

## Imports from Asia Mark Sharp Rise

Japan's imports of manufactured goods are soaring, according to the 1988 white paper on trade issued by Japan External Trade Organization (JETRO), with the most notable increase in products coming from the newly industrializing economies (NIEs) of Asia and the member countries of the Association of South-east Asian Nations (ASEAN).

Japan imported manufactured goods worth \$66 billion in 1987, up 25% over the previous year. In just the first half of 1988, manufactured imports totaled \$51.6 billion, up a dramatic 45.6% over the same period in 1987, the JETRO report said.

The white paper said manufactured imports are now an integral part of the Japanese economy, signaling an end to the old myth that Japan can survive only by importing raw materials, processing them and reexporting them in the form of manufactured products.

Giving momentum to the sharp increase in manufactured imports from Asian countries are the appreciation of the yen against the dollar, expanded Japanese direct investment in these countries, and their declining reliance on the United States as an export market, the white paper said.

The annual report said the trade imbalances among Japan, the United States and the Asian NIEs are being corrected. It called for the further opening of the Japanese market and reductions in the U.S. fiscal deficit in order to promote a balanced expansion of world trade.

## Insider Trading Abuses Provoke Crackdown

Japan is tightening its controls on insider trading following the revelation of two cases of dubious stock transactions. One was the sale to aides of prominent politicians of shares in a fast-growing real estate company, Recruit Cosmos, just before the firm went public on the over-the-counter market. The other case involved employees of Nippon Steel Corp. and Sankyo Seiki Mfg. Co. who allegedly traded in Sankyo shares before the two companies announced a merger. The latter case in particular, a classic example of insider trading, has aroused public criticism of such dealings.

The Ministry of Finance invoked a clause in the revised Securities and Exchange Law in August which empowers it to investigate any listed company for evidence of insider trading.

The Federation of Bankers' Associations of Japan, the Trust Companies Association of Japan and other industry associations have also drawn up rules aimed at preventing insider trading.

## NTT Tops Corporate Earnings League

Nippon Telegraph and Telephone Corp. (NTT) was Japan's top corporate earner in fiscal 1987 with an income of ¥511,187 million (nearly \$3,790 million at the rate of ¥135/\$), according to a list of corporate earnings released by the National Tax Administration. NTT had ranked fourth in the fiscal 1986 edition of the list, which covers companies capitalized at ¥500 million or more.

NTT's advance resulted from its strong showing in the telecommunications business, particularly the dissemination of facsimile machines. The mammoth corporation also benefited from the expansion of other business such as sales of household telephones.

Meanwhile, booming portfolio investments backed by unprecedentedly low interest rates helped securities companies and banks capture 27 of the top 50 slots. The stock investment boom pushed up Nomura Securities Co. from third to second place. Securities companies Daiwa, Nikko, Yamaichi and Kangyo Kakumaru also advanced on the list.

Eleven of the 13 major city banks also made the top 50. In sharp contrast, electric power and gas companies saw profits sag as they cut rates to return windfall foreign exchange gains to consumers.

Total incomes declared by the 4,605 companies on the list hit a record ¥21,051.4 billion, up 16.3% to top the ¥20 trillion mark for the first time.



## Going Commercial With Tomato Bank

Most of Japan's *sogo* (mutual) savings and loan banks are becoming commercial banks. By the end of August, 52 of the nation's 68 mutual banks had applied to the Ministry of Finance for permission to make the change, to take effect next February, with the remaining mutual banks expected to follow suit next year.

Mutual banks have traditionally focused on financing small businesses, but progress in financial market liberalization now allows them to compete with larger commercial banks on an equal footing. The change is likely to heighten competition for deposits and loans.

Some mutual banks plan to simply eliminate the word *sogo* from their names in making the switch. Others, however, have decided to adopt new names, including Sanyo Sogo Bank which will in future be known somewhat surprisingly as the Tomato Bank.

## International Telephone Rates Lowered

Japan's international telephone rates were lowered an average 21% on September 15 after the Ministry of Posts and Telecommunications approved a Telecommunications Council recommendation for cuts in charges.

According to Kokusai Denshin Denwa (KDD), which has a monopoly on international telecommunications services out of Japan, a daytime three-minute call to the United States will now cost ¥890, down 28% from ¥1,240. Calls to the U.S. account for one-third of all international telephone calls from Japan. At the same time, special nighttime and late-night discounts have been introduced for international facsimile transmissions.

The move was prompted by consumer complaints that international telephone calls from Japan are much more expensive than in other countries. KDD officials hope the lower rates will boost the volume of international telephone calls from Japan.

## Spending by Tourists Will Reduce Surplus

In an effort to better reflect the cross-border flow of goods and services in its statistics, the Ministry of Finance has changed the way it compiles some of its balance-of-payments data. The change, effective in July, concerns the balance of tourism, and will result in a \$2-3 billion annual reduction in Japan's nominal current account surplus.

The tourism account is the balance between money spent by Japanese travelers abroad and that spent by foreign tourists in Japan. With the number of Japanese traveling overseas soaring in recent years, the account finished in the red in fiscal 1987 to the tune of \$9.66 billion.

The ministry previously estimated the tourism balance on the basis of such factors as the number of travelers' checks in circulation and the amount of yen converted into dollars. Now, however, it has begun to also count cash spent abroad by Japanese travelers. Japanese travelers are allowed to take up to ¥5 million in cash with them when they leave the country, and are increasingly using cash when shopping overseas.

## Firms Report Plans For 36% More Sites

Companies chose sites for 1,462 industrial plants and research facilities throughout Japan in the first half of 1988, a sharp increase in this important barometer of economic growth.

According to the Ministry of International Trade and Industry (MITI), the figure was one of the highest in recent years, increasing 36%, or 374 sites, over the same period in 1987.

The increase was attributed to expanding domestic demand as well as to a trend among various industries to build centers for promoting high-tech research and development. MITI officials expect even more site locations to be decided in the second half of this year.

Plant sites selected in the first half were concentrated in the inland areas of the Kanto and Tohoku districts, or central and northern Honshu. Of the 180 plant sites selected by electric machinery manufacturers in particular, 112 were located in those districts. The siting decisions reflect a shortage of suitable land near the coast and the completion of expressway extensions in the areas.

Most of the sites selected for research facilities were also concentrated in the Kanto district. But three went to Kansai in southern Honshu, including the Kansai Science City.

Companies affiliated with foreign firms selected five sites during the period, compared with nine in the first half of 1987 and 13 in the second half.