Private "Action Programs"

By Takashi Sato

Last autumn it seemed as if all Japan had been seized by what might best be called "import fever," as widely publicized special sales of imported goods were held throughout the country. The Ministry of International Trade and Industry (MITI) had designated October and November as "import expansion months" and asked department stores, supermarket chains, and even small retail shops to hold fairs to promote imported goods. In response, all companies concerned decided to hold import fairs during the two months, with the result that special sales of imported products were held at more than 1,000 locations nationwide.

In all major cities, large retail establishments and local associations of small- and medium-sized retailers held imported goods fairs. Major sogo-shosha (general trading companies) and corporate groups sponsored in-house bazaars to sell imports to employees, their families, and others concerned for days at a stretch. People swarmed to these events to buy imported products at bargain prices.

Prior to the October-November import expansion period, an Import Fair on a grand scale was held at Nagoya Port. When it opened in March last year, the Nagoya Import Fair proved a stunning success which ultimately attracted 1,880,000 people, far exceeding the sponsors' expectations. Hordes of visitors left the fairground with bulging paper bags printed with the fair logo. Imported beef was especially popular, and taking home beef in a fair bag became the vogue among Nagoya citizens while the fair was in session.

But no matter how popular such special events may be, it is too much to expect them to sharply reduce Japan's trade surplus. They are primarily part of a campaign to influence consumer psychology, and to build up a mood conducive to buying foreign products.

When it comes to concrete results, then, MITI is placing far greater expectations on the movement among Japan's top corporations to increase their purchases from abroad.

On April 22, 1985, MITI called in executives of 60 leading export-oriented corporations and major distributors to ask for their cooperation in increasing imports. Reports on import plans submitted by the companies by the end of May last year revealed that these 60 firms alone planned to import goods totaling $96.1 billion during fiscal 1985, an increase of $5 billion, or 5.5%, over the preceding year.

On August 23, MITI asked 74 other companies to join the program, and received their progress reports in September. MITI now projects that combined imports by all 134 companies will total $104.6 billion in fiscal 1985, an increase of $7.3 billion (7.5%) from a year before. Much of this anticipated increase will come from sogo-shosha, machinery makers, department stores, supermarket chains, and the energy industry.

Turbo-chargers to tobacco for automakers

Responding seriously to MITI's request, the main export industries are working energetically to increase their imports. But it is the automobile industry, the grand champion of Japan's export industries, that is taking the lead. An overwhelming portion of the parts and materials procured by the automobile industry in the past has come from domestic makers. Now many in the industry are eager to switch from domestic procurement to imports wherever possible. In 1984, Japanese automobile exports were worth $29.8 billion and exports of parts another $4.5 billion. In contrast, Japan's own imports of cars and parts amounted to an insignificant $500 million. While this was due mainly to the structure of the Japanese automobile industry, the big imbalance in Japan's car trade easily invites censure from abroad, and Japanese car makers are racking their brains for ways to rectify the situation.

Toyota Motor Corp. originally planned to import ¥52 billion worth of materials and parts in fiscal 1985, but it has now revised this upward to ¥55 billion. Toyota's fiscal 1985 imports will be 1.7% bigger than in fiscal 1984. Imports by all companies affiliated with the Toyota Group are expected to reach ¥188 billion ($917 million), up 9% from fiscal 1984.

Toyota Group imports will include tires, windshields, and machine tools, as well as aluminum wheels which Toyota began importing from a Canadian subsidiary in fiscal 1985. Moreover, Toyota has worked out a detailed import expansion program which includes the use of American ships to transport parts to NUMMI, the company's joint venture with GM in California, and a switchover to imports for the gift items the company sends to its business partners and clients during the traditional mid-summer and year-end gift seasons. Toyota even decided to install imported medical treatment equipment and implements when rebuilding the company's hospital in Nagoya.

Nissan Motor Co. decided to import ¥68 billion worth of materials, parts and machinery in fiscal 1985, for an increase of 9% over the preceding year. In addition, Japan's No.2 automaker is going to purchase a supercomputer from Cray Research of the U.S., and increase imports of items for use as mid-summer and year-end gifts. Altogether, Nissan aims to import ¥71.7 billion ($350 million) worth of goods.

Nissan imports turbo-chargers and honeycomb catalysts, and in fiscal 1985 it began to use Michelin (Canada) tires. Air Research, from which Nissan currently imports turbo-chargers, reportedly is considering starting up its own turbo-charger production in Japan.

Mazda Motor Corp. is scheduled to purchase ¥23.8 billion ($116 million) worth of parts and other items from

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abroad in fiscal 1985, an increase of 14% from a year before. It has imported apparatus for photographing blood vessels from General Electric (GE) of the U.S. for the Mazda Hospital in Hiroshima. And it has set up an "imported goods corner" at its head office where 90 imported items, including whiskey and tobacco, are sold.

Honda Motor Co. will also be procuring more from abroad in fiscal 1985: ¥31.6 billion ($154 million) worth of parts and other items, for an increase of 5% over fiscal 1984. Honda, which has already decided to manufacture and market a new car in Japan developed jointly with British car maker BL, now plans to use imported parts in assemblying the vehicle. In addition, Honda will be using the return trips of its fleet of car carriers to import American cattle and feed. The company has even purchased equipment and furniture overseas to furnish its new head office building, completed recently in Tokyo's posh Aoyama district.

In addition, Japan's automobile makers have come up with a host of other import expansion plans, from Toyota's purchase of a U.S.-made helicopter and Isuzu Motors' acquisition of Burroughs' computers to Mitsubishi Motors Corp.'s plan to procure catalysts, tires, and aluminum wheels from abroad, beginning in fiscal 1985. All in all, 12 automobile manufacturers are expected to increase their fiscal 1985 imports by 14%, or a full $200 million, over the preceding year.

In August 1985, the automobile industry sent a mission to the U.S. to step up purchases of U.S.-made car parts. As a result of talks conducted on 282 items, car parts imports from the U.S., which totaled only $170 million in 1981, were expected to increase to $300 million in 1985.

Yet in the light of huge Japanese auto exports, even these efforts seem destined to be criticized as insignificant in value. In the case of the automobile industry, at least, it seems that only the relocation of factories to key foreign markets, not import expansion, can bring a more lasting solution to trade frictions.

This is one objective that automakers have not been shirking. Honda's factory in Ohio entered operation in November 1982, and annual production has now expanded to 150,000 vehicles. Following Honda's lead, Nissan's plant in Tennesee started production in June 1983 and is cranking out 180,000 vehicles a year. Mazda's Michigan plant is scheduled to start up in autumn 1987 with an annual capacity of 240,000 cars. In the second half of 1988, Mitsubishi Motors plans to build a plant capable of assembling 180,000 vehicles a year in the Midwest, while a Toyota Midwest plant with annual output of 200,000 vehicles should enter operation in 1988. Toyota has already established NUMMI, a fifty-fifty joint venture with GM, in California.

Honda, one of the two early-starters in U.S. local production, has no intention of being left behind by new competition. It is aiming to boost its annual production in the U.S. to 300,000 vehicles in 1988. Nissan, too, will expand its capacity to 240,000 vehicles in 1986. Moreover, every Japanese automaker engaged in U.S. production intends to raise local content over and above their initial 50 percent levels. This means not only a gradual rise in local procurement, but could also signal an accelerated advance into local U.S. production by Japanese parts makers.

It appears likely that Japanese automakers will gradually change their past pattern of flooding the American market with their products to a new one of selling U.S.-built Japanese cars not only in the U.S. but in offshore markets. That, in turn, would contribute to improving America's trade imbalance.

The imported goods corner set up at the head office of a major company illustrates "import fever" in Japan.

Electronics industry imports rise 16%

The electric and electronics industry, another major source of Japanese exports, is also serious about increasing imports. According to a MITI survey, 20 electric and electronic appliance makers have increased their fiscal 1985 imports an aggregate $600 million, or 16%, over the preceding year. The increase consists primarily of imports of semiconductor manufacturing equipment, measuring instruments, and electronic parts.

Hitachi last May established an Imports Promotion Council to draw up plans for increasing total imports of 24 Hitachi Group companies by $120 million between August 1985 and December 1986. The group's imports from the United States in fiscal 1985 are expected to reach $350 million, up 35% over fiscal 1984, and rising to $380–400 million in fiscal 1986.

In August last year, Hitachi sent a 10-member import promotion mission to the U.S. headed by an executive in charge of the group's materials procurement. As a result of this mission, Group companies decided to increase their imports of production equipment for heavy electric machinery, together with foreign purchases of research and development equipment and communications gear. Hitachi intends to increase its imports from the EC by 15% to $90 million in fiscal 1985. It also hopes to import more from Southeast Asian countries.

One unique Hitachi program was the establishment in Washington D.C. of the Hitachi Fund, with seed money of $20 million. The Fund's board of directors, entrusted with management of the Fund assets, will consist of prominent Americans. The aim is to contribute, through this fund, to interchange between Japan and the U.S. through joint research, donations, and seminars.

Toshiba Corp.'s target is not to be out-

done. The company is increasing its imports in fiscal 1985 by 43% over fiscal 1984 to ¥100 billion ($488 million) and further to ¥140 billion in fiscal 1987. It plans to raise the company's ratio of imports to exports from 9.3% in fiscal 1984 to 13.9% in fiscal 1987.

Toshiba is looking to import ¥100 billion worth of products, most from the U.S., in fiscal 1987, an amount 2.2 times larger than its fiscal 1984 import levels. The company's policy is to give precedence to foreign products over domestic goods whenever the terms of purchase are the same. When an American manufacturer approaches the company with a proposal to sell semiconductors, Toshiba's Semiconductor Business Division will assist it in design and quality control.

Local production moves ahead

Toshiba is also scheduled to establish new material procurement bases on the East Coast of the U.S. and in Southeast Asia by April this year. These will supplement existing procurement bases in San Francisco, London, and Taipei.

NEC Corp. has announced that it will give top priority to overseas production. The company is already manufacturing semiconductors, communications equipment, computers, and consumer electric appliances in the United States. It is producing chips in California, communications apparatus in New York, and computers in Massachusetts.

NEC plans to bring the share of locally manufactured products in its total sales in the U.S. to 30% by the end of fiscal 1985. Its mid-term target is to raise the ratio to 50% within two years. It also intends to increase the ratio of local parts procurement to 50% by 1989. The company has decided to build car telephone equipment at its communications plant in Oregon, completed in September 1985, in addition to the optical communications gear and wireless communications apparatus originally planned. In all, $31 million was invested in the Oregon plant, with 85% of the equipment procured in the U.S.

NEC's home electronics plant in Georgia entered operation in July 1985, and will implement its second-phase expansion plan ahead of schedule. Since October, the facility has been turning out 10,000 component TV sets monthly. Now it will add projection TV sets and VCRs (video cassette recorders). NEC estimates that these measures will raise the value of its fiscal 1985 output in the U.S. to $400 million, or an increase of 54% from fiscal 1984. NEC's American employees will increase by 25% to 5,000.

In order to draft its import expansion measures, NEC established an International Procurement Headquarters in May 1985. This headquarters has played a central role in drawing up plans to import ¥160 billion ($780 million) worth of semiconductors, production equipment, and software in fiscal 1985, up 10% year on year, and ¥200 billion worth in fiscal 1987.

Trading companies are import liaisons

There are also moves afoot in Japan's electric and electronics industry to establish trading companies specializing in imports. Fujitsu, for example, has established Fujitsu Trading Co., capitalized at ¥300 million. Some 60% of the capital was invested by Fujitsu and the rest by six affiliates. For the time being, the new enterprise will concentrate on importing parts and equipment manufactured by Fujitsu's overseas subsidiaries and affiliates for sale to companies of the Fujitsu Group. But in future, Fujitsu Trading intends to import and sell products by other makers as well. The company is aiming for sales of ¥50 billion ($244 million) in three years. Beginning in fiscal 1986, it plans to import annually some ¥20 billion worth of magnetic disks and other products manufactured at Fujitsu's Oregon plant.

Fujitsu advanced construction of its Oregon plant to get it into operation by the autumn of 1985. The company already has a switchboard plant near Los Angeles, a semiconductor plant in San Diego, a wireless communications equipment plant in Dallas, and a computer component plant in Florida. The company intends to produce semiconductors up to the pre-finished stage in the U.S., and has already purchased a site for the plant.

Sony Corp. established Sony Trading Co. as early as 1973. It is Sony's policy to actively use this company to increase its imports. In fact, Sony Trading began importing TV picture tubes from Sony America's San Diego plant last June.

Like Fujitsu, Sharp Corp. established Sharp Trading Co. in August 1985. Starting business with a staff of 30, the company aims to conduct nearly ¥20 billion worth of trade in its initial year. It imports not only production equipment, parts and materials, but also such consumer goods as cutlery and cooking pans. Sharp executives hope Sharp Trading will serve as a channel when goods manufactured by Sharp subsidiaries abroad are imported back into Japan. The trading company was established in line with Sharp's strategy to have its American and British subsidiaries manufacture goods to Japanese specifications for the Japanese market.

The electric and consumer electronics industry was comparatively quick to manufacture locally in the U.S., and there have been few new moves like those now sweeping Japan's automobile makers. But there is one stand-out case: Matsushita Electric Industrial Co.'s decision to start VCR production in the U.S.

There is not presently a single company manufacturing VCRs in the U.S., and Japanese exports have so far supplied almost the entire market. When Matsushita's VCR plant comes on line toward the end of 1986, it will be the only VCR maker in the country. VCRs are currently the top-earning export item for Japanese consumer electric appliance makers. Indeed, among Matsushita Group companies is one firm, Matsushita-Kotobuki Electronics Industries, whose sole business is exporting VCRs, mostly to North America. When Matsushita's VCR plant starts operating, the parent company in effect will be stealing away its subsidiary's principal export market. Matsushita has yet to reach an understanding with Matsushita-Kotobuki on how to adjust things. But Matsushita's internal problem aside, its decision to construct a VCR plant in the U.S. has been lauded as a significant step toward forestalling the worst possible contingency: that the U.S. market might be closed completely to Japanese VCR makers as a result of unchecked trade frictions.

In addition to Japan's automobile and electric and electronics industries, the nation's powerful sogo-shosha have begun to expand their import business in response to MITI's requests. Especially conspicuous are the moves of Marubeni Corp., Sumitomo Corp., C. Itoh & Co., and Nissho Iwai Corp., which have all announced plans to increase imports at the direct order of their presidents. All the sogo-shosha have instituted import incentive systems and are rewarding the departments which contribute most to import expansion. According to a MITI survey, the combined imports of Japan's top 13 sogo-shosha in fiscal 1985 are expected to increase by 6.7%, or $5.9 billion, over fiscal 1984.

Japan's star exporters—the auto and electric and electronics industries, and sogo-shosha—are pitching in to help solve trade frictions by using more imported goods and moving procedure overseas.●