

Lagging European Participation

There remains in Britain even now, an incomplete knowledge of Japanese distribution and the controls and policies which shape it. A multitude of myths compound the confusion arising from this simple lack of adequate information. In reality, Japanese distribution systems are not as complex as the myths maintain, but the real data need wider dissemination.

There is a second, and less widely discussed, reason for European producers' nervousness with Japanese distribution. The power in European distribution channels has recently shifted from manufacturers to retailers. Not only are purchasing relationships and negotiating strategies changing to reflect this trend, but retailers are increasingly controlling such factors as product innovation and product design. With the considerable upheaval taking place in European home markets, producers are understandably hesitant to move into another type of uncertain relationship with Japanese distributors. This issue is even more difficult to overcome than the information gap, yet it is just as important.

European participation in the Japanese market will come only gradually. Misperceptions of the distribution systems have to be corrected and new, long-term channel relationships worked out through direct inter-firm discussions on specific products and with a mutual appreciation of consumer and trading issues. MITI missions can act as catalysts for such discussions, but the ultimate decisions must rest with the European and Japanese companies.

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Clarity and Bluntness

In "Economics in a Global Perspective" (January/February 1984 issue) Dr. Okita has made his position very clear on a number of issues which should be of immense interest to many.

He rejects the contention that military spending is economically stimulative and openly joins those who maintain that it is non-productive and often "resources down the drain."

This leads him to argue that there should be U.S.-Soviet summit level meetings every year. As he says: "If the industrialized countries can have annual summit meetings — and these are countries that pretty much agree—how much more important is it that the superpowers have summit meetings to talk out their disagreements and to see if they can't clear away some of the mistrust" (that separates them). It is a superb argument in which Dr. Okita further contends that this is an issue of "overriding importance" not only to the superpowers but to the whole world. One can hardly disagree.

On the Third World's debt burden he is even bolder. "At some point we are going to have to reach a compromise" with the debtors paying some of the debt and the creditors writing off part of their credit. Who is to move first? America, of course, since "it got everyone into this." This clarity and bluntness make Dr. Okita's views instructively provocative.

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Editorial Note

The Mechatronics Revolution

By Isao Matsumiya

Mankind has long sought deliverance from dehumanizing work. When James Watt devised his practical steam engine to spark the industrial revolution in the late 18th century, it was a dramatic discovery freeing people from some of the heaviest manual labor. Ironically, however, the new technologies of the industrial revolution imposed their own forms of drudgery, creating a labor situation in which even women and children fell ill from working long hours in sweatshop conditions.

The history of modern civilization since the industrial revolution has been one of struggle against such conditions.

Today, recent advances in science and technology finally hold out the promise of actually delivering mankind from the most arduous work. The so-called "mechatronics revolution" will

not only revolutionize production by making completely automated factories possible but will also bring automation to offices and homes, drastically lightening the manual work load and sharply improving productivity.

However, this liberating automation and the greater use of robots also carries with it a variety of potentially disturbing side effects. At the microeconomic level there is bound to be a mismatching of labor supply and demand, and at the macroeconomic level we may see massive and chronic unemployment unless ways can be found to generate demand equal to the higher-productivity output.

Mechatronics' impact at work and in the home will also reach into personal values and lifestyles. The shorter work week is bound to raise anew questions about the dignity of the individual and the value of life.

Mechatronics also has major international ramifications. Not only will there

be sharper competition among the industrialized countries, the economic gap between industrialized and developing countries could be widened as those labor-intensive industries which used to be the special purview of the developing countries are taken over by the industrialized countries' robots. Some labor-intensive industries are already beginning to show signs of a robot-powered revival in the industrialized countries that threatens to disrupt the textbook principle of comparative advantage and initiate a new vicious circle in North-South relations.

Mechatronics has both its rewards and its price, and we must begin now to minimize the price so that the rewards can extend to enhanced well-being for all humankind.

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CURRENT TOPICS

Nakasone's China Visit

Prime Minister Yasuhiro Nakasone undertook a highly successful state visit to China March 23-26 which was hailed in both countries as an "important new milestone in Sino-Japanese history." The key elements were mapping out important new measures for economic cooperation, particularly Japanese public and private investment in China's development, as well as laying the groundwork for prolonged good relations through the establishment of a Sino-Japanese Committee for Friendship in the 21st Century.

Nakasone was the fourth Japanese prime minister to visit China since relations were normalized in 1972, following Kakuei Tanaka, Masayoshi Ohira and Zenko Suzuki. Although each of his predecessors had played an important contributory role in advancing bilateral relations, Nakasone appears to have struck the most responsive chord. He received an unprecedentedly warm welcome, with newspapers and television giving prominence to all his activities. The Communist Party newspaper *People's Daily* discussed the visit in an editorial, giving Nakasone treatment only previously bestowed on one other foreign VIP: North Korean President Kim Il Sung.

The English language *China Daily*, in an editorial on Nakasone's arrival in Beijing, set the tone with a remark that "Japan is the second largest industrialized economy in the capitalist world. China is the most populous developing country striving to achieve socialist modernization. One has high technology and financial resources. The other has abundant untapped human and natural resources. These two economies are complementary."

In a meeting in the Great Hall of the People shortly after his arrival, Nakasone and his Chinese counterpart, Zhao Ziyang, agreed that bilateral friendly and cooperative relations were vital to the stability and peace of Asia and the entire world. To further consolidate these relations, Nakasone offered ¥470 billion (\$1.9 billion) as a target amount of loans to finance China's seven modernization programs over a period of seven years beginning immediately, the largest ever single yen credit package. Previously, Japan provided a loan package totaling ¥300 billion (\$1.2 billion) between 1979 and 1983. The seven new projects to be financed with Japanese help include a railway and port construction project, officials said later. Specific figures for each year of the aid program will be decided through working level consultations. With this new loan offer, China will become the largest single recipient of Japanese official economic aid, replacing South Korea.

Economic cooperation also figured high on the agenda when Nakasone met elder statesman Deng Xiaoping for nearly two hours on the third day of his visit. Deng pointed out that Japan's investment in China was far behind that of the United States and that this constituted one of the only real problems in China's otherwise close relations with Japan. "Several hundred...several thousand Japanese enterprises should come to China to invest," said the man instrumental in China's current open door economic policy.

According to the Japan-China Association on Economy and Trade, a total of 113 joint ventures have been launched in China by local and foreign enterprises up to the end of 1983. Hong Kong leads the way with investments totaling U.S.\$125 million, followed by the United States with \$85 million. Japan, however, is far behind with only \$24 million so far. This has been put down to hesitation among

Japanese businessmen about the advantages of doing business in China, especially while there are such obvious differences in the legal and social systems of the two countries.

Nakasone took up this point with Deng, stressing that China should provide investment and copyright protection for Japanese enterprises. In reply, Deng said the Beijing government would adopt all the necessary laws and regulations to win the confidence of foreign investors. Nakasone later told a press conference that he had expressed to Chinese leaders his wish to conclude a bilateral investment treaty and a nuclear cooperation agreement "as soon as possible."

Meeting Communist Party Chief Hu Yaobang, Nakasone was assured of China's determination to maintain an open door policy to encourage foreign business interests. Hu expressed warm appreciation of Japan's continued economic cooperation, and said that although China was unable to repay the assistance now, it would not fail to do so when its economy improves. The Japanese prime minister said he was awaiting completion of a U.S. feasibility study before deciding whether Japan should take part in development of coal deposits in Inner Mongolia. He again stressed the need for improved measures to guarantee foreign investments. On a more general note, Nakasone told Hu that Japan was ready to build a cultural exchange center in China if this was recommended by the 21st century friendship committee.

The other major issue on the agenda of Nakasone's talks with Chinese leaders was ways to ease tension between North and South Korea. Both sides agreed that they should exert all efforts in this direction. At the same time, the Chinese leaders offered to help Japan expand contacts with North Korea, with which Tokyo has no diplomatic relations. Nakasone told reporters that for the moment Japan would not take up the offer. But he won Chinese agreement for allowing Koreans living in China to visit either Japan or South Korea or South Koreans to visit China for reunions with family members from whom they had long been separated. This measure was warmly welcomed in South Korea.

Japan Laying Groundwork for New Materials Industry

— Gov't, private forums pushing studies —

Efforts are under way in Japan's public and private sectors to develop and produce new materials such as fine ceramics and amorphous alloy.



Photo: Asahi Shimbun

PM Nakasone's March 23-26 visit to China achieved an "important new milestone in Sino-Japanese history."

A group of businesses studying new materials held its second meeting recently following a session in December. The group was inaugurated by the heads of 22 leading Japanese companies, including Nippon Steel Corp., Sumitomo Electric Industries Ltd. and Toray Industries Inc. With Kyocera Corp., Kawasaki Steel Corp. and eight other firms joining later, the group has become a club of top Japanese business leaders interested in new materials.

As group Chairman Haruo Suzuki (chairman of Showa Denko) puts it, the group is designed to discuss problems of new materials from a management viewpoint rather than taking up specific technical issues. Its primary purpose is to speak for the private sector on the task of steadily developing new materials whose growth is counted on as an important factor in the development of the high technology industry. Linkups and cooperation among member companies are not objectives but Suzuki suggests these could develop in the course of regular discussions.

Behind the grouping is anxiety in industry that if nothing is done, Japan may lag behind other industrialized countries in the development of new materials in view of their massive high-tech R&D efforts. Many potential makers of new materials are producers of basic industrial materi-

als such as steel, whose profits they claim have been held down to relatively low levels compared with those of cars and other processed products using these materials. They hope to improve their situation by utilizing new materials.

Meanwhile, an advisory panel to the Ministry of International Trade and Industry (MITI) has come up with a report on the outlook for new materials. The Industrial Structure Study Council urged coordination between the government and private businesses to reduce high R&D costs and private sector risks. It also recommended data on new materials be made public as much as possible to facilitate new technical development. The panel estimates the new materials market will reach ¥63 trillion (\$263 billion) in the year 2000.

On the basis of the recommendations, MITI is considering implementing a package of policies in fiscal 1985 to promote the development of the new materials industry.

First Japan-U.S. High-Tech Seminar Held

Japan and the United States have taken the first step toward bilateral industry cooperation in high technology. The two countries held their first private-level

seminar in San Francisco March 13-14 under the theme of Japan-U.S. industrial cooperation in the field of high technology. The seminar was designed to promote dialogue between top industry leaders of the two countries in the high-tech area for closer mutual understanding and stepped-up cooperation.

The seminar was co-sponsored by the Japan External Trade Organization (JETRO) and the U.S. Conference Board. Among Japanese participants were JETRO President Shoichi Akazawa, Naohiro Amaya, adviser to MITI, NEC Corp. Chairman Koji Kobayashi, and Sony Corp. Chairman Akio Morita. U.S. participants included Conference Board President James T. Mills, Hewlett Packard Co. Chairman David Packard, and Bruce Merrifield, assistant secretary for Productivity, Technology & Innovation at the Commerce Department.

With the focus of attention in bilateral economic strains shifting to the high-tech field from steel, autos and other conventional areas, as many as 200 U.S. companies interested in high technology took part in the seminar. Topics discussed were the pros and cons of technical cooperation, the long-term horizons of biotechnology, industry experience of cooperative efforts, and the role of government.

On the first day, debate was focused on the need for technical exchange centering



Japan-U.S. industrial cooperation seminar held in San Francisco, March 13-14

Photo: JETRO/Kaz Tsuyuta

around basic studies in such areas as electronics. Packard said he thought it desirable for companies to compete with one another for product development and other applied techniques while pushing ahead joint studies on basic technology. Echoing him, Erich Bloch, president of Semiconductor Research Co., cited intensifying global competition and accelerating technical innovation as reasons for his agreement with Packard's view. Kobayashi and other Japanese participants generally agreed with the U.S. side on this point but said, in connection with Washington's growing sensitivity to the high-tech outflow to third countries, it would be to the benefit of Japan-U.S. industrial and technological cooperation not to sharply tighten controls on such outflow.

On the second day, the Japanese side criticized the unitary tax system adopted in some states as hampering Japanese investment in the United States, and appealed for its abolition. "Unitary taxation in many states in the United States is a great problem," Amaya said. "It disturbs the natural flow of capital. It is to our mutual benefit to abolish it."

Morita said the unitary tax is a stumbling block to the resolution of the trade imbalance between the United States and Japan because it impedes further Japanese investment in U.S. production facilities. He added: "Moving production facilities into your country—using your labor and making a product for your market—actually decreases the amount of exports."

Packard said American businesses are also subject to unitary taxation and called for Japan-U.S. cooperation in launching a campaign to scrap it. Merrifield expressed the hope that states with the system would soon abolish it.

In other discussions, some speakers pointed out the need for Japan-U.S. cooperation in revitalizing world economic activity. The U.S. side expressed its strong desire for publication—in English in particular—of the results of research efforts on the part of Japanese companies.

In concluding remarks, Frank Press, president of the National Academy of Science, said the seminar confirmed that participants from both countries firmly believed in the need for cooperation.

The seminar is expected to continue, though on a reduced scale, in the form of gatherings on specific topics.

First Int'l Meeting on Life Sciences and Mankind Held in Japan

Safeguards for the development of such pioneering life sciences as the creation of new organisms, genetic engineer-

ing and test-tube babies, along with ways to gain public understanding and acceptance, were among the subjects discussed by international experts at a unique conference sponsored by the Japanese government March 19-22. The first international "Conference on Life Sciences and Mankind" emerged from an idea first proposed by Prime Minister Yasuhiro Nakasone when he attended the Williamsburg economic summit of seven major industrialized democracies in May 1983.

The meeting was attended in a private capacity by 19 experts in various life sciences from the seven countries which were represented at the Williamsburg summit—Britain, Canada, France, Italy, Japan, the United States, and West Germany. A second such conference will be held in France next year. According to conference sources, representatives from other nations, particularly in the developing world, may be invited to the next conference in view of the global implications of developments in life sciences.

Opening the three-day meeting, Prime Minister Nakasone said he hoped it would provide a forum for exploring ways to accelerate the development of life sciences, while showing full respect for human life and dignity. In a keynote speech, Takeo Kuwabara, professor emeritus at Kyoto University, stressed that ethics should receive top priority in the discussion of life sciences and their impact on human beings.

This theme was also taken up by Chicago University Professor Richard Kass, who noted that when scientific research initially is at odds with public opinion and belief, there were two opposing ways of coping or dealing with the resulting tension. One was to find ways to overcome opposition and change public opinion to gain acceptance of the new, the strange, and the formerly unacceptable. "Conversely, science and especially technology must be persuaded to abide by social and political limitations. Neither extreme is free of dangers," he said.

The conference touched on the issue of in vitro fertilization—the so-called test-tube baby. Franz Boeckle, professor of Moral Theology at the University of Bonn, commented: "Despite conflicting hypotheses about the point where a personality begins to develop in the fertilized embryo, one finds human life to be respected at every stage after conception."

Another controversial subject taken up was the possible escape from experimental genetic engineering laboratories of some "rogue" organism that could pose a threat to human existence. A final conference statement noted that "concern has been expressed about the creation by chance of microorganisms harmful to human beings. But the scientists observed over the past decade that pathogenic



The first international "Conference on Life Sciences and Mankind" held March 19-22

organisms are rare and fragile. Therefore, it was concluded the possibility of the reconstructed pathogens causing actual harm is small."

The conference participants recognized that the more life sciences are developed the more they will come to bear on such areas as ethics, customs, politics, and law. While their application to biomedicine and plant biology is now generally accepted as beneficial, they pointed out, critical problems might arise in the future, and these should be dealt with on a case-by-case basis. The assembled scientists agreed that a "continuing diversity of opinions on moral problems associated with life sciences is to be expected and should be respected." The general feeling of the meeting was that scientists had to try and make life sciences understandable to the public and to use education and the mass media more effectively to gain understanding.

In another key discussion, the conference concluded that "experiments in life sciences require a balance between the benefits to mankind in regard to health and welfare and the dignity and rights of individuals. This raises the question of whether agreed norms and principles are needed as preconditions for solving ethical problems. But it was concluded that no agreement on such specific norms could be attempted at present."

The 19 experts also discussed international cooperation in research programs. François Gros of France, for example, called on biologists, clinicians, pharmacologists, and others to exchange views "outside the scope of their mutual preoc-

cupations." He specifically stressed the need for mutual cooperation between the developed and developing worlds. Referring to the latter, he said: "Rich in natural, biological as well as mineral resources, these countries cannot exploit them most of the time for lack of a sufficient body of scientific people."

Western Businessmen On Month-Long Japan Study Tour

A group of 49 American, Canadian and Western European businessmen visited Japan recently on a month-long study tour aimed at deepening their understanding of the economy, culture and people of their key trading partner.

During the March 18-April 16 tour, the manufacturers, bankers, lawyers, and industry organization representatives conferred with Japanese government and business leaders, and attended seminars on the Japanese economy and culture in Tokyo.

The visitors also attended seminars on Japanese management, corporate decision-making, and labor-management relations at the Institute for International Studies and Training, the semi-official organization responsible for the program, at the foot of Mount Fuji.

They also visited auto, robot and electronics plants on Kyushu Island and in Osaka, Kobe and other central and Western Japanese cities, while some worked for a week at trading houses and an automobile company in Tokyo. The cherry blossoms and temples of the ancient capital of Kyoto provided a pleasant interlude in the busy schedule.

"There is a lack of understanding and information about Japan in the West," said Taizo Yokoyama, senior official councillor with the International Trade Policy Bureau of the Ministry of International Trade & Industry (MITI), in announcing the group's itinerary. He said then MITI Minister Sadanori Yamanaka first proposed the program during the quadrilateral trade ministers meeting in Tokyo in February 1983, after a trip to the European Community convinced him that Japan is little understood beyond its own borders. The participants in the ¥200 million (\$833,000) a year program, partly funded by the Federation of Economic Organizations (Keidanren), were selected from business people applying through the Office of the U.S. Trade Representative, the Canadian Foreign Ministry and overseas offices of the Japan External Trade Organization (JETRO).

U.S. Trade Representative William Brock told the 22 American participants in Washington prior to their departure

that they could help promote closer economic relations between the United States and Japan. A second group of about 50 business people will arrive in Tokyo this fall for a similar tour. Yokoyama says Japan hopes to continue the well-received program for at least three years.

The 49 businessmen on the first trip said they plan to do business with Japanese companies after their return, even though few of them had previously dealt with Japan. They said they expect to benefit from the exposure to Japan's culture and people provided by the study tour and their talks with Western businessmen stationed in Japan.

Sears, Roebuck to Seek Listing on TSE

Sears, Roebuck and Co., the world's largest retail concern, has announced plans to have its common stock listed on the Tokyo Stock Exchange. The move is expected to revive interest in foreign issues on the Tokyo market, where the number of listed foreign companies has been declining.

Sears are expected to have filed an application for listing by mid-April, according to Daiwa Securities Co., a major Japanese brokerage house that is acting for the U.S. retailer. It usually takes three to four months for the exchange to screen an applicant. But a shorter screening period is expected for Sears, which already has close ties with the Japanese investment community through the flotation of a bond issue in 1979, the first public offering in the Japanese capital market by a private foreign company. Securities industry sources expect Sears shares to debut on the exchange's foreign section around June.

Sears, which needs capital for its plans to diversify into financial services and other areas, hopes the listing will increase fund-raising opportunities in Japan, according to the sources. It is also designed to acquaint Japanese investors with the company's past accomplishments and future prospects, and publicize its name among Japanese consumers. Sears is already committed to the Japanese consumer market through a partnership with Seibu, the nation's largest distribution group.

The Tokyo stock market has seen the number of listed foreign firms fall in recent years. CFP, the French oil giant, withdrew in 1983. Sperry Corp., a U.S. computer maker, is awaiting delisting this year. Currently, there are 10 listed foreign concerns, down from a peak of 17.

The retreat of foreign companies, largely blamed on Japan's costly listing fees, has prompted authorities to act. The Finance Ministry and the Tokyo Stock



Sears Tower, Chicago, U.S.A., headquarters of Sears, Roebuck and Co.

Exchange, concerned that the decline in the foreign market may slow the planned internationalization of the Japanese capital market, announced simplified listing procedures in the fall of 1983. The measure was followed this year by abolition of a dual audit system that required listed foreign companies to have certified Japanese public accountants audit their financial statements in addition to audits in their home countries. The system had been singled out by delisted foreign firms as an unreasonable practice running counter to international rules.

The authorities are also considering allowing listed foreign concerns to submit portfolio documents six months after the account settlement date, as practiced abroad, against three months currently. Sears' move to seek listing followed these measures, suggesting that foreign businesses interested in the Tokyo market have been encouraged by the actions. Several other foreign companies are reportedly planning to apply for listing. Sears' listing is expected to trigger a wave of new listings.

But Tokyo's foreign stock market remains small. Foreign firms listed on the London stock market number 485. The New York, Frankfurt and Paris markets have between 44 and 178 foreign issues. Further efforts to improve the situation, including introduction of tax incentives, appear necessary to make the Tokyo market more attractive internationally.

Sears will be the first foreign firm in nine years to be listed on the Tokyo market, following Robeco, a Dutch investment trust concern. With trading in the foreign section currently low key, brokers hope the newcomer from the United States will provide fresh stimulus to investors.