Tobacco To Be Freed Next April

Japan Tobacco and Salt Public Corp. will go private next April, capping the country's series of moves to liberalize the tobacco industry. This follows Diet passage in August of five related bills. The tobacco monopoly will make a fresh start as a private company, initially 100% owned by the government. Currently, the corporation is the sole importer of tobacco for distribution through its marketing channels. But effective April 1, 1985, any company will be able to import tobacco for domestic sale if it is registered with the Finance Ministry. Retailers' profit margins—now fixed at 10% for domestic products and 8.5% for foreign brands—will also be liberalized. Business of the new Japan Tobacco and Salt Public Corp., currently limited to the manufacture and sale of the two products, will also be liberalized. The corporation is studying various new business opportunities, including development of drugs utilizing tobacco ingredients and export of tobacco-producing machines. In April this year, the corporation established an export subsidiary as part of such efforts.

Economic White Paper

The 1984 white paper on the Japanese economy called for Japan to step up liberalization of financial transactions and to contribute more actively to the world economy as a capital exporter, as its current account is in chronic surplus.

The white paper, published by the Economic Planning Agency on August 7, said the $24.2 billion current account surplus in fiscal 1983 was caused not only by short-term factors like crude oil price cuts and the yen's depreciation against the dollar but also by longer-term structural factors arising in industry and trade as well as the high domestic savings rate.

The white paper said Japan's high savings rate is not effectively used to expand domestic demand, needed to reduce the current account surplus. In addition, it said there is still a great need for domestic investment.

But even if private investment increases, there will be still surplus savings, amplifying Japan's role as a capital exporter, the white paper said.

For effective overseas utilization of Japanese capital, there is an increasing need for liberalization of the country's financial transactions, it added.

New Installment Sales Law Gives More Consumer Protection

The Installment Sales Law has been revised to offer greater consumer protection, particularly in the area of purchases made on credit from retailers on condition consumers conclude payment-in-installment contracts with credit sales firms. The revision has given consumers the right to reject payments under such three-party purchase contracts in the event that the product purchased proves defective or it fails to reach the consumer. Already, there are provisions for consumer protection covering installment sales by retailers themselves and installment contracts financed by loans from financial institutions with which retailers are in partnership. The new law calls for application of these provisions to all installment sales, including purchases by credit cards. As a result, purchase terms must be shown clearly and contract details given in writing. Another main point of the revision is extension from four to seven days during which the consumer can unconditionally retract his purchase offer made at his home to a visiting salesman. The revision followed a recent rapid rise in complaints from consumers about installment and door-to-door sales techniques.

Economy Grows 6.7% In 2nd Quarter

Japan's gross national product (GNP) grew 1.6% in real terms in the second quarter of 1984 compared with the first quarter. The seasonally adjusted rate translated into 6.7% on an annual basis. Announcing the GNP figures, the Economic Planning Agency predicted the Japanese economy would expand 5.3% in fiscal 1984, ending next March. It would be the sharpest growth in five years, since 5.3% rate was recorded in fiscal 1979. The solid second-quarter expansion was led by a 19.7% surge in exports over the year before, the third straight quarterly double-digit increase. Imports also rose a strong 13.9%, centering on manufactured products, raw materials and fuel. On the domestic side, private equipment investment scored a solid 9.6% gain. But consumer spending and private housing investment remained sluggish. Meanwhile, a quarterly Bank of Japan survey of short-term business prospects, known as *Tankan*, shows both manufacturing and non-manufacturing industries are more optimistic than in the previous survey three months before. It finds business capital investment has also been recovering, although the extent varies according to industry.

Fifth-Generation Computer Symposium

An international symposium on fifth-generation computers will be held at the Keio Plaza Hotel in Tokyo November 6–7.

The "International Conference on Fifth-Generation Computer Systems, 1984," is sponsored by the Institute for New Generation Computer Technology (ICOT), with the support of MITI.

The four-day symposium will hear reports on research and development of fifth-generation computers by ICOT staffers and lectures by such leading foreign scholars as Alain Colmerauer, professor at Marseilles University, and Ezra Vogel, an American sociologist.

ICOT, established in April 1982, is playing a leading role in the research and development of fifth-generation computers in Japan.

Corporate Profit to Rise 14.9%

Buoyed by brisk exports, major Japanese companies will reap 14.9% more ordinary profit in the second half of fiscal 1984 than in the first half, according to a projection by the *Nihon Keizai Shimbun*, a leading business daily. The projection, covering 873 nonfinancial firms listed on Japan's stock markets, shows their combined ordinary profit—before-tax earnings from regular operations—will reach a record semiannual high of ¥2.72 trillion ($11.3 billion) in the six-month period ending March 31, 1985. The manufacturing sector is expected to pace the surge with a 20.5% gain to ¥1.77 trillion ($7.4 billion). Of the 16 manufacturing industries surveyed, only the pharmaceutical and automotive sectors are expected to report lower profit. Oil, steel and other industries long plagued by overcapacity will show remarkable improvements, according to the survey. Meanwhile, a major commercial bank predicts the Japanese economy will continue to expand steadily due to swelling exports, rising capital spending and a slow increase in inventories. The medium-term projection by Sanwa Bank shows the economy will grow 5.2% allowing for inflation in fiscal 1984, 4.6% in fiscal 1985 and 4.1% in fiscal 1986.

Lift All Import Duties, Group Suggests

A research arm of Japan's business community has made recommendations for sweeping market-opening measures, including elimination of all import duties on industrial products. The Japan Economic Research Institute points out one reason for the perception gap between Japan and its trading partners on the openness of the Japanese market is ignorance of Tokyo's recent market-opening measures on the part of some foreign critics. But it also stresses that the Japanese people should know that the country's market for foreign manufactured products was opened up only in the early 1980s. The report, published in late August, says many of the past liberalization measures were made piecemeal, giving other countries a poor impression. In this connection, it proposes that Japan eliminate all import duties on industrial goods, currently averaging 3%, thus leading the rest of the world toward freer commerce. The report also recommends liberalization of interest rates, calling for the abolition of laws restricting interest on bank deposits and postal savings.

U.S.-Japan Advisory Commission Report

The U.S.-Japan Advisory Commission submitted its final report to both Japanese Prime Minister Yasuhiro Nakasone and U.S. President Ronald Reagan on September 17 advocating measures to maintain close, friendly relations between the two countries.

The commission, an advisory group to Prime Minister Nakasone and President Reagan, spent 16 months reviewing all aspects of Japan-U.S. relations in the short- and long-term.

Recognizing that "seemingly endless" trade frictions and differences in policy making and implementation have produced frustration, the report called on the Japanese and American leaders to "take overall responsibility in their respective countries for developing policy toward the other country" and to "establish and periodically review a priority agenda that addresses the pressing issues pending between their two countries."

It also urged Japan to take initiatives for a more positive approach in opening its market wider, rather than merely react to foreign pressures, and called for greater U.S. efforts at both governmental and private levels for increasing exports.

On diplomatic and defense issues, the report recommended dispatch of servicemen from Japan's Self-Defense Forces to participate in United Nations peacekeeping operations, although the Japanese government is taking a cautious attitude toward such a move from the constitutional viewpoint. Opposition parties are very critical of dispatching the Self-Defense Forces abroad. As a whole, the report is highly evaluated both in Japan and the U.S. since it deals with long- as well as short-term issues.

Japan To Become World's Top Creditor Nation

Japan will become the world's largest creditor nation within the next 10 years, according to a long-term projection by the Nomura Research Institute, a leading think tank. But the institute predicts Japan's unemployment rate will also rise during the decade, reaching a level more than double the present rate. The research arm of Nomura Securities Co. forecasts Japan will achieve an inflation-adjusted average annual economic growth rate of 3.9% in fiscal 1984–93, the highest rate among industrial countries. But the growth will be led by domestic demand in a departure from an export-oriented pattern in the past decade. Private capital spending, spearheaded by the electronics industry, will pace the expected rise in domestic demand, growing 5.9% annually on average, double the rate of the past 10 years. Nomura predicts the nation's trade surplus will shrink in the wake of slower exports. But the invisible trade balance will swing into the black, meaning Japan will continue to run a large current account surplus. With active overseas investments, Japan's net assets abroad will lead the world in 10 years at $496 billion. But the jobless rate is expected to climb to 5.3% in fiscal 1993 from the current 2.5–2.6% with the aging of the population, which will create social problems.

For information on where to obtain the papers and materials referred to, please write to or call the Editor of the *Journal*.