NTT Goes Private

Nippon Telegraph & Telephone Public Corp. (NTT) went private on April 1, making a fresh start as Japan's largest private enterprise. The new firm, Nippon Telegraph & Telephone Corp., is capitalized at ¥780 billion and has 320,000 employees. At the same time, the country's telecommunications business was opened to the private sector, permitting any firm to compete with the new NTT. Already, several groups are considering starting telecommunications service through leased or privately owned circuits. Among them are Japan Telecom led by the Japanese National Railways (JNR), Teleway Japan backed by the Japan Highway Public Corp., and Daini-Denden Inc. bringing together Kyocera Corp., Sony Corp. and other high-technology firms. Many companies, including IBM and AT&T of the U.S., plan to enter the market for computer-controlled enhanced electronics data transmission services, which has also been liberalized. Fierce competition is in the offing on another front as well—sales of equipment to NTT and other telecommunications vendors. Of NTT's annual procurements totaling ¥660 billion (about $2.6 billion), only a little more than ¥30 billion ($120 million) now comes from U.S. suppliers. The U.S. is expected to continue pressuring Japan to buy more telecommunications equipment to help reduce its snowballing trade deficit. Meanwhile, sales totaling ¥4.5 trillion ($18 billion) a year give NTT a huge surplus which it previously could not use as it pleased. The financial community is closely watching where and how the new NTT will invest these enormous funds. Also attracting wide attention are the NTT shares that the government will be selling over the next few years. The government, which currently holds all NTT stock, will eventually unload two-thirds of its holdings in the Japanese market.

Panel Urges Freer Yen Use Abroad

A panel of advisers has urged the government to take sweeping measures to give the yen a role in international finance commensurate with Japan's heightened economic status in the world community. The Foreign Exchange Council advised the Finance Ministry in March to liberalize Euroyen transactions by:

—permitting Japanese banks to extend Euroyen loans of more than one year to borrowers outside Japan;

—allowing banks to issue medium- and long-term negotiable certificates of deposit (CDs) in Euroyen; and

—further deregulating and diversifying Euroyen bond offerings (currently, Euroyen bonds are limited to issues of more than five years with fixed interest rates). The council proposed diversification to bring the bonds into line with the realities of the Eurobond market, where floating rates and a variety of other offerings are readily available.

Behind the recommendations is the established practice of free dealings in the international financial market, a practice which can no longer be neglected by Japanese financial authorities.

Keidanren Urges Free Trade

The business community has proposed that Japan not only reduce import duties on foreign products but seek to eliminate them completely over the long run. The recommendation was contained in a report prepared in February by Keidanren (Federation of Economic Organizations), Japan's most powerful business body, in the belief that the country should lead the rest of the world in opening its market to foreign products in the interest of free trade. Entitled "Our Basic Thinking Concerning Reconstruction and Strengthening of Free Trade," the report also suggested that limits be placed on measures practiced outside the framework of the General Agreement on Tariffs and Trade (GATT), but in principle banned by the international convention. Japan has already eliminated tariffs on some industrial products, including semiconductors, TV sets and machine tools. In a series of trade talks with the U.S., it has also expressed its readiness to end tariffs on computers and several other electronic products. The report, reflecting Keidanren's jitters over the unabated trend toward protectionism in the U.S. and Europe, was intended as an appeal for maintaining the free trade system.

Household Spending Up 0.4% in 1984

Inflation adjusted household consumption last year rose 0.4% over 1983 levels, according to a government survey. It was the third straight annual increase, but slower than the 0.6% gain registered the previous year, indicating that consumer spending growth remains sluggish despite the robust economic recovery. In unveiling the survey, the Management & Coordination Agency blamed the slow growth on increased tax and social security burdens. But the agency also noted that many households earmarked some of their increased income to loan repayments and savings. A third factor was a lull in purchases of durable consumer goods. The survey put average monthly consumption spending in 1984 at ¥266,320 (about $1,065 at the rate of $1=¥250) per household. Non-discretionary expenses for utilities, education, transportation and correspondence, all hard to cut down, increased sizably, while outlays for food, clothing and other daily necessities declined, suggesting that many families were finding it hard to make both ends meet. Wage earners' households increased spending by 1.7%, but the rise was offset by a 1.8% drop for other non-farming households, including self-employed businessmen and pensioners.

Specialists in Short Supply

Reflecting steadily rising economic activity, Japan is experiencing an acute shortage of computer programmers and other specialists. A Labor Ministry survey released in March found some 580,000 specialist jobs waiting to be filled as of June 1984, compared with 500,000 the previous year. The number was equivalent to 4.8% of total specialists already on the payrolls of Japanese businesses, up from 4.3% in 1983 for the first rise in four years. The ratio had been on the decline as managements strove to trim their work forces to cope with a prolonged economic slowdown. The manufacturing sector accounted for 303,100 or 52.5% of the total shortfall, followed by services with 92,100 and construction with 88,200. Workers who can assemble or repair electric and electronic machinery were in shortest supply—46,100—followed by bus and truck drivers at 45,000, and systems engineers and programmers at 36,000. The last category had the highest ratio of shortage to existing work force, a serious 17.6%.

Many U.S. Firms Eye Japan for Investment

Many U.S. corporations see Japan as the most crucial Asian country for direct investment, according to a MITI survey released March 8. As reasons they cite large markets, the country's geographical advantage as a foothold for marketing their products to the rest of Asia, stable political conditions and labor/management relations, and the good quality of labor. The survey, conducted late last year, covered 104 leading U.S. corporations. It showed that 63 (about 60%) view Asia as an important area in their investment strategy. China, South Korea and Singapore were mentioned as other promising Asian countries for investment. Of the firms surveyed, 23 have already established operations in Japan and 22 are planning or discussing plant construction. About one-third said they know of campaigns by Japanese central and provincial governments to attract foreign investment. But they said they want more information about market trends, possible local business partners, taxation and other matters before deciding to locate plants in Japan. MITI intends to push publicity efforts with greater emphasis on these points.

Sixty Percent of Japanese Firms in Europe in Black

Japanese firms in Europe are generally doing well, although most are still young and many are troubled by different labor practices and other cultural gaps, according to a survey by the semiofficial Japan External Trade Organization (JETRO). The survey results, released in February, show 60% of the 189 Japanese-affiliated businesses in Europe are operating at a profit. Most are based in West Germany, Britain and France. Electrical and electronics firms are most numerous at 52, followed by chemical concerns at 24. Among reasons for the generally good showing, the survey pointed out that the companies have gradually adopted Japanese-style business practices, with 84% offering factory workers chances of promotion to higher posts and 65% providing opportunities for management and labor to exchange views on company affairs. On the other hand, many firms complained of wage-related difficulty in managing labor. It was found that only 27 firms had quality control campaigns involving workers, a common practice in Japan. The findings clearly show differences in cultural and other background factors between Japan and European countries.

Business Capital Spending Seen Up 5.3%

Japanese businesses plan to spend 5.3% more on new plant and equipment in fiscal 1985 than the previous year, according to a survey by the Japan Development Bank. That is less than half the estimated 11.3% surge in fiscal 1984, ending March 31, but still represents a solid increase. Behind the steady growth are sharply higher investment plans by high-technology industries such as electronics and new materials, unabated enthusiasm for spending among many companies counting on solid U.S. economic growth, and an increasing number of firms stepping up R&D to cope with rapid technical innovation. The manufacturing sector plans to boost investments 5.1% in fiscal 1985 and nonmanufacturing 5.6%, indicating a better balance of growth between the two sectors than in fiscal 1984 when manufacturing led capital spending. Pacing manufacturing investments will be processing and assembly industries such as electric appliances and computers, up 13.8%. The auto industry also plans to substantially increase spending. In nonmanufacturing, a 3.5% rise is planned by electric power and gas, and a 16.3% leap by services. Higher spending by service industries is spearheaded by leasing, where handling of office automation equipment is rising fast.

Int'l Telecom Rates from Japan Cut 9.5%

Kokusai Denshin Denwa (KDD) has reduced rates on overseas telephone and telex services from Japan by an average 9.5%, effective April 1. It was the second reduction in a year, following a 6.7% cut in April last year, and the sixth since charges were first slashed in December 1979. The latest cut was the largest ever. KDD has reduced rates due to increasing profits as demand swells for international telecommunications services. The move is also designed to prepare for free competition in the field—which KDD presently monopolizes—expected in the wake of the liberalization of domestic telecommunications April 1. The new rates on international telephone calls are 9.1% lower than before (14.8% for dialed calls). Nighttime and Sunday discounts have been doubled to 20%, and those for calls between midnight and early morning doubled to 40%. Rates for international telex and data transmission services have been reduced 10.8% and 16.5%, respectively.

Corporate Profits to Rise 8.9%

Japanese corporate profits will slow to single-digit growth in fiscal 1985 after soaring nearly 20% year-on-year in fiscal 1984, according to a projection by Nihon Keizai Shimbun, a leading business daily. The projection, covering 882 major nonfinancial businesses closing their annual accounts on March 31, put unconsolidated before-tax profits from regular operations at an estimated ¥5.39 trillion (about $21.6 billion) in fiscal 1984, up 19.8% from the previous year. The surge resulted from sharply higher exports bolstered by the world economic recovery and the yen's depreciation vis-à-vis the U.S. dollar, and lower prices for crude oil and other raw materials. Export-oriented industries such as electric machinery and precision instruments showed the best gains, while steel swung back into the black, boosting manufacturing sector earnings 38.7%. In fiscal 1985, however, all-industry profits will only increase some 8.9%, with manufacturing profit growth slowing to 13.2%, one-third the previous year's gain. This is due to slackening earnings growth in the electronics industry, which faces excess supply after years of massive capacity-boosting investments. It also reflects slower earnings gains in several other key industries, including automobiles and basic industrial materials.

CORRECTION

"Five Steps to Progress" in the March/April 1985 *JOURNAL* incorrectly labeled a photograph on page 31 as "Victor Company of Japan's video equipment production plant in England." It is in fact J2T Holdings B.V.'s (a company of three equal partnerships—Victor Company of Japan, Telefunken of FRG and Thorn EMI plc of U.K.) plant in West Berlin.