Letters

Modernization Does Not Equal Westernization

Mr. Jun Eto's "Groping for an Identity" (January/February, 1983) accurately touches on many points which need to be considered in working toward an improved level of mutual understanding between peoples and individuals.

However, as advisers to American firms on improving the quality of their relationships with the Japanese, we have said many times that it is a mistake to equate modernization with westernization.

Mr. Eto postulates a dichotomized orientation: the Japanese look on the one hand to China, on the other to the West. If we understand Mr. Eto correctly, China provided a cultural and philosophical outlook which, for the purposes of Japan's world advancement, must be set aside. Instead, he seems to say, Japan must modernize along western lines.

We feel it may be more accurate to say that the Japanese have retained their traditional outlook as inherited from China and have built on that foundation a modernized, but not western, economic and trade structure which serves them most effectively in the world market.

To say that the Japanese are modern and western is to state a similarity which is more apparent than real and one which has caused and will continue to cause much disappointment and unhappiness among Japanese as well as between Japanese and others.

My associates and I advise American firms to realize that the deceptively western appearance of Japanese business practice is based on Japan's own long tradition and history and not on a comparatively recent effort by the Japanese to discard their traditions in favor of the western version of modernization.

Once Americans, or any other foreigners for that matter, understand that point, it has been our experience that they find it much easier to understand the Japanese and to relate to them more effectively.

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Learning from Japan

What is common to the words and phrases "reciprocity," "local content," and "industrial policy?" American FRUSTRATION!

The persistent trade imbalance between the U.S. and Japan has defied almost all efforts at either correction or explanation. The result in the U.S. has been a series of simplistic political prescriptions intended to cure the political and economic consequences of the reality of a large trade imbalance when the U.S. has high unemployment. The most recent of these inventions is the current effort to criticize Japan for a sinister sin called industrial targeting, which supposedly means deciding in an improper way to be successful in capturing a significant share of a market of a foreign country.

To be sure, Japan has not been simon-pure on the playing fields of economic competition. But who has, including the U.S.?

Yet the current effort to dismantle Japan's ability to be competitive is perhaps the most misguided result of U.S. frustration to date. If that effort were to succeed, the whole world would suffer from the loss of important developments in productivity and management technique.

Americans familiar with Japan's economic miracle know that the fundamental building block is a uniquely Japanese way of developing consensus around goals and purposes. That is what is rightly being called an industrial policy Conversely, the U.S. has traditionally avoided anything resembling an industrial policy, believing that the market place would provide the strength needed to compete. In the U.S. what industrial policy there is has been reactive, ad hoc, and random.

Industrial policy, wherever it is practiced, is a process—of business, government, and labor working out affirmative, anticipatory, and coherent programs to meet goals. After World War II Japan responded to a clear need and got its act together while the U.S. coasted on past success. The oil crisis brought a new world for which Japan was ready but the U.S. was unprepared.

The answer to today's situation is not to rewrite the rules of the game. That would be self-defeating. The solution for the U.S. is to develop its own form of industrial policy. That is now beginning to happen with stirrings in the Congress that will lead to real steps. Meanwhile the U.S. must avoid the alluring fascination of bashing Japan for being so effective.

Japan should not be obliged to apologize for its success. But Japan can do a better job of explaining what it has done. It is not enough for Japan to assert the conclusions that its policies are legitimate; there is a vague emptiness in flat conclusions. Nor is it enough to challenge the U.S. critics who hurl their own conclusions across the Pacific to come forward with substantiation of their charges.

What is needed now is for Japan to strip away the magical mystery of its economic miracle by simply telling its story. For example, the story in the U.S. of how IBM became the computer leader in the late 1950s is amazingly simple and has been widely reported; it was no more than bold, careful and decisive management that chose to challenge the future. If only the U.S. had more IBMs! Many Japanese companies did the same kind of thing as IBM while many American companies lived in the past. The truth lies not in seeking to change the rules of the game but in learning from Japan.

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CURRENT TOPICS

Japan Moving to Expand Imports

In the face of a growing trade surplus which has triggered foreign demands for export moderation and import expansion, the Japanese government is moving to step up imports, particularly those of manufactured products.

Symbolic of the trend was a June 28 meeting of the high-powered Trade Conference, chaired by Prime Minister Yasuhiro Nakasone. At the meeting, held on the annual Trade Commemoration Day, it was decided to orient the conference more toward import promotion.

Meanwhile, Prime Minister Nakasone has instructed his Cabinet to look into ways of promoting imports. He has specifically called for consideration of measures to boost imports, including purchases of manufactures.

At the Trade Conference session, an official of the Ministry of International Trade and Industry (MITI) briefed conference members on recent export and import trends. Hiroshi Sugiyama, director-general of MITI's International Trade Administration Bureau, stressed the need for urgent action to boost imports in view of the possibility the country's current account surplus is likely to increase due to declining oil prices and other factors. Yoshizo Ikeda, chairman of the conference's Manufacture Import Promotion Committee, told the meeting no other country is trying harder to expand imports than Japan.

"This fact must be made known to trading partners," said Ikeda, who is also a senior adviser to Mitsui & Co.

Another conferee, Hisashi Murata, head of the semi-governmental Japan External Trade Organization (JETRO), proposed that import promotion be discussed in terms of financial and tax systems as well.

Other participants argued that domestic demand should be increased to expand imports. Taiichiro Matsuo, vice president of the Japan Foreign Trade Council, an association of trading firms, said domestic demand should be boosted first, adding it is also necessary to raise the yen's exchange rate, thereby making foreign products less costly to Japanese importers. Shizuma Iwamochi, head of the Central Union of Agricultural Cooperatives, called for drawing up urgent measures to increase domestic demand.

In concluding the discussions, Nakasone noted that Japan's current account surplus seems to be on the rise based on the recent cuts in crude oil prices. He quoted Gaston Thorn, president of the European Community (EC) Commission, as pointing out that a $100 million increase in Japanese imports would help Europe more than a $500 million cut in exports. Nakasone urged all government departments as well as the private sector to work to expand imports. "Today's meeting will be the springboard for such effort," the prime minister said.

Japan's PM Nakasone chairs a trade conference held to find measures to step up imports.

The Trade Conference, attended by business representatives as well as concerned Cabinet members, was designed originally to promote exports. It has seldom been called into session since Japan began posting chronic trade surpluses as the international competitiveness of Japanese products improved. It was revived last October with a greater emphasis on imports of manufactured goods to cope with intensifying trade friction.

Prior to the June 28 meeting, the existing 11 industry export conferences were integrated into a single body to stand on an equal footing with the import conference that was also set up, thereby giving equal weight to both exports and imports. In addition, the conference membership was enlarged to include the Chief Cabinet Secretary and the Minister of Posts and Telecommunications. The latter oversees Nippon Telegraph and Telephone Public Corporation (NTT), which is under pressure from abroad to increase its procurement of foreign equipment.

After the conference, certificates of commendation were conferred by Prime Minister Nakasone on three Japanese and three foreign individuals for their contribution to import expansion and to promotion of mutual understanding on trade.

The commendation system, replacing one already in existence for export promotion, is aimed at clarifying and publicizing the Japanese government's determination to help promote imports.

The foreign recipients were Lawrence F. Snowden, president of the American Chamber of Commerce in Japan; A.P. Dienst, president of Hoechst Japan Ltd.; and David B. Sycip, president of ASEAN Japan Development Co.

Later, at a reception for Trade Commemoration Day, 10 Japanese and five foreign-owned companies were similarly commended by Minister of International Trade and Industry Sosuke Uno, who is vice chairman of the Trade Conference.

The five foreign-owned companies were Burroughs Corp., a U.S. computer manufacturer; Procter & Gamble Japan, a production subsidiary of the giant U.S. paper diapers company; Carl Zeiss, a West German measuring instruments maker; Jardine, Matheson & Co. (Japan), a Japanese subsidiary of the British whiskey maker; and Gadelius K.K., a Swedish machinery maker.

Prior to the conference, the Manufactured Imports Promotion Committee published a review of Japan's distribution system and trade practices designed to probe import expansion measures. The report concluded that it is quite possible for foreign firms to gain access to the Japanese market, and recommended making more information available for improving foreign understanding of market conditions. It called for exploration of foreign products with good sales potential in Japan, and reiterated the need for exporters to continue their efforts to provide goods matching consumer preferences and to strengthen competitiveness in after-sales service and other non-price areas.

Copies of the report were distributed to foreign embassies in Tokyo and overseas businesses.

According to the report, manufactured products accounted for 21.5% of Japan's total imports in 1976. The ratio has since risen gradually, reaching 24.9% ($32.8 billion) in 1982. But it is still lower than the 56.9% in the U.S. and 42.6% in the EC.

"Sixty-seven percent of Japanese consumers do not distinguish between domestic and foreign-made products," the report said. "But American and European countries, preoccupied with the different nature of the Japanese market, tend to overlook its similarity. There are good chances for entering the Japanese market if products matching market needs are offered."

The report also stated that 79% of foreign businessmen consider Japan's trade practices peculiar to Japan, with 61% seeing a need for change. Japanese businessmen, on their part, feel foreign efforts in Japan to be insufficient in terms of pricing, delivery time and after-sales service. In this connection, the report made several recommendations to the Japanese side, including giving clear indication, in writing, of transaction terms and more detailed explanations during negotiations of what is desired regarding terms and conditions.

Referring to Japan's distribution system, the report said 84% of foreign businessmen consider it complicated. But it pointed out that distribution channels for imported goods are in fact simpler than those for domestic products, thus offering imports a competitive edge. The report added that there have been many cases of successful market penetration through the use of general sales agents and sales subsidiaries. (A copy of this report is available at the Ministry of International Trade and Industry.)

Lawrence F. Snowden, president of the American Chamber of Commerce in Japan, receives a certificate of commendation for promoting imports.

MITI Chief Uno Attends Quadrilateral Conference

The fifth quadrilateral trade ministers' conference held in London July 16–17 produced no tangible results, but it did mark a step forward in the search for constructive solutions to mutual trade problems.

Discussions at the latest quadrilateral trade conference centered on how to combat protectionism and promote GATT (General Agreement on Tariffs and Trade) working programs on safeguards, services, subsidies, and so on, and were aimed at finding ways to expand global trade. A free and candid exchange of views among trade ministers from the four major economic regions was in itself of great significance for free trade.

Japan was represented at the conference by Minister of International Trade and Industry Sosuke Uno, the United States by Trade Representative William Brock, Canada by International Trade Minister Gerald Regan and the European Community (EC) by Commission Vice President Wilhelm Haferkamp.

During the two-day meeting, the trade ministers emphasized the crucial importance of maintaining and strengthening the GATT system and agreed to make maximum efforts to control protectionism. They also agreed in principle that member countries should keep GATT informed of their "grey measures"—trade-restrictive measures taken outside the GATT framework. The Japanese delegation proposed that working-level studies be conducted to determine the scope of such measures.

The trade ministers expressed concern over the slow progress of the GATT working programs. Japan appealed for stepped-up efforts toward a comprehensive agreement on "safeguards" or GATT rules for emergency import restrictions. However, the response from the other participating countries was generally negative, on the grounds that it is difficult to change the rules at a time of recession and high tension.

The ministers agreed that major developed countries, now conducting studies on ways of promoting service trade, should make further efforts to that end and invite developing countries to participate in such endeavor.

Some debt-laden developing countries receiving financial support from some of the participating nations were strongly criticized for subsidizing their exports. As for industrial goods, however, it was argued that developing countries should not be prohibited from using domestic subsidies to develop their industries.

The ministers expressed concern that no agreement had been reached on export credit guidelines. In this connection they expressed the hope that the EC, in particular, would make further efforts toward agreement.

Regarding the United Nations Conference on Trade and Development held in Belgrade in June (UNCTAD VI), the participants expressed their hope for progress in further studies on export income compensation schemes for developing countries.

In presenting his argument, Japanese Minister of International Trade and Industry Uno emphasized the need to (1) roll back protectionism and promote industrial adjustment, (2) expand domestic demand and further liberalize domestic markets and reduce interest rates, and (3) strengthen cooperation among international organizations and prepare for a new round of multilateral trade talks under GATT at the initiative of Japan, the United States, Canada and the EC.

While in London, Uno also held individual consultations with his British, EC, American and Canadian counterparts.

In his talks with British Trade and Industry Secretary Cecil Parkinson on July 14, agreement was reached that the two countries should uphold the free trade principle and promote trade expansion and economic development through industrial cooperation.

Uno said Japan would make further efforts to expand domestic demand and promote imports, while Parkinson emphasized Britain's intention to revitalize its economy through industrial rationalization and restructuring.

Parkinson expressed grave concern about the U.S. restrictions on specialty steel imports. Uno said Japan would fully explain its position to the United States regarding this matter. He also said he was looking forward to Parkinson's visit to Japan, scheduled for October.

Uno also met with Paul Channon, minister of state for trade affairs at the Department of Trade, the same day. Their talks, held over lunch, were conducted in a friendly atmosphere and centered on social topics.

Uno also conferred separately with Etienne Davignon, the vice president of the EC Commission, Brock and Regan.

In the meeting with Davignon on July 15, Uno praised the role the EC vice president had played in promoting Japan-EC relations and preventing the spread of protectionism. Davignon pointed out that developing closer ties between Japan and the EC is one of the highest priorities of the EC Commission.

Davignon welcomed the series of market-opening measures taken by the Nakasone Cabinet. On the other hand he expressed serious concern about the U.S. restrictions on specialty steel imports, saying that the EC Commission would like to reach a settlement under GATT.

Uno warned against trade restrictions on new high-tech products, referring particularly to EC moves to raise the tariff on digital audio discs (DAD).

The two ministers agreed that preparations for the third Japan-EC symposium should be made with a view toward holding it in November.

In the Uno-Brock meeting held later the same day, the U.S. trade representative expressed serious concern about the rising protectionist trend. Brock said while it is necessary in the long term to establish a new framework of international trade, it is immediately important for the quadrilateral nations to make concerted efforts to contain protectionism. Noting that trade and finance are closely linked, Brock proposed that trade and finance ministers hold joint discussions.

Uno emphasized the importance of multilateral cooperation to maintain the free trade structure. Also, he agreed on the linkage between trade and finance.

Brock briefed Uno on U.S. reactions to the latter's statement on the Japan-U.S. auto trade. Uno clarified that statement, saying that it merely reaffirmed the previously established policy already understood between the two governments and most recently reconfirmed last February, and therefore did not reflect any new policy decision by the Japanese government.

Uno expressed regret over the U.S. action against specialty steel imports. Brock explained that the action was taken reluctantly and in view of the fact that subsidized exports of foreign specialty steel to the U.S. had caused damage to the U.S. steel industry.

The two ministers expressed satisfaction that the Joint Japan-U.S. Committee on Industry-related Policies and Their Effects on Trade and the discussions in the high-tech working group were making smooth progress.

In the talks with Regan also held on July 15, bilateral trade problems did not receive any particular attention because the Japanese and Canadian governments had exchanged views on the issue while making preparations for the quadrilateral conference.

Japan-U.S. Trade Talks Move into Full Swing

With U.S. President Ronald Reagan scheduled to visit Tokyo in November, hard bargaining between Japan and the United States over bilateral trade and economic issues is expected to culminate this fall. Pending problems range from trade in semiconductors, machine tools and farm produce such as beef and citrus fruits to the trade imbalance, industrial policy and exchange rates between the dollar and the yen.

On July 1, a little more than a month after the Williamsburg Summit of seven leading industrial democracies, the U.S. government filed a complaint with the General Agreement on Tariffs and Trade (GATT) over Japan's import controls on farm products. The dispute arose on October 15, 1981, when the United States demanded an expansion of Japanese imports of American beef and citrus fruits during the regular bilateral consultations held in Tokyo. Japan later decided to expand import quotas for some items, including pork products, tomato ketchup and peanuts. But the United States remained dissatisfied, repeatedly threatening to bring the issue before GATT for a solution under its international dispute-settling procedures.

In filing the complaint under Section 1 of GATT Article 23, the United States told Japan it wanted to end the consultations by mid-September. The Japanese side took this as an indication that the United States was hastening to settle the dispute with a view to winning major Japanese concessions before the U.S. presidential visit.

Meanwhile, President Reagan announced on July 6 import controls on specialty steel from Japan and the European Community (EC), combining tariff surcharges and import quotas. The Ministry of International Trade and Industry (MITI) decided to discuss the U.S. measure at bilateral consultations under GATT Article 19, insisting that the Japanese specialty steel industry has been trying to make orderly exports to the United States and is not causing injury to its American counterpart.

While confronting each other on these issues, Japan and the United States held a series of talks in Washington in July—a meeting of a working group on high technology, a session of a task force on the machine tool trade, a meeting of the Joint Japan-U.S. Committee on Industry-related Policies and Their Effects on Trade, and sub-ministerial-level talks.

The semiconductor subcommittee of the high-tech working group agreed to work out by October positive measures for the opening of each other's markets, and an expansion of technology-sharing and investment. The U.S. Semiconductor Industry Association subsequently decided to postpone until September filing a complaint with the Commerce Department under the 1974 Trade Act over imports of Japanese semiconductors.

At a meeting of a joint committee on industrial policy, both sides discussed the objectives of Japan's industrial policy as well as U.S. policies on research and development. The committee did not reach a conclusion and is scheduled to hold another meeting in Tokyo in mid-September.

Also in July, Japanese and U.S. business leaders held an annual conference in Chicago, discussing the yen-dollar rate question and various other issues. Delivering a keynote speech at the conference, Yoshihiro Inayama, president of the Federation of Economic Organizations (Keidanren), stressed the need for some form of order in order to prevent the free trading system from collapsing, indicating a positive attitude toward eliminating the trade strains.

Japan also held a series of talks with the European side. It conducted separate consultations with Ireland and Italy in June, followed by a preparatory meeting with the EC on industrial cooperation, high-level consultations, also with the EC, the third meeting with France on industrial cooperation, and the fourth round of regular talks with Britain on the same subject.

At these talks, the European side spoke highly of recent Japanese actions such as the decision on market-opening measures and the announcement of an export forecast in February. It was agreed that it is essential to revitalize the world economy and achieve closer Japanese-European ties through stepped-up industrial cooperation. It was also agreed to hold the third Japan-EC Symposium in Tokyo in November.

But there were scenes of discord, with the EC expressing concern over recent trends in the growth of the bilateral trade imbalance and urging further Japanese efforts to open the domestic market, in particular to increase its imports of manufactured products.

Sears' Advance into Japan

Sears, Roebuck and Co., the Chicago-based world's-largest retail enterprise, has established a *sogo shosha* in Japan under the name of Sears World Trade (Japan). *Sogo shosha* are companies that handle foreign trade, and up until now were unique to Japan. Sears is the first non-Japanese company to form a *sogo shosha*.

Commenting on Sears' move, MITI said, "We welcome it heartily. We hope the new company will function as a channel for American exports to Japan and contribute to an increase in the export of finished American products to Japan."

In setting up the company, Sears merely had to submit an application to the Bank of Japan, which quickly gave its approval. According to the Tokyo branch of Sears, Roebuck Overseas, which has been engaged in purchasing Japanese products for import to the United States, the new company is fully capitalized by Sears World Trade, the trading subsidiary of Sears. At the end of July it had a capital of ¥53 million ($220,000), which will be increased as business expands.

As in the case of Japanese *sogo shosha,* which handle "anything from noodles to

Hidetaka Iijima, representative director & regional director of Sears World Trade (Japan) K.K.

nuclear power plants," the new Sears company deals in any product and its business lines cover not only import-export but also leasing, wholesaling, and acquiring and transferring industrial proprietary rights, and management know-how and information. Its import-export business includes raw cotton, raw silk, agricultural products, livestock products, marine products, chemicals, medical goods, ships, aircraft, electronic instruments, etc. Sears says that it wants "to place the greatest effort in exporting American goods to Japan."

Sears' advance into Japan follows Congressional approval last October of the Export Trading Company Act. In January this year, Sears World Trade was formed and since then it has been establishing bases in London, Seoul, Taipei, Sao Paulo and other trading centers throughout the world.

Whether Japanese imports of American goods will increase as a result of the establishment of Sears World Trade (Japan) is a question which will have to await the performance of the new company. Japanese trading sources say, "Our experience in dealing with Sears in the United States has shown us that although it is a mammoth enterprise with huge capital resources, it is very quick to recognize and respond to business opportunities. Sears World Trade (Japan) may not be an immediate threat to Japanese *sogo shosha*, but it will probably build up its foundation in Japan and achieve success."

There are nine companies in Japan classified as *sogo shosha*, such as Mitsubishi Corporation and Mitsui & Co. Their business scale (combined total of the nine companies) in fiscal 1981 (April 1981–March 1982) was ¥18.6689 trillion in exports and ¥19.1126 trillion in imports. In fiscal 1981, they accounted for 54% of Japan's total customs-cleared exports (¥34.3615 trillion) and 60% of total imports (¥32.2445 trillion). These figures reveal a little-known fact: the Japanese *sogo shosha* import more than they export.

The *sogo shosha* occupy a very big position in the Japanese economy. The nine *sogo shosha* together had a turnover of ¥80.1121 trillion in fiscal 1981. This figure represents 30% of Japan's GNP.

Corporate Earnings Bottom Out

The worst appears to be over at last for Japan's big corporations, hard hit by the protracted recession.

According to a survey by the Nomura Research Institute, the research arm of Nomura Securities Co., one of the top four Japanese securities companies, the companies listed on the First Section of the Tokyo Stock Exchange showed an average dip in profits of 19.3% in the half-year term ended March 31, 1983. The only exceptions were electric power and petroleum companies, whose earnings ballooned thanks to exchange gains from the appreciation of the yen. The majority of economic analysts think this dismal overall performance marked the bottom of the cycle.

As Kimio Okura, managing director of Sony Corp., says: "During the past year, companies put aside considerations of profit and endeavored to strengthen their financial constitution." Efforts to reduce overseas inventories and repay loans are making steady progress. Based on the recovery of the U.S. economy, Japan's exports are picking up, and the salubrious effects of the crude oil price cut are gradually permeating the economy. Given these many favorable factors, leading securities companies unanimously predict that corporate business performance will turn sharply upward next spring.

Corporate financial statements for the term ended March 31, 1983 presented a mixed picture, revealing a sharp contrast between the sun and the shade. The processing and assembly industries, such as electrical machinery and communications equipment, posted all-time record profits, while the materials industries, including steel, suffered sharp declines. Moreover, the disparity that has appeared among companies within the same industry—reflecting their different business lines—means that analyzing the performances of the top-ranking firms alone is no longer sufficient to get a grasp of business trends in the industry, according to Nomura. The most conspicuous aspect of this striking intra-industry disparity is the fact that the companies which have beefed up their profit-earning muscle are those which have ridden the crest of the "informationalization" of society into such high technology fields as computers, semiconductors, office automation equipment, magnetic tape, and carbon fiber.

For example, while Kuraray Co. saw its earnings decrease when the market slumped, Mitsubishi Rayon Co. avoided financial difficulties thanks to the growth of its optical fiber and carbon fiber businesses. Mitsubishi Rayon jettisoned its deficit-ridden conventional product lines and concentrated on diversification through development of a new product group on the strength of its high technology.

The financial statements for the March 1983 term attracted wide public attention partly because they were the first since the revised Commercial Code took effect in October last year. At numerous annual general meetings, shareholders took full advantage of their right to make proposals for the first time. Moreover, many enterprises have increased the ranks of their auditors in order to strengthen the audit function, in line with the purport of the revised code. Corporate managers have begun to pay attention not only to business performance but to improving the corporate constitution to respond to social requirements.

How does the future look for corporations as they emerge from the long recession?

The common view among business executives is that all enterprises will start moving toward full recovery this autumn, with the electric appliance industry leading the way. Mitsubishi Electric Corp., for one, says all its divisions are expected to post record figures in the March term next year.

The leading securities companies are unanimous in their prediction that, boosted by the recovery of demand both at home and abroad and by the market uptrend, corporate earnings will increase by more than 30%. Typical is the prediction by the Daiwa Research Institute of Securities and Economics, which thinks corporations will see "an increase of 32.8% in current profit in the term ending March 31, 1984."

Although business is improving, competition will inevitably intensify. The sense of impending crisis this has provoked is reflected in the unprecedented number of changes in corporate presidencies this year. It appears certain that the number of companies getting new presidents in 1983 will exceed the record 220 set in 1981. The rush is partly attributable to the fact that in many companies this is coincidentally the year for reelecting the board of directors. There is another factor, however.

According to the results of a survey conducted by the Wako Research Institute, the major reason given by most companies for changing their chief executives was, as expected, "rejuvenation." Moreover, quite a few companies chose for their new president a person with either an engineering or sales background. Japanese corporations, which have maintained a defensive posture for the 10 years since the oil shock of 1973, are now switching to the offense for the low-growth era.

Companies in the synthetic fiber industry, for instance, are in the process of withdrawing from textiles. Among them, Teijin has clearly adopted a technology-oriented strategy. President Tomoo Tokusue retired only three years after he assumed the top post because, he said, he had accomplished his task of putting the company in order following the long, despotic management of the late Shinzo Oya. Tokusue stepped aside to make way for Vice Pesident Sashiro Okamoto, an engineer. Upon retiring, Tokusue said, "I read an introduction to biotechnology but found it difficult to digest. From now on, only a man with a technical background can steer the company."

The case of Ishikawajima-Harima Heavy Industries Co., hard hit by the second shipbuilding depression, is analogous. Vice President Kosaku Inaba, an engineer, has taken the corporate helm in order to "strengthen the company's high-tech capability." He is eight years younger than the outgoing president. Observers say Ishikawajima-Harima, once known for its technology prowess, is again emphasizing its traditional strength.

Although the recession is gradually receding, there is now fierce competition to grab a larger share of the pie. And the pie is not likely to get much bigger than it is today, analysts are saying.

National Railways' Astronomical Deficit

The Japanese National Railways (JNR), with its roughly 240 railway lines that extend to every corner of Japan over more than 21,000 kilometers of tracks, is the major means of passenger transportation in Japan. The JNR is in the news almost daily due to its astronomical accumulated debt. Because the JNR is a public corporation, its debts are covered by the government and this is a major reason for the latter's current fiscal difficulties. Thus what to do with the JNR is now a subject of debate in the Diet (parliament) and a daily topic in the newspapers.

The Public Relations Department of the Corporation points out, however, that the JNR is not an exception among the world's railways. All passenger-carrying railways in advanced countries are operating in the red, and only a handful of those in developing countries are in the black.

The JNR's loss in fiscal 1981 (from April 1, 1981 to March 31, 1982) alone totaled ¥1.0859 trillion. The size of its annual loss is growing bigger year after year. The outstanding balance of its long-term debts at the end of fiscal 1981 stood at ¥16.1516 trillion. The JNR has to pay ¥1.0971 trillion annually in interest on loans, equivalent to ¥3 billion each day. Naturally, the JNR's deficit creates great pressure on national finances. Consequently, the Diet has passed the "Japanese National Railways Rehabilitation Management Committee Establishment Bill." With the passage of this bill, the government has begun to tackle financial reconstruction of the JNR.

This is part of an administrative reform plan for reconstruction of the deficit-ridden national finances. The bill establishes a committee to make a comprehensive study of the JNR's problems and to make recommendations for its reconstruction, Prime Minister Yasuhiro Nakasone explained before the Diet. The committee is expected to draw up a detailed plan on the basis of the recommendations submitted by the Ad Hoc Commission on Administrative Reform. The Ad Hoc Commission had strongly recommended placing the JNR under private management and dividing it into several companies, each assigned to provide railway service in one of several regional blocks into which the present JNR network will be segmented.

A cargo depot at Shinjuku, a bustling commercial district in Tokyo.
After the JNR announcement, the volume of cargo has sharply declined.

Apart from the measures being worked out by the government, the JNR itself is making efforts to improve its corporate structure, cut expenditure and raise revenue.

The JNR announced a decision to drastically trim the operations of its cargo transport division, which has not been able to cope with the competition from private companies. The decision includes the suspension of cargo transport operations in 137 of the 228 railway districts into which Japan is divided. It will also reduce the number of stations handling cargo by about 60%, or 1,717 stations. The JNR said that these measures will reduce by half the approximately 2,000 employees currently working in the cargo transport division, and that it hopes to carry out this plan by February 1984.

In its efforts to increase revenue, the JNR has developed various new strategies. For example, it is operating a special train fitted out like a Japanese-style living room, complete with *tatami* straw mats. The special train has been operating now for more than ten years and is used for package tours of elderly citizens groups.

The JNR also has started operating a Western-style deluxe seven-coach saloon train with thick wall-to-wall carpet. The saloon cars will have private compartments, the first ever in Japan, and spacious seats. It will also be equipped with TV sets. A spacious deluxe lounge with a snack bar will be featured in the panoramic observation coach. The JNR's aim is to construct a special train similar to the Orient Express in Europe.

There are new plans concerning tickets, too. Several years ago, the JNR instituted a special pass available to married couples whose combined ages exceed 88. It is good for any JNR train, any number of times, anywhere in Japan for a period of seven days. The pass, priced at ¥75,000, was a tremendous success, and as many as 64,000 tickets have been sold, bringing in a revenue of approximately ¥5 billion. The number of passes sold was 40% greater than the JNR had expected and the revenue from such sales 50% larger. Since July this year, the JNR has been selling another kind of pass for women over 30 years of age who travel in a group. This pass enables two or three women above the age of 30 to travel anywhere in first-class coaches as often as they like for four days. With the pass for two women priced at ¥60,000 and for three at ¥90,000, the JNR hopes for revenue of ¥2 billion from this source.