

# More Than Trade

Until recently, most discussions of Japanese trade have focused on exports. Although lacking sufficient natural resources to support its population and heavily dependent on imports, Japan has more often than not been called a trading nation primarily in the sense of its being an exporting nation. Yet the times have changed, and Japanese trade increasingly means Japanese imports.

The Japan External Trade Organization (JETRO) has changed along with the times. Founded in 1958 to promote trade and once a leading advocate of export expansion, JETRO has recently been devoted to eliminating the trade imbalance by increasing Japanese imports. In this interview, JETRO's new chairman, Minoru Masuda, discusses Japan's new international circumstances and how he plans to have JETRO respond to this altered situation.

**Question:** *JETRO has been a major force in Japanese trade promotion. With the thrust of this expansion shifting from exports to imports, how do you intend to have JETRO policies reflect this change? What are your goals as chairman?*

**Answer:** JETRO was launched as an export-promotion organization, and it was given that mission because Japan was desperately short of foreign currency and had to export if we were to survive. Japanese industry has been very successful at this—so successful that our exports grew dramatically and we now have serious trade friction resulting from our massive surpluses.

JETRO was, I think, very quick to respond to this situation. Already in the 1970s, we were applying ourselves to import promotion projects, and we have steadily reorganized and reoriented until we now promote imports and support industrial cooperation and facilitate the cross-flow of technology and capital with other countries.

So rather than my having JETRO reflect the changes, I would say JETRO had a good track record in this area even before I got here. Unfortunately, the trade imbalance remains a critical problem, and I intend to make every effort to promote import expansion and to eliminate the trade imbalance.

**Q:** *Despite all the talk about import promotion, what happens to the import figures ultimately depends on the sum of individual private-sector*

*transactions. What plans does JETRO have to encourage private-sector imports?*

**A:** You're quite right that calling for more imports is not the same as importing more. The government's fiscal 1990 budget includes more funding for import promotion and assigns JETRO operational responsibility for organizing a grassroots import-promotion campaign.

Japanese imports are growing at a steady pace, but there are still many companies and individuals that would like to import more but are hampered by a lack of information. Likewise, there are no doubt many companies overseas that would like to export to Japan but do not have the information they need about doing business with Japan. Our job is to identify these latent opportunities and to help turn them into reality.

What this means in actual practice is that we are going to establish 49 Grassroots Internationalization Centers throughout Japan, each quipped with computer terminals to access the JETRO database so as to service the information needs of local distributors and other would-be importers by, for example, locating sources for the kinds of products they want and generally

**Interview with Minoru Masuda, JETRO chairman, by Toshio Iwasaki, editor of the Journal of Japanese Trade & Industry**

Minoru Masuda



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providing the whole gamut of relevant information. These centers will also help consumers obtain information about where certain imports can be purchased, how to get an imported product serviced, and how to import on their own.

We also plan to offer similar services for the other end of the transaction for foreign companies that want to export to Japan. This service will be made available by terminals in 35 JETRO offices in Europe and North America to answer questions about which Japanese companies are interested in what kinds of products. At the same time, information about what these foreign companies want to export will be collected, sent to JETRO in Tokyo, and promptly entered in the database for domestic access.

In addition, we intend to send import-purchasing groups abroad and to assist foreign groups that come to Japan to sell their products. We are also considering dispatching Japanese trade specialists to advise foreign companies thinking about exporting to Japan and to help locate products that are likely to succeed in Japan.

This is what I think JETRO's mission is—to lay the foundations and to create the necessary information infrastructure so that Japanese can import what they want and so that companies elsewhere can export quality products to Japan.

**Q:** *Listening to you describe this mission, it sounds like JETRO is willing to do almost anything to promote imports. Yet many people have asked if you are not overdoing it—if exporting is not really the exporter's job.*

**A:** The only thing I can say is that I think we have reached the point where all of this is necessary. Japan has been such a successful exporter that we now face trade friction on all sides. While there have been some positive signs recently, things are still far from what they should be, and just letting things drift could very well endanger the underlying free trade structure. Given this situation, I would rather do too much too soon than too little too late. If this is what it takes to rectify the imbalance, this is what we will do.

The same could be said of the proposed new import-incentive tax reforms. Some tax experts have argued that this incentive distorts the tax system, but the time for talking is past and now is the time for action to reduce the imbalances.

**Q:** *The trade imbalance that is causing the most problems is that existing with the United States. This is a situation where plenty of blame attaches to both sides, but spreading the blame has not brought us any closer to a solution. Would you care to comment?*



A symposium on Japan-Europe industrial cooperation in Munich, sponsored by JETRO.

**A:** As seen in the Soviet Union and Eastern Europe, we are now at a major turning point in world history. A new international order must therefore be devised to preserve peace and democracy and to further the development of market economies. While it is important that all countries take part in shaping this new order, coordination between Japan and the U.S. is particularly important. The great task that lies ahead is far too important to allow these two countries—between them accounting for nearly 40% of world GNP—to remain embroiled in trade friction and to continue simply to blame each other for their problems. Regardless of who wins, this debate is sterile.

Much more important is the need to eliminate the source of friction by reducing the trade imbalance and to proceed together as quickly as possible in building the new world order. It is this imperative that guides us and underlies the import-promotion measures I mentioned—and this is why we would rather be too bold than too cautious.

**Q:** *You referred to the Soviet Union and Eastern Europe and the vast changes that are under way. Given the political and economic instability both there and in the developing countries, how should Japan approach these countries?*

**A:** It is far too soon to tell how the drive for democracy is going to turn out in the Soviet Union and Eastern Europe, but I am certain that any democratic advances will be to the new international order's benefit. Japan has already moved to help, with Prime Minister Toshiki Kaifu's trip

to Poland and Hungary this January and his commitment of financial aid to both countries. Anything we can do to promote democracy in those countries will also contribute to the creation of the new international order.

Japan has been somewhat reluctant to speak out boldly or to take dramatic foreign policy initiatives, but now that Japan's economic influence has given it political influence, it is imperative that Japan be in the forefront in creating this new international order. The same can be said for Japan's relationship with the developing countries. Whether it is development, debt or other economic issues, Japan can and must take the lead in finding solutions.

**Q:** *Given that trade is at least as important as aid, what can JETRO do to help these developing countries?*

**A:** For one thing, we can assist projects that will promote economic development in these countries. Indonesia is an excellent example. Until recently, Indonesian exports have been predominantly oil and natural gas. Yet this dependence on energy exports makes the economy extremely vulnerable to shifts in international energy prices. Trying to get off the energy merry-go-round, Indonesia has been trying to industrialize and to export manufactured goods.

JETRO has contributed to this effort by providing introductions to Japanese companies that want to set up overseas operations and offering technological advice. Of course, we know that we cannot do the job alone, but we hope that our many overseas offices and the wealth of information that we have access to will position us to give them the kind of custom-tailored support they need.

**Q:** *This Indonesian case seems to be an example of how JETRO is spreading out and going beyond its traditional trade promotion activities to also promote industrial cooperation. How did JETRO get into these other areas?*

**A:** Our industrial cooperation has focused mainly on the other industrial countries. In fact, it was an effort to enhance understanding of Japan that was the original impetus behind these efforts. Basically, we hoped that international information and technology exchanges between companies in the same industry—and even commercial tie-ups when possible—would help the other industrial countries understand Japan better. Our hidden agenda has been to lay the foundations for better understanding.

At present, JETRO has industrial cooperation advisers in 13 overseas offices working on actively

promoting such cooperative relationships. As closer links form, JETRO works to set up bilateral committees to promote industrial cooperation, with representatives from both countries meeting annually to discuss how to promote further cooperation and even to arrange study missions to each other's country.

In February, for example, representatives from some Japanese electronics companies visited West Germany and Italy and met with electronics industry people there. Such projects are organized to facilitate private contacts by industrial representatives in the hope that these contacts will lead to better understanding and more trade.

**Q:** *Since you mentioned Indonesia's problem, let me ask about energy. You were closely involved in energy issues as Tokyo Electric Power's executive vice-president before coming to JETRO, and before that you served as the director-general of the Agency of Natural Resources and Energy. What is your reading on Japan's energy situation?*

**A:** Very frankly, Japan is basically without domestic energy resources. While we do have some coal, this is clearly not viable in economic terms, since Japanese coal costs three times as much as imported coal. Given the size of the Japanese economy, it is obvious that we have tremendous energy demand and that we need long-term sustainable supplies.

I know there are reports that the world is running out of oil and rumors that OPEC is going to engineer another sharp increase in oil prices, but I do not actually believe either of these scenarios is very likely in the near future. However, given our energy vulnerability, Japan must constantly look ahead and must constantly be thinking about where next year's energy is going to come from.

My answer is nuclear power. There is, I know, strong resistance to nuclear power, but this question has to be discussed within the context of Japan's actual energy situation and the fact that we have no domestic energy resources to speak of.

The next question then is how to make nuclear power work in Japan. I think the answer lies in rigorous safety standards. Safety regulations in the nuclear power industry have to be more than safe. They have to be super-safe.

At the same time, all of the facts have to be laid out for the people so that they can make a rational decision and give their informed consent. If we can do this—if we can do what has to be done in the nuclear power field—I suspect we will be able to meet our future energy needs. ■

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