



White Paper on Economy

The Economic Planning Agency (EPA) announced an annual white paper on economy for fiscal 1985 on August 15.

The report analyzed that the Japanese economy has entered a period of transition to "new growth" supported by innovations in information and telecommunications technology, high economic growth in Pacific Ocean countries, and consumer shift toward service economy.

The paper, however, made a first reference to the need to reform the country's social security system.

Among factors that may lead the nation to "advanced nations' disease," it said, is the increasing social security spending in line with the rapid aging of the population.

The report painted a rosy picture of the economy in the "new growth era," forecasting that Japan's economic growth will be more sustainable than in the past, backed by reduced restraints on energy and material supplies, increased corporate activities in research and development, and an improved role played by the market mechanism.

But the report warned that the rapid graying of the society means an increase in the public-sector spending on social security which in turn could discourage people from working and businesses from investing.

To tackle the problem, the white paper suggested that the government review the public pension and other relevant systems.



Japan's Direct Overseas Investment

An advisory group to the Ministry of International Trade and Industry unveiled on August 19 a report on the significance of and problems related to Japan's direct overseas investment.

The report stressed that direct investment abroad makes a comprehensive contribution to the world economy by transferring people, capital, goods, and technology.

Direct overseas investment by Japanese corporations totaled \$10.155 billion in fiscal 1984, topping the \$10 billion mark for the first time ever. Aggregate investment abroad in the 1980-83 period made Japan the world's third largest investor after the United States and Britain.

A notable trend in the 1980s is that investment in developed countries in manufacturing industries, such as electric machinery, electronics and transportation machinery, is on the increase, while previously investment in the manufacturing industries and natural resources-related industries of developing countries was the leader.

The report said that Japan's direct investment abroad is playing a significant role in promoting international division of labor by helping revitalize the industries in the U.S. and West European countries that are now losing their industrial vitality and competitive edge in international markets, and by contributing to the growth of industries in developing countries.

It predicted that Japanese corporations and their overseas subsidiaries will increase division of labor within their own group in the future, making international cooperation more diverse and versatile.

The report called for government measures to encourage direct investment abroad, such as tax incentives, better financing, and improvement of relevant statistical data for use by possible corporate investors.



Japan's Global Role Muled

MITI has inaugurated a series of conferences, entitled "Round Table Discussions on Japan in the Global Community," to look into the role Japan should play in anticipation of the 21st century, a role which contributes to the stability and prosperity of the global community and is commensurate with Japan's economic power and influence. The 25-member panel, headed by Prof. Yasusuke Murata of the University of Tokyo, consists of prominent men and women in academic, business and cultural fields. There are also nine foreigners (scholars and businessmen)—unprecedented for a government panel. Almost half of the members of this discussion are people in their thirties and forties, quite young as government panel members go. They will hold several meetings before drafting an interim report next April. Their discussions will cover economic, political, and cultural matters.

Among the main themes to be discussed are: how the international system will change and what position Japan will assume for the 21st century; what roles and contributions are expected of Japan; and whether or not the Japanese people's perceptions and values, and the behaviors based on them, are appropriate for a nation hoping to play an active role in and make a contribution to the world community in the years ahead.



Survey on Consumer Attitudes toward Imported Goods

The Economic Planning Agency (EPA) released the results of a survey on consumer attitudes toward imported goods on September 2.

EPA conducted the survey in late June, polling about 1,400 people, most of them housewives who live in urban areas. It covered their buying attitudes in the past five years regarding 20 specific imported items such as foodstuffs, clothing and durable consumer goods.

The survey showed that 95% of those polled had used imported goods and that each person had used an average 7.6 items. Notable among imported goods used by them were foodstuffs like fruit and alcoholic beverages.

Asked why they purchased imported foods, 33.6% of those surveyed replied they are tasty and of good quality. Good design was cited by 45% of the people who bought clothing and by 25% of those who bought durable consumer goods such as furniture and other interior goods. On cosmetics, perfumes, cameras and sporting goods, 30% said they bought them because they carry famous brand names.

EPA officials believe consumers will purchase more imported goods when import procedures are simplified and the distribution system improved.



Business Capital Spending Seen Rising 10.6%

Major Japanese businesses plan to increase their capital spending 10.6% to ¥18,150.4 billion (about \$76 billion) in fiscal 1985 (April 1, 1985-March 31, 1986), according to a Japan Development Bank (JDB) survey issued on September 3.

The manufacturing sector plans a 12.6% rise, spearheaded by a 23.1% surge in the auto industry. But the electric machinery industry, which led Japan's corporate capital spending with a 55.3% leap the previous fiscal year, plans to spend only 9.0% more amid slowing semiconductor exports.

Nonmanufacturing investment is projected to rise 9.1% in fiscal 1985, up sharply from a 0.2% increase the previous year. Manufacturing firms plan less spending for capacity expansion and more for R&D and energy conservation than in fiscal 1984, while nonmanufacturing investment will go mostly to capacity expansion.

Given growing uncertainty over economic trends, the JDB survey says that there are signs capital spending will be reduced, mainly in the manufacturing sector, through the second half of fiscal 1985.



Gasoline Imports

An advisory panel of the Ministry of International Trade and Industry has recommended that Japan lift its virtual ban on imports of gasoline and kerosene in keeping with internationalization of petroleum product trade.

A subcommittee of the Petroleum Council said in an interim report that stable gasoline supplies are essential for Japanese consumers and that importers should securely meet market fluctuations by flexibly adjusting imports and domestic production.

The report indicated that domestic oil refiners should be allowed to import gasoline, saying they could adjust the amount of imports to ensure stable supply and demand while assuring product quality.

The recommendation was made in line with a common approach agreed upon at the International Energy Agency (IEA) ministerial meeting in Paris in July, which urged the member nations to create conditions conducive to smooth trade in petroleum products.

Arrangements necessary for gasoline imports will be made by MITI's Agency of Natural Resources and Energy by as early as next spring.

The subcommittee, discussing internationalization of oil industry policies, also suggested that Japanese oil refiners should cut back surplus facilities equivalent to some 700,000 to 1,000,000 barrels daily.

Japanese refiners have a combined daily refining capacity of 4.97 million barrels at present, but their operating rate is only around 60%.



Defense White Paper

This year's white paper on national defense, issued August 7, extensively examined the effectiveness of the Self-Defense Forces as a deterrent to various forms of aggression against Japan.

The annual report, compiled by the Defense Agency, described the Self-Defense Forces as a deterrent even in the nuclear age, and spurned some critics' view that Japan's military establishment is unnecessary.

In a section entitled "The Nation and Defense," the white paper pointed out that devotion to the country and willingness to defend it on the part of the Japanese people, and their deeper interest in and understanding of defense problems are key to Japan's defense.

The white paper made no mention of the new five-year defense buildup program and the controversy over whether or not to abolish the government's long-standing policy of limiting Japan's defense spending to less than 1% of gross national product.

But it did point out that Japan's defense spending in relation to GNP, total national budget, and per-capita income is much lower than in the United States and European countries, implicitly calling for increased defense expenditures.

The white paper also reviewed the postwar history of East-West relations. It foresaw no change under Sergeevich Gorbachev's leadership in the Soviet policy line of using its military strength to seek strategic political influence throughout the world.



Good Rice Harvest Forecast

Japan is expected to have a good rice harvest this year, according to projections by the Agriculture, Forestry and Fisheries Ministry.

In a report issued August 26, the ministry said that as of August 15, paddy rice crops were in "fairly good" condition with the crop index standing at 103 against the 1980-84 average of 100. ("Fairly good" is second in the government's six-grade crop classification.)

Hot weather after the rainy season contributed to favorable growth of paddy rice crops, the ministry said.

Broken down by district, the Tohoku, Hokuriku, Kanto, Tokai, Kinki, Shikoku and Kyushu districts were reporting "fairly good" crops with indexes between 102 and 105 thanks to good weather since late July. However, the Chugoku district, hit by low temperatures and long rains in early summer, was having only "average" crops with the crop index standing at 100.

By prefecture, Hokkaido and Gumma prefectures were reporting the best crops with their indexes standing at 107 ("good"). They were followed by Aomori, Miyagi, Fukushima, Chiba and Okinawa prefectures at 106 (also "good").

Judging from current crop conditions, ministry officials said it is safe to forecast a good harvest for the year, barring unfavorable factors such as a severe typhoon.

Last year's rice crop index as of August 15 stood at 103, but good weather raised the final index to 108.



Business Profit up 21.8% in FY1984

Japanese business profit showed its best gain in five years in fiscal 1984, which ended last March 31, according to a Finance Ministry report on corporate statistics issued on August 29. Sales and capital spending rose to record highs that year. The report, covering practically all of Japan's nonfinancial businesses, is the country's most comprehensive survey of its kind.

The report put pretax profit from regular operations at ¥20.62 trillion (about \$86 billion at the exchange rate of ¥240/\$1) in fiscal 1984, up 21.8%. Manufacturing profit rose 27.2% to ¥11.01 trillion (\$46 billion). Among industries with sharp gains were electric machinery, up 49.9%, and transport equipment, up 25.8%. Nonmanufacturing profit climbed 16.2% to ¥9.61 trillion (\$40 billion) under the lead of the transportation and communication industries.

Overall sales gained 7.6% to ¥991.02 trillion (\$4.13 trillion), with electric machinery showing a 32% surge, but oil/coal products, foodstuffs and textiles among industries reporting less sales. Capital spending increased 11.5% to ¥27.87 trillion (\$116 billion), indicating improved business confidence in economic activity.



1985 Report on Price Trends

Technical innovation typified by the microelectronics revolution is contributing to holding down inflation, but the increasing importance of information and services in the economy is putting upward pressure on it, according to a report issued by the Economic Planning Agency on September 3. The price report for 1985, prepared annually to help consumers better understand price problems, features an analysis of the relationship between new trends of industry and inflation.

The report says that the price of semiconductors, which are indispensable for technical innovation, particularly the microelectronics revolution, has been cut by half in the past decade. The use of microchips has permitted reduction in the size of products, which in turn has led to saving of raw materials, the report continues, and the widespread use of microelectronics technology in the production process has allowed labor saving. As a result, it points out, prices of color TV sets and many other products have remained stable.

But it is difficult to improve labor productivity in the field of services due to various obstacles, such as difficulties in standardization, automation, stockpiling and efficient transportation, which constitute inflationary factors, the report concludes.