face the tumultuous and complicated global situation with the same obliviousness to international politics he has shown so far? Will he continue to have an integratiating attitude toward the mass media and the opposition parties as he has up to now?

I will give one further example. This happened prior to the reorganization of the cabinet but, an article in ASAHI SHIMBUN on 11 November said that the government "decided not to accept the request for incorporation of the private sector's Japanese Civil Defense Association (Chairman Kingo Machimura) and had reported this to the Subcommittee on Civil Defense (chaired by Keizo Kobuchi) of the Liberal Democratic Party's Security Affairs Research Council which was promoting the movement toward incorporation. The question is what were the reasons for this move.

According to the newspaper article, the reason was that "there is still no national consensus on civil defense which would include defense against the disasters of war" and the move was made out of caution against the criticism that by allowing the incorporation the government was stirring up a sense of danger among the people and thereby lending impetus to increases in defense capability.

The problem is that matter of a "national consensus." It would seem that on the working level the decision on the policy of not permitting incorporation of a civil defense association was probably made by the prime minister's office and it would seem that was certainly Chief Cabinet Secretary Miyazawa who made the final decision. Without doubt, he asked Prime Minister Suzuki's wishes in this process.

This is so because the association is not simply an association of private citizens. It is a known fact that Mr. Kingo Muramachi is the chairman of the association and that the association has the backing of the Subcommittee on Civil Defense of the Liberal Democratic Party's Security Affairs Research Council. In view of this fact, the application for incorporation could not have been rejected without a political decision by the highest level of government. If this is so, then it is clear that it was Prime Minister Suzuki and his close associate Chief Cabinet Secretary Miyazawa who decided that "there is still no national consensus on civil defense which would include defense against disasters of war" and who were therefore afraid of a reaction from the people.

This is an alarming turnaround. What becomes national consensus is not a spontaneous product of nature. Points of contention are presented and consensus is formed in the process of discussion. The ones which provide the points of contention are the government, the political parties, the mass media and groups from the private sector. The entity which is in position to take the initiative provides the point of contention. In a system of political party government it is to be expected that the government will provide the points of contention in

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its discussions with the opposition parties; this has become the usual practice in Western Europe.

Accordingly, if we look at the case of the civil defense question, since the Liberal Democratic Party initiated the project and applied for incorporation in order to intensify its propaganda activities to educate the people, the Suzuki cabinet, which is a Liberal Democratic Party government, should, of course, have given permission if the conditions needed for incorporation were satisfied. This in itself would have constituted presentation of a point of contention to the people by the government and the Liberal Democratic Party.

If the people were opposed, the government should try to persuade them. If the people can by no means be convinced, the government should develop a debate of basic issues on a national scale. The debate should cover such questions as: Shall we assume, then, that it is all right to entrust the defense of Japan to the Self-Defense Forces alone? If so, shall we not at least clearly grant constitutional existence to the Self-Defense Forces by revising article 9 of the constitution?

Or shall we assume that the security of Japan can be guaranteed by unarmed neutrality?

If Prime Minister Suzuki continues in this policy of running away from issues, his cabinet will do today's Japan much harm and no good at all. I earnestly hope that the ministers of the reorganized cabinet will rise to the situation.

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MILITARY

LDP PLAN TO LAUNCH 'SECURITY SATELLITE' DISCUSSED

OW051131 Tokyo SANKEI SHIMBUN in Japanese 1 Jan 82 Morning Edition p 1

[Article by Saneyuki Kodachi]

[Excerpts] Now that the mounting international tension in connection with the Polish and other developments has made it necessary for Japan to build up its defense potential, the LDP, in cooperation with the defense agency's uniformed officers, has decided to begin working out plans from the outset of the new year to launch a Japanese security satellite.

The decision was born from the notion that Japan, whose national policy is to defend itself exclusively for the purpose of self-defense, must have a satellite to promptly monitor military developments in the Far Eastern region of the Soviet Union, a potential threat to Japan, by taking photographs and to have at its disposal the "rabbit's long ears" to monitor world developments without a moment's delay.

The LDP Security Affairs Research Council, headed by chairman Asao Mihara, is soon to begin a study on the plan and in February Taro Nakayama, former director general of the prime minister's office and chairman-designate of the LDP special committee on space development, is scheduled to visit Washington to feel out the United States about its cooperation.

If this plan materializes, Japan will become the third country to have a security satellite, after the United States and the Soviet Union, and hence it may create an international stir.

Presently, whenever Japan wants to know something about Soviet military developments such as the development of troops on the four northern islands, Japan asks the United States for information. However, as a defense agency official said, "The United States makes information available to us only when it thinks that doing so is all right; it seldom provides us with photographs."

A civilian official of the defense agency said, "Although no commitment has been made between Japan and the United States on providing information to each other, we believe that, in case of an emergency directly affecting Japan's security,

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the U.S. side will provide us with information." However, uniformed members of the agency believe that "now that the situation changes from moment to moment, we cannot meet our objectives by only relying on the United States for information." Against this background, the talk of launching a Japanese security satellite has gained momentum.

In connection with these moves, Makoto Genda, chairman of the LDP Defense Affairs Council, is eager to promote the satellite launching plan in earnest. He said: "To possess a security satellite means to prevent war. With its science and technology Japan can develop by itself both the satellite and the rocket necessary for its launching. This is a matter of political decision."

Asao Mihara, chairman of the Security Affairs Research Council, made it clear that his council should begin studying the plan immediately. He said: "Since other members of the research council have made similar recommendations and since I believe that this is an important idea, I would like to put the matter to a study, with the Foreign Ministry also participating in it."

Whether Japan should develop the security satellite domestically, ask the United States for technical cooperation, or purchase the necessary rocket and even the satellite itself from the United States remains a question.

Regarding the rocket necessary for the launching, this requirement can be met by using the N-II type rocket used by the National Space Development Agency to launch the meteorological satellite "Himawari-II" to an altitude of 36,000 km last August. However, this rocket contains only 56 percent of domestically produced parts; the balance is either purchased from the United States or produced under a licensed production system.

As a result, it appears to be the quickest and simplest way to seek technical cooperation from the United States; this will also be a way of reducing Japan's trade surplus vis-a-vis the United States.

Former prime minister's office director general Nakayama plans to visit the United States in mid-February and meet congressional leaders in the scientific, foreign relations and defense areas--including his friend, Don Fuqua, chairman of the House Science and Technology Committee--and officials of the National Aeronautics and Space Administration. He will try to find out what the U.S. side thinks about the plan and also seek the understanding of the U.S. side in the interpretation of the notes exchanged (in 1969) on cooperation between Japan and the United States in space development.

After seeing the U.S. reaction, the defense agency, the science and technology agency and other pertinent government agencies will establish a committee for the study of the security satellite to formally start the necessary survey and research work. Thus, the LDP wants to make the security satellite one of the pillars of Japan's security in the period of the post-1981 mid-term defense estimate.

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Stressing the significance of the satellite, Nakayama said: "The AWAC's which the defense agency purchases cost 12 billion yen apiece but a security satellite can be launched at a cost of 20 billion yen. So, it will lessen the defense burden of the nation. Besides, if and when Japan possesses a satellite, the Soviet Union will not easily carry out any rash actions.

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ECONOMIC

NATION'S TRADE FRICTIONS DISCUSSED

OW092346 Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Jan 82 p 2

[Editorial: "Present Stage of Trade Friction and Japan's Response"]

[Text] Given the present vitality of the Japanese economy, the trend toward an ever increasing trade surplus is unlikely to die down unless it hits some wall. So, as in the past, trade friction is bound to increase. Judging from all indications at hand, it appears that the trend toward a greater surplus will encounter the wall of protectionism which underlies trade friction. In predicting how our trade problems will develop this year, we can safely say that Japan has come to a critical crossroads of having to decide whether it should take the initiative on its own to curb the growing trend or let things take their own course until they hit a wall.

European countries and the United States are criticizing Japan more bitterly than ever before because Japan alone recorded a huge trade surplus while they suffered economic difficulties in the past year. At times, they made ominous statements that smacked of a threat of retaliation. In the case of the United States, these statements may have come in view of the coming off-year elections in the fall. Many voices warn that this will be a year of more acute trade friction. Various moves at home and abroad certainly point to that possibility.

U.S. Ambassador Mansfield sounded a warning at the Foreign Press Club on 6 January, and his warning was couched in a stern tone no one imagined to hear from the pro-Japanese envoy. Senator John Danforth, chairman of the International Trade Subcommittee of the Senate Finance Committee that is studying a bill to restrict imports from Japan, arrived on 7 January. His arrival also suggests something ominous. It is certain that the U.S. congressional hearing on Japan, that will resume late this month, will become a forum for a chorus of criticism against Japan. The hearing will coincide with the release of statistics on U.S. trade with Japan.

There are many important international conferences scheduled for this year, beginning with a four-nation conference in Miami on 15-16 January, a summit meeting of leading industrial nations in France in July and GATT ministerial

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conference in November. It appears inevitable that Japan's trade surplus will be a major topic at each of these meetings. In this sense, 1982 will be a year of suffering for Japanese trade.

Qualitative Change of Trade Friction

Of course we do not have to be nervous about each tough statement made against Japan from abroad, but we must note that the present trade friction has changed considerably in quality from that of before. Take the Japan-U.S. friction, for example. Owing to the industrial slump in the United States, the automobile issue still remains a source of U.S. complaints toward Japan even though Japan has imposed voluntary regulations on its automobile exports. However, the object of the friction has now spread to the area of ultramodern [sentanteki] technology--in general involving electronics technology--without being limited to individual items. Due partly to national defense reasons, the rapid narrowing of the technological gap in the area of ultramodern technology is prompting the United States to be more vigilant against Japan.

An important thing to note is that the United States, putting the principle of reciprocity to the fore as a means of correcting the trade imbalance, is exerting more efforts on opening up the Japanese market than on quantitatively controlling imports of controversial goods.

The lowering of tariffs on ultramodern technological goods, the removal of non-tariff barriers, a review of the import quota system for beef and citrus fruits and the liberalization of banks, the stock exchange and other service trades are the immediate targets. It is evident that the United States is seeking a rollback in areas where it is highly competitive. In view of the tenacity of the U.S. demands, it may be safe to say that, after experiencing long frictions over textiles to automobiles, the trade relationship between Japan and the United States is about to reach its final stage at long last.

At the same time, as criticism of Japan over its closed market now extends to Japan's import procedures, commercial practices, traditions and other cultural traits, the trade friction is now taking on the look of a cultural friction. This might be called a remarkable characteristic of the latest friction.

In a sense, a cultural friction undoubtedly lies at the root of the trade friction. However, it has been possible thus far to dispose of it before this phenomenon came to the fore. The fact that this phenomenon is now coming to the fore may be evidence that the trade friction is at a crucial point. A cultural friction runs the risk of making the issue more cumbersome as it is apt to create wanton emotional "reflexes."

What is more annoying is that Japan is running more and more short of effective means to cope with its trade frictions with the advanced nations of Europe and the U.S. Japan's positive action in carrying out tariff reductions 3 years ahead

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of the schedule agreed on at the Tokyo round deserves high evaluation but is eclipsed by the huge trade surplus. In the area of nontariff barriers, Japan is preparing to carry out drastic improvements and readjustments, such as simplifying import procedures strongly urged by other countries. However, the effect it will have on expanding trade is also not expected to be so fruitful.

Cooperation Toward Preserving the Free Trade System

But we are not saying that this is a futile effort. Although individually these measures may not be effective, we should take them to a great extent. It is also advisable to advance the proposed review of the import quota system for farm products. The problem, however, is the possibility that despite all these measures Europe and the United States would still have deficits in their trade with Japan and how Japan should cope with steps that they might take under such circumstances.

U.S. Ambassador Mansfield said that it is important that U.S. commodities be allowed to enjoy free access to markets in Japan just as Japanese goods are in the United States. Some high-ranking officials on the U.S. Government even say that only if Japan opens up its market, it is all right with the United States if deficits still remain despite the Japanese measures. Nevertheless, this is a matter of degree. If the economic pinch in the United States drags on, discontent will naturally resurge, eventually leading the United States, too, to take the final measure to directly regulate imports from Japan. Japan should consider such a development to be a possibility.

If taken, such a protectionist step will surely prompt inflation and hamper the very revitalization of the U.S. economy. It is obvious that if the United States--the standard-bearer for free trade--takes such a step, it will invite other countries to take the same action and lead to a reduction of the world trade. It is easy to talk about demerits of protectionism and argue for free trade. However, would a country, which supposedly already lost its reason and ran to protectionism, possibly have an ear to lend to this appeal?

Yet, Japan is in the position to loudly advocate and maintain the free trade system. This is an indispensable precondition for Japan's survival in the international community and it should be noted that Japan will suffer the hardest blow by protectionism. In this sense, it is Japan that should now be most active in preserving the free trade system. To this end, Japan will require self-restraint at times and need to offer active economic cooperations to countries that are in economic difficulties.

It should be noted that the most important thing for Japan to do now is to avoid creating situations that could force the United States to renounce the principle of free trade. In this context, now is the most critical moment.

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ECONOMIC

OPENING OF JAPANESE MARKET ADVOCATED

OW060945 Tokyo THE DAILY YOMIURI in English 4 Jan 82 p 2

[YOMIURI SHIMBUN 4 January editorial: "Open Our Market"]

[Text] There are good prospects that 1982 will be a much better year than 1981 for the world economy, providing there are no great upheavals in Poland or the Middle East.

What leads to optimistic forecasts is that the oil supply situation is becoming stabilized, inflation rates in many countries have been gradually dropping and high interest rates have been coming down.

But the brighter course for the world economy still depends on relatively stable political conditions and avoidance of a major confrontation. And if 1982 can be turned into the "year of peace" through progress in disarmament, then defense expenditures can be trimmed and living standards for the world's peoples can be lifted.

Hard War on Inflation

Although the second oil shock was not as severe as the first, the world nevertheless has had to struggle hard to defeat inflation. Inflation appears almost licked, but high interest rates imposed to combat high prices are still causing serious problems.

According to the Organization for Economic Cooperation and Development (OECD), the economic growth rate in 1981 was minus 0.25 percent in Europe and 1.75 percent in the U.S. However, an economic upturn is expected in the second half of 1982 and the real economic growth rate for that period will be 2.25 percent in Europe and four percent in the U.S. The rate for the entire year will be 1.5 percent in Europe and minus 0.5 percent in the U.S.

Japan is expected to fare better with an economic growth rate of 3.75 percent in 1981 and the same in 1982. Also, prices are expected to rise by only about four percent in 1982 with an unemployment rate of 2.2 percent.

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Keep Growth Conservative

However, Japan should be careful not overstimulate the economy. We believe that the government's goal of attaining a 5.2 percent economic growth in 1982 is too high. The government should reduce its deficit spending and employ flexible policies.

In 1981, dialog between the north and the south was maintained in Mexico. However, the question for 1982 will be whether developed and developing countries can agree to global negotiations in the UN on a new economic order.

Japan's major international task for the new year will be to eliminate trade friction with the U.S. and Western Europe and this can only be done by opening Japan's market.

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ECONOMIC

NATION'S ROLE IN WORLD ECONOMY VIEWED

OW060951 Tokyo MAINICHI DAILY NEWS in English 5 Jan 82 p 2

[Editorial: "Japan and World Economy"]

[Text] The advanced capitalist countries except for Japan are taking great pains to overcome the state of an overall economic crisis, while socialist countries have exposed the defects of their managed economies as evidenced by the crisis in Poland. In the Third World, the poorest nonpetroleum producing developing countries are in a far worse plight as shown by the recent UNICEF report on world children.

The Organization of Economic Cooperation and Development (OECD) made somber forecasts toward the end of last year regarding the economic climate of its member countries this year. The OECD predicted that the real economic growth rate would be a little over 1 percent, as in last year, while the number of persons out of work would increase from 25,750,000 at the end of last year to 28,250,000 about the middle of this year. It also stated that the deficits in current accounts as a whole would reach \$27 billion.

Against such a background, Japan's unemployment rate is expected to stay low with its current account surplus reaching an estimated \$17 billion. Voices in favor of protectionist trade will gain momentum in Europe and America, and Japan will find it difficult to parry trade frictions with the United States and Europe. The situation is particularly serious because the gap in current accounts is deeply rooted in structural differences, such as the difference in economic vitality between Japan and the Western nations.

The United States under President Reagan and Britain under Prime Minister Thatcher have been enforcing economic policies with emphasis placed on the market mechanism. Hence the unemployment rates in these countries have increased at a jump. It is the revival of bare, heartless capitalism that prefers efficiency to justice. How far can they push through such policies at the sacrifice of the masses?

Another factor threatening to jeopardize President Reagan's economic plan is his military expansion policy requiring \$1,500 billion over five years. As

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a result, the deficit of fiscal 1982 will top \$100 billion. This may play a role of stimulating business to some extent, but it is believed almost certain that the deficits will total a record \$300 billion in fiscal 1983 and 1984 when business is expected to pick up. Escalation of inflation or revival of high interest rates is unavoidable.

The slack economy of the Soviet Union and other Eastern European countries is largely due to the exorbitant military spending, more than 10 percent of the GNP, in addition to the inflexibility of planned economy.

Irrespective of the pattern of the economy, capitalism or socialism, military spending blocks the accumulation of capital and slows down economic growth. The low economic growth rates of 2 to 3 percent in real terms in the Soviet Union are attributable to its huge military spending.

Aside from such structural problems, the Suzuki government should have compiled a budget for 1982 with emphasis placed on the promotion of domestic demand in order to avoid intensification of trade frictions. The government has stuck to its fiscal policy aimed at discontinuing the flotation of deficit-covering national bonds in three years.

Since this country is championing free trade, we believe that Japan should drastically open its markets, including those for agricultural products. It should also take a serious view of the north-south problems.

Low-income developing nations are hard pressed as they depend heavily on the exports of primary products. Technological cooperation and increased Official Development Aid (ODA) are essential for the relief of the nonoil producing developing countries. The Suzuki cabinet in its 1982 budget draft increased Japan's ODA by 7 percent over the previous year, but at this rate it is next to impossible for this country to realize the UN target of 0.7 percent of the GNP by 1985.

The government declaration that Japan, as an economic power, will carry out its international obligation through economic assistance will sound hollow. It must be remembered that many Western countries complain that Japan has been pursuing its own economic interests without sharing international obligations.

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ECONOMIC

FUTURE COURSE OF TRADE PROBLEMS WITH U.S., EEC VIEWED

Tokyo BUNGEI SHUNJU in Japanese Oct 81 [page numbers unavailable]

[Text] There is a source of anxiety everywhere. Cannot this be said to be the actual impression concerning the trade problems of Japan? Just at the moment we thought that the automobile problem has been generally settled, difficult problems ranging from the IC and LSI to communications computers have arisen, one after another. However, Japan, which has basic technology which will provide the pivot for the future renewal of technology, along with the United States, will not be permitted to make any complaints. How should Japan cope with the situation, as a leader of the world? We had the Japan-U.S.-Europe trade problems explained through dialogues between ITI Minister Tanaka, who has returned home after exchanging frank views with leaders of various European countries and the United States, and Jiro Tokuyama.

TOKUYAMA: Mr Minister, you very energetically visited five countries, including EC member nations and Saudi Arabia, in June, didn't you?

In Europe, political instability factors have increased to a very great extent, and it is facing various difficult problems. It seems that its attitude toward the Soviet Union is also very different from that of the United States. What impressions have you gained through your round of visits this time?

TANAKA: From a short-range viewpoint, will every country not strengthen its protectionist trend, for the time being?

Anyway, the United States' and the EC member nations' trade with Japan shows a large-scale excess of imports. No matter how emphatically we say that we are carrying out orderly exports, or that we are not suddenly increasing our exports, the trade deficits with Japan are increasing, as a matter of fact. They say this is different from what Japan has said.... (grim smile)

TOKUYAMA: I see.

TANAKA: Therefore, I asserted that the remedy for surmounting this imbalance in trade is for the nations to expand each other's trade under a free trade set-up. But I feel that this [argument] was not understood at all.

Therefore, I asked them if they really desire protectionism, and whether they will go in that direction, from a long-range viewpoint. However, neither Britain, the Netherland, nor Belgium wants to do that.

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That is why there is still hope.

Between Free Trade-First Principle and Protectionism

TOKUYAMA: The problem is how to hold down the protectionist trend and how to maintain the free trade-first principle, isn't it?

TANAKA: Yes. At the time of my visit to Europe this time, various discussions were conducted, in order to maintain and develop the free trade-first principle. As a result, I think that the automobile problem, which was a very big pending problem, has been settled, for the present. The other party did not say such a thing, but its stand was that it only saved Japan's face, and that it did not really understand [Japan's position]. I have returned home, gaining such an impression.

TOKUYAMA: If so, do you think that in regard to trade relations between Japan and various European nations, there is the possibility that difficult problems will still arise from now, if further efforts are made?

TANAKA: Yes. The situation will be difficult, so long as figures, which show such a large-scale imbalance as at present, appear, and unless the general depression mood disappears, won't it? At any rate, both the unemployment rates and the consumer price rise rates in European countries and the United States are very high, compared with those in Japan.

As for the situation concerning the economic growth rate rise as of 1980, Japan registered 4.2 percent, the U.S.--a minus 0.2 percent, Britain--a minus 3 percent, and West Germany--1.8 percent....

Therefore, Japan must not only carry out coordination in the field of exports, but must also make efforts to expand its imports of manufactured products on a large scale, from now. For that purpose, it was decided that large-scale import missions will be dispatched, and that other countries concerned will also dispatch missions, while holding trade fairs in a positive way. After returning home, I have immediately sought the cooperation of industrial circles concerned. I am thus making efforts in real earnest.

TOKUYAMA: I am grateful for your efforts. When I went to the United States some time ago, in connection with the Japan-U.S. Businessmen's Conference, I met Mr Kissinger. I asked him how he views Europe, and he also replied that it is an undesirable situation. Thus, [the situation in] Europe is very difficult. On the other hand, however, the United States feels that there is no need to take such a pessimistic view.

The problems of textiles, color TV sets, and iron and steel have already been settled. Also, in regard to the automobile problem which was the most difficult problem, the situation has passed its climax, due to the efforts by you, Mr Minister, and others. It is also said that the remaining problem concerns the IC (integrated circuit) and the LSI (large-scale integration). But Japanese industry circles concerned have taken such forestalling measures as plant advance into the United States. Therefore, I do not think that such a situation as seen in the past will occur.

What Is Difficult Problem To Come Following Automobile Problem?

TANAKA: At present, the United States is carrying out policies, with the revitalization of its economy as the priority target. It has also formulated a policy under which the inflation will probably be checked to some extent, at least during the next 1 year. If this policy proves successful, will it not result in the United States' quickly recovering self-confidence, particularly because it has potential power?

On the other hand, however, it is necessary to consider measures, entertaining some doubts as to whether the situation will develop as mentioned above, isn't it? The reason for this is that if the situation does not develop as expected, then the United States may change its policies completely.

TOKUYAMA: We must prepare two or three such scenarios.

TANAKA: Yes. For example, the SRC II (Joint Coal-Liquefaction Development Project) for the purpose of turning coal into liquefied oil through the processing thereof has been suddenly suspended under the Reagan Administration. To begin with, this project had been proposed by the United States.

TOKUYAMA: The Nixon shock--diplomacy with China, going over the head of Japan. And, as for a recent example, the lifting of the embargo on agricultural-product exports to the Soviet Union is a shock, isn't it? [The United States] looks unconcerned even after doing such a thing. In the case of Japan, such a situation is rather inconceivable. Is this based on the top-down management formula of the United States?

TANAKA: In the past, it used to be said that if the U.S. coughs, then Japan will catch cold. However, the structure of Japan has now been strengthened; therefore, such a situation will not occur any more. But it is necessary for us to make constant preparations, at least, in regard to the point that the United States may change its policies, isn't it?

TOKUYAMA: I am an outsider. When viewing the situation from the outside, I think that the Japan-U.S. trade frictions, that is, the friction over commodities under the jurisdiction of MITI, has passed its climax, for the present. I want also the automobile problem settled, somehow or other.

As for future prospects, I think that demand concerning the service industry may increase. The reason for this is that for example, in the United States, banking business is recently going quickly in the direction of liberalization, and that many other types of companies, besides banks, are also conducting business similar to banking. I think that the United States will reciprocally request Japan to do the same thing in such a field. Will not the Japan-U.S. economic friction be shifted in that direction, from now? I returned home from the United States, entertaining such an impression.

TANAKA: To be sure, it is necessary to make sufficient preparations, in advance, so as to cope with friction, not only in the field of hardware, including automobiles and iron and steel, but also in the field of software, as you mentioned now, isn't it?

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TOKUYAMA: Of course, it is necessary to pay attention also to the communications computers called the IC, LSI and CC. According to an estimate formed by the U.S. Department of Commerce, 20 percent to 30 percent of the personal computers to be used by the United States will be produced by Japan by 1983. It cannot be said, therefore, that there is no fear that friction may arise in that field.

Basic Problem Concerning Renewal of Technology

TANAKA: Anyway, export-competition society, where technological competition power or technological power will carry weight, will be established in the future. In that case, it will be necessary to gather information as to how the world views Japan, and it will also be necessary for us to consider constantly how to cope with the situation.

On that point, I am rather like a natural worrier, but there are many headaches. (grim smile)

TOKUYAMA: This may be natural for the supreme responsible person, but I express my sympathy to you. (laughter)

Frankly speaking, there are interesting figures. The industrial revolution in the past developed, centering on iron and oil. At this time when we have undergone two oil shocks, the realization of rationalization through the combination of machinery and electric power has already reached its limit. I think that the combination of electronics and machinery will be carried out from now, while communications computers will probably take the place of oil and iron.

However, the IC market share in the world for 1979 was about 72 percent for the United States, about 24 percent for Japan, and only 4 percent for West Germany which was said to have been the biggest technological power in Europe. Moreover, [West Germany] has been carrying out such a meister system as adopted in the age of handicraft.

TANAKA: What a country West Germany is! What about the field of mechatronics industries (including the unified industrial and numerical control machine tools or industrial-use robots, with LSI's and other electronic appliances built in the machinery) which are said to trigger industries for the future?

TOKUYAMA: Even when limited to the computer alone, West Germany's share is 10 percent or so. Even when limited only to antibiotic substances which are important for life science, West Germany stands at 8 percent.

In other words, the market share rates of industries relying on the large-scale and basic technology to be developed in the 1980's are all one-digit figures, in the case of West Germany. Only Japan and the United States will survive in the future.

TANAKA: It seems that the IC, LSI and VLSI are monopolized by Japan and the United States, doesn't it?

TOKUYAMA: It can also be said, therefore, that there is the possibility that if wrong measures are taken to cope with the situation, it will cause a different type of friction between Japan and the United States.

It Is Important To Promote Development of Service Industries

TANAKA: As for the IC, investment exchange among IC-connected manufacturers is progressing smoothly. Thirteen U.S. companies have advanced into Japan, while five Japanese companies have advanced into the United States. If such exchange on a private basis is maintained and developed, I think that the situation may go in a rather good direction.

TOKUYAMA: Private-basis exchange is important, isn't it? The renewal of technology through the development of the IC industry will have effects, not only on the improvement of productivity and the economization of resources and energy, but also more widely on society as a whole.

At any rate, industries will very greatly change, due partly to the development of CC's. Therefore, it is necessary to define the position of the CC as a problem concerning the basis of Japan's industrial policy, isn't it?

TOKUYAMA [TN: sic]: Yes. Yes. If costs in the field of CC's decrease on a large scale, I think it may be effective also in curbing inflation through the promotion of industrial efficiency. However, that field is connected also with the Transportation and the Postal Services ministries. [TN: From this paragraph on, Tokuyama obviously should be Tanaka, and Tanaka--Tokuyama.]

In the United States, communication, truck transportation, and air transport are also going in the direction of liberalization. The same thing can be said also of the software for computers. They are also service industries like the banking business as mentioned above, aren't they?

It will become difficult to settle problems, with each nation as the unit, in the future. For example, there will arise many problems, such as public nuisances, unemployment, inflation and international financing, which problems cannot be solved under any already-established concept. I think it will become necessary to try to cope with the situation, from different angles, in the future. That is why I feel that we must weaken the concept of national border.

TANAKA: Are leisure industry-connected sectors also included in the scope of service industries?

TOKUYAMA: They are also included. However, they are oriented toward consumers, so to speak. As for a definite direction in industries, the main core is rather formed by the service industry, including transportation, communications, and banking, which industry is an industry for the purpose of vitalizing other types of industries.

TANAKA: You mean that it is a service industry for securing the further expansion or stimulation of production, rather than a service industry for the same of consumption, don't you?

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TOKUYAMA: I have such a feeling. If the establishment of mutual communications becomes possible, then one will be able to carry out a rather large amount of one's tasks at one's own home, even without reporting for work at one's company aboard a jam-packed train. This is such service that at offices, paper will become unnecessary. It will become connected with higher productivity.... At present, productivity in offices is most lagging behind. This situation will change.

TANAKA: If so, the way of administrative guidance in Japan will change very greatly, won't it? (laughter)

Let me go back to the original subject. The situation of stagflation has been continuing in Europe and the United States. The Middle East is also strange. Also, in the case of India, Pakistan, and Bangladesh, the development of their respective economies has not easily put on the correct track. In South America, too, inflation is strong. When viewed this way, there is uneasiness about the point that whatever good-quality commodities Japan tries to sell at low prices, the world may not carry out any further purchases, isn't there?

To Prevent Japan's Suffering From British Sickness

TOKUYAMA: If this is so, will the problem not be boiled down to the point of what should be done about relations with ASEAN, which you, Mr Minister, have visited as often as twice after your appointment to your present post, Australia, and other countries neighboring Japan? [TN: From this paragraph on, the names clearly correspond to the respective statements].

TANAKA: The world is maintaining peace to some extent, but there is trouble in any country. In the midst of this situation, Japan has been fulfilling its role as an engine country of the world in the economic field. However, the actual situation in Japan is also very serious. At any rate, from a historical standpoint, too, it is rather unusual for every country of the world to be in such an age of instability as at present, isn't it?

TOKUYAMA: When viewed ironically, however, Japan seems to be absolutely strong and stable, on the surface, but it contains also fragile fields, below the surface.

For example, when the total area of swimming pools within Tokyo Metropolis is divided by the number of visitors, the area per capita will become only 50 square centimeters. Under such circumstances, it is quite impossible to swim there.... (laughter) One gets up early in the morning, to go swimming in the ocean, but one cannot arrive at one's destination, due to the traffic congestion. One goes home, without enjoying a swim in the ocean, and arrives at one's home around 2 o'clock the next morning. There is a funny story, to that effect, isn't there? This is symbolic of the fragility [of Japan] before the surface. (laughter)

TANAKA: The situation would differ if this were an age of high-rate growth, but if the period of low-rate growth continues, how to support the 117,000,000 people of Japan, without lowering their standard of living, will become a very big task.

TOKUYAMA: I really think so. This is all the more difficult, because the people will not abandon their vested rights.

TANAKA: For example, in Britain, the "cradle-to-grave security" system has been carried out thoroughly. As a result, however, its economy has become stagnant, due to the British sickness. (laughter)

West Germany has also stated to become out of breath.

This is one example, but I think it important for Japan to diagnose comprehensively the symptoms of various other countries, which symptoms have been developed so far, and to consider appropriate remedies, thus coping with the situation, in advance.

To Enhance Awareness of "Dialogues and Participation"

TOKUYAMA: In Europe and the United States, education has developed, and welfare has spread, with the establishment of an affluent society. However, in some respects, the spirit of self-help seems to have been lost. People do not work very hard. The United States and West Germany are having immigrants and foreign workers carry out the dirty jobs. However, Japan is exclusionist, and it does not permit immigration. In the past, no people, besides middle school graduates or lower-educated persons, used to want to become super-market employees. At present, however, some super-markets have university graduates as employees. Such employees, ranging from higher-grade ones to lower-grade ones, are all skilled persons.

Moreover, industries will come to use extremely high-level technology in the future; therefore, tasks concerning such industries cannot be carried out except by highly-educated persons.

TANAKA: On that point, Japan is far ahead of other countries, isn't it? In other words, the strong point of Japan is that fine-grained consideration has been given as to human relations. Another reason is that school education is being carried out thoroughly.

I think that Japan will be invincible toward the world, so long as it domestically adopts this system. However, there is the problem of whether it will be accepted as is, in the case of advance into foreign countries, isn't there?

TOKUYAMA: In regard to the problem of advance into foreign countries, it is necessary for us to focus our attention on the Pacific bloc, including ASEAN, Australia, and Mexico, instead of leaning toward the United States or the EC alone, as in the past.

Efforts should be made to manufacture even intermediate products overseas and to send them to Japan, thus refunding a part of the profits to the local areas concerned. More Japanese persons should advance into foreign countries and produce agricultural products there under contracts. They should send such agricultural products to Japan. Thus, they should endeavor to establish friendship with the peoples of those countries. In particular, I think that young people should make sufficient preparations, from now, so as to advance overseas. No one wants to go abroad, because Japan is very affluent.

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TANAKA: On that point, costs concerning communications and transportation will be lowered as you said previously; therefore, it will become possible to manage even a vast area like the Pacific bloc. For that purpose, it is necessary to make positive efforts to "develop human resources" as proposed by Prime Minister Suzuki.

Moreover, what is necessary now within our country, is "dialogues and participation." Efforts should be made to strengthen the domestic view that dialogues should be conducted in the social, economic and all other fields, and that we should participate in such dialogues. After that, this view should be utilized internationally.

Efforts must be made to establish a comprehensive set-up for carrying out this [plan].

At any rate, it is no longer possible for Japan to advance, while thinking only of domestic affairs. We must constantly have an awareness of "Japan in the world and endeavor to cope with the situation."

TOKUYAMA: That is right. However, the point, about which we must be cautious, is that if we try to shift the domestic sense of balance, which the Japanese people have, to an international sense of balance, then we may suffer a setback. Therefore, I think that how to coordinate the two kinds of sense of balance, is a problem.... The next problem is how to correct the trade imbalance.

What Lies Behind Trade Imbalance

TANAKA: In connection with this problem, I think that also, in Japan, there are still some points which should be improved. However, I wonder whether foreigners are making greater sales efforts than Japanese quarters concerned. For example, when compared with the number of trade connected persons, dispatched by the United States or EC member nations to Japan, who are now staying here, the number of trading company resident-employees, dispatched by Japan to those countries, is overwhelmingly large.

Such efforts, made by Japan from before, are now bearing fruit, to some extent. It is unreasonable to regard only the commodity items, which are enjoying good sales, as a target for attacks, without taking this fact into consideration. (laughter) I want to emphasize that various West European countries should understand such an enterprise attitude a little more, and that they should make greater efforts.

TOKUYAMA: I agree. I was resident in New York early in the 1960's, and I used to wonder if Japanese automobiles, which were not very smart, would see good sales in the United States. However, the situation has developed as seen at present.

The reason for this is that the automobile industry of Japan has repeatedly made desperate efforts, isn't it? In Europe and the United States, there were no such efforts. Another reason is that they did not regard Japan as a market.

TANAKA: They noticed that Japan had already become a strong market. They hastily made sales efforts, but their products did not sell well, because they had not

repeatedly made such efforts. Moreover, the demand for such products decreased further, because Japan manufactured better-quality products.

TOKUYAMA: Therefore, in regard to relations with Europe, greater efforts must be made from now, and the problems will not be settled so easily. On the other hand, the United States still has rather great capability. If the United States succeeds in using it for revitalizing its industries, then it will come to take a mentally flexible attitude. In that case, the stiffness of relations with Japan will decrease, too. Moreover, if the United States promotes also the development of Europe, as the leader of the world economy, it will leave nothing to be desired.

TANAKA: At any rate, therefore, Japan need not very exaggeratedly call itself an economic big power, nor does it have to have an awareness of its position as a big power, as at the time when it was a military big power. However, it is necessary for the Japanese people to take action, taking quickly the view that they should fulfill their global responsibility, while awakening to their heavy responsibility, and that this will result in promoting the interests of Japan. Furthermore, this is also a good time for the Japanese people to become adults. The government, academic circles, and the people must all carry out a "spiritual revolution," in that meaning.

If the Japanese people only burn in their hearts with the sense that in the new age, they should create something new, then they will probably be able to cope skillfully with any change in the situation. The Japanese people have adaptability, and their long history shows that they eventually succeed in absorbing everything, though saying this or that, and that they make it their own asset.

TOKUYAMA: I really think so.

TANAKA: The world is very unstable. In the midst of this situation, however, I think that Japan must continue constant efforts to turn itself into a country, which will have a high degree of stability, and which will be of excellent quality, though it is as small as a diamond. Even for that purpose, I have instructed the officials of my ministry to make strenuous efforts, having an awareness of the principles of dialogues and participation.

Comparison of Nations Concerning Imports of Manufactured Products (1979)

	Total Import Amount (\$1 Million)	Amount of Prod- uct Imports (\$1 Million)	Rate of Prod- uct Imports (%)	Per-Capita Amount of Prod- uct Imports (\$1)
Japan	110,108	27,490	25.0	248
US	217,462	122,319	56.2	556
West Germany	80,637	41,656	51.7	679
Britain	60,036	36,621	61.0	655
France	53,312	21,978	41.2	411
Italy	42,072	12,956	30.8	228

(Sources) OECD Statistics, etc.

Note: Trade within the EC area is excluded, in regard to the EC member nations.

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Balance of Exports and Imports between Japan and US and EC
(Clearance Statistics [\$1 Million])

US

	1979	1980	1981 (Jan. to May)
Exports	26,403	31,367	14,531
Imports	20,431	24,408	10,783
Balance	5,972	6,959	3,748

EC

	1979	1980	1981 (Jan. to May)
Exports	12,685	16,650	8,207
Imports	7,581	7,842	3,465
Balance	5,105	8,808	4,742

Real GNP Growth Rates

(%)

	1978	1979	1980
Japan	5.1	5.6	4.2
US	4.8	3.2	*0.2
West Germany	3.6	4.5	1.8
France	3.8	3.2	1.3
Britain	3.2	1.7	*3.0
Italy	2.5	5.0	4.0
Canada	3.4	2.7	0.0

Asterisks denote minuses.

Rates of Increase in Consumer Prices

(%)

	1978	1979	1980
Japan	3.8	3.6	8.0
US	7.7	11.3	13.5
West Germany	2.7	4.1	5.5
France	9.1	10.7	13.6
Britain	8.3	13.4	18.0
Italy	12.4	15.7	21.2
Canada	9.0	9.1	10.1

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ECONOMIC

NISSAN MOTOR PRESIDENT INTERVIEWED ON COMPANY PLANS

Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Dec 81 p 7

[Interview with Shun Ishihara by NIHON KEIZAI SHIMBUN reporter Kurama]

[Text] Nissan Motor President Shun Ishihara, who is said to be the "busiest" president in Japan, travelled to many places both at home and abroad, this year, too, and formulated one bold strategy after another in order to survive the global war over small-size automobiles. One of them is the plan on the plant advance to England. After an approximately one-year-long survey, he has finally determined to tackle the construction of the plant. Next year, the construction of this plant and the construction of the plant in the U.S. for small-size trucks, which construction started earlier than the one in England, will make headway simultaneously. On the other hand, Mr Ishihara faced the difficult problem of the self-imposed restrictions on automobile exports to the U.S., in his capacity as chairman of the Japan Automobile Manufacturers Association, and performed such a hard role as to avoid a showdown between Japan and the United States, while carrying through the reasons held by the industry.

Friction Surfaced Earlier

[Question] It took a long time for you to firmly determine to construct the plant actually, after you announced in January the concept of a plant advance to England. What was the biggest problem?

Ishihara: It was the complexity of the labor problem. Because management-worker relations over there are greatly different from ours, we were highly apprehensive about labor practices, in which we have no experience. Until we began our feasibility study on the plant construction, our knowledge about English labor circumstances was no more than knowledge obtained from reports by media. When we started studying, we came to know that they are not on strike as frequently as reported.

[Question] Do you mean that you received an impression that the labor problem will not become an obstacle to manufacturing in England?

Ishihara: That is correct, more or less. Our research took a long time because the procurement of parts and investigations on possible plant sites took a long time. At the beginning, we intended to complete the study in about 4 months. However, because they did not have to be quickly decided, we tackled them cautiously.

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[Question] Did your determination, as to the construction, firm up as a result of the study which took approximately a year?

Ishihara: We will present the matter to the management conference to be held before the year-end, and move on to the next action when the new year begins. Because the matter is concerned with the other side, too, we cannot say when it will begin. I think that we will negotiate with the British Government on the problem of subsidies, etc. It seems that we do not have to break the ratio of domestically-manufactured parts at 60 percent. I would like them to make a decision along with the industry's common-sense over there. As to EC-make recognition, I would strongly want us not to be treated unfavorably, compared with other manufacturers affiliated with foreign capital, such as Ford in England, simply because we are a newcomer manufacturer.

[Question] You have formulated one international strategy after another, and this one follows after the construction of a small-size truck plant in the United States, tie-ups with Motor Iberica (Spain), Alpha Romer (Italy), and Volkswagen. What is there at the foundation? When did you start incubating these concepts?

Ishihara: I do not think that the age of completed automobile exports with freedom will continue forever. No matter how good the quality of Japanese automobiles may be, and however cheap they may be, and even if there are customers who want our automobiles, the problem will not be settled by these reasons.

There is a way of living, whereby we stay home. However, I thought that the vitality of enterprises will be lost and we will walk down the road to becoming an old power under such circumstances. Therefore, I intended from a long time ago to head toward internationalization, sowing seeds to that effect. We are arranging stones strategically even now. However, trade friction came to the surface much earlier than I had expected. I thought that such a problem (trade friction) would become serious when various projects blossom, but.... Things are making headway much earlier than expected.

[Question] Opinions are split as to whether or not Toyota, top-ranking manufacturer, is too cautious about overseas strategy, and whether or not Nissan carries out things too quickly. Would you say that one who plays quickly wins the game?

Ishihara: It is not a matter of being a winner or a loser. It is concerned with different ways of thinking. I do not think that Toyota is an idle onlooker. What I have done may be criticized, but I believe that it was good for Nissan. I think that I will carry out each project skillfully so that they will have a good evaluation in later days.

[Question] Apart from the project of producing Volkswagen's Santana at a Nissan plant, do you not think that it is too risky to promote the four overseas projects at the same time, namely the plant constructions in the United States and England, tie-ups with Motor Iberica, and Alpha Romeo?

Ishihara: The Spanish and Italian projects do not require much funds. It will be only 2 or 3 billion yen in the case of Alpha Romeo. Also, Nissan does not necessarily have to provide them with our employees with talent, since each company is

Independent. It is not so risky, if one thinks that we will make our models in order to increase the marketability of goods produced by the companies. All we do is to think about technology to be supplied to Motor Iberica and Alpha Romeo. I do not intend to plant Japanese-type management.

The problem in the case of the U.S. plant is how much good talent we will be able to have in the country where labor mobility is very high. Whether or not Nissan has good talent is not a problem. However, it is important for those employed in the United States to absorb Nissan-style and Japanese-style ways of doing things, as the buildings will be completed in February or March, next year, and facilities will be brought into them for installation in autumn.

[Question] We think that you will have difficulties with allowances in the field of funding, but....

Ishihara: We plan to invest about 100 billion yen in the U.S. plant. We procured about 82 billion and 20.7 billion yen through the EDR (European depository receipts) flotations at market prices in November, last year and in May, this year, and through the flotation of British pound-based convertible debentures in June, this year, respectively. This means that we have funding means sufficient to cover our investment in the United States. Also, in view of the current earnings and depreciation by Nissan, the size (of the funds needed by each project) is not so big for us as to hang ourselves.

[Question] Incidentally, this year, you were forced to take the position of swallowing self-imposed restrictions on exports to the United States, in your capacity as chairman of the Japan Automobile Manufacturers Association. Even now, you are not quite satisfied with the result, are you?

Ishihara: At that time, I strongly insisted that we should not wind up the matter in a hurry. That thinking still does not change. The U.S. automobile industry has difficult management not because of exports from Japan, but because of its inability to produce energy-efficient, good quality, small-size automobiles which consumers want. Our way of thinking is that the U.S. manufactures will not rehabilitate themselves simply by curtailing Japanese automobile exports. However, we connived at the self-imposed restrictions because of the intention of government officials that they wanted to wind up the matter by all means by the time of Prime Minister Suzuki's visit to the United States. Nevertheless, a fire flared up again in the Congress in only half a year after that.

Growth Greater Than now Will Be Difficult

[Question] One can say that it cannot be helped that they single out automobiles which one can say is the biggest factor for the surplus, when the Japan-U.S. trade imbalance has grown to the current extent. We hear that when the automobile industry resisted the self-imposed restrictions, the management of other industries said that they would be subjected to a by-blow, if the automobile industry did not give in quickly.

Ishihara: I do not say that there was pressure. However, I was told the opinion directly and indirectly that the automobile industry should leave the stage at an

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appropriate time. However, as the production of automobiles has been on the decrease during the past several months, even those people are surprised at the big effects from the decrease in automobile production. Japan's automobile production ranked first in the world, both last year and this year. However, further growth will be difficult. I think that two-digit growth will be absolutely impossible.

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ECONOMIC

GOVERNMENT DECIDES ON EXTERNAL ECONOMIC MEASURES

Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Dec 81 p 4

[Text] The government held the Ministerial Conference on Economic Measures on the 16th, and decided on a five-point external economic policy, centering on measures for reducing the surplus in the current account balance and measures for the liberalization of the market. It is aimed at correcting the trade imbalance with the United States and the EC, and the main contents are (1) the implementation of a foreign currency loan system, up to the ceiling of 500 million dollars, for the promotion of emergency imports, from January 15 of next year, (2) the granting of interest subsidy for the promotion of the stockpiling of rare metals, such as nickel and chrome, by private circles, and (3) the tackling of the liberalization of the market, by improving import inspection procedures, the lowering of tariffs ahead of schedule, etc. In the formulation of the measures this time, the coordination of views within the government took time, and though the scale of emergency imports was reduced, such as the ceiling for the foreign currency loan system coming to be set at a much lower level than had been initially planned, "all measures which should be taken for the time being, in regard to matters pointed out by other countries, have been taken" (EPA Director General Komoto) and from now on, our country's efforts to tackle the problem will be explained to the advanced nations, including the United States and Europe.

The government decided on the basic policy for aiming at an expanded balance of trade by increasing imports, at the Ministerial Conference on Economic Measures held on October 2, and has been pushing the work of formulating external economic measures along this line. The Ministerial Conference on Economic Measures this time was held on the basis of the studied conducted on November 17, and the decision reached at the meeting on the 16th will become our country's external economic measures, for the time being.

The pillars of the measures this time are the foreign currency loan system and the stockpiling of rare metals, as emergency import measures, and some market liberalization measures, which are being materialized, based on Prime Minister Suzuki's instructions. The foreign currency loan system is a system for lending foreign currencies to import enterprisers and lease companies, through the Export-Import Bank, and the interest rate for the loans will be a fluctuating rate for every 6 months, and which will not be lower than the interest rate for 6-month U.S. Treasury bonds (11 percent at present). This system will be a measure "limited to emergency," and it will be operated while watching the state of the yen market and the trends

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of the trade balance. The objects to come under this system will be worked out from now on, but for the time being, the purchasing of rare metals by private enterprises and the leasing of aircraft, are being considered.

There are five items of rare metals as the objects for stockpiling by private circles, including nickel (the present stockpile amount is for 7 days) and chrome (for 2 days). The increasing of the stockpiles by 11.5 billion yen to an amount sufficient for 10 days is being considered, and about 500 million yen will be granted an interest subsidy to the Rare Metals Stockpiling Association, which will carry out the increasing of stockpiles. As regards stockpiles, the State-stockpiled oil will also be increased by 1.5 million kiloliters during fiscal 1982. As for measures for the liberalization of the market, they consist of three measures, that is, the re-studying of import inspection procedures, the easing of import restrictions and the lowering of tariffs. As regards the improvement of import procedures, concrete measures will be formulated by the end of January of next year, and in regard to those which will require a revision of laws, revision bills will be submitted to the next regular Diet session.

As for the easing of import restrictions, a restudy will be made in regard to the 27 remaining import restriction items, according to the actual situation, and the results will be reported to the Ministerial Conference on Economic Measures. In the lowering of tariffs ahead of schedule, the lowering of tariffs slated for 1983 and 1984, in regard to about 1,650 commodities, will be lowered uniformly and in a package, together with the lowering of tariffs scheduled for 1982, in April of next year. The present tariff rate of 8 percent, as the average for all commodities, will be lowered to 6.75 percent.

Besides the above measures, wide-range measures, such as the promotion of industrial cooperation measures and economic cooperation, and the avoiding of the concentration of exports of specific items to specific area, will be carried out in a fine-grained way.

In the formulation of the measures this time, coordination of views had hard sailing, with MITI and others, which desired the promotion of the implementation of the foreign currency loan system, coming into confrontation with the Finance Ministry, which was strongly against it, and with the Agriculture-Forestry-Fisheries Ministry showing objections to the lowering of tariffs. For this reason, at the Ministerial Conference on Economic Measures on the 16th, Prime Minister Suzuki himself requested the cooperation of the various Cabinet members concerned, saying as follows: "The measures this time are emergency measures for the purpose of coping with the trade friction, and though there are problems domestically, some amount of difficulties cannot be helped, for coping with the emergence of protectionism. I ask you to make utmost efforts, so that our country's sincerity and efforts will be understood."

Contents of External Economic Measures

The contents of the external economic measures, which were decided upon by the Ministerial Conference on Economic Measures, are as follows:

Concerning the future operation of the economy, the Ministerial Conference on Economic Measures decided on the "operation of the economy, for the time being, and

the tentative calculation of the economic outlook" on October 2, and it decided on four basic directions, that is, the stabilization of commodity prices, the recovery of a balanced domestic demand, the promotion of measures toward the depressed-type industries and the expanded balance of trade.

However, the moves of our country's economy since then continue to show a stagnation of domestic demand, and the current account balance is also continuing its surplus-balance trend.

On the other hand, recovery from the second oil shock has still not made any marked progress, generally speaking, in various other nations of the world, and especially, the United States and many of the European nations are faced with the problems of inflation and unemployment. Standing on the basis of this situation, our country will devote still greater efforts, as set forth in the following, with the recovery of domestic demand as the basis, and aiming at an expanded balance of trade, in order to maintain and strengthen the principle of free trade.

Market Liberalization Measures

1. Improving of Import Inspection Procedures, etc.

Standing on the basis of the interim report of the Trade Council (Conference for Measures for the Imports of Manufactured Products), etc., the various ministries and agencies concerned will carry out the restudying of the testing and inspection procedures, within the country, etc., with international standards as the basis, in principle, from the standpoint of promoting imports, and will formulate concrete improvement measures by the end of January of next year. As for those which require the revision of laws, necessary revision bills will be submitted to the next regular Diet session.

In the application of import inspection procedures, etc., full consideration will be given to the purport of the liberalization of the market and they will be operated in a proper way.

2. Easing of Import Restrictions

Keeping in mind the items of interest to the various nations, the remaining import restrictions will be reviewed appropriately, and the results will be reported to the Ministerial Conference on Economic Measures.

(Note) Lowering of Tariffs

A conclusion will be reached at an early date for the carrying out of the measures for the lowering of tariffs by stages, based on the Tokyo Round Agreement, uniformly and by 2 years ahead of schedule, in a package, and also on the lowering of the tariff on whisky, etc., in a generally similar way.

Import Promotion Measures

1. Implementation of Foreign Currency Loans for Emergency Imports

While ascertaining the trends of the yen market, etc., the loaning of foreign currencies at the international interest rate will be carried out in regard

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to imports of important materials, which will have actual effects on the dissolving of the trade friction, as a measure limited to times of emergency.

2. Promotion of Stockpiling, Etc.

(1) As for the state stockpiling of oil, the stockpile amount will be increased by an additional 1.5 million kiloliters in fiscal 1982.

(2) In order to promote the stockpiling of rare metals by private circles, necessary measures will be taken.

(3) In the execution of the budget for food aid under the Kennedy Round, grains produced in other countries will also be used.

3. Dispatch of Import Missions, the Holding of Manufactured Products Fairs, Etc.

The dispatch of import missions, the holding of manufactured products fairs, and the joint sponsoring of international symposiums, etc., through government-private cooperation will be pushed in a positive way. At the same time, efforts will be made for the concrete materialization of the "expansion of the imports of manufactured products," through the continued utilization of the Trade Council.

Export Measures

With the expanded balancing of trade as the basis, the concentration of exports of specific items to specific areas will be avoided. Based on this policy, the future handling of measures which are now being implemented, will be studied, in a proper way.

Industrial Cooperation Measures

Industrial cooperation with the EC nations, such as investments exchange, technological exchange, joint research and development of technology, cooperation in third nation markets, etc., will be promoted in a positive way.

Economic Cooperation Measures

Efforts will be made for the certain attainment of the medium-term target set for Official Development Aid (ODA), which was decided in January of this year.

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SCIENCE AND TECHNOLOGY

INCREASINGLY LARGE ROYALTIES RECEIVED FOR HIGH TECHNOLOGY

Results of Investigation

Tokyo SHUKAN DAIYAMONDO in Japanese 7 Nov 81 pp 18-25

[Text] Income from royalties, which may be referred to as the second cashbox, is increasing remarkably. Nippon Steel Corporation and Mitsubishi Heavy Industries have earned a great sum of money from technology fees, and are proud of their high technological standards. The technologies in the iron and steel industry and the petrochemical industry have already reached the world's most advanced level. Activities to develop advanced technologies in semiconductors and industrial robots are being vigorously pursued. Corporate income from technology fees will be further raised under this condition. Here is the result of a factfinding investigation regarding the income from technology fees for the 60 companies in the leading industries, and a prediction of future possibilities.

Mitsubishi Heavy Industries Has Big Earnings From Royalties

Mitsubishi Heavy Industries [MHI]	16.7 billion yen
Hitachi Shipbuilding & Engineering	11.3 billion yen
Nippon Steel Corporation	9.8 billion yen
Sony	4.9 billion yen
Hitachi, Ltd	4.6 billion yen

The figures shown above are the sum of the income from technology fees earned in the past year by the above four companies. MHI, number one in income from technology fees, successfully balanced technology exports (income from technology fees) and technology imports (payment for the same).

The operational profits of MHI exceeded 22.9 billion yen (March 1981 period). The ratio of the income from technology fees relative to this profit was 72.8 percent, or 16.7 billion yen. This contributed greatly to the earnings. Therefore, the evaluation of the contribution to the earnings was "S" (see the directions for reading the accompanying table for the grading standard), the highest grade achievable.

The Japanese economy has enjoyed miraculously high economic growth in the last 20 years. However, it has encountered frequent changes, as exemplified by the sudden

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reverse shift to low economic growth in the wake of the two oil shocks manifested in the latter half of the period.

In particular, in the last 5 years, we have seen industries slow down one after another due to the stagnation in the consumption boom.

Supreme orders for corporate survival were given: manufacture whatever goods can be sold, and create new needs! Rack your brains for this purpose! Many of the corporations have reinforced their research, development and planning sectors. As a result, some corporations have polished both the applied and basic technologies, and developed unique technologies and commodities which could be readily accepted throughout the world. These achievements now appear clearly as income from royalties in the statistical figures.

This journal investigated the present and future outlook of the actual state of the income from technology fees in respect to some 60 noteworthy companies. The investigation results revealed that there were 35 companies that earned an income of over 500 million yen a year from technology fees. Analyzing this income from the aspect of contribution to earnings, the following figures were obtained: evaluation grade S was given to 14 companies, 25 percent of the total; grade A to 12 companies, 21.1 percent; and grade B to 9 companies, 16 percent. Some companies were graded S as a result of the overall decline in operating profits.

First, let us look at the graphs in Figures 1 and 2. These are the results of a probe into the balancing of the income and expenditures regarding technology fees in 20 different types of industries. The statistical material was obtained from the "Science and Technology Research and Investigation Report."

According to the report, nine industries amazingly show accounts receivable as far as the new contracts concluded in the past year are concerned.

Unfortunately, the national technology trade as a whole is still largely overweighted by imports when continuing deals are included. This is because the level of the advanced technologies such as those in aircraft and nuclear machinery and equipment are still low in Japan, and an enormous number of technology fees are being paid overseas, particularly to corporations in Europe and America.

Now, let us look at some specific cases regarding the actual condition of the technology fee balance in leading companies.

NSC Earning a Stable Annual Income of 10 Billion Yen, While Sumitomo Metal Industries Has Doubled Its Income

Since 1969, when income from technology fees surpassed expenditures for technology fees. NSC has had more income than expenditures. Furthermore, the income from technology fees has shown an upward trend, amounting to 9.8 billion yen in 1980. That figure is 14 times that of expenditures, which amounted to 700 billion yen. It is predictable that the company will continue to earn a stable annual income of about 10 billion yen in the years to come.

The income from technology fees is almost all earned by technical guidance fees for iron manufacture engineering. In many cases, technologies which had been imported from Europe and America after the war and later improved in Japan and technologies

originally developed for the first time in Japan are offered as a link in the chain of overseas cooperation. The iron manufacture engineering business of NSC was initiated with the cooperation with the Usiminas Iron Works of Brazil (construction started in 1958), and it expanded all over the world--for example, construction of the Malaya Yahata Iron Works (basic plan started in 1965) in Malaysia; operational guidance and expansion project engineering for the Tarant Iron Works of the Italian Italsider; consulting for the Korean Pohang general iron manufacturing project (1970-80, the first stage completed in 1973); providing a general plan, individual plant engineering and operational knowhow in connection with the hot strip mill (annual production capacity 3 million tons) and the electromagnetic steel plate factory (annual production capacity 70,000 tons) of the Chinese Wuhan Iron Works.

Concerning computer system technology, NSC supplied a comprehensive operation system for continuous iron manufacturing to the Tarant Iron Works and the Usiminas Iron Works. In addition, the technology for using process computers to be integrated in equipment is, for example, provided for a converter factory in cooperation with the South African ISCOR.

Pertaining to the supplying of licenses and knowhow, for example, the converter exhaust gas collector (OG device) invented jointly with Kawasaki Heavy Industries (then Yokoyama Industries) in 1962 is now being used in leading iron and steel makers of the world, such as the American U.S. Steel and Armco Steel, and the British BSC (British Steel Corporation).

Combining the iron manufacture engineering, knowhow and licenses, NSC had provided technologies to 35 countries and 95 companies for a total of 417 cases as of the end of March 1981. Truly, its technological ability compliments its reputation as the world's greatest iron and steel company.

On the other hand, in Sumitomo Metal Industries, the income from technology fees reached 2.229 billion yen (FY-80, while expenditures were 420 million yen), which is more than double the 952 million yen of the previous year. Of this, more than 2.1 billion yen was income from overseas, reflecting thriving technology exports.

Referring only to the major technological assistance, the company newly acquired 12 contracts in FY-80 and 4 contracts in the first half of FY-81. The income from technology fees after this fiscal year is also expected to grow.

The counterparts are predominantly high-ranking corporations; for instance, in America, the number one, U.S. Steel; number two, Bethlehem Steel; and number three, Jones and Laughlin; and in France, the number one, Usinor. Also, the technologies provided are diversified: steel plate seamless pipe manufacturing technology, continuous casting technology, process control technology and operational technology. This indicates that Sumitomo Metal Industries maintains high technological competence in all fields of iron manufacturing technology.

Similar statements can be made about Kobe Steel and Kawasaki Steel Corporation. Kobe Steel is characterized by an income predominantly from engineering fees and operational guidance fees associated with plant exports rather than individual technologies. Roughly 80 percent of the income from technology fees is attributable to this. The content also is not only in the field of iron manufacturing technology, because the company produces various plants.

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Mitsubishi Heavy Industries Obtaining Good Results in Industrial Robots

"We are no longer a shipbuilding company, but an aspiring general heavy machine maker," is the proud statement you hear from major shipbuilding companies, so much so that they have begun to strengthen the setup for sales of software. This is because attractive hardware alone cannot provide a direct link to business deals in plant and engineering markets.

It is MHI, the largest of all, that is striving to clarify the income from software. "With conventional contracts, uniform pricing was preferred, without separating the price of software from that of hardware. Contrary to this practice, nowadays we try to set prices for both software and hardware in the list of fees and costs in drawing up a new contract" (accountant general Fumiharu Date of MHI). The importance of software is also increasing from the aspect of operational profit, and the laying of a foundation and structure for a full-scale software business is in progress.

One example of charging fees for the software is the technological cooperation contract which MHI concluded with the Chiangnan Shipyard in August 1980 in Shanghai. MHI concluded a 100-million-yen contract for consultation in regard to the equipment improvement plan and for guidance in regard to administrative technology with the Chiangnan Shipyard for 2 years. This contract is known to be the first case in which real software was priced and sold to China.

MHI also exported industrial robot technology to an Austrian general heavy machinery maker, Vost Alpine, in October 1981. Initial fees and royalty income commensurate with the production will flow into MHI.

In the case of MHI, FY-80 income from software was 16.7 billion yen. That included royalty, knowhow and consulting income. In FY-75, the income realized based upon the same standard was 10.4 billion yen, which means that the income increased by 60 percent in 5 years. Reviewing the income realized in FY-80, according to the previously described itemization, so-called royalty income claimed 700-800 million yen. Other items were engineering income such as income from providing knowhow. The shipbuilding technology exports to the Chinese shipyard belong to the latter, while the robot technology exports belong to the former.

Classifying the income by field, the big accounts of software income are from chemical plants, prime movers and ships. This trio claims 80 percent of the total.

"Japanese production technology is advanced and we can hope for technology exports in that area. With many promising fields such as robots, automatic storage and plant maintenance systems, software income will be on the rise" (same as above).

Hitachi Uses Patent Disclosure as Attraction

The Japanese electric machinery and equipment industry, although it leads the world in semiconductors, computers, color TV's and VTR's, is still a growing youngster in respect to income from technology fees. This is because basic patents are held by European and American corporations. Japanese electric machinery and equipment makers have grown up by importing those basic technologies, developing applied technologies and mass-producing what has been developed. However, it is obvious that the Japanese makers cannot survive in the future if they maintain the same pattern.

Acknowledging the implication, Hitachi is showing a positive attitude and has disclosed patents in an attempt to increase income from technology fees.

However, even in this company, the accounts are in the red, showing an income of 4.6 billion yen against an expenditure of 7.3 billion yen. Focusing only on the income, it doubled in 4 years, but the expenditures also doubled at the same time. The income and expenditure ratio of 63 percent is a big turn for the better compared to the conventional showing, but it is not quite satisfactory yet. Hitachi's long-term objective is to balance income and expenditures and to earn income equivalent to 10 percent of the operational profits.

Speaking of Hitachi's patents, recently the company obtained a basic patent for a resin mold type semiconductor manufacturing method which uses multilead frames. Of the semiconductor production, which is said to amount to 1 trillion yen, half of it uses this technology. Simple arithmetic gives an annual income of 10 billion yen if the patent fee is 2 percent. However, in the world of the electric machinery and equipment industry, each company holds respective patents, and one company cannot one-sidedly claim all of the income. "Since our invention is established as a patent, we ask for what is due to us," they may say, but that does not mean that they earn the income indicated by the simple arithmetic.

In the case of Sony, a detailed description is given in the securities report, and following is the itemization.

Patent fee	1.077 billion yen
Patent fee from affiliated companies	3.282 billion yen
Technical guidance fee	175 million yen
Technical guidance fee from affiliated companies	383 million yen

The total income is 4.9 billion yen, but 3.6 billion yen of the income is from affiliated companies. This comes from giving technology to domestic and foreign subsidiary manufacturers. When the income from technology fees is actually itemized, the majority of companies have a considerable number of these cases, which shows an increase in overseas production and transformation of factories into subsidiaries.

Nevertheless, as a future trend, the income from technology fees appears to be ever increasing due to VTR and VTR tape manufacturing technologies, which have promising possibilities of a great future. The Victor Company of Japan which developed the VHS system, although the statistics were not disclosed, stated: "With the expansion of the VTR market, the income from technology fees is steadily increasing."

As examples of advanced technology exports, there are an industrial robot of Hitachi to GE and an OCR of NEC to Burroughs. However, on the other hand, there are also cases of imports, such as nuclear and defense machinery and equipment.

The company which earns a large income from technology fees and contributes greatly to profits compared to the corporate scale is Aiwa. Aiwa is the maker that "developed the cassette tape recorder for the first time in Japan," and its income from technology fees is by and large related to this. The technology to operate the stop and eject on the cassette deck by using the same button is a well-known technology developed by Aiwa.

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Chemical Majors Hold Fast in Manufacturing Technology Exports

Chemical companies are showing unexpected strength in the recession.

At present, they have grown to a point where their original technologies can practically stand equal to the technologies imported from overseas. Income from technology fees is also earned at a pace that exceeds expenditures.

Especially notable among the technologies of the chemical companies are the urea manufacturing technology of Mitsui Toatsu, the PVC manufacturing technology of Shin-etsu Chemical Industry, the polyethylene and polypropylene manufacturing technologies of Mitsui Petrochemical Industries, the synthetic rubber manufacturing technology of Japan Synthetic Rubber, the butadiene extraction method and the butadiene separation technology of Japanese Geon, and various agricultural chemical technologies of Sumitomo Chemical. Many other original technologies have been invented, although the scale may be small. The chemical industry is also facing a transition to the technology export stage from the mutual utilization stage that graduated from the technology import stage. "Technology export is costless income" is their slogan, and it also shows great operational merit.

The urea manufacturing equipment of Mitsui Toatsu is called a "complete circulation method" whereby urea is manufactured from an intermediate product, ammonia, that is made from a raw material using a continuous process. This technology was recognized early in its introduction stage as the best technology available in the world, and it has been exported to various countries which are striving to produce fertilizers. It is rated as a "virtually perfect process," and the company has intensified activities for soliciting orders through Toyo Engineering.

Both Japan Synthetic Rubber and Japanese Geon rank at the top in synthetic rubber technology and butane and butene separation technology respectively. Although the construction of petrochemical complexes has passed its peak and an oversupply phenomenon is emerging in Japan, petrochemical complex construction projects are envisaged at various localities in the world. When these projects are implemented, it is highly likely that the technologies of both companies will be used. Their opportunities are very good, since these companies are ahead of others in carrying out their original technologies.

It is the biochemical field that is expected to get more imports in the future. Already, in genetic engineering, European and American technologies are being imported one after another. Japan is left behind in this field, and it appears that we will go after overseas technologies for a while.

Now, the income from technology fees has become the cashbox at Nippon Paint. Income from technology fees reached 1.227 billion yen in the 1981 April term, which was 45 percent of the recurring profit. Of course, the rating is S. The income from technology fees of Japan Paint is largely divided into two parts.

One part is from providing paint manufacturing technology to joint concerns in Southeast Asia, Korea and Taiwan. The company has dealings with 10 factories in these areas, and almost half of the income from technology fees is earned from this source. Another is from offering rights to manufacture and sell photosensitive resin printing plates and the rights to use its trademark to Napp [phonetic] Systems USA.

The companies worthy of special mention in the medical supply world are two, Fujisawa Pharmaceutical and Toyama Kagaku.

Fujisawa Pharmaceutical developed the antibiotic Cefamezin, and the knowhow has been purchased by some 40 prominent world medical supply companies. The income from technology fees centering around Cefamezin is 1.7 billion yen a year, totaling 8 billion yen in the last 8 years.

Toyama Kagaku successfully exported a new penicillin formulation, a penicillin manufacturing technology, 5 years ago to the American general chemical company ACC, for a total sum of 23 million dollars. Also, 3 years ago, in October 1978, it exported a new antibiotic, cefoperazin [phonetic], manufacturing technology to American Pfizer at 30 million dollars. With the two technologies, it earned roughly 13 billion yen in Japanese currency. Additionally, this April, Toyama Kagaku was successful in exporting technology for Abobis [phonetic], a digestive canal mechanical function activator, to American SKF, and the ability of the company to develop technology once again drew attention.

Ups and Downs of Income From Technology Fees

There are other companies which are showing a rapidly growing royalty income. Asahi Glass and Toray Industries fall into that category. Technologies that can expect to raise income in the future are: advanced technologies such as electronic cameras of Canon, new third-generation antibiotics developed by Takeda Chemical Industries and Shionogi using their original technology, and VTR's and VTR tapes of major home electric appliance makers and industrial robots.

The income realized from technology fees of Asahi Glass was approximately 4 billion yen in the 1980 December term. The 1981 December term will see royalty income cut in half due to the cutback in providing color TV tube and ball glass technology to China. Now, the company has lined up a contract to export ion-exchange membrane method sodium hydroxide manufacturing technology to Du Pont. That will be the feature commodity, and the income from technology fees will once again be on the rise.

In FY-80, Toray Industries gained an income from pure technology of 2.303 billion yen, of which the income from overseas was 1.882 billion yen. In comparison, it paid out 469 million yen, the majority of which was overseas. So income exceeded expenditure by approximately 500 million yen [as published]. Incidentally, 5 years ago, in FY-75, the income was 1.2 billion yen while the expenditure was 243 billion yen, which implies that both income and expenditure inflated on a two-fold scale in the last 5 years. The technologies show a broadening of use. In the mainstream are artificial leather called exseine [phonetic], carbon fiber and polymer-related technologies, most of which branched out of fibers. However, the income from the synthetic fiber technology itself appears to have reached the peak for the time being.

Likewise, Asahi Chemical Industry is focusing on tire cord and ion-exchange resin technologies bound for China, and its income from technology fees has doubled compared to 5 years ago. Mitsubishi Rayon is characterized by an income predominantly from its major acrylic fiber technology and MMA resin technology. The pattern of the transactions show that the acrylic fiber technology has been provided to developing countries, while the MMA resin has been provided to companies in advanced countries such as to Du Pont of America.

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Contrary to the gigantic stature of the industries, the automobile industry and the food industry claim an unexpectedly small amount of technology exports. The automobile industry, unlike the aircraft industry which is among the most advanced industries, is an assembly industry that assembles 20,000 different parts and an industry that applies technologies. Because of this, technology export cases are scarce, and also the technological imports are confined to only very limited parts such as automatic gears and transaxles.

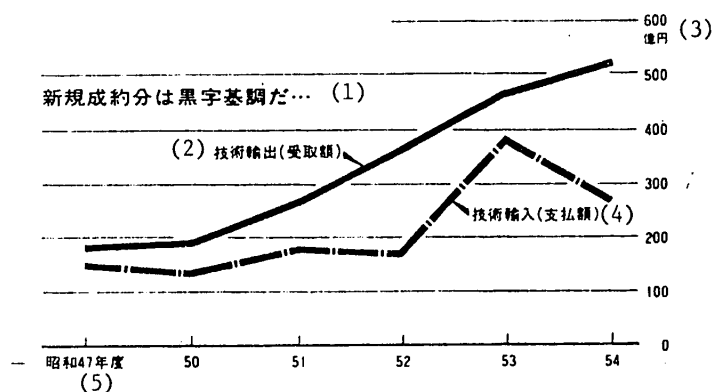
The Japanese food industry has scarcely developed technologies with original know-how. Based on the practice observed to date, many of the food companies have exclusively imported technologies from advanced European nations and America, and have tried to make domestic products. They may have knowhow, but they have hardly given information to other companies in the true sense, and they characteristically stick to a system where the knowhow is given to affiliated subsidiaries through capital participation and management participation.

Leading others by far is the royalty income of 2 billion yen of Ajinomoto. This income is primarily related to the use of "Ajinomoto" manufacturing technology by overseas subsidiaries (joint ventures with local companies), a technology with a history appreciated throughout the world.

The royalty income scale of other companies is small. The royalty income of Meiji Seika is almost all from antibiotics. The income from food-related royalties comes from snack technology ("pickup," etc) given to United Biscuit. This, however, can be considered a barter trade, since it imports McVities [phonetic] technology from United Biscuit.

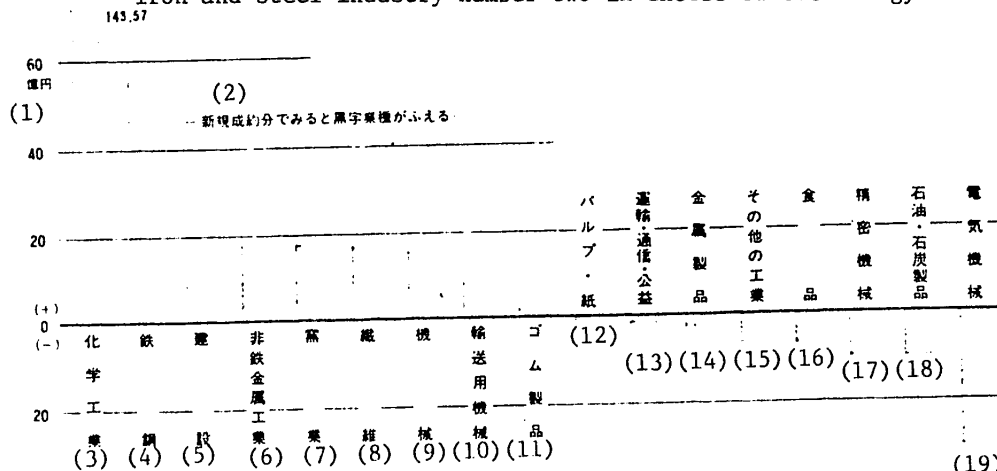
Nisshin Foods is unique. Cup noodle technology is used also by domestic companies, but the income itself is still at the level of 100 million yen. It can be assumed that it is anticipating great future possibilities.

Figure 1.



- Key: (1) New contracts are basically in the black, but....
 (2) Technology export (sums received)
 (3) 100 million yen
 (4) Technology import (sums paid)
 (5) FY-72

Figure 2. Chemical industry number one in excess of technology fees paid
Iron and steel industry number two in excess of technology fees paid



Note: (1) Transactions realized in FY-80, material from Science and Technology Research and Investigation Report.
(2) Figures indicate that balance of the export and import from overseas such as patents, knowhow, technical guidance.
(3) New contracts are those concluded in the designated year.

Key: (1) Million yen
(2) Industries in favorable balance increase when viewed by new contracts
(3) Chemical industry
(4) Iron and steel industry
(5) Construction
(6) Nonferrous metal industry
(7) Ceramic industry
(8) Fiber and textile industry
(9) Machinery
(10) Transporting machine
(11) Rubber products
(12) Pulp and paper
(13) Transportation, communications and public services
(14) Metal products
(15) Other industries
(16) Food
(17) Precision machinery
(18) Oil and coal products
(19) Electric machinery

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Table 1.

MHI Definitely Tops Others

35 Companies Achieve Over 500 million yen

How to read the table

- Chemical Industry Active Under Recession-

--Figures show results from the latest accounting. Income from technology fees include royalty (atent fees), knowhow, technical guidance, etc. Income from technology fees received from domestic affiliated companies are included.

--Contribution to earnings is rated S for above 10%, A for 9.9-5%, B for 4.9-3% and C for below 3% in terms of ratio of income from technology fees to operational profit.

--There are companies which have reported more technology imports than technology exports. However, at this time the actual status of the companies has been analyzed focusing on the remuneration received from technology exports.

--* indicates figures were not made available.

Company	Latest Accounting		A/B %	Grade	Principal technology exports (contents, remuneration, countries involved)
	Income from royalty, (A) million yen	Operating profit (B) million yen			
IRON & STEEL, MACHINERY Nippon Steel Corporation	9,800	174,869	5.6	A	Offering a continuous casting plant engineering and operational knowhow. Offering of C.A.P.L. related knowhow and licensing rights to use patents; 417 cases in total (as of March 1981).
Kawasaki Heavy Industries	1,757	91,695	2.0	C	Technology for improvement of cogging yield to American Bethlehem. Blast furnace operational technology to West German Thyssen. Aid to advanced countries increased.
Nippon Kokan	2,200	64,380	3.4	B	Iron foundry construction engineering to Brazilian Mendes Junior.
Sumitomo Metal Industries	2,229	90,735	2.5	C	Iron manufacturing and operational tech- nologies to U.S. Steel. Active involvement in technological assistance to major American iron and steel firms. Income from tech- nology fees doubled from the previous year and still on the rise.

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[Table continued]

Kobe Steel	1,700	45,878	3.7	B	Approximately 80% of earnings are from engineering fees and operational guidance fees related to plant construction. Also, flue-gas desulfurization process (45 million yen)
Sumitoto Electric Industries	598	14,005	4.3	B	Technology guidance fees associated with the export of OF (oil field) cable and electric wire plants to Korea. Inquiries relating to optical fibers are rushing in.
Amatsuji Steel Ball Manufacturing	156	1,910	8.2	A	Steel ball plant was exported to Poland in FY-78, and technical guidance fees from the plant are received every term.
Kubota, Ltd	583	26,018	2.2	C	Income from technology exceeds expenditures for technology (380 million yen). Principal technology income is from small diesels and agriculture related export primarily to Southeast Asia. Expenditures are mainly for environmental devices from the United States.
SHIPBUILDING, AUTOMOBILES					
Mitsubishi Heavy Industries	16,700	22,947	72.8	S	Promising growth of production technologies such as robots. In shipbuilding, it also achieved ample results in software sales including drawings. Income and expenditures are balanced.
Hitachi Shipbuilding & Engineering Co	11,348	5,160	219.9	S	Automatic cutting system for shipbuilding-use thick plate to Korea, Holland, etc.
Toyota Motor Co	*	291,580	-	-	Automobile industry is a general industry based primarily upon applied technologies, and is not among the industries mainly based upon the most advanced technologies. However, the income increased with the rise of KD exports.

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Nissan Motor Co.	*	166,070	-	-	It holds 7309 patents. Licensing is designed mainly for developing countries but technology export to Alfa Romeo is also added.
ELECTRIC MACHINERY					
Hitachi, Ltd	4,600	117,738	3.9	B	All patents have been disclosed; there are plenty of patents relating to semiconductors and castings and forgings.
Mitsubishi Electric Corporation	*	47,072	-	-	Primarily home appliance production knowhow to overseas subsidiaries.
Nippon Electric Co.	1,478	35,151	4.2	B	Communications machinery and equipment, etc. Recently, OCR technology was provided to American Burroughs.
Matsushita Electric Industrial Company	3,960	136,225	2.9	C	Following related technologies were provided: ZNR to American GE, Lithium battery to American Eagle Pitcher, electronic range doors to American Hardwick Stove, Piezo-electromagnetic element to Italian SECI S.P.A.
Sharp	822	29,343	2.8	C	Home electric product manufacturing technology is provided to 30 countries and 34 companies overseas.
Sony	4,917	65,222	7.5	A	Income related to VTR and VTR tape manufacturing technology increased. However, 70% of it is from affiliated companies.
Aiwa	396	1,506	26.3	S	Surplus in technology sales, especially a large gain from patented technology related to cassette tape recorder.
TDK Electronics Co	775	38,163	2.0	C	Of all, 74 million yen is from patent sales, and the rest, from technological assistance to relative companies.

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Sanyo Electric Co	1,319	39,069	3.4	B	Lithium battery manufacturing technology was exported to West German Varta Battery AG, American GE and American Duracell.
Yokosawa Electric Works	223	5,704	3.9	B	Technologies related to meters and instruments, which include those given to China.
Kyoto Ceramics	217	24,457	0.8	C	Knowhow and patents relating to ceramic product manufacturing method were offered to American subsidiaries.
CHEMICAL					
Mitsui Toatsu Chemicals	2,700	▲ 13,487	-	A	"Complete Circulation D method" urea manufacturing technology is evaluated as world's top, and plant construction through subsidiary Toyo Engineering has started to catch on. Probably exports will increase to the developing nations, which hope to be able to produce fertilizers by themselves.
Sumitomo Chemical Industry	927	17,512	5.2	A	Major exports are agricultural chemical manufacturing technology to American Shell Oil, polyethylene and polypropylene manufacturing technology to Singapore Polyolefin.
Mitsubishi Chemical Industries	300	17,810	1.7	C	Technologies are provided to the United States, Europe, Southeast Asia, Central and South America. Other than 2-ethylhexanol and hydropolyethylene technologies to Brazil, coke, fruit sugar and petrochemistry related technologies are provided. There are numerous lump-sum-type payments.
Kureha Chemical Industry	231	12,076	1.9	C	Use of patents and knowhow are licensed relating to Kureharon resin, Kureharon film, MBS resin, crude oil cracking ethylene manufacturing technology, fluogas desulfurization, vacuum distillation residue cracking technology, vinyl chloride manufacturing process.

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Nippon Shokubai Kagaku Kogyo	817	3,562	22.9	S	Technologies exported are: Acrylic acid manufacturing technology to Taiwan, Acrolein [phonetic] manufacturing technology to Mexico and the Soviet Union, ester acrylate manufacturing technology to the United States, and polyester manufacturing technology to India.
Mitsui Petrochemical Industries	4,031	3,253	123.9	S	Income from technologies overwhelmingly exceeds expenditures for technologies. Especially, principal source of income is from licensing rights for knowhow in high density polyethylene and polypropylene. A high-level of income--about 4 billion yen a year--is earned.
Mitsubishi Petrochemical Company	220	6,826	3.2	B	The yen amount of income shrank during this period. However, the future ratio of the income from technology fees will increase. Notable promising technology is MDCV (high potential bridging polyethylene cable manufacturing process), primarily to Europe.
Japan Synthetic Rubber	569	3,029	18.8	A	It is tops in the world in synthetic rubber technology. Major technologies are SBR technology to China, ABS resin technology to Taiwan and Brazil. The company plans to increase future technology export, and the contribution of income from technology to earnings is on the upward trend.
The Japanese Geon Co.	1,930	1,115	173.1	S	Butadiene extraction method (GPB method), butane/butene separation technology (GPD method), etc. Fluidized urban rubber incinerator and waste water treatment technology are also added. Butane related technology is indispensable to the construction of ethylene centers and has a promising future.

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Nippon Paint Co	1,227	2,706	45.3	S	Paint manufacturing and selling rights are given, to joint venture companies in Southeast Asia, Taiwan and Korea. Photo-sensitive resin printing plate material manufacturing and selling rights are given to joint venture companies in the United States. Also, an automobile paint technology is offered.
MEDICAL SUPPLIES					
Sankyo Company	416	18,130	2.3	B	Cases of imports are more than cases of exports in key technologies, but income from technology fees exceeds the expenditures in yen. Various technological strategies include mutual patent use contracts (Chiba Geigy) and mutual sales contracts.
Takeda Chemical Industries	560	42,049	1.3	C	Technology exports and imports almost balance. Principal income is from morial (cardio tonic), citric acid and TMC, etc, manufacturing technologies. Future antibiotic technology export is promising.
Fujisawa Pharmaceutical	1,771	32,388	5.5	A	Both technology exports and imports (2.97 billion yen) are high. Both relate to cephalosporin. Over 70% of payment and about 90% of receipts are related to this chemical. Payment is made to British WRDC.
Toyama Kagaku	2,292	1,695	135.2	S	In conjunction with the patent rights given to American ACC (new antibiotic pepiracillin [phonetic], etc) and to American Pfizer (new antibiotic pepiracillin [phonetic]), the company receives fixed rate patent fees on sales.
Taisho Pharmaceutical	261	24,499	1.1	C	Income from technology fees shows upward trend. Main technology exports are: activated vitamin B ₁ manufacturing technology to French Serbier and Lipovitan manufacturing technology and selling rights to Thai Ieck Heng You.

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Company	813	2,346	34.7	S	Description
FIBERS AND TEXTILES					
Toyobo	813	2,346	34.7	S	Technologies are provided primarily as polyester staple plant export to China, and OPP film plant export to Belgium.
Kurabo Industries	230	2,837	8.1	A	Production technology and knowhow involving spinning, weaving and processing were provided to four joint venture companies in Southeast Asia.
Nitto Boseki	707	2,500	28.3	S	Many cases of overseas technology exports exist relating to raw glass fiber manufacturing technology, including exports to Indian Deccan, and American FGL. FFP for leaf springs and spinning technology are also exported.
Toray	2,303	20,434	11.3	S	Business depending on technology imports has evolved into an export-oriented operation. A typical example is the export of carbon fiber technology to American UCC, and the royalty income may increase every year in the future. However, the existing fiber field seems to have reached a peak.
Mitsubishi Rayon Co	550	4,705	11.7	S	The income mainly comes from providing MMA resin and acrylic fiber technologies. Two-thirds of the income is from technologies provided overseas and one-third is from domestic deals. MMA is offered to American Du Pont and acrylic fiber [as published]
Asahi Chemical Industry	≈ 3,300	23,265	14.2	S	The income mainly comes from providing tire cord technology to China and ion-exchange membrane method sodium hydroxide manufacturing technology to countries all over the world. It has doubled in 5 years since FY-75.

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Ajonomoto	2,000	22,748	8.8	A	The income is primarily from providing seasoning technology and knowhow to overseas subsidiaries.				
Nisshin Foods	110	11,037	1.0	C	Cup noodle manufacturing technology, etc.				
Heiji Seika Kaisha	177	8,289	2.1	C	Pharmaceutical technology is provided to Indonesian subsidiaries, and food technology is provided to American United Biscuit (relating to snacks).				
GLASS, CERAMICS, PRECISION									
Asahi Glass Company	≈ 4,000	43,341	9.2	A	Color TV tube and ball glass manufacturing plant exports to China contribute greatly. In the next term, income will pick up to reach the 6-billion-yen sale mark.				
Japan Cement Company	≈ 130	7,034	2.0	C	Technical guidance is provided for manufacturing cement and developing cement raw material mines in Indonesia. Also, it serves as a consultant in Malaysia. Income from technology fees will double in 1982.				
NGK Spark Plug	83	4,110	2.0	C	Technical guidance is provided for manufacturing plugs to five countries in the world, including the United States, Southeast Asia and South Africa.				
Asahi Optical Company	84	6,257	1.3	C	Technology patents relating to cameras.				
Canon	1,337	25,796	5.2	A	Income from technology fees for regular paper copier (P.P.C) claims considerable percentage. It is offered to three American companies such as Saxon and Industries Incorporated, and three Japanese companies, Ricoh, Monoruta and Copia.				

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Fuji Photo Film	1,424	45,328	3.1	B	Income is primarily from licensing technology related to gelatin solid composition to Agfa-Gevaert AG (West Germany) and Agfa-Gevaert NV (Belgium).
Konishiroku Photo	1,141	14,237	8.0	A	Income is mainly from giving photographic (medical) x-ray film manufacturing technology information and technology assistance primarily to Brazil Sakura Film and National Soviet "Technology and Machine Import Public Corporation."
CONSTRUCTION					
Taisei Corporation	382	24,429	1.6	C	The main earner is the all-automatic man-less plating system developed by the Engineering Department. Most of the income is from domestic corporations and relates to water proofing agent and cement bubbling agent technologies provided.
Shimizu Construction	156	25,674	0.6	C	"Three S" underground construction building method was developed in 1973. Currently, the company is the leading authority in underground construction for high-rise buildings and LNG installation. Income from patent fees is earned only from domestic companies. Income from overseas is currently nonexistent.
Fudo Construction	307	249	123.3	S	Recently, a mechatronic consolidation system has been developed, for instance, ground improvement technology (composer building method, packdrain building method). Patent registration has been completed in about 20 countries overseas, and a promising future is anticipated.

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Evaluation of Technological Standards

Tokyo SHUKAN DIAYAMONDO in Japanese 7 Nov 81 pp 20-21

[Article by Hiroo Wakai, Research Division, Planning Bureau, Science and Technology Agency]

[Text] There are various ways to evaluate technological standards. In this article, let us try to analyze them on the basis of technology trade statistics from the Prime Minister's Office and the Bank of Japan.

First is international comparison. According to the statistics from the Bank of Japan, Japan's technology trade in FY-79 showed expenditure of 276.2 billion yen for technology imports and income of 75 billion yen for technology exports. Meanwhile, the statistics from the Prime Minister's Office show 241 billion yen and 133.1 billion for the same items.

The figures vary in the statistics, but Japan's technology trade balance is about at the level of export 40 to import 100. In contrast, West Germany shows a favorable balance of 100 : 46. France and England show trade deficits of 100 : 143 (1977) and 100 : 102 (1975) respectively. The United States is totally exceptional and always enjoys an ample trade surplus such as import 100 : export 1000 as a result of accumulating rich basic technological knowhow.

In the case of Japan, almost two-thirds of the counterparts for technology exports are developing nations. It appears that the quality of the technology is slightly inferior to that of the European nations and the United States.

Second is progress to date. The fees payable for technology increase virtually parallel with the increase in output, even if they come from the same case of technology import.

Next, let us divide the expenditures by the shipment of industrial finished products. The ratio showed a continuous downward trend in the 1970's since the peak of 0.2 percent surplus during 1960-70.

Also, the difference between technology imports and technology exports, according to the statistics from the Prime Minister's Office, was in the red by a "total" of 107.8 billion yen, which included continuing accounts as of FY-79. However, "new contracts" obtained in a 1-year period have been in black figures since FY-72. The FY-79 result showed a surplus of 25.3 billion yen.

Third is the status of individual industries. Industries that showed a favorable balance in terms of the "total" which included continuing accounts as of FY-79, are the iron and steel industry, which claimed a surplus of 11.9 billion yen; the construction industry, which claimed a surplus of 11.5 billion yen; and the chemical industry, which realized a surplus of 50 million yen. If the status is viewed only on the basis of "new contracts," the first on the list of industries showing a favorable balance is the chemical industry, with a surplus of 14.4 billion yen. Next comes the iron and steel industry, which showed a surplus of 5.6 billion yen; and then the construction industry, which showed a surplus of 4 billion yen. The iron and steel industry went to black figures even evaluated on the basis of the "total" starting in 1974, and the general chemical fiber industry, a part of the chemical industry, also went to black figures in that year.

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The industry that has shown remarkable progress in recent years is the chemical industry, and the major chemical companies have all shown favorable balances in technology trades. By comparison, the first on the list of industries with a deficit in the technology trade balance is the electric machinery and equipment industry, which showed a deficit of 38.8 billion yen. Of the deficit, 17.6 billion yen was incurred by the telecommunications, electronic and electric instrument industry related technologies. However, the economic status of the telecommunications electro-electric instrument industry has occasionally been favorable starting from about 1972, if it is viewed only on the basis of "new contracts." This is probably the result of the improved technological standards. In this sense, the automobile industry, which is not in the category of the most advanced industries, has continuously shown deficits from the past to the present both in the "total" and "new contracts."

The question is the future of technology exports. There are, however, two problems to consider. One is the technological challenge from the moderately developed countries. This phenomenon has already been perceived distinctively in the fields of textiles and shipbuilding. Labor costs in Japan are getting too high to compete favorably with the moderately developed countries. In order for Japan to grow as a nation on the basis of technology, it must master the most advanced technology.

The second issue is the trade friction associated with the export of finished products to European nations and the United States. Automobiles and television sets are typical examples. Small VTR products, although they are the same electric products, have not raised trade friction as much as automobiles and TV's in spite of the fact that Japanese companies practically monopolize the world's markets. I am certain that this owes much to the fact that Japan developed the VTR as a commodity and opened the market for it. It appears that the future direction to be taken by the Japanese industries will be found in promoting the refining of the most advanced technologies and in pioneering highly creative commodities. The new trend is budding in the fields of carbon fibers, industrial robots and phototelecommunication systems.

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SCIENCE AND TECHNOLOGY

LOWERING OF TARIFF ON ELECTRONIC COMPUTERS TERMED UNAVOIDABLE

Tokyo NIHON KOGYO SHIMBUN in Japanese 17 Dec 81 p 1

[Text] ITI Minister Abe held talks with leaders of the computer industry circles, including NEC, Fujitsu, and Mitsubishi Electric Machinery, at a hotel in Tokyo on the 16th.

At the talks, ITI Minister Abe referred to the advance lowering of the tariff rate on computers, and stated that "At present, we are effecting coordination in the direction of lowering the tariff rate on computers proper from 9.1 to 7.0 percent and that on peripheral equipment from 14.6 to 10.3 percent, effective from next spring." So saying he sought the cooperation of the industry circles. In response to this, Mitsubishi Electric Machinery President Nihachiro Katayama (chairman of the Japan Electronic Industry Promotion Association) and others said that the differential between IBM, which is the biggest manufacturer in the world, and Japanese enterprises is still wide, and that it will be troublesome if the agreement at the Tokyo Round (multilateral trade negotiations) is changed. However, they expressed the posture of accepting the ITI minister's statement, saying that "It will be unavoidable if it is based on a policy judgment for the elimination of the trade friction."

Also as collateral for accepting the advance lowering of the tariff rate on computers, the industry circle side requested the government's continued support, and sought the realization of appropriations for the technological development of fifth-generation computers and super-computers, which appropriations are included in the estimated budgetary demand for fiscal 1982, and the Development Bank's loans for the Japan Electronic Computer Company (JECC). Toward this, ITI Minister Abe said that "We want to make efforts for budgetary measures, though we are under difficult financial circumstances."

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SCIENCE AND TECHNOLOGY

NISSAN TO EXPAND PRODUCTION OF DEFENSE EQUIPMENT

Tokyo NIKKEI SANGYO SHIMBUN in Japanese 17 Dec 81 p 7

[Text] Nissan Motors has decided on the policy of aiming at being an enterprise concluding main contracts for large-size equipment including missiles and also starting in a positive way licensed domestic production by U.S. enterprises, in order to expand orders for defense equipment. It has so far been handling only limited fields including rockets, and therefore, its sales have been as small as about 12 billion yen. To revise this, it intends to increase its sales greatly by taking charge of the whole system for main equipment. It has been working out medium- and long-range strategy by establishing a planning division in the Space and Aeronautics Department in September, and it aims at "being freed from sub-contracts" in the field of defense orders.

Will Cooperate With Hitachi, Etc

Nissan is producing, for the JDA, such weapons as 73-model 107-mm trench mortar shells, multi-loaded rockets, and 70-mm rockets. However, its sales amount to about 12 billion yen (estimate in fiscal 1981), even when the rocket sector including the equipment for the Space Development Corporation is included. This is a slight amount in the said company's total sales exceeding 3 trillion yen. It has judged that it is necessary to manufacture such products as will become "star items," now that it is to handle the defense field.

It will aim at increasing its sales by obtaining the status of a main-contract enterprise for projects to handle rockets, powder, homing devices, launches, and shell-supplying devices, in the missile system, and the command and order system as a whole. Enterprises dealing with missiles are now limited to Mitsubishi Heavy Industries, Toshiba, etc, and Nissan has been only cooperating with them in limited fields including rockets. However, it wants to play the role of a general manager of the system in the future.

In the case of products autonomously developed, however, there are cases where the JDA issues orders for individual products, and there are circumstances where it is difficult to have a trend toward a system immediately. Therefore, Nissan has started contacts with U.S. enterprises, etc, thinking that if it becomes a main-contract enterprise for licensed production by foreign enterprises, it will come to handle everything. This is because it has the self-reflection that it has made too much effort only for the autonomous development of rockets, etc. It aims at increasing its sales at one shot through licensed production.

Procurement of equipment by the JDA is decided on the basis of medium-term plans including the Medium-Term Operations Estimate for 5 years. Moreover, a preparatory period of 5 to 10 years is necessary for a decision on and the development of equipment to be introduced, and therefore, Nissan is scheduled to work out future strategy as to what field it should handle, under the lead of the Planning Division in the Space and Aeronautics Department.

Also, this company has decided to cooperate with Hitachi, Fuji Heavy Industry, etc, in the defense field. It is expected to check into joint projects with the two companies, too, while firming up concrete projects.

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