

# CURRENT TOPICS

## General Subjects

### Mitterrand Visits Japan

French President François Mitterrand used his state visit to Japan April 14-18 to personally demonstrate his political stance attaching importance to relations with Japan.

Mitterrand, the first French head of state to visit Japan, held talks with Prime Minister Zenko Suzuki, other political leaders, and top businessmen on a wide-range of subjects, such as trade relations, scientific and technical cooperation and expanded cultural exchanges between the two countries. He also delivered a speech before the Diet (parliament).

At a time when criticism is mounting in Europe against Japan's persistent large trade surplus, Mitterrand's remarks were keenly watched for possible clues to what European countries would do about the current trade friction and how they deal with Japan at the forthcoming eighth summit of industrial democracies to be held in Versailles.

Government leaders were relieved by President Mitterrand's unexpectedly friendly gestures, especially as he will preside over the Versailles meeting.

The officials' major concern is that the West's burgeoning trade deficit with

Japan could lead the United States and West European countries to form a common front against Japan.

Japan naturally wanted to eliminate this anticipated common front as much as possible, and hoped President Mitterrand would play a role in that direction.

At least during his Tokyo visit, the atmosphere was soothing to Japanese officials.

In talks with Mr. Suzuki and on other occasions, President Mitterrand clearly stated that Japan's economic success was the result of hard labor and ingenuity on the part of the Japanese people and he had no intention of putting Japan in the dock.

Of course, what should not be overlooked is that France naturally wants the Versailles summit a success, and it also apparently considers it advantageous to make use of Japan's economic and technological ability to help France out of its current recession.

France also might have responded with a show of goodwill to a series of Japanese measures taken on the occasion of the presidential visit to improve the bilateral trade imbalance.

Japan promised to lower the tariff on French brandy from April next year, accelerated negotiations on imports of 39 French helicopters involving Japanese local governments and private enterprises, and opened the way for more imports of French flour for bread.

But it will be too optimistic to surmise

that Japan can ride out the Versailles summit and defuse the West's criticism.

Trade friction is not too serious as far as bilateral trade between France and Japan is concerned.

Japan's exports to France of specific goods such as tape-recorders, video tape-recorders and cameras have rapidly increased and bilateral trade has been heavily in favor of Japan. But in France's overall trade, its imports from Japan accounted for a meager 2.1% and its exports to Japan 1.0% in 1980.

France itself has mounted a higher barrier than other members of the European Communities (EC) against a "flood" of Japanese goods. It imposes import restrictions on 27 Japanese items and holds down imports of Japanese cars to not more than 3% of its registered cars, compared with 10% each in Britain and West Germany.

But the situation is different when it comes to relations between Japan and the EC. The EC has already made a formal request to take up Japan's trade practices within the General Agreement on Tariffs and Trade (GATT), spearheading criticism against Japan together with the United States.

Balancing his goodwill, President Mitterrand made steely warnings at a press conference on April 16 that Japan should be aware of confusion in the economies of its trade partners caused by a one-way surge of its products.

He also said that instead of thinking only about itself Japan should make some sacrifices, if necessary, to assume a share of international responsibilities.

President Mitterrand appeared to have left behind the message that he had said all France or a representative of the EC had to say to Japan and it would be now all up to Japan's own judgment and actions to accommodate the West.

Japan is thus faced with a severe ordeal to be overcome in the short period until the Versailles summit.

### Japan-U.S. Trade Friction

"The Japanese market can hardly be said as open as the U.S. market," said U.S. Ambassador to Japan Mike Mansfield. To cope with such grievances steadfastly mounting in the United States, the Japanese Government has embarked on production of a new package of market-opening measures.

The U.S. trade deficit with Japan last year amounted to \$18,080 million, according to statistics released by the U.S. Commerce Department. It was nearly 50% more than \$12,170 million recorded in 1980. The bigger than expected deficit exacerbated U.S. irritation.



French President Mitterrand meets Prime Minister Suzuki



A scene from an imported food product fair in Tokyo.

Japan has argued:

1) U.S.-Japanese trade performance should not be weighed with visible trade alone, but with the current account, which also includes invisible trade (shipping, insurance and tourism);

2) the \$18 billion figure for the U.S. deficit exaggerates the actual trade imbalance due to high U.S. interest rates and subsequent depreciation of the yen;

3) Japanese statistics on customs clearance basis showed Japan's trade surplus with the United States totalled \$13.4 billion, much lower than the American figure due to a difference in methods of calculating freights and other matters.

The Japanese Government since late last year has been steadily working out market-opening measures aimed at long-term increases in imports.

Firstly, it accelerated by two years across-the-board tariff cuts agreed in the 1979 Tokyo round of multilateral trade negotiations (MTN). Tariff cuts on 1,653 items including 36 agricultural and fishery products, which had originally been scheduled for 1983 and in January 1984, were implemented in April, 1982. As a result, Japan's average tariff rate was lowered from 8.6% to 7.7%. Only Japan has speeded up the internationally agreed tariff cuts.

Secondly, by the end of March the Japanese Government reviewed 99 non-tariff barriers, which had been criticized overseas as perpetuating the closed nature of the Japanese market, and either eliminated or reduced 73 of them. The Government also created the Office of Trade Ombudsman (OTO) to deal with complaints by exporters to Japan.

Furthermore, Japan at the Japan-U.S. Trade Sub-Committee held in Tokyo early in March agreed to advance by six months to October Japan-U.S. negotiations on import quotas to be applied in and after fiscal 1984 for beef and farm products including oranges. Japan also agreed to set up a U.S.-proposed working group and to discuss 22 farm products whose imports are not yet liberalized. The U.S. side appreciated the Japanese concessions.

In addition to the measures already implemented, the Japanese Government is now busy working out further market-opening measures from a medium and long-range viewpoint.

## Toyota-GM Tie-up

The world's biggest automaker, General Motors (GM), and the second biggest, Toyota Motor Company of Japan, are making serious moves towards a possible tie-up.

Although confined to production in the United States, the proposal is drawing wide attention because it could transform the world's auto industry and have considerable impact on consumer interest.

Talks about the possible tie-up have made rapid progress since a contact between top leaders of the two firms last December.

Early in March, GM Chairman Roger Smith and Eiji Toyoda, President of Toyota Motor Company, held talks.

Under the plan so far disclosed, GM and Toyota will set up a joint venture with an equally shared capital and annually produce at an idle GM plant 500,000 to 600,000 front-wheel-drive (FF) small cars

to be developed by Toyota.

It is believed they plan to launch sales beginning with a 1985 model. The most likely model is the 1,500-cc Corolla which is expected to become an FF car after a full model change probably in the spring of 1983.

GM already has a capital tie-up with Isuzu Motors Ltd., one of the smaller Japanese automakers. Why does it have to have another tie-up with Japan? GM came up with the 1,800-cc-class J-car last year to cope with the global small car war developing. But GM, finding the car was not succeeding, has been compelled to review its strategy. It is scheduled to receive supplies of 1,000 to 1,300-cc minicars from both Isuzu and Suzuki Motor Company, while it has no convincing car readily available for the 1,500 to 1,800 cc class. If it can develop cooperation from Toyota, GM will not only be able to complete a range of small cars, but also can obtain knowhow from Toyota, which is regarded as a forerunner in both productivity and quality control systems.

Toyota on the other hand was seriously seeking a foothold in the United States, which is the biggest single market for Japanese cars, after an abortive attempt to develop a joint production plan with Ford Motor Company.

Nevertheless, the Toyota leadership was apprehensive and hesitant of the firm going all alone into the U.S. market because of a huge cost it would have to bear and anticipated difficulties in labour management.

Under the formula of a joint venture with GM, Toyota will be relieved of a heavy financial burden and apprehensions over management.

The proposed joint production is thus beneficial to both parties. The Japanese Ministry of International Trade and Industry has welcomed the plan as a means to defuse growing trade friction between Japan and the United States.

But the projected tie-up is not necessarily regarded as a deal warranting unqualified support. Cooperative relations between the world's two largest automakers, in whatever form they may be, will relatively weaken the positions of other major automakers. This could create a trend towards a monopoly which could force consumers to buy more expensive cars than now.

The U.S. Antitrust Law is designed to deal with problems of these kinds. The current GM-Toyota tie-up scheme could require an extensive change depending on the attitudes of the U.S. Department of Justice and the Federal Trade Commission. Whether the proposed tie-up will come into force will much depend on what decision the U.S. Government will make on plans by the GM and Toyota leaders.

## Domestic Economy

### Diet

Defence issues became a focal point of debate at this year's regular session of the Japanese Diet (parliament), particularly on the defence of sea lanes by the Japanese Self-Defence Forces.

Back in May last year, Prime Minister Zenko Suzuki, in a speech delivered at the National Press Club in Washington after talks with President Reagan, expressed Japan's readiness to protect its sea lanes out to a distance of 1,000 nautical miles from the Japanese archipelago. He said it was only natural for Japan to defend its own front yard.

The U.S. side took the remarks as an "official promise" to the United States. During a recent visit to Japan, U.S. Secretary of Defence Caspar Weinberger urged Japan to keep this promise as a prime U.S. request to Japan on defence matters.

However, Soichiro Ito, Director General of the Defence Agency, told the Diet Japan might still be incapable of defending the 1,000-mile sea lanes after completion of its current defence buildup program.

Another point which drew attention was remarks made by Akira Shioda, Director of the Agency's Defence Bureau. He told the Diet that there was no gap between Japan and the United States regarding perceptions of the sea lanes. These, he said, were neither a "line" nor a "belt," but had an implication of some width.

Their remarks delicately overstepped the bounds of open government views and sounded receptive to U.S. demands. Mr. Suzuki himself has not yet made any commitment along these lines. Nor has he openly contested the remarks of the Defence Agency officials.

Mr. Ito's statement in fact deviated from the Government's policy of building up Japan's so-called "basic defence capabilities." In other words, he tacitly approved the need to revise the 1976 "General Outline of the Defence Buildup Program" which is designed to cope with limited and small-scale aggression.

Mr. Shioda consequently endorsed Mr. Ito's statement by stressing the sea lanes did not mean a "line," thus implying Japan's attempt to defend an "area."

Different replies, at least in nuance, by different Cabinet ministers to the Diet were also given on Japan's defence outlays. Mr. Suzuki said he would abide by the principle, set up by the Government in 1976, of containing defence spending to less than 1% of gross national product (GNP). Mr. Ito, on the other hand, said, in reference to a five-year medium-term defense program beginning fiscal 1983, that he could not say whether or not to

change the 1% ceiling, since the GNP was flexible. Mr. Suzuki spoke of principles and Mr. Ito of real intentions of the Government.

Mr. Suzuki's remarks in the Diet on administrative reforms also caused arguments. In his policy speech, Mr. Suzuki failed to mention his avowed policy of eliminating the issuance of deficit-covering national bonds by fiscal 1984.

In replies to interpellations by opposition party representatives, he also failed to confirm his policy of achieving reconstruction of deficit-ridden state finances without resorting to tax increases.

This caused a suspicion Mr. Suzuki might be trying to shift prime emphasis on fiscal reconstruction to stimulating the sagging Japanese economy. It even offended supporters of the administrative reform ideal like Toshiwo Doko, chairman of the Government's Ad Hoc Council on Administrative Reforms, as well as business leaders.

Mr. Suzuki, who is always quick in assessing the situation, immediately told the Budget Committee he would take political responsibility if the Government could not dispense with deficit-covering bonds by fiscal 1984. He also confirmed he would pursue the policy of fiscal reconstruction without resorting to tax increases.

But Mr. Suzuki and Finance Minister Michio Watanabe came up with delicate shades of remarks in the Diet. While Mr. Suzuki flatly denied the possibility of increasing taxes, Mr. Watanabe remarked to the effect that large-scale indirect taxes would be necessary as fresh revenue sources if income tax cuts were to be made in or after fiscal 1983.

### Labor's Wage Raise Campaign

One of the striking features of this year's spring labor offensive for higher wages was that a transportation strike by private railway workers and Japanese National Railways (JNR) workers was avoided for the first time since the unions introduced the spring labor offensive (*shunto* in Japanese) formula in 1955. Under the *shunto* formula, an estimated 42 million members of industrial unions join forces every spring, regardless of ideological differences, to press wage demands by threatening to strike. This year's strikeless *shunto* was epoch-making in Japan's labor movement history.

Although the final figure of this year's average wage increase is yet to be officially computed, it is estimated at around 7%. The Japanese Government projects that the price inflation rate in fiscal 1982 will be in the order of 4%. If the Government's projection proves right, workers'

standard of living should improve by a real 3%. The government projects Japan's real economic growth rate in fiscal 1982 at 5.2% which is slightly higher than that projected by other countries. In order to attain this 5.2% economic growth, the government assumed that wages would have to increase by 6.9%. Therefore, the average wage hike won by workers in this year's spring labor offensive must be considered as just about right.

In recent years, the criterion for the rate of the spring wage hike has been determined by management's offer to the Japan Council of Metal Workers Unions (IMF-JC), comprising steel, automobile, electric machine and shipbuilding workers unions. The increase offered by the key steel industry plays a particularly important role. Steel management's offer made on April 9 this year was ¥13,000, an average increase of 6.36% for the five big companies. The hike offers received by IMF-JC member unions were somewhat similar in amount and rate. Toyota Motor gave a 7.4% wage hike to its employees and Nissan Motor 7.2%, while such electric machine companies as Hitachi, Toshiba and Mitsubishi Electric all gave a 7.4% hike. In the United States, Ford Motor abolished the annual 3% wage hike provided for in its labor contract and froze the livelihood allowance. In West Germany, wage increase pacemaker IG Metal had to be satisfied with a 4.2% hike which was less than last year's inflation rate (5.9%). Japanese workers, therefore, can be said to be among the most fortunate in the world.

In Japan, the management of private railways, electric power and other big private enterprises determine their wage hike offers after the offer to IMF-JC member unions. The average wage hike given by the leading private enterprises sets the standard for wage hikes by public corporations, such as JNR and Nippon Telegraph and Telephone Public Corporation. The wage hike of the public corporation workers greatly influences the wage hike of small and medium enterprise workers and of the unorganized workers of subsistence-level firms. Usually, the wage hike in the smaller enterprises is 2 to 3% lower than that of organized workers.

Another striking feature of this year's spring labor offensive is that the General Council of Trade Unions (*Sohyo*), which used to wield absolute power over organized workers, and its nucleus Council of Public Corporation Workers Unions (*Korokyo*) embracing employees of three public corporations and five government enterprises, have completely lost their power, and that private enterprise unions have established themselves as the dominant factor.

In parallel with the government's at-



Spring labor offensive—Workers demanding higher wages

tempt to carry out an administrative reform and to rehabilitate the deficit-ridden national finance, opinion is gaining ground that wage hikes of government employees and public corporation workers should be curbed. Moreover, there is mounting criticism of the attitude of public corporation employees that no matter what they do the government will always foot the bill. Under these circumstances, *Korokyo* can no longer fight single-handedly. *Korokyo* ideologically is left-inclined.

In Japan today, the Japanese Confederation of Labor (*Domei*), which is the leader of right-wing labor unions, is taking the initiative in a move to unify the labor front of private enterprise unions. This unification move is progressing at a fast pace. Private enterprise workers unions affiliated with *Sohyo* are joining this *Domei*-led labor unification movement, with the result that *Korokyo* is becoming isolated. This year's spring labor offensive revealed that *Korokyo* has become so alienated from the other unions that it could not stage a strike. Those who are taking part in the labor front unification movement will form the mainstream of labor in Japan before long. The labor front unification leaders are advocates of labor-management harmony and collaboration and opposed to staging strikes. While Japan was on a high economic

growth course, wages were raised whenever workers staged strikes. But that is a thing of the past. Now that Japan is pursuing a low economic growth course, the labor scene is changing greatly.

## A Long-term Outlook for Japanese Energy Supply and Demand

The Supply and Demand Subcommittee of the Advisory Committee for Energy, an advisory body to the Minister of International Trade and Industry, recently worked out a "long-term outlook for energy supply and demand," which will be a guideline for Japan's future energy policy.

The subcommittee revised its similar forecast announced in August, 1979, taking into account changes in the energy situation.

It based its predictions of energy supply and demand in FY1990 and FY2000 on the assumption that Japan's economy will grow at an annual rate of about 5%.

It estimated Japan's total energy demand in FY1990 at 590 million kiloliters of oil equivalent and 770 million kiloliters in FY2000. This growth rate is characteristically far slower than the previous forecast.

This is because the panel sees the trend

of energy conservation, which has been widely practiced throughout the whole Japanese economy since the oil crisis, will increasingly intensify.

In the supply area the highest priority was given to restricting Japan's dependence on oil as much as possible.

In FY1980, oil accounted for 66.4% of total actual energy supply. But the panel predicted this would drop to 49.1% by FY1990, or lower than a long-cherished target of 50%, and to 38% by FY2000.

Quantitatively speaking, Japan's oil imports are expected to increase only to 290 million kiloliters in FY1990 from 285 million kiloliters in FY1980 and demand in FY2000 will remain at around the 1990 level.

The advisory body forecast this low growth because it considers consumers will increase efforts for energy saving and for lessening dependence on oil.

As a result, the Ministry of International Trade and Industry and the Natural Resources and Energy Agency are being pressed to take drastic measures to meet the new situation, including measures for the problem of excess capacity of Japan's oil industry.

At the same time, it warned that the future outlook for the world's oil supply and demand would not be necessarily bright, saying "there may be times when the international supply and demand situation is temporarily relaxed. But, basically speaking, it is expected to become tighter than now both from a distribution point of view and structurally."

The body expects atomic energy will play the most important role.

Japan's atomic power generating capacity is expected to increase from about 16 million kilowatts at the present to 46 million kilowatts in FY1990 and 90 million kilowatts in FY2000.

There are views critical of this prediction, saying "It is too optimistic," in view of difficulties the power industry is facing in finding sites for reactors.

But the ministry thinks it possible to attain the target because atomic energy development efforts are expected to accelerate after FY1990.

The panel predicted the supply and demand situation for coal and LNG would also increase. Demand for steaming coal for power generation is expected to sharply expand.

Meanwhile, it stressed the need for Japan to map and carry out an energy policy from a long-range point of view.

It says: "Japan, which has a poor energy supply structure unlike other industrialized countries, should make continued efforts for energy conservation and development and introduction of alternative energy sources."