Import Prices Coming Down

The yen's appreciation is beginning to tell favorably on import prices. According to the fourth official survey of price trends for imported consumer goods, import prices fell in the case of 52 of the 54 items covered by the survey, and retail prices of 48 items are showing a downtrend. The only import prices to show an uptrend were those for neckties and spectacle frames. These results indicate that the strong yen is beginning to help stabilize import price trends.

While import prices of some brand name items are going down, their retail prices seem to be so pegged as to prevent their high-grade image from collapsing.

Comparing prices in August–September 1985 and May 1987, the survey shows that retail prices of socks, down quilt sets, whiskey and underwear fell more in terms of percentage points than their import prices due to fierce competition on the home market. Items for which there were major falls in retail prices include Scotch whisky (32.5%), Californian wine (35%), lemons (75.1%) and chocolate (15.5%).

Items whose import prices fell but retail prices leveled off include perfume, eau de cologne, china and cigarette lighters. Most of them bore European brands—an indication that the yen is appreciating to a lesser degree against European currencies than against the U.S. dollar.

Credit Card Business Prospering

The consumer credit business used to have the dark image of a "loan shark" business as far as money-thirsty salaried workers were concerned. But no longer is this so. It has now grown to be a huge money market with a lending balance of a whopping ¥35 trillion (about $233 billion at the rate of ¥150/$).

Vying in this flourishing credit card business are city banks, life insurance companies, labor union banks, car makers and electronic appliance makers. Nonetheless, no consistent laws are in force to govern the booming consumer credit business.

To give legal backing to the consumer credit business, the Committee on Financial System Research, an advisory body to the minister of finance, has produced a report titled "The Right System of Consumer Credit."

The report calls for (1) restrictions on interest to be eased to allow development of the consumer loan market, (2) bank-operated credit card loans to be made repayable in installments and (3) the consumer credit information system to be augmented for exchange of not only "black" (trouble) information but also "white" (asset) information.

But the recommendations, soon to be presented to the minister of finance, are already under fire. For one thing, the proposed exchange of private asset information is being rapped for threatening to violate the privacy of individuals. The Japan Federation of Consumer Credit Companies and small and medium-sized credit organizations were quick to adopt a resolution opposing any step to help bolster the bank-operated credit card business.

U.S.-Japan Joint Development of Semiconductor Laser

Matsushita Electronics Corp., a semiconductor maker in the Matsushita group, and TRW, a major American space equipment maker based in Ohio, will jointly develop a semiconductor laser to be used by the U.S. National Aeronautics and Space Administration (NASA) for space communication between satellites. It will be the first time Matsushita has developed electronics technology jointly with NASA.

The bilateral agreement, announced by Matsushita Electronics on June 17, means that NASA is relying on the Japanese company for part of the key technology needed for its space projects. Observers say the accord will cause ripples in the U.S. high-tech industry at a time when Japan-U.S. trade friction is assuming serious proportions.

The agreement calls for Matsushita Electronics to manufacture a semiconductor laser and for TRW to complete a space communication system using the product. NASA's role will be to design and oversee the structuring of the whole system. NASA plans to use a semiconductor laser initially for optical communication between ground stations and satellites starting from 1990, and later for communication between satellites.

The venture is expected to draw a bitter reaction from the U.S. Congress and industry, according to political observers. This is because, they say, the arrangement provides for Japan's high technology to be used for America's national project of space development. That the nature of the laser is such that it can be used for both civil and military purposes may pose a problem, they add.

Denying the possibility of the project sparking political friction, a Matsushita Electronics spokesman said, "The technological tie-up can't cause high-tech friction since it has been requested by the U.S. side. Laser communication is a technology for peaceful utilization of space, and we are not getting involved in SDI (strategic defense initiative)."

Two Foreigners on JISC

Two foreign specialists have been appointed ad hoc panel members of the Japan Industrial Standards Committee (JISC).

John P. Stern, executive director of the U.S. Electronics Industry Japan Office and Paul Kuhn, chairman of the European Business Council's Subcommittee on Telecommunication and Information Processing are the first foreigners on the JISC. Both are to serve on the Optoelectronics Experts Committee set up July 10 in the JISC Electronics Division.

In a constant effort to prepare effective and internationally well-coordinated standards reflecting the views of foreign experts, the JISC is asking foreign specialists for their views and inviting them to participate in preparing draft standards. This latest step is intended to gain wider foreign representation in Japan Industrial Standards preparations as part of Japan's action program aimed at lessening trade friction.

The JISC intends to further promote such foreign participation in its activities, with priority given to those industrial fields that are of strong interest to foreign businesses.

ME Equipment Diffusing

Already 94.4% of Japanese businesses have introduced some type of microelectronics (ME) equipment, according to a Labor Ministry report announced on June 1. The report was based on a survey, conducted in late May last year, in which 2,500 private businesses with a work force of more than 100 were polled.

These companies were first asked how their employment and production have been affected by the introduction of such office and factory automation equipment as facsimile machines and industrial robots. Of the respondents, 18% said they had noticed changes in employment since introducing ME equipment into their offices or factories. Of these, 40% said they had employed fewer persons while 30.3% replied they had employed more. Asked whether they consulted their labor unions when installing ME equipment, 36.3% replied in the affirmative. But only 3.1% said they had signed specific labor agreements or memoranda on ME equipment with their unions.

What do they plan to do in order to handle problems that may crop up with the progress of the ME revolution? Most said they would hire personnel with new knowledge and the ability to handle technology (64.6%) and that they would have to deal with health problems arising from the use of ME equipment (48.0%).

Japan Top Holder of Overseas Net Assets

For the second straight year, Japan held the largest value of overseas net assets of any country in the world at the end of 1986, Finance Minister Kiichi Miyazawa reported at a cabinet meeting on June 26. Miyazawa said Japan's net assets (assets minus debts) overseas had grown sharply against the background of its huge trade surplus, far outstripping those of other countries.

Overseas assets owned by the Japanese government, enterprises and individuals totaled \$727,306 million and debts aggregated \$546,955 million, both record highs. The nation's net assets thus worked out at \$180,351 million, up 38.9% over the previous record figure of \$129,821 million at the end of 1985.

The sharp rise in net assets was attributed to the fact that much of the surplus earned from exports was not spent in Japan but instead was used for securities investment and plant construction overseas. Officials believe that expectations will be higher overseas about the financial clout of a rich Japan.

Other countries have not yet disclosed their overseas net assets holdings as of the end of 1986. But it is believed certain that Japan climbed to the top spot for the second consecutive year, with Britain seen to have suffered a minor drain on its 1985 performance of \$116,400 million, while West Germany held only a little more than \$100,000 million.

GNP Rises 4.9% in Jan.-Mar. Quarter

The Japanese economy, once trapped in a serious recession due to the yen's precipitous appreciation, has been bottoming out since early this year, and recently there have been signs of recovery.

According to a preliminary report on national income statistics released by the Economic Planning Agency on June 16, the seasonally adjusted real growth rate of gross national expenditure (the same as GNP) for the January–March period of this year was up 1.2% over the previous quarter (4.9% in yearly terms). This compares with 0.7% (2.9% in yearly terms) for the October–December 1986 quarter. Domestic factors, such as a recovery of private consumption and increased equipment investment by power companies, were mainly responsible for the higher growth rate.

The real-term growth rate for fiscal 1986 as a whole (April 1986 to March 1987) was 2.6%, dipping below the government's revised forecast of 3%. It was the lowest since the fiscal 1974 figure of minus 0.4%, which followed the first oil crunch. The report also forecasts that business will pick up and the government's growth target of 3.5% for fiscal 1987 will be attained if exchange rates become stable.

For the January–March period, private final consumption expenditure showed a high 1.8% increase over the previous quarter. Power companies were active investing in equipment. Durable consumer goods sold well, and private housing investment was firm, showing a 0.6% gain.

On the other hand, private inventory plunged 74.8% as inventory adjustment spent itself. The surplus of the nation on current account posted a sharp 21.3% increase. In addition to a slight rise in exports, revenue from overseas investment went up.

Database Industry Develops into ¥100 Billion Business

The database industry has developed into a ¥100 billion business in Japan, according to the 1987 white paper on databases issued by the Database Promotion Center, an affiliate of the Ministry of International Trade and Industry. The annual report said that commercial databases providing services in Japan earned ¥100.8 billion (about \$670 million at the rate of ¥150/\$) in 1985, a more than sevenfold jump over the past 10 years.

Database services available in Japan in 1985 numbered 1,289, topping the 1,000 level for the first time. About 80% of them were provided by foreign firms. Monetary, financial and industrial matters have replaced natural science and technology as the main categories of information retrieved from databases.

This indicates that business information is becoming the mainstream of database services in Japan, the white paper said. It said that the promotion of domestic databases, including government databases, the international exchange of databases and the prevention of computer crimes are among the most important issues now confronting the database industry in Japan.

Investment in FY 1987

Japan's corporate investment in fiscal 1987, ending next March, will be down 0.7% from the previous year to total ¥12,537.9 billion for the first year-on-year fall in 12 years, according to a report made by the industrial fund subdivision of the Industrial Structure Council, an advisory panel that reports to the minister of international trade and industry. The report, covering 1,465 major companies across the country, says that corporate enthusiasm to invest in new plants and equipment has been dampened by the high exchange rate of the yen.

Investment by manufacturing companies will be down 7.6% from the previous year, a drop for the second straight year. Investment by nonmanufacturing companies will be down 1.6%, with spending by the power industry to be cut by 2.9%.

Direct overseas investment by 900 manufacturing firms will remain active in fiscal 1987, though the predicted growth rate of 8.2% is far lower than the 23.2% attained in the previous year. The slower growth reflects a poorer export profitability caused by the strong yen. The report says that direct overseas investment should be made with full attention paid to its possible impact on employment and minor subcontractors at home.

Meanwhile, banks are predicting that corporate investment will either level off or show modest gains compared with fiscal 1986. Growth rates range from 1% given by the Industrial Bank of Japan and 0.9% by the Long-Term Credit Bank of Japan to 0.2% by the Nippon Credit Bank and 0.1% by the Development Bank of Japan.

Deregulation of Petroleum Policy Advocated

A panel of experts on oil problems has called for drastic deregulation and further free competition to improve the managerial quality of the nation's petroleum industry. The call is contained in a report compiled by a Petroleum Council study group on basic problems of the petroleum industry. The council is an advisory body to the minister of international trade and industry.

Recommending a sweeping review of petroleum policy and the petroleum industry, the report points out that the existing administrative guidance based on the Petroleum Business Law has had the effect of safeguarding the industry's vested rights and weakening its managerial capacity.

On the basic direction of future petroleum policy, the report advises that oil supply be left to the free workings of the private sector when supplies are stable. In concrete terms, it recommends that the approval system for oil-refining facilities be applied with greater flexibility, that administrative guidance by the Ministry of International Trade and Industry on production plans for petroleum products be discontinued by the end of fiscal 1988 and that the administrative guidance on the construction of gas stations be discontinued within fiscal 1989. The report further stresses the need to dispose of redundant facilities and further integrate oil wholesalers so that the managerial quality of the petroleum industry can be improved.