

Beefing up Defense

The 1986 government defense white paper hints that Japan will upgrade the goals of the 1976 National Defense Program Outline, the nation's basic defense policy, to cope with the Soviet military buildup in the Far East.

The annual Defense Agency report, titled "Japan's Defense," says the "attached book" of the 1976 outline, which stipulates in detail the weapons procurement goals of the three services of the Self-Defense Forces, can be revised upward, even though Japan is still well short of achieving the force levels set in the 1976 outline.

The 12th Defense White Paper, issued by the Defense Agency on August 8, outlines the steady progress in Japan's defense cooperation with the United States. It also stresses the remarkable expansion of Soviet military power in the Far East since the 1976 outline was compiled.

Referring to the ¥18,400 billion (about \$119 billion), five-year mid-term defense buildup program which started last April, the white paper said that while the government wishes to keep defense spending below 1% of the nation's GNP, spending may slightly exceed 1% if calculated on the basis of the 1985 economic outlook, which envisages slower GNP growth than originally forecast.

MITI Agency to Establish Investment Promotion Center

The Small and Medium Enterprise Agency of the Ministry of International Trade and Industry (MITI) plans to establish an "international center" at the semi-governmental Japan Small Business Corporation with the aim of supporting small business in making overseas investments.

The center, to be established in fiscal 1987 beginning next April, will provide small- and medium-sized enterprises with relevant information, advice and know-how on overseas investment and other international operations. There has been growing interest among smaller firms in going abroad because of the yen's sharp appreciation against the dollar since last September.

The agency also plans to have a new loan program set up at government-backed financial institutions to provide small businesses with low interest rates of 6.05% a year to finance investment abroad.

The proposed center will be equipped with a database on overseas investment linked to the overseas information system of the Japan External Trade Organization (JETRO).

The Japan Small Business Corporation will

also attach full-time investment advisers to the center. The corporation now has an advisory service in which about 400 people with experience in overseas assignments are registered investment advisers and are available for individual consultation upon request.

Under the new scheme, advisers will become available to accompany small businesses when they carry out feasibility studies on their overseas projects.

The agency will facilitate a training program for people who will be managers of a company's overseas affiliates. Technical and management experts will also be sent to Japanese affiliates abroad to help train local employees. Another program to invite local employees for training in Japan is also under consideration.

"New Business" Survey

Venture businesses and other newly established enterprises face serious problems with personnel, market development and fund procurement, according to a recent survey.

The survey conducted by the New Business Council, an association for venture and small enterprises, found that 44% of those polled considered securing quality staff one of their biggest management problems. An even greater percentage was worried about educating and training their employees. Recently founded companies said they find it difficult to enlarge their staffs as quickly as their businesses expand.

"Intensifying competition with other companies in the same line of business" was listed by 70 companies, or nearly half of all respondents, as another major challenge. Others showed concern about high dependence on loans and a lack of security.

About a third of the respondents were from the service industry, with most having 100 to 500 employees each. Employee age in 85% of these firms averaged 25-35, an indication that relatively young employees are the main pillar of their business operations.

Many attributed their corporate growth to managerial philosophies (in keeping with the needs of the times. The survey underscored how many businesses are "one-man shows," highly reliant on their entrepreneurial presidents.

MITI Publishes Japanese Industrial Survey

The Ministry of International Trade and Industry (MITI) on September 5 published a "Japanese Industrial Survey," an in-depth analysis of Japan's postwar industrialization and latest industrial trends.

The report, an illustrated white paper on

industry, may serve as a useful handbook for business and educational purposes as it gives a full picture of the nation's industry from both macro- and microeconomic viewpoints with the help of an enormous volume of statistics. The 620-page report contains more than 600 graphs and charts.

MITI published similar reports in 1959 and 1960 which analyzed Japanese industry from a macroeconomic viewpoint. But this is the ministry's first detailed report that has both macro- and microeconomic perspectives.

The first part of the survey takes up 109 themes to analyze the process of the nation's industrialization during the 40 years immediately after the end of World War II. It illustrates the changes in the industrial structure in Japan following the two oil crises and new developments in the 1980s characterized by the fast growth of the service and microelectronics industries.

The second part covers 214 products produced by 27 industries. It analyzes how each item has gone through technological renovation and how it has been affected by the appreciation of the yen and other factors.

Computer-related Category to Be Created in JIS System

The Industrial Science and Technology Agency of the Ministry of International Trade and Industry (MITI) has decided to establish a new category in the JIS (Japan Industrial Standards) covering industrial standards regarding information technology-related software and hardware. The decision was made at a meeting of the Ministry's Committee on Industrial Standards held on August 18.

The creation of the new division, categorized as X, is aimed at integrating information technology-related standards which have been placed individually in different categories such as "electrical equipment" and "machinery." The decision came in response to an increasing number of information technology-related standards set up in recent years.

Under the present JIS system, there are 17 divisions of standards but no division groups information technology-related standards together. MITI had been preparing a new division to ensure compatibility and interoperability of computer systems and software. There have been calls from the related industries for the present JIS system to be realigned to meet the requirements of the information age.

Coming under division X will be more than 100 standards including those covering computer-related technical terms, keyboard layouts, computer languages and open system interconnections (OSI) used for computers.

Division X will come into being in 1987—the first creation of a new category in the JIS system since 1953.



Report Stresses Expansion of Domestic Demand

The Economic Planning Agency (EPA) published on August 15 an annual white paper on the economy, subtitled "the Japanese economy seeks international harmony."

The white paper pointed out that the biggest task Japan faces is how to correct the nation's huge balance of payments surplus. The paper called for restructuring Japan's export-led economy into one more dependent on domestic demand by capitalizing on the favorable effects of the recent sharp appreciation of the yen against the dollar.

The report attributed the trade imbalance between Japan and the United States to, among others, the overvaluation of the dollar and the difference in economic growth rates and economic structures between the two countries. Therefore, it said, a reduction of the trade surplus is far from an easy job that can be done over the short term.

Over the longer term, however, Japan will likely succeed in rectifying the imbalance if it can make use of the benefits of a strong yen. The yen's appreciation should encourage Japanese industries to switch more of their production abroad, it said.

The report stressed the need to explore new fields of domestic demand by increasing the weight of services in the national economy and developing new areas with high growth potential through technical renovation.

The paper added that Japan's high savings ratio provides it with a good opportunity to improve the quality of housing and overhead social capital such as bridges and roads.



MITI Plans Database to Help Expand Japan's Imports

The Ministry of International Trade and Industry (MITI) has decided to start a database service to help expand Japan's imports of manufactured goods in the fiscal year beginning next April.

Under the envisaged program, the Japan External Trade Organization (JETRO) will provide foreign firms planning to export their products to Japan with information about Japanese companies wishing to import such foreign products. JETRO will also supply information about foreign products and companies to Japanese firms which intend to start imports.

JETRO has been promoting imports of manufactured goods by introducing foreign firms interested in selling their products to Japan in its bulletin and by publicizing inqui-

ries about business opportunities in Japan. But the efforts have promoted only limited business chances as it takes time, under the present system, before relevant information reaches the companies with plans to start importing or exporting business.

Under the planned service, about 35,000 Japanese manufacturers, importers and wholesalers will be asked to mention foreign items they are interested in importing. Information gathered, together with the schedules of exhibitions in Japan, will be put into a database which will be updated regularly. The database will also contain information about some 10,000 foreign companies and their products to be supplied to Japanese firms.

JETRO's Tokyo head office annually receives more than 3,000 inquiries about exports to Japan from foreign firms. MITI hopes that the envisaged database service will help upgrade the "freshness" of information supplied, thus expanding market access for foreign firms and increasing their chances of winning more contracts.



Corporate Profits Eroded by Yen's Rise

Pretax profits of Japanese business corporations fell 4% in the April-June quarter from a year before for a third straight quarterly setback, according to a report announced by the Finance Ministry on September 8.

Hard hit by a slump in exports stemming from the yen's sharp appreciation, manufacturing firms saw their ordinary profits slashed by 32.5%, the biggest drop since the third quarter of 1975 when their profits fell 35.8%. In contrast, nonmanufacturing corporations, led by electric power firms, registered a 30.2% profit gain.

The report covered 15,303 corporations, excluding banks and insurance firms, all capitalized at more than ¥10 million.

In the manufacturing section, the steel industry suffered the biggest profit setback (down 133.5%), followed by the electric machinery industry (down 59.8%) and the transportation machinery industry (down 50.3%).

Among nonmanufacturing industries enjoying brilliant earnings performances was the electric power industry which registered a 72.2% gain, boosted by lower crude oil prices and reduced interest burdens. The construction industry scored a 59.7% gain due to increased demand for buildings for rent. A 45.5% rise was reported by the wholesale and retail industry which benefited from firm consumer spending.

Combined sales of all the firms polled showed a moderate 2.1% increase over a year earlier. Sales of manufacturing firms, however, dropped 6.6%, marking the first fall since the first quarter of 1983 when they declined 2.2%. The nonmanufacturing sector saw its sales grow by 7.0%.



Diplomatic Blue Book

The 1986 Diplomatic Blue Book compiled by the Foreign Ministry urges Japan to promote internationalization and be more open to the world. The annual report, issued on July 15, emphasizes the need for Japan to acclimatize itself to the international economic environment as foreign criticism over trade friction and other issues increases.

Subtitled "Positive Contribution to International Society and Further Promotion of Internationalization," the 30th Blue Book also reviews international affairs and Japan's diplomatic activities during the April 1985-March 1986 fiscal year. The Blue Book has been issued annually since 1957 to improve understanding of Japan's foreign policy.

The 1986 edition states that Japan is required to willingly share greater responsibility and bear more expenses in the international community, even if such actions do not bring immediate evident gains for the country.

The Blue Book calls for a change of national consciousness, urging Japanese to accept alien influences even when to do so could affect its economic system as well as its traditions and social customs.

This year's Blue Book is characterized by its clear reference to national security. It declares Japan's firm commitment to its security treaty with the United States, moderate but effective augmentation of defensive military power and positive diplomacy as the three main pillars of Japan's security.



The Graying of Japan

Japan's total population will increase to 136,250,000 in 2013 (from 121,050,000 in 1985), but will begin to level off at around 123,000,000 in 2125, according to an estimate by the Ministry of Health and Welfare Institute of Population Problems. The report, titled "Future Population Projections for Japan," is based on the findings of a national census conducted on October 1, 1985.

The number of persons above age 65 will continue to rise for the next 35 years, reaching a peak of 32 million in 2020 when the first postwar "baby-boom" generation becomes 70 years old. The ratio of the aged in the total population will reach 23.5% in 2021, up from 10.2% in 1985, and then drop slightly, but another peak of 24.2% will occur in 2043, according to the estimate.

In 1950, one elderly citizen was supported by 12 working persons between the ages of 15 and 65. In 1985, the figure had dropped to 6.7 persons, and in the peak year of 2020, 2.5 persons will work to feed one senior citizen.