

# Letters

## Japan Has it All Its Own Way

The two-part review of the European Community's GATT Article 23 complaint against Japan, Eleanor Hadley's excellent essay in the September issue, and other insightful pieces you have run demonstrate the significant potential of the *JOURNAL*.

But the *JOURNAL* is young and its subject matter immense. Our first hope for the *JOURNAL* is that it can manage to keep its attention focused on the most important issues.

In her article, "Industrial Policy for Competitiveness," Hadley makes the parenthetical observation that "the current serious misalignment of the yen/dollar rate makes it all but impossible for American companies to compete with Japan." One of many irritants in the U.S.-Japan trade relationship, this misalignment is clearly the most important, both in its own right and as the Rosetta stone for other critical components of Japanese competitiveness. We would welcome articles explaining not only MITI's and the Ministry of Finance's views on why changes in the yen and dollar exchange rates have failed to correspond with relative changes in the competitiveness of the United States and Japan but also discussions by these and other organizations of the steps Japan can take to correct this situation. If this line of editorial inquiry leads to articles on Japanese lending practices, e.g. explanations of why Japanese lenders are willing to invest at uncompetitive rates, so much the better.

At the National Association of Manufacturers the nature of our concern over U.S.-Japan trade issues is as broad as our membership. The complaints we hear cover everything from Japan's ridiculously high candy tariff, 32% *ad valorem*, to the problems of competing with the economically irrational soda ash cartel.

The fundamental concern of our members is with the character of the system, and Japan has reaped such a disproportionate share of the benefits of the world trading system as to endanger the system itself. To say they want it to be fair is perhaps too simplistic. Certainly, though, their support of the open trading system, evident in American business opposition to domestic content legislation, cannot long outlive their belief that the system afford them substantial competitive opportunities.

Lawrence A. Fox, Vice President  
National Association of Manufacturers, Washington D.C., U.S.A.

## Korea-Japan Relations

I understand that the *JOURNAL*'s principal objective is the improvement of Japan's economic relations with industrial nations and neighboring countries. And I wish to congratulate you on your remarkable progress towards this goal.

As a resident journalist in Japan for three decades, I have witnessed the stupendous progress of the Japanese economy with its expansive industry. I have also witnessed some of the thorny paths Japan has tread, including controversial trade frictions with the United States and European nations. Japan's economic relations with Asian countries, particularly with the Republic of Korea, can hardly be called smooth.

The long-dragged Korea-Japan negotiation concerning proposed long-term low-interest credits to aid the Republic of Korea's new five-year economic development program, for instance, has reached an impasse. I hope the talks will be concluded successfully as soon as possible. An early and mutually beneficial solution of the problem will be a plus for amicable economic relations between Japan and its neighbors.

I wish you all the best for further success of the *JOURNAL*.

Bill Shinn, President  
The Sisa Commentary Service, Tokyo

## CURRENT TOPICS

### Compilation of the Fiscal 1983 Budget

The Finance Ministry's compilation of the national budget for fiscal 1983 (April 1983 to March 1984) has entered the stage of assessing the rough preliminary requests submitted by various government agencies by the end of August.

Japan's public finances are in a severe condition, because a large shortfall in national tax revenue is believed to be inevitable in fiscal 1983 following shortfalls in fiscal 1981 and fiscal 1982. For this reason, fiscal authorities are giving top priority to cutting government expenditures as much as possible, in the direction of stronger application of the benefit principle. However, this may not be enough to secure necessary revenue sources for the budget. Finance Ministry officials thus increasingly feel a certain amount of tax increase will be unavoidable to replenish national revenue. They also suggest a need for some emergency steps, such as suspension of the system of transferring part of the proceeds from new national bond issues to a fund for national bond redemption in the future. As a result of Prime Minister Zenko Suzuki's unexpected decision to resign as president of the ruling Liberal-Democratic Party, a post which also carries with it the premiership, his most important public commitments—reconstruction of public finances without tax increases and discontinuation of new deficit-covering bond issues by fiscal 1984—are now likely to be seriously undermined. The Japanese are keen to know how fiscal authorities plan to make both ends of the budget meet for the coming fiscal year.

In submitting their rough requests for appropriations in the fiscal 1983 national budget, Japanese government agencies used a "minus ceiling" formula, in principle limiting their requests for general expenditures to 5% less than the amounts appropriated in the fiscal 1982 budget. The general expenditures represent policy outlays, excluding the cost of servicing and repayment of national bonds issued in the past and national tax allocations to local governments, a certain percentage of some national taxes being a source of revenue for local governments.

This formula represented a further tightening of retrenchment from the "zero ceiling" formula applied to the fiscal 1982 budget. A few exceptions, including defense expenditure, for which Japan is being pressed hard by the United States to bear its share of the burden, and expenditures for economic aid to developing countries, were allowed to increase from



the fiscal 1982 levels. Expenditures for public works and relief to the poor were also allowed to continue on the same level as in fiscal 1982, outside the principle of the "minus ceiling."

As a result, the preliminary requests for budgetary appropriations in the fiscal 1983 budget amounted to ¥33,102,400 million, an increase of 1.5% over fiscal 1982, and the lowest increase since the fiscal 1955 budget, which showed a decline of 2.9% from the previous year. Defense expenditure was allowed an exceptional increase of 7.3% to ¥2,776,000 million out of consideration of Japan-U.S. relations. This was in sharp contrast to a 1% cut in appropriations for the Ministry of Agriculture, Forestry and Fisheries. The fiscal 1983 budget will thus feature a special rise in defense expenditures for the second consecutive year. Including expenditures for national bond servicing and repayment of ¥9,037,200 million, allocation of national tax revenue to local governments of ¥7,975,400 million, and repayment of borrowing of ¥2,250,000 million from a special account to cover national tax shortfalls in fiscal 1981, the general account budget for fiscal 1983 will increase to ¥52,300,000 million.

On the other hand, national tax revenue in fiscal 1983 is likely to total slightly more than ¥33,000,000 million. Assuming that national bond flotation will be about ¥8,500,000 million and non-tax revenue about ¥2,800,000 million, there will be a shortfall of nearly ¥8,000,000 million.

From this point of view, the Finance Ministry plans to make further cuts in the preliminary requests for budgetary appropriations, without giving any special treatment as "sacred" to welfare, defense and economic cooperation expenditures. In addition, it will further cut national expenditures by emergency measures such as suspending the system of setting aside a certain percentage of new national bond issue proceeds each year to meet the cost of servicing and repaying national bonds in the future. It is considering making withdrawals from the reserve fund for collection of auxiliary coins, built up corresponding to the total amount of issues of ¥10, ¥100, and ¥500 coins, as a new source of revenue. Another measure it is considering is designating as general revenue the gasoline tax and petroleum-gas taxes currently used for road construction. The system of transferring a certain percentage of proceeds from national bond issues is unique to Japan among advanced industrial nations. Since this is a system designed to put a limit to national bond flotation and maintain public finances on a sound basis, some people are apprehensive that its suspension may be dangerous.

Generally speaking, Japanese fiscal authorities are trying to make both ends meet with makeshift measures in compil-

ing the fiscal 1983 budget. However, this is unlikely to completely cover a shortfall in national revenue, so that tax increases of about ¥400,000 million are also being considered. Since there is a persistent demand from the people for a reduction in income tax, the rates for which have been unchanged for the past five years, the possibility is growing that income tax cuts accompanied by special tax increases in other areas may be enforced in fiscal 1983—giving with one hand while taking away with the other. Such taxes as telephone utilization tax, T.V. advertisement tax, and increased airport departure tax are under consideration.

A realistic medium-term overview of public finances in Japan, confronted with an outstanding balance of national bond issues of nearly ¥100,000,000 million, shows the two pillars of fiscal planning—fiscal reconstruction without tax increases and discontinuation of new deficit-covering national bonds by fiscal 1984—are increasingly in danger of collapse, not only because a speedy recovery of the world economy is not expected, but also because their chief proponent, Prime Minister Suzuki, is stepping down from power.

## GATT Ministerial Meeting

The Japanese government intends to make positive efforts to make the forthcoming ministerial meeting of the General Agreement on Tariffs and Trade (GATT) a success in order to stem growing protectionism worldwide and protect free trade. The GATT ministerial session, opening in Geneva on November 24, will be the first since the conclusion of the Tokyo round of multilateral trade negotiations in September, 1973.

Several countries in Europe had called for a postponement but the meeting will be staged as scheduled under strong requests from most GATT member countries. Moves toward protectionism are growing in many countries amid worsening global recession and rising unemployment in the wake of the second oil crisis. High hopes are pinned on the forthcoming ministerial meeting not only as an occasion to help stop these moves which threaten to reduce world trade and prolong the recession, but also as an opportunity to revitalize the GATT system now running the risk of collapse.

Protectionism is a serious problem that cannot be ignored by the Japanese economy, which has developed by enjoying to a maximum degree the benefit of free trade under the GATT system. As a result, the Japanese government plans to make the utmost efforts, believing it is necessary to ensure the ministerial conference is a success in order to maintain and develop the free trade system. Prime Minister Zenko Suzuki promised GATT Director-

General Arthur Dunkel during his visit to Japan in September that Japan would spare no effort to sustain and strengthen the GATT system in accordance with Japan's foreign trade policy. And International Trade and Industry Minister Shintaro Abe agreed with U.S. Trade Representative William Brock in a meeting in Washington in early October that Japan and the United States would keep step to bring the ministerial session to a successful conclusion.

But no optimism is warranted in this regard. High on the conference agenda will be a proposed new agreement on safeguards or emergency import controls, problems concerning developing countries, trade in farm product and ways of settling trade disputes. Attention is expected to focus on the safeguard issue. Increasingly, there are cases where import restrictions are imposed outside the framework of GATT as exemplified by voluntary curbs on Japanese car exports to the United States. Safeguards are spotlighted as a system to eliminate such cases and cope with trade disputes within the GATT framework.

European countries are calling for "selective" application of safeguards that would permit the imposition of import controls against specific nations. Japan and developing countries are opposed to such a unilateral system. Hard bargaining is expected between the two sides on the issue at the ministerial conference. The Japanese government is inclined to accept selective safeguards on the basis of an agreement between the exporting countries and the importing countries concerned. But under the current situation, there is no high expectation that any adjustment can be made with European countries over the conditions.

On agricultural trade and settlement of trade disputes, agreements are expected to be reached on the establishment of a GATT agricultural committee and on the introduction of dispute-settlement procedures. But rough going is expected on problems regarding developing countries, as is the case with the safeguard issue.

The conference will probably adopt a "political" declaration such as one on a "ceasefire in protectionism" and thus reaffirm the principle of free trade prior to discussions on the safeguard and other issues in an effort to hold back protectionist moves. It is also expected to agree to set up working parties to discuss the liberalization of services and high-technology trade as demanded by the United States.

## LDP Presidential Election on November 25

The new president of the Liberal-Democratic Party (LDP), the biggest poli-



tical party in Japan with more than two-thirds of the seats in the Diet (Japanese parliament), will be elected on November 25. The election of the LDP president is equivalent to the election of Japan's prime minister, because the party's overwhelming majority ensures that its candidate will win the majority of votes for prime minister in the Diet. The LDP presidential election is therefore the biggest current political event in Japan.

Four LDP dietmen, all members of outgoing Prime Minister Zenko Suzuki's Cabinet, are standing as candidates for the LDP presidency. They are Yasuhiro Nakasone, Director General of the Administrative Management Agency, Ichiro Nakagawa, Director General of the Science and Technology Agency, Toshio Komoto, Director General of the Economic Planning Agency, and Shintaro Abe, Minister of International Trade and Industry. All four are leaders of factions within the LDP. There are no candidates from the factions led by Prime Minister Zenko Suzuki and former Prime Minister Kakuei Tanaka.

According to LDP party regulations, votes in a preliminary election are cast by the estimated 1,040,000 members and associate members of the LDP. The ballots are to be mailed to party headquarters by November 23. They will be counted on November 24, and on the following day, LDP Diet members will choose the president from among the three candidates who garnered the most votes.

Following the election of the LDP president, an extraordinary Diet session will be convened at which members of all parties will vote for the prime minister. If everything goes smoothly, the new prime minister should be elected by the end of November or by early December at the latest. However, a disruption of this schedule cannot be ruled out entirely because an outbreak of bitter factional strife could tangle things up.

The selection of a new LDP president became necessary following Prime Minister Zenko Suzuki's surprise disclosure on October 12 that he would not seek re-election when his two-year term as LDP president expires in November. The Suzuki Cabinet was supported by factions led by Tanaka, Suzuki, and Nakasone. The three factions together control about two-thirds of the LDP Diet members. However, three other factions led by former Prime Minister Takeo Fukuda (Abe is a leader of this faction), Komoto and Nakagawa which were not satisfied with Suzuki's administration, seized every opportunity after the adjournment of the last Diet session on August 21 to advocate "political reform." Although Nakagawa, Komoto and Abe are members of Suzuki's Cabinet, they stepped up their criticism of the prime



Shintaro Abe



Ichiro Nakagawa



Yasuhiro Nakasone



Toshio Komoto

minister. Suzuki, whose ideal was "party harmony and unity," is said to have decided to step down in the face of the vigorous attacks from his party rivals.

In announcing his decision to step down from the LDP presidency and premiership, Prime Minister Suzuki issued a statement in which he said (1) it is vital to sweep away the hard feelings persisting within the party and to choose "a fresh and spirited leader" to open the door to a new age, (2) it is his final duty to see to it that party unity is established under a new leader, and (3) the new LDP president should be selected as quickly as possible because a political vacuum is intolerable at a time when the nation is confronted with serious problems. Suzuki served as LDP president for two years and three

months after assuming the post in July, 1980.

If the primary election and the presidential election are held according to the procedures set down in the party regulations, there will be a political vacuum for more than one month. However, it was Prime Minister Suzuki's strong wish to avoid a political vacuum at any cost, particularly at a time when the supplementary budget for fiscal 1982 and the national budget for 1983 have to be compiled quickly. It was against this background that Suzuki and other senior LDP leaders tried in earnest to select a successor through talks instead of elections.

On October 14, a meeting was held of five supreme advisers of the party—former prime ministers Nobusuke Kishi,



Takeo Miki and Takeo Fukuda as well as Hirokichi Nadao, former Speaker of the House of Representatives and Ken Yasui, former President of the House of Councillors. Former Prime Minister Tanaka is not included because he is not registered at present as an LDP member; he is an independent. Following the meeting of the supreme advisers, Fukuda, Suzuki and party Secretary General Susumu Nikaido went into a tripartite huddle to choose a man acceptable to all factions. They made very little progress.

While the talks were underway, notification of the preliminary election was posted on October 16, and the four contenders officially declared their candidacy. However, they were persuaded to hold back on their campaigning in order to let the efforts to choose a successor through negotiations continue for another week. The talks made little headway during the one-week freeze. From midnight of October 23 through dawn of October 24, the possibility of selecting two leaders, one to assume the premiership and the other the LDP presidency, and a proposal to make Nakasone prime minister and Fukuda LDP president were discussed as a final compromise plan. However, the talks fell through, and the ban on election campaigning was lifted. Nakasone, Nakagawa, Komoto and Abe started vigorous campaigns to win as big a share of the estimated 1,040,000 primary votes as possible.

The Japanese mass media was speculating as this Journal went to press that it would be a close race between Nakasone and Komoto for first place, while Nakagawa and Abe would vie for third to be eligible for the final Diet vote.

## Small Enterprise Summit

The Ministry of International Trade and Industry (MITI) and the Small and Medium Enterprises Agency will hold an International Conference on Small Enterprise Policy (INCOSEP) in Osaka in January 1983.

INCOSEP was conceived to exchange opinions and information among government officials in charge of small enterprise policy in their respective countries.

Japanese officials are referring to this conference as the "Small Enterprise Summit" because it is expected to become a big event bringing together in one place cabinet rank officials of more than 25 countries. Japan will be represented at the conference by the Minister of International Trade and Industry.

Among the foreign delegates will be the Ministers of Commerce and Industry from ASEAN countries, Canada, Mexico, Chile and Australia, as well as the Secretary of Small Business Administration from the United States. INCOSEP will be

the largest international conference ever of policy makers concerned with small and medium enterprise problems.

MITI decided to host this conference because many ranking foreign government officials visiting MITI show great interest in Japan's policy on small and medium enterprises and because they are very enthusiastic about inviting investment from Japanese smaller enterprises. Many governments have great expectations that, with the worldwide recession continuing, they might be able to stimulate their national economies by promoting small and medium enterprises.

In the past, developing countries invited big enterprises from the industrially advanced countries of the North to set up large-scale projects. However, because such projects more or less failed to meet their expectations, they have realized that smaller enterprises are more in keeping with their economic situation and have begun to concentrate on promoting them.

Industrially advanced countries, too, are now beginning to think that the promotion of smaller enterprises is indispensable to the revitalization of a flexible economic structure.

Against this background, the holding of the Small Enterprise Summit is quite timely, and INCOSEP is expected to produce significant results in promoting international exchange in the field of small business, MITI officials say.

Smaller enterprises constitute a significant proportion of the Japanese economy. They account for 81% of total employed workers and 99% of the total number of business establishments. In the past, smaller enterprises were regarded as the weak link in Japan's economic structure, and the big disparity in productivity between them and big enterprises led to the term "dual structure of the Japanese economy."

Today, however, smaller enterprises are called the "vital majority" and play a big role in the economy with their maneuverability and flexibility. They have become competitive factors in the Japanese economy.

Osaka, selected as the site for INCOSEP, is, so to speak, the "mecca of smaller enterprises." The city has produced many entrepreneurs of progressive spirit and creative mind. The giant Matsushita Electric Industrial Co., Ltd., known widely overseas for its Panasonic and National brand products, started as a tiny firm in Osaka. Local industrialists and businessmen trying to develop Osaka into a major international city are giving full cooperation to INCOSEP. Local businessmen are planning to hold as an associated event a trade and investment convention to which top businessmen of countries participating in the Small Enterprise Summit will be invited.

## Trade Conference

The Trade Conference, a consultative body comprised of leading government and business figures, was convened on October 7 for the first time in 11 years by the current chairman, Prime Minister Zenko Suzuki. The main purpose of the meeting was to add new impetus to the implementation of the second package of market-opening measures adopted last May in an attempt to defuse mounting trade friction between Japan and the Western nations. Prime Minister Suzuki urged the attending ministers and business leaders to press ahead with these market-opening steps including the active expansion of manufactured goods imports.

The Trade Conference is charged with the task of concerting government and business efforts on measures relating to foreign trade. Headed by the Prime Minister, it also lists among its membership the Minister of International Trade and Industry as deputy chairman, other cabinet ministers, the presidents of the Bank of Japan and the Export-Import Bank of Japan, and the chairman of the Japanese Chamber of Commerce and Industry. Other members include representatives from the Japan Foreign Trade Council, the Central Council of Agricultural Cooperatives, the giant trading companies and major enterprises.

Inaugurated in 1954 as the Supreme Export Council, and reorganized into its present form in 1970, the Trade Conference met once in 1970 and once in 1971, but had not been convened since.

The recent Conference approved a report compiled by a coordinating subcommittee headed by Renzo Taguchi, senior adviser to Ishikawajima-Harima Heavy Industries (IHI) Ltd. The report, which analyzes the present trade situation, indicates that world trade, on a dollar basis, dropped 1.0% in 1981, the first such decrease in 23 years, against the backdrop of lingering recession in the advanced industrial countries, high interest rates in the U.S., and the mounting accumulated foreign debts of the developing countries. As a result, the report adds, Japan's foreign trade has also suffered and exports on a customs-clearance basis are expected to show a decline of about 6.2% during fiscal 1982 with total volume falling to the \$140 or \$145 billion level. This will mark the first decline of Japanese exports in 30 years. Perhaps of even greater significance in light of current trade friction is the expectation that imports will also slump by 7.2% to \$130 or \$135 billion.

Earlier this year, Prime Minister Suzuki had remarked that Japan, whose economy represents 10% of that of the world, was being called upon to make an international contribution commensurate with this position. In commenting on the sub-



committee report, he reiterated this point by underscoring the danger of Japan being criticized once again by the Western nations on the subject of foreign trade and appealed directly to the private sector for cooperation in implementing the government's market liberalization measures: "No matter what the government may do institutionally to open the market, if imports of manufactured goods do not expand as a result of efforts made by the private sector, which actually imports these goods, this will only reinforce the mistaken impression among foreign observers that the Japanese market is indeed closed." To forestall mounting protectionist sentiments in Europe and particularly the U.S., where rising unemployment and a looming trade deficit have aggravated anti-Japanese feelings, manufactured goods imports must, Suzuki urged, be "welcomed." Importers and distributors can help greatly by handling foreign products best suited to Japanese consumers, rationalizing distribution systems, pricing imports appropriately, and by providing information on consumer needs and preferences. The government will augment these efforts of the private sector with exhibits for foreign products, a consulting service for foreign firms, the dis-

patch of import-promotion missions abroad, and industrial cooperation for the development of new foreign products appropriate to the Japanese market. The Prime Minister also stressed the absolute necessity for greater marketing efforts on the part of foreign exporters. Without such firm commitment to penetrating the Japanese market the cooperation of Japanese private enterprise and the recently enacted market-opening measures would be of no avail.

## JNR's Linear Motor Car

Magnetically levitated transportation (Maglev) took a big step towards practical application when passengers were carried for the first time in a test run on September 2, 1982. Maglev, popularly known as the linear motor car, is being developed by the Japanese National Railways (JNR) as the world's fastest and most advanced mode of surface mass transportation.

At the test ground in Hyuga City, Miyazaki Prefecture, Kyushu, three members of the JNR Maglev Development Project team, led by deputy chief engineer Yoshihiro Kyotani, boarded a two-car MLU 001 test train painted white with red

stripes. Each car was 20.4 meters long, 3 meters wide and 3.3 meters high. The Maglev test train carrying the three engineers hit a maximum speed of 262 kilometers per hour as it raced down the seven kilometer coastline test track.

According to Kyotani, the test train started running on its auxiliary rubber wheels like a limousine making a quiet, smooth start. As it picked up speed, there was a slight vibration similar to that experienced in an automobile on an expressway. Then, at a speed of 160 kilometers per hour, the train suddenly levitated, or floated up off the track. Kyotani said he felt as if he were on a jet plane cruising on a day without air turbulence.

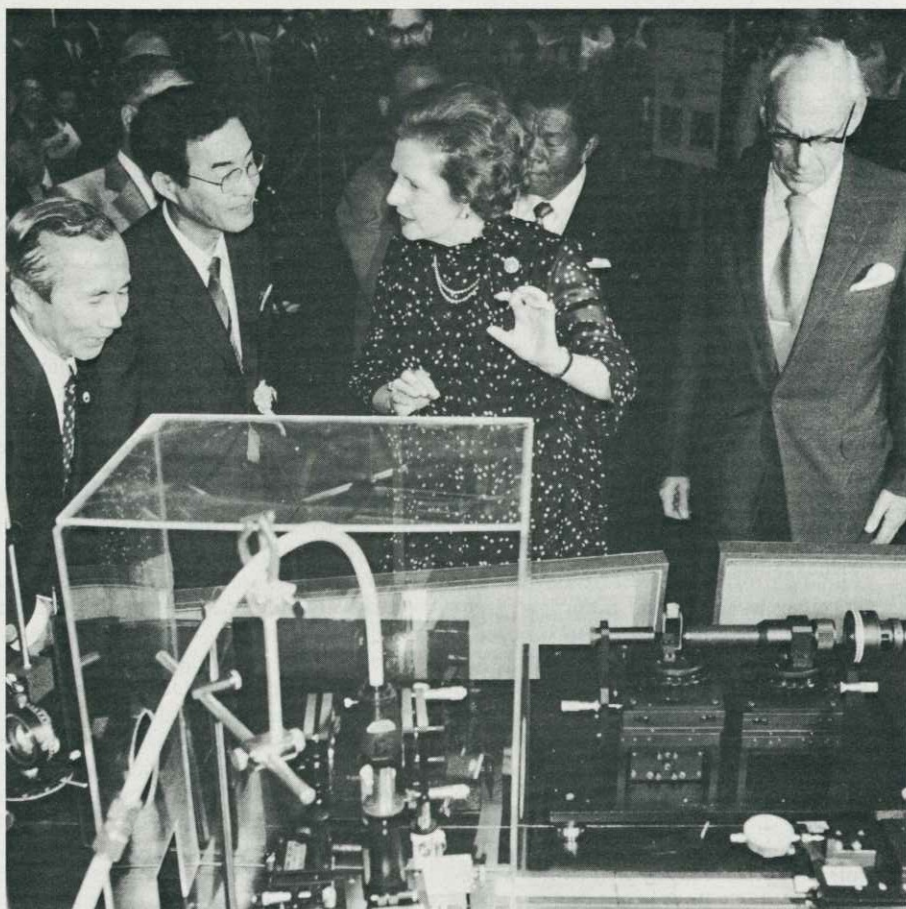
The passenger-carrying test train made two levitated round trips, running for a total of 200 seconds. Maglev has come a long way in the 12 years since the basic facilities for experimenting with magnetically levitated transportation were installed at the JNR Railway Technical Research Institute in Kokubunji City in the suburbs of Tokyo. So far, the development project has devoured approximately ¥27 billion in hardware alone.

Prior to the passenger test, Maglev had established a world record for levitated railway transport of 517 kilometers per

## British Prime Minister in Japan

British Prime Minister Margaret Thatcher visited Japan September 17-22 as an official guest of the government. She was the first British Prime Minister to make an official visit to the country since Edward Heath 10 years before. During her six-day stay, Thatcher visited many parts of Japan, including the academic city of Tsukuba—a center of scientific research—and a robot factory. She also conferred with her Japanese counterpart Zenko Suzuki on bilateral cooperation in industry and scientific technology, Anglo-Japanese economic relations, and a wide range of other issues. While she sternly condemned the massacre of Palestinians in Beirut, she wore a smile on most other occasions, giving the Japanese a fresh image different from what most held of the "Iron Lady." Following is a summary of the Prime Minister's stay in Japan:

Thatcher held her first meeting with Prime Minister Suzuki on the afternoon of the day of her arrival. At the meeting, which was limited to a broad exchange of views, the two agreed that Western countries, including Japan and Britain, face severe economic difficulties. Referring to bilateral trade relations, the British leader voiced concern that protectionism would







Linear motor car, the world's fastest and most advanced mode of surface mass transportation (Photos by JNR)

emerge if appropriate measures were not taken and stated that it was necessary for the two countries to confirm their commitment to maintaining free trade.

On the second day of her visit, Thatcher toured Tsukuba City in Ibaraki Prefecture. Tsukuba is one of the world's leading academic cities, bristling with more than 50 educational and research institutes; among them are Tsukuba University, the National Space Center, the National Laboratory for High Energy Physics, and the Fermentation Research Institute.

During the tour she visited the Electro-technical Laboratory, a Ministry of International Trade and Industry (MITI) body boasting an impressive record of successes in computers and other advanced technology. Dr. Jun Kondo, one of the candidates for this year's Nobel Prize for Physics, works at the institute.

Thatcher inspected equipment for experimenting on the Josephson junction, a device named after the British scientist who discovered the principle on which it is based; she also had a careful look at a laser microscope. Standing in front of equipment for curing cancer with the aid of a laser beam, she posed expert questions that bespoke her career in chemistry. She also let a new robot hand which works exactly like a human hand hold her fingers. "Oh, gentle!" she said in admiration of the robot's soft touch.

That afternoon the British Prime Minister took a Self-Defense Force helicopter to Tokai-mura, a town known for its atomic power facilities. She visited the advanced Calder Hall nuclear reactor imported from Britain that was Japan's first commercial reactor. "She probably felt as if she were having a reunion with her married daughter," observed one local newspaper.

On the third day, September 19, Thatcher visited the Fuji factory of Fanuc Ltd., a major manufacturer of industrial robots in Yamanashi Prefecture. She appeared surprised at the sight of an army of robots assembling motors and tightening screws. "I've never seen such an exciting factory," she said. She asked factory officials how much productivity had risen and what had become of workers idled by the robots.

That evening she conferred with Nissan Motor Co. chairman Katsuji Kawamata; she had looked forward to seeing him in connection with the automaker's recently suspended plan to produce cars in Britain. Thatcher told Kawamata the British government strongly hoped for the realization of Nissan's plant construction because it would help revitalize the British economy and have a significant impact on industrial technology and employment.

Kawamata reportedly replied that he well understood her hopes but that for the

moment it was very difficult to reach a decision on investment in Britain. Nissan's plan originally called for construction of a plant with a production capacity of 200,000 cars a year.

On September 20, Thatcher had her second meeting with Prime Minister Suzuki and engaged in detailed talks on politics and industrial cooperation. The two leaders agreed to seek the early conclusion of a pending bilateral agreement on cooperation in scientific technology and to hold regular exchanges of high government officials to foster closer ties between the two countries.

In addition, during her discussions with the International Trade Minister Shintaro Abe on U.K.-Japan economic matters, Thatcher sought the promotion of industrial cooperation, including Japanese corporate investment in Great Britain and expansion of Japan's manufactured imports.

Rejecting the sightseeing usually included in a state visit, Thatcher spent most of her stay instead inspecting Japanese technology and promoting British products. But she was often seen relaxed and wreathed in smiles, as on her visit to a Tokyo department store staging a British products fair, and at a welcome party given for her by Japan's giant *sumo* wrestlers.