



New Law Enacted to Meet Industrial Structural Adjustment

A law aimed at streamlining the transformation of Japan's industrial structure as the nation's economy becomes more internationalized came into force on April 1. The law is officially titled the Law on Providing Temporary Measures to Facilitate Industrial Structural Adjustment and provides for smooth curtailment of industries that are losing international competitiveness and for measures to ease the employment issue in areas seriously affected by the adjustment of the industrial structure.

The law came into being when the nation's industrial structure is being adjusted by the force of market mechanisms against the background of sharp yen appreciation. Adjustment of Japan's industrial structure into one more in harmony with those of other industrial countries is vital in attempts to deal with worsening trade friction.

The two main points of the law are: to extend relief to companies plagued by production surpluses due to the changing domestic and international economic environment through preferential tax treatment and guaranteed government surety to borrow funds to dispose of surplus facilities and transform operations; and to stabilize the economy and increase employment opportunities in areas seriously affected by the industrial structural adjustment, including the undertaking of third-sector projects to be funded by local governments. The law provides for establishment of a ¥10 billion Facilitation Fund for Industrial Structural Adjustment, half of which is appropriated from the industrial investment special account of the national budget and half financed by the Development Bank of Japan, to facilitate such third-sector projects.



New Academy of Engineering Launched

Japan's leading experts on engineering and technology have joined to found the Engineering Academy of Japan. The new academy, launched on April 16, should strengthen the voice of Japan's technologists and businessmen with engineering backgrounds. The academy, whose president is Koji Kobayashi, chairman of NEC Corp., is the first in Japan to bring together people from every field of

engineering and technology. It is the brainchild of Hiroshi Inose, former dean of the University of Tokyo's Department of Technology, and Hiroshi Hirayama, professor of Waseda University's Department of Technology. Disappointed by the absence of any Japanese organization comparable to the U.S. National Academy of Engineering, they and their colleagues began laying the groundwork for the new organization in the fall of 1985.

Eventually, as many as 1,000 experts in electronics, biotechnology, new materials and other fields are expected to join the academy, which is also open to businessmen with experience in engineering. The body will not accept government subsidies, but will rely instead solely on income from its ¥100,000 annual membership fees for funding in order to preserve its academic independence and integrity. The academy's activities will range from developing proposals on Japan's engineering and technology policies to promoting research and development, and improving coordination among government, business and academia.

Academy members say they also will address the problem of international friction in high technology. They are hopeful that they will be able to alleviate such problems through interchange with their foreign counterparts. They predict that the academy will come to have a major influence on Japan's engineering and technology policies.



Capital Spending Likely to Level Off

Capital spending by major Japanese companies is expected to level off in fiscal 1987 under the deflationary impact of the strong yen, according to a Development Bank of Japan survey. The survey, covering 1,738 companies capitalized at more than ¥1 billion, found that they plan plant and equipment investment totaling ¥15.94 trillion, up a minimal 0.1% from fiscal 1986. The increase last year was 3.1%.

Capital spending by manufacturers, hard hit by the appreciation of the yen and the resultant export slump, will fall 5.6% to ¥6.12 trillion, the second straight year-to-year decline. Most key manufacturing industries plan to cut capital spending: steel by 18.6%; automobiles by 6.4%; electric machinery by 4.4%; and chemicals by 3.5%. Nonetheless, a few manufacturing industries are planning to put more money into plant and equipment in fiscal 1987, including foodstuffs (8.3%) and paper-pulp (3.1%).

Capital spending by nonmanufacturing industries will rise 4.0% to ¥9.82 trillion, the survey found, following fiscal 1986's sharp 10.3% annual increase. Heavy investment by electric power companies accounted for the 1986 rise.

Plant and equipment in the airline industry will increase 27.6%. Increases are also expected in the leasing industry (10.6%), service industry (10.0%) and wholesale-retail industry (9.6%). On the other hand, capital spending by the electric power industry will fall 1.9% with the curtailment of power source development projects.



Kansai Businessmen's Seminar

What part will Kansai, Japan's second-largest center of commerce and industry, play in an era of internationalization? That was the question on the agenda when top Kansai area businessmen gathered in Kyoto February 19-20 for the 25th Kansai Businessmen's Seminar.

The seminar, sponsored by the Kansai Productivity Center and the Kansai Committee for Economic Development, also discussed the effect of the appreciation of the yen on the Japanese economy, the worsening employment situation, the growing international involvement of Japanese businessmen and other issues they face today. The seminar was titled "Japan and the World en route to the 21st Century: Business Management in an Era of International Cooperation."

A record 320 top businessmen from Kansai attended this year's seminar, apparently reflecting growing concern about the severe business environment arising from the sharp appreciation of the yen, intensifying frictions with major trading partners and the growing need to transform Japan's industrial structure.

Guest speakers included Hosai Hyuga, president of the Kansai Federation of Economic Organizations, former Foreign Minister Saburo Okita and General Motors Chairman Roger B. Smith. Smith was the first foreign businessman to be invited to the annual seminar.

In his keynote speech, Hyuga emphasized the need to open Japan's market even wider, up to and including importing foreign rice. Smith called on Japan to take prompt measures to correct its trade imbalance and open its market. The seminar was divided into four subcommittees that discussed the international economy and business management, regionally balanced national development, the challenge posed to management by structural change and business management in industrial society.



Made-in-U.S.A. Fair

An exposition of American medical and health equipment has aroused American makers' interest in the Japanese market. The exposition, dubbed the "Made-in-U.S.A. Fair '87," was held March 2-5 at Intex Osaka, an exposition ground near Osaka harbor. Some 199 companies from 31 American states took part. The Japan External Trade Organization (JETRO), the Osaka prefectural government and the Osaka municipal government were among the sponsors.

JETRO officials glowingly described the exposition as "very successful," drawing 15,000 visitors and resulting in more than 12,000 inquiries from Japanese importers and hospitals. The American participants received an average of 40 inquiries, and some received as many as 100, JETRO officials said.

A JETRO survey found that 65% of the exhibitors considered their participation worthwhile, and 61% hope to market their products in Japan if they can find sales agents.

This year's exposition was aimed at introducing smaller American medical and health equipment makers not yet well known in the Japanese market to potential buyers. Only 40% of the participants had marketed their products in Japan before. Japan's medical and health equipment market is expected to expand sharply in line with the rapid graying of Japanese society.

Numerous events were held during the exposition, including symposiums and lectures on medical problems and the aging society. Lectures included one given by a cardiac specialist team from Minnesota.



Three Scientists Awarded Japan Prize

The Science and Technology Foundation of Japan has awarded the third Japan Prize to two Americans and one Indian scholar for their achievements in science and technology. The winners of the prestigious award were American botanist Dr. Henry M. Beachell and Indian botanist Dr. Gurdev S. Khush, and American electronics specialist Dr. Theodore H. Maiman. Each winner received a ¥50 million cash award in addition to the Japan Prize citation and memorial plaque. Dr. Beachell and Dr. Khush as joint winners split the cash award.

Dr. Beachell, 80, was awarded the prize for his contributions to improving rice in tropical and subtropical areas. He is known especially for his creation of a new high-yield strain of rice called IR8 in 1966. Dr. Khush, 51, is credited with the creation of a new strain

called IR36 resulting from improvements to IR8. IR36 is blight and insect resistant and can be cultivated on infertile land.

Dr. Maiman, 59, invented the world's first ruby laser in 1960, and pioneered the development of laser technology.

The Japan Prize was established by the private Science and Technology Foundation in 1985 to honor men and women who have contributed to the prosperity and peace of mankind through scientific and technological achievements.



Exchange Dealers to Meet in Tokyo

Some 2,200 foreign exchange dealers from 35 countries are expected to attend an annual meeting of the Association Cambiste Internationale (ACI), better known as the Forex Club, in Tokyo June 4-6. The participants will discuss the foreign exchange market and the management of the club. Japanese financial experts, including Bank of Japan Governor Satoshi Sumita and Vice Finance Minister for International Affairs Toyoo Gyoten, will also address the meeting.

The annual meeting, the first to be held in Tokyo, reflects the growing importance of the Tokyo foreign exchange market. The Tokyo market now ranks third in the world after New York and London.

ACI began as a fraternity organization of foreign exchange dealers established in Paris in 1954. It has branch clubs in 47 countries and a membership of 11,300, including some in 17 countries which presently have no branch of their own. The Japan branch, established in 1964, has 750 members.

The Tokyo meeting, coming shortly before the Venice summit of major Western countries, is expected to serve as a forum for exchanging information on foreign exchange developments after the summit. As the ACI meeting will draw most of the world's foremost foreign exchange dealers to Tokyo, foreign exchange markets are expected to remain stable for the duration of the conference.



U.N. Environment Panel Meets in Tokyo

A United Nations panel on the environment wound up a series of eight meetings with a declaration issued in Tokyo urging all countries to pursue environmental preservation through "sustainable development" which will not deplete natural resources. At the conclusion of its five-day Tokyo session on February 27, the World Commission on Environment and Development recommended that the

world's nations adopt eight policies to help ensure future prosperity, including the fight against poverty, preservation of natural resources, technological development and closer international cooperation.

Describing poverty as a primary cause of global environmental deterioration, the commission called for increased development financing and stabilization of foreign currency earnings by low-income exporters of primary products to help resolve the debt crisis. It also urged reduced per-capita consumption of resources, development of products that do not pollute the environment and prevention of environmental pollution by new products and waste materials.

The commission, headed by Norwegian Prime Minister Gro Harlem Brundtland, has been meeting under the auspices of the U.N. for the past two and a half years.



Unemployment Rate Hits Record 3%

Japan's unemployment rate hit a record 3% in January, reflecting the deflationary impact on the economy of the high exchange value of the yen, according to a survey by the Management and Coordination Agency. The 3% figure was the worst since the government started the monthly work force report in 1953. Unemployment among women was the worst on record at 3%. That for men was 2.9%, topped only by the 3% recorded last July.

The number of jobless workers in January stood at 1,820,000 (1,080,000 men and 740,000 women), up 170,000 over the same month a year before. Workers aged 15-24 were hardest hit, with the number of jobless in that age bracket increasing 90,000 year-on-year.

The number of employed workers in January totaled 57,160,000, up 240,000 from a year before. While the number of workers in manufacturing declined by 380,000 to 14,300,000 and those in construction by 40,000 to 5,310,000, employment in the wholesale and retail business as well as eating establishments increased by 180,000 to 13,250,000. Workers in the service industry also increased by 430,000 to 12,110,000 and those in agriculture and forestry by 40,000 to 3,510,000.

The sharp decline in the number of workers in the manufacturing sector reflected a slump in exports caused by the appreciation of the yen. Export-related sectors were the most seriously affected, with the number of people employed in the textile industry falling by 190,000 and those in the automobile, shipbuilding and other transport machinery industries by 170,000. With steel, shipbuilding and other key industries continuing to slash their work forces, the Ministry of International Trade and Industry fears Japan's unemployment rate could reach 4% by 1990.