



## Decontrol Brings ¥1 Tril. In Fresh Investments

Relaxation of official restrictions in five fields—telecommunications, air transport, service stations, finance and trucking—is inducing nearly ¥1 trillion (about \$8 billion at the rate of ¥125) annually in total new investment, according to a government report.

The Economic Planning Agency report estimated total additional investment stemming from deregulation at ¥957 billion—¥270 billion in telecommunications, ¥40 billion in air transport, ¥13 billion in service stations, ¥600 billion in finance and ¥34 billion in trucking. The agency said deregulation is contributing to booming business capital spending and that further decontrol is necessary to ensure sustained economic growth led by domestic demand.

The new investment in the financial sector is mostly for installation of new computer-controlled banking systems focused on on-line connections between banks and their customers. The investment in telecommunications primarily concerns equipment installed by 39 newcomers to the privatized telecommunications sector. Capital spending planned by eight of the new firms alone for fiscal 1988, ending March 31, totals ¥132.1 billion, up 23.3% from the previous year.

In air transport, new aircraft are being introduced one after another with the start of so-called double tracking—allowing two or more airlines to fly on the same domestic route—and the entry of two more airlines into regular international service previously monopolized by Japan Air Lines (JAL). The government has also permitted truckers to expand areas they serve, and service stations to diversify business to include the operation of restaurants or small self-service stores within their premises, resulting in additional investment. On the other hand, Nippon Telegraph and Telephone Corp., the Japan Railways Group (JR) and JAL have also increased their investment since their privatization.



## Capital Spending To Surge 20%

Japanese businesses plan to spend 20.5% more on new plant and equipment in fiscal 1988 than the previous year, the sharpest rate of growth since fiscal 1980, when a 24.7% rise was recorded, according to a survey by the Economic Planning Agency.

The quarterly survey, conducted in September, covered 4,082 companies capitalized at ¥100 million or more. It showed the manufacturing sector planning a 24.6% investment increase for the fiscal year ending next March 31. Among industries projecting steep spending gains are precision instruments, up 50.4%, and nonferrous metals and general machinery, each up 45.6%. The electrical machinery and auto industries, which invest larger sums than many other industries, also plan 20%–40% increases. In the nonmanufacturing sector an 18% hike is planned, with real estate, the wholesale and retail sectors and leasing in the vanguard.

Behind the investment boom is a growing concern about shortage in capacity. The survey found that respondents expecting a shortfall in production capacity outnumbered those with excess capacity in the July–September quarter of the year for the first time since the April–June quarter of 1974.



## MITI Forms Institute To Study World Woes

A research institute aimed at studying various problems facing the world today from the long-range global viewpoint has been established under the auspices of the Ministry of International Trade and Industry and with financial support from business circles.

Called the Global Industrial and Social Progress Research Institute, it will have Gaishi Hiraiwa, chairman of Tokyo Electric Power Co., as its director general. Shinji Fukukawa, former MITI vice minister and current MITI adviser, will serve as an adviser of the institute. Thirty-five top businessmen who are chairmen or presidents of major corporations in key industries served as sponsors of the new organization, which has funds of ¥340 million (about \$2.7 million at the rate of ¥125) contributed by business circles.

Its main task is to study how to maintain a desirable relationship between the economy and industry on one hand and natural resources, the environment, and quality of life and culture on the other for the continued prosperity of mankind. The institute will also conduct joint research with similar bodies throughout the world and hold international seminars on global problems.

Among the subjects to be covered by its studies are the greenhouse effect stemming from emissions of carbon dioxide, as well as acid rain, overpopulation, and international frictions arising from social and cultural factors.

The Global Industrial and Social Progress Policy Forum, also newly established as an advisory body to the institute, is organized by some 50 influential business executives and academics and will make policy recommendations on the basis of the results of research by the institute.



A rainy, cold summer dealt crops, particularly rice, a heavy blow in 1988. According to the Ministry of Agriculture, Forestry and Fisheries, the 1988 rice production index was 97 nationwide against a norm of 100. The figure was the worst in five years.

As of the end of November 1988, rice farmers throughout the country had suffered total losses of ¥365.4 billion, the third-worst figure on record. The worst previous setbacks were a ¥691.9 billion loss in 1980 and a ¥409.3 billion loss in 1976.

Rice accounted for some 70% of total damage to farm products during the year, but vegetables such as cucumbers, tomatoes and Japanese radish, miscellaneous grains, beans, fruit and products for fertilizer and feed also suffered.

The ministry plans to provide relief to farmers suffering from serious crop failure including low-interest loans.



## Earnings League Ranks Japanese Bosses 16th

Japanese corporate presidents receive the third-highest remuneration among 20 major industrialized countries in nominal terms, but rank a poor 16th in real purchasing power after high prices and taxes in Japan are taken into account.

According to a January 1988 survey released in November by the Japan branch of major American business consulting firm Towers, Perrin, Forster & Crosby, U.S. chief executives of companies with annual turnover of approximately \$100 million ranked first in average income inclusive of bonuses at \$311,000. They were followed by Swiss CEOs at \$261,000, Japanese at \$222,000, and West Germans at \$214,000.

Overall annual income, inclusive of company-provided housing, cars and other fringe benefits, was \$508,000 for U.S. presidents, \$322,000 for Swiss presidents, and \$317,000 for Japanese presidents. Japanese presidents fell to 16th place in terms of real purchasing power taking into account commodity price levels and other factors. Japanese CEOs' real purchasing power index was only 33 against 100 for their U.S. counterparts, the survey disclosed.



## Imports from NIEs Continue to Climb

Japan's imports of manufactured goods from the NIEs in Asia continue to increase, with the NIEs' share in Japan's manufactured imports reaching 76.6% in August 1988. Their August value stood at ¥1,678 million, up 60.5% over the same month of the previous year. The share is expected to further rise to 80% in the NIEs' latter half of fiscal 1989. NIEs' manufactured products accounted for 55.5% of Japan's total manufactured imports in 1983 and topped 60% in 1986.

A commodity-wise breakdown shows a particular increase in imports of clothes and other textile products, iron and steel products and aluminum and other non-ferrous metal products. Shipments of iron and steel products from South Korea in August 1988 jumped by 100% over the same month of 1987.

Imports of radio cassette players from Taiwan, play-only VCRs from South Korea, and personal computers from Taiwan and Singapore also increased sharply. Imports of personal computers from Singapore jumped a phenomenal 200% and those from Taiwan 77% over the same month of the previous year. One noteworthy event in 1988 was the start of imports of Hyundai's Excel and other cars from South Korea.

The steady rise in manufactured imports from Asian NIEs reflects increased Japanese direct investment in the region. Industry sources say there is concern, however, that the current sharp increase in manufactured imports from the NIEs may cause the Japanese market to be oversupplied with such goods.



## Big Firms Evade Taxes on ¥461 Bil.

A total of 4,868 major Japanese companies were found to have failed to report some of their earnings in the year ended June 30, with their undeclared income hitting a record ¥461.2 billion, up 5.1% from the previous year, the National Tax Administration Agency said in a survey released in November. The defaulters were ordered to pay penalty taxes.

It said 26,176 firms capitalized at ¥100 million or more submitted reports on income and taxes during the year. They declared ¥28,448.2 billion in combined income, up 25.2%, and ¥10,477.3 billion in self-assessed taxes, up 24.0%. The sharp income gain resulted from continued economic expansion led by brisk domestic demand. It was the first time that declared taxes had topped ¥10 trillion.

The administration said tax evasion in connection with overseas deals was swelling in the wake of growing international operations of Japanese companies. In the latest reporting year, 1,032 businesses were found to have evaded taxes against 924 the previous year, with hidden income ballooning to ¥40.2 billion from ¥29 billion. Cases of major tax evasion based on overseas business (involving a concealed sum of ¥30 million or more per case) numbered 47, with hidden income totaling ¥11.5 billion. The administration's probe into companies with subsidiaries in tax havens showed that 56 parent firms failed to declare a total of ¥4.5 billion in income.