



### Capital Spending Rises

Corporate capital spending in Japan began to recover in the second quarter of 1987. An Economic Planning Agency survey in August of 4,024 companies capitalized at ¥100 million or more showed that on average they spent 2.5% less on new plant and equipment in the April-June quarter than in the preceding three months. But they planned a 0.1% increase in the July-September period and a 4.5% gain in the following quarter. For the whole of 1987, a 6.5% increase is expected compared with a 0.3% drop last year, according to the survey.

Pacing the 1987 capital spending recovery will be the nonmanufacturing sector, which envisages an 11.1% increase. Manufacturing investment is projected to rise only 0.3%. Capital spending by all industries excluding electric power increased 5.2%.

Planning sizable spending increases are industries closely related to domestic demand such as food, construction and banking/insurance. On the gloomy side are the steel, mining, shipbuilding and automobile industries.



### Demand for Office Space

Demand for new office space in Tokyo through the rest of this century will be far smaller than was earlier expected, according to a National Land Agency survey released in August. The survey of 504 Japanese and foreign corporations found that an additional 93 hectares of office floor space will be required in Tokyo's 23 wards by 2000. The figure is surprisingly small compared with earlier projections running as high as 1,150 hectares. An agency official said Tokyo will easily be able to meet the projected demand.

The survey found that affiliates of foreign companies account for more than 90% of the new office requirements. Foreign financial institutions are expected to need 22.1 hectares of new space by 2000 (an 11.4-hectare increase is projected by 1990) and nonfinancial foreign firms 64.7 hectares (24.1 hectares). Employees of foreign affiliates will increase by some 59,000 by the end of the century.

International divisions of Japanese financial institutions are expected to require 6.2 hectares more office space by 2000 (1.8 hectares in 1990), with their total staff predicted to increase by about 6,000.



### Government Workers To Do Less Hours

The government plans to submit to the next session of the Diet to be convened in December a bill revising the Government Employees Wage Law for the purpose of introducing a semi-five-day workweek for government workers starting next fiscal year.

When the semi-five-day workweek is fully implemented, all ministries, agencies and affiliated institutions throughout the country will close two Saturdays a month. A panel exploring the possibility of a five-day workweek recommended that government offices close on the second and third Saturdays of each month as do commercial banks.

As a first step toward a five-day workweek, ministries and other government agencies introduced a semi-five-day workweek last autumn. Under the system, government employees get a total of six days off over four weeks, including Sundays.

The Management and Coordination Agency, which supervises government operations, has concluded that the five-day workweek recommended by the National Personnel Authority earlier this year will not hinder government work. According to the agency, 90% of government employees already have some form of semi-five-day workweek. The remaining 10%, including public hospital employees, will soon be granted six days off for every four weeks.

The agency sent a study mission to Western European countries last September to see how a five-day workweek for government employees works in practice.



### Japanese Language Teachers to Be Certified

Starting next year, the Ministry of Education will begin issuing certificates for Japanese language teachers. The first certification test will be given on January 31. Applicants must be over 20 years of age.

The new certification system is aimed at improving the quality of Japanese language teachers at a time when increasing numbers of foreigners are studying the language, ministry officials said. The test, which is not mandatory, will cover the construction of the Japanese language, teaching methods and Japanese history and geography.

As of the end of fiscal 1985, there were 3,300 teachers of Japanese as a second language in Japan, of whom only 30% worked full time. An estimated 35,000 foreigners were studying Japanese in Japan last year, compared with 11,000 in fiscal 1976.



### Ministry Announces ¥53 Tril. Road Plan

The 10th road augmentation plan for fiscal 1988-1992 announced by the Ministry of Construction August 25 calls for appropriating ¥53 trillion to build new highways and general-purpose roads. It envisages constructing 1,654 kilometers of additional trunk highways, including 1,246 kilometers of superhighways.

The proposed outlay is a 39% increase over the preceding five-year plan. If the program is implemented in full, trunk highways in Japan will total 6,041 kilometers by the end of fiscal 1992. The plan also calls for widening several sections of the Tokyo-Nagoya and Nagoya-Kobe superhighways, and making preparations for second superhighways between Nagoya and the two other cities.

The ministry plans to introduce a new system under which four-fifteenths of revenues from the gasoline tax, the most important funding source for road construction, will go directly into the road augmentation special account of the national budget. Under the existing system, revenues from the gasoline tax are all processed through the general account section of the budget.



## White Paper Says Surplus Is Shrinking

Japan's chronic trade surplus is beginning to shrink as the yen's higher value slows exports and boosts imports, according to an annual government economic report. The White Paper on the economy, published in August, also stresses that progress has been made in Japan's economic restructuring as a result of the changing trade performance.

Analyzing Japan's economic trends, Part 1 of the report notes that economic activity, after a long slump since mid-1985, has been firming up thanks to solid consumer spending and active housing construction since the turn of the year. The country's trade surplus, which hit a record high in 1986, has tended to decline this year.

If the yen's exchange rate stays around ¥150 per U.S. dollar, the report says, the trade surplus will continue its downward trend as Japanese exports lose their share of the world market in the wake of the stronger yen, coupled with cheaper exports by South Korea and other newly industrializing countries.

In Part 2, the report sheds light on domestic industrial restructuring.

It points out that the conventional economic policy giving top priority to efficiency has reached its limitations, causing new problems such as rising unemployment in export-oriented and smokestack industries, excessive concentration of population and business activity in Tokyo, and subsequently skyrocketing prices for land.

The report urges the government to reconsider its economic policy from the viewpoint of greater "fairness" in sharing out the benefits of economic growth.



## MITI Wants Firms to Move to Regions

MITI is proposing ¥25.2 billion plan for fiscal 1988 to promote relocation of key non-factory corporate divisions such as research, product development, design and information processing to regional areas of Japan. In a related effort, the ministry is also seeking special legislation aimed at offering tax incentives to companies planning such relocation.

The moves are designed to help achieve balanced economic development in regional areas, where an increasing number of firms are halting domestic production and switching to overseas operations to cope with the yen's sharp appreciation. MITI plans to encourage companies to move their research facilities and other nonproduction departments to special regional sites set up by local entities. MITI hopes that skyrocketing land prices in urban areas will spur this kind of relocation.



## Life Insurance Contracts Now Top ¥1,000 Tril.

Life insurance contracts closed by Japan's 24 insurance companies reached the ¥1,000 trillion mark at the end of July 1987. The figure represents a 10-fold increase in just 15 years. Life insurance contracts stood at only ¥100 trillion in April 1972. They have increased sharply since, reflecting the rapid aging of Japanese society. For the past several years, the annual rate of increase has topped 10%.

The 24 insurance companies' tallies showed that their life insurance contracts totaled ¥967 trillion at the end of March and ¥987 trillion at the end of June, for a monthly average increase of ¥7 trillion. As July contracts usually far surpass the monthly average due to summer bonus payments, life insurance contracts at the end of July would easily have topped the ¥1,000 trillion mark, insurance companies said. Contracts in July 1986 totaled ¥16 trillion.

As of the end of 1986, the United States was the only country in the world where life insurance contracts topped ¥1,000 trillion, standing at ¥1,443 trillion. Japan was first in per-capita contracts, however, at ¥7,180,000, compared with ¥6,030,000 in the United States.



## Education Reform Plan Finalized

The Ad Hoc Council on Education Reform has submitted a final set of recommendations to Prime Minister Yasuhiro Nakasone after three years of deliberations on the future of Japan's education system. The council has been the scene of heated debates on the Fundamentals of Education Law, educational freedom and textbook censorship.

In its concluding report, made public August 7, the council underscored the importance of respecting children's individuality and reorienting the nation from school-centered to lifelong education.

The council advocated starting the school year in September, instead of April as at present, as a step toward internationalizing Japan's schools. However, it urged caution in making the switch, as a new school year would affect society as a whole.

In another controversial recommendation, the council called for inculcating respect for the national flag and anthem in school, an addition made at the insistence of Education Minister Masajuro Shiokawa. Criticism that such measures were liable to encourage nationalism prompted the drafters of the report to state that, on the contrary, respect for anthem and flag is essential to "creating Japanese citizens in the world community," framing the touchy issue in the context of internationalization.

The Ad Hoc Council on Education disbanded on August 20. A new body has yet to be created to implement the recommendations.