

Broader Coverage Wanted

I have enjoyed reading the *Journal*. Rather than being professional journalists, your authors have experience from study or long participation in the enterprises on which they write. Certainly people of the stature of Dr. Okita, JETRO's Shoichi Akazawa, Sumitomo's Ichiro Isoda, and others offer interesting insights into Japan and things Japanese.

I hope we can also look forward to more articles from people representing industries which are endeavoring to obtain wider access to the Japanese market. An airing of such views, plus a subsequent response by a person qualified in the matter, would create an interesting forum for your readership.

J. H. Phillips

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Generalizations Too Sweeping

I would like to comment on the essay on "Japanese Beauty" by Shuji Takashina in your January/February issue. The author states, quite rightly, that "the definition of beauty differs from time to

time, country to country, and person to person." He then proceeds to say that "In the West, things of beauty have traditionally been associated with strength, wealth, and power... By contrast, grandeur has not been an important part of the Japanese tradition of beauty. The Japanese sense of beauty is also characterized by what might be called the beauty of purity... The diametrical opposite of the almost excessive Western obsession with wealth and richness as beauty."

It is important to remember that there are other (secondary) currents at work in each culture. In the West, major religious movements have often fostered a taste for simplicity, austerity, and the beauty of poverty. The clean lines and simplicity of ornament that characterize many Cistercian monasteries exemplify this Western spirit of purity, simplicity, and poverty: Or consider the lines of Quaker/Shaker furniture. What could be simpler, cleaner, more modest and more functional? The Japanese cult of simple and pure beauty has its counterparts in the West.

The opposite point can also be made: Japan has produced not only Katsura but also Nikko; not only the austere Noh

play, but also the exuberant and grandiose Kabuki. The Japanese people seem to be as much at home with grandeur, brilliant color, baroque or rococo decoration, and the art of overstatement as they are with the opposites. It may be that the "average Japanese" even prefers Kabuki to Noh (if indeed he would not rather watch a Takarazuka review or the latest Hollywood spectacle), and Nikko to Katsura.

There is diversity in appreciation of beauty not only from country to country but within each country, age, and culture. The whole spectrum of human taste, thought, and feeling seems to be present to a degree in most great cultures, though admittedly with differences in emphasis, and I am uneasy about attempts to characterize "Japanese beauty" or "Western taste" in too sweeping, ambitious terms.

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Editorial Note

The Pacific Age

By Isao Matsumiya

The world is turning with new interest toward the promise of the Pacific basin region. In Japan, this interest was manifested as early as May 1980 in the *Report on the Pacific Basin Cooperation Concept* submitted to then Prime Minister Ohira. In the United States, President Reagan demonstrated America's strong interest in the Pacific region earlier this year by establishing the new post of ambassador for Pacific affairs.

In the private sector, local chambers of commerce and industry in Pacific countries are playing a greater role in the promotion of regional development policies aimed at strengthening regional solidarity.

These developments are themselves indicative of the advent of the Pacific Age. The Pacific rim countries are already the most dynamic economies in the world, with perhaps the best potential for continued growth.

In trade, U.S.-Asia trade passed U.S.-Europe trade in value some time ago. And within the Pacific region, the ASEAN countries account for 20% of Japan's direct overseas investment and 30% of its ODA (official development assistance).

The Pacific countries' strong economic performance and close interdependence stems in part from a three-fold combination of factors found in many countries of the region: political stability, a highly skilled and motivated labor force, and entrepreneurs convinced that positive R&D and plant investment contribute to success.

As shown by these trends, the Pacific region is coming to be increasingly influential in the world economy and the global community. For the Free World countries, the Pacific region's rich potential for growth is bright with promise for the future. History has shown that where economic health is lacking, political stability also suffers. Moreover, the need to preserve and enhance Pacific vitality, stability, and independence has in recent years been underscored by height-

ened East-West tensions in the Pacific.

It is, however, imperative that the Pacific nations seek to strengthen their interdependence, not only intraregionally but with other regions as well. It is inconceivable that narrow regionalism could support and sustain the free flow of goods, capital, technology, and people needed for dynamic development in the Pacific region. This course will require, first and foremost, a solid commitment to free trade on the part of the United States, Japan, and the other leading industrialized nations.

The Pacific Age holds great promise not only for Pacific peoples but for all peoples everywhere, yet this dream can only come true if we adopt outward-looking policies to spread growth and development to all corners of the globe. The Pacific Age's significance is for all mankind.

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CURRENT TOPICS

London Summit Agrees On Key Int'l Issues

Prime Minister Yasuhiro Nakasone attended the 10th annual summit of seven major industrial democracies in London from June 7 to 9 and joined with the leaders of Britain, Canada, France, Italy, the United States and West Germany in expressing satisfaction that the meeting produced broad agreement on a variety of key international issues, particularly global economic recovery and East-West relations.

Although the summits were begun to deal primarily with economic issues, political aspects have increasingly come to the fore and the London meeting was the most pronounced in this regard. Of five major declarations it produced, four dealt with political questions and one with economic matters. There were major declarations on the world economy and democratic values, as well as statements of the Western position on relations with the communist bloc and on arms control talks, the Persian Gulf war and on international terrorism. On East-West relations, the seven summit participants said "We are determined to pursue the search for extended political dialogue and long-term cooperation with the Soviet Union and her allies." They called for speedy resumption of nuclear arms negotiations broken off by the Soviet Union late last year.

On economic issues, the participants agreed to a Japanese initiative to start a new round of multilateral trade talks, although they failed to set a specific date for beginning the negotiations. The summit also agreed to urge all trading nations to "resist continuing protectionist pressures,

to reduce trade barriers, (and) to make renewed efforts to liberalize and expand global trade in manufactured goods, commodities and services."

The 17-point economic declaration stressed the need for major industrialized countries to maintain "sustained non-inflationary growth" through greater convergence of macroeconomic policies, as well as continuing to strengthen where necessary policies to reduce inflation and interest rates, control monetary growth and reduce budgetary deficits. The seven leaders also launched a major initiative to ease the near \$650 billion debt burden which threatens the political stability of some developing countries. The declaration on this point said the summit leaders attached great importance to aiding debtor countries in making necessary economic and financial policy changes. They also pledged to encourage more extended multi-year rescheduling of commercial debts in cases where debtor countries are making independent and successful efforts to improve their position.

One of the most distinctive features of the London summit was the approval for the first time of a formal declaration setting out the common values to which all members adhere. It said in part: "We are convinced that international problems and conflicts can and must be resolved through reasoned dialogue and negotiation and we shall support all efforts to this end." It went on to say that the summit partners "believe in the rule of law, which respects and protects without fear or favor the rights and liberties of every citizen... We believe in a close partnership among our countries in the conviction that this will reinforce political stability and economic growth in the world as a whole." The document also pledged that each participant country would maintain only the military strength necessary to deter aggression and to meet "our responsibilities for effective defense."

The summit also expressed concern about the deterioration of the situation in the Persian Gulf as a result of the continuing war between Iran and Iraq. The seven leaders urged both countries to exercise restraint and seek ways of bringing the conflict to an end.

The 11th summit will be held next year in West Germany.

PM Nakasone's Visit to Pakistan and India

Prime Minister Yasuhiro Nakasone visited Pakistan and India April 30-May 6 to continue his diplomatic policy of expanding Japan's contacts with other Asian countries and expanding the Japanese role in international affairs. It was significant that he was the first Japanese Prime Minister to visit the two countries in 23 years. In the past decade or so, successive Japanese Prime Ministers have striven hard to promote Japan's relations with China and the countries comprising the Association of Southeast Asian Nations (ASEAN).

Nakasone has been particularly active in this regard. He has now visited the majority of Asian states to become personally acquainted with their leaders—many of whom have also been welcomed in Tokyo as well—learning first-hand about their views on regional and world issues and gaining close knowledge of their problems, which has stood him in good stead when he has been called on to discuss Asian issues in international forums, such as the annual summits of the seven major Western industrialized nations. Foreign policy analysts believe Nakasone's visits to India and Pakistan have added an important new dimension to this role.

In some respects, the visit to Pakistan could be rated the more successful of the two. Nakasone had something solid to offer Pakistan's President Mohammad Zia Ul-Haq in the areas of trade and economic assistance, particularly easing the financial burden of a massive influx of refugees from Afghanistan.

Despite certain diplomatic differences of view with India, Nakasone stressed throughout his three days of official activities there that there were still many areas where Japan and India could enjoy fruitful cooperation. He was accorded the rare honor of addressing the Indian Parliament, and took the opportunity to enunciate support for a number of issues dear to the heart of Prime Minister Indira Gandhi.

Gandhi currently chairs the conference of non-aligned nations, and Nakasone said he was hoping to "embark on a new direction in Japanese foreign policy to further strengthen our dialogue and cooperation" with the 101-nation move-



Photo: Asahi Shimbun

Leaders of the major industrial democracies meet in London for the 10th annual summit.



Pakistan's President Mohammad Zia Ul-Haq hosted a private dinner in honor of visiting Japanese PM Yasuhiro Nakasone.

Photo: Asahi Shimbun

ment. In this regard, he said Japan should make more effective use of its undoubted economic strength to promote friendly relations with the developing world, and he gave assurances that he would work hard to breathe new life into the deadlocked "North-South" dialogue for liberalized trade and for soft loans to developing countries.

The Indian and Japanese leaders also found some common ground on the issue of peace, agreeing to work closely together to promote disarmament and the elimination of nuclear arms. Nakasone stressed that Japan's strong postwar ties with the United States and other members of the Western bloc did not preclude Tokyo from seeking to work with non-aligned nations and to promote their interests in securing world peace and prosperity.

To maintain the momentum aimed at improving bilateral relations, Nakasone invited Gandhi to visit Tokyo at a convenient date. Her last visit was as long ago as 1969.

Nakasone received an enthusiastic welcome in Pakistan, where he stated Japan's fullest support for the Pakistan government position on Afghanistan—requiring total withdrawal of all Soviet forces from that country. Visiting a refugee camp on the Pakistan-Afghanistan border, the Prime Minister promised generous Japanese economic aid as well as strenuous efforts to settle the refugee problem through the "safe and honorable" return home of all those forced to flee from the fighting in their country. Meeting the Pakistan President, Nakasone said Japan would contribute ¥4.2 billion to Pakistan through the United Nations in fiscal 1984 for helping Afghan refugees, a slight increase on the funds it provided in 1983. Japan is a leading contributor to Afghan refugee relief.

On bilateral economic issues, Nakasone expressed Japan's readiness to increase loans to Pakistan for its economic development plans. He also offered, among other measures, to 1) send an economic

mission to Pakistan, 2) establish a Japan-Pakistan joint economic committee on a private level to promote bilateral trade as well as more Japanese investment, and 3) conclude a bilateral investment protection agreement.

Japan, U.S. Agree on Ways to Internationalize Yen

—Finance Ministry unveils capital market decontrol plan—

Japan and the U.S. have agreed on a package of measures designed to give the Japanese yen a broader role in international commerce and financing, and to liberalize Japan's financial and capital markets. The agreement came after about half a year of tough discussions by a bilateral working group—popularly known as the yen/dollar committee—created on the basis of a joint announcement last November by Japanese Finance Minister Noboru Takeshita and U.S. Treasury Secretary Donald Regan.

In a 66-page report submitted to the two officials on May 30, the committee listed a broad range of steps the two countries agreed to implement to help internationalize the yen and give foreign financial institutions greater access to Japanese money markets. In a related move, the Finance Ministry published a program calling for substantial deregulation of Japan's financial markets. Takeshita and Regan said in their joint statement that the working group report is a "historic document" laying out "significant, far-reaching actions which will have a lasting, positive effect on the yen/dollar rate, the Japanese and U.S. economies as well as the world economy." U.S. President Ronald Reagan telephoned Prime Minister Yasuhiro Nakasone to express his appreciation of the Japanese leader's personal role in promoting the negotiations to internationalize the yen. Vice Fi-

nance Minister Tomomitsu Oba and Treasury Undersecretary Beryl Sprinkel, who co-chaired the working group, will meet again this fall to review progress in enforcing the agreed measures.

The report said, among other things, that:

—The working group agreed that development of a Euroyen bond market is "one of the important factors" for the yen's internationalization. The Ministry of Finance will authorize non-Japanese private corporations, central and local governments and government agencies, as well as international organizations, to issue bonds in the Euroyen market, effective Dec. 1 this year.

—Foreign and Japanese banks will be permitted by the end of 1984 to issue short-term (six months or less) negotiable Euroyen certificates of deposit (CDs) for sale outside Japan.

—The Ministry of Finance will "license qualified foreign banks to participate in the same range of trust banking activities as performed by Japanese trust banks."

—Limits on oversold spot foreign exchange positions—so-called swap limits on the conversion of foreign currency into yen—will be removed for branches of foreign banks as well as for Japanese banks, effective June 1.

—Permission of syndicated Euroyen lending is an "important element" in developing the Euroyen market and internationalizing the yen.

—The Ministry of Finance will establish by the end of 1984 a concrete scheme for the creation of a yen-denominated banker's acceptance (BA) market to become operative shortly thereafter.

—The Finance Ministry has asked the Tokyo Stock Exchange to study ways of providing increased opportunities for exchange membership to foreign and domestic non-member firms.

The Finance Ministry's program, meanwhile, calls for domestic interest rates to be liberalized in five stages: 1) The minimum denomination of yen CDs will be lowered and the ceiling on CD issues raised; 2) banks will be permitted to sell new types of large-denomination deposit instruments with market-determined interest rates; 3) interest ceilings on large-denomination deposits will be raised; 4) these ceilings will be removed eventually; and 5) liberalization of small-denomination deposits will be considered. The program also called for stepped-up mergers and link-ups between financial institutions, and gradual promotion of entry by banks and securities firms into each other's domain. Takeshita said these measures will be carried out "positively in a step-by-step manner," expressing satisfaction that the two countries have been able, for the time being, to settle their monetary friction.

New Firm Aims at Becoming a Second NTT

Following the lead of the United States, Japan is going to enter a period of free competition in the telecommunications area so far monopolized by Nippon Telegraph and Telephone Public Corp. (NTT). The Diet is acting on two bills at its current session—one to open the entire telecommunications business to the private sector and the other to permit NTT to go private, effective next April. In the first private-sector reaction to the move, a group of 25 major Japanese companies set up a joint concern May 31 to prepare for entry into the telecommunications market. Led by Kyocera Corp., Sony Corp., Ushio Inc., Secom Co. and Mitsubishi Corp., the companies plan eventually to establish a second NTT. First a preparatory firm will conduct feasibility studies. Minister of International Trade and Industry Hikosaburo Okonogi has welcomed private-sector entry into the telecommunications field as helping to vitalize the communication business. NTT itself also favors competition.

The preparatory company, capitalized at ¥1.6 billion (\$67 million), is headed by Kyocera vice president Shingo Moriyama, a former director general of MITI's Agency of Natural Resources and Energy. It will work out a detailed program for moving into the telecommunications business over a period of about one year. According to Kyocera president Kazuo Inamori, this firm will be transformed into a telecommunications company upon completion of the feasibility studies.

Initially the firm will lay communication lines between Tokyo and Osaka, later

completing a nationwide network. Services to be offered will include telephone calls and data transmission and the means of communication will be either optical-fiber cables, a large communications satellite, microwave lines, or any combination of these. Operations will start in 1988. Total investment will exceed ¥100 billion (\$417 million), Inamori says, adding that the group can raise this sum itself.

Other planned new entries include the Federation of Economic Organizations (Keidanren), which is considering purchasing a U.S.-made satellite to begin satellite communication for industry, and the Japanese National Railways (JNR), which plans optical communication through cables laid along its railways. The Construction Ministry and its affiliate, Japan Highway Public Corp. are discussing an optical communication plan using an expressway network. These and other would-be communications operators are expected to produce an era of full-fledged competitive telecommunications business as in the United States.

The Kyocera group will have no choice but to use the JNR's lines or the expressway network unless a satellite is used. Its feasibility studies could result in the conclusion that a joint venture with the JNR or the Construction Ministry is necessary.

Gov't Decides on New Market-Opening Measures

A new package of external economic measures announced by the government on April 27 marked another positive step toward liberalization of the Japanese market and alleviation of economic friction with foreign nations.

The package, prepared prior to the London summit meeting of major Western powers (June 7-9), consisted of 15 items including tariff reductions and the purchase of U.S.-made communications satellites.

The tariffs on 74 products including color film and mink fur will be reduced beginning in fiscal 1985. Also scheduled for reduction are the import duties on seven items (wine and paper products) on which a decision was made on May 17. These tariff cuts are in response to specific requests made by the United States and the European Community (EC).

The government also decided to move up the tariff-cutting schedule agreed upon during the Tokyo round of multilateral trade negotiations. These scheduled tariff reductions, involving about 1,200 items, will take effect two years earlier than originally planned in the case of mineral and industrial products and a year earlier for agricultural, forestry and fishery products.

However, the tariff on plywood, an item of special concern to the United States, will not be lowered in view of the continued recession in the domestic housing industry.

The package also includes a program to help foreign companies penetrate the Japanese market with respect to particular types of manufactured goods.

The government accepted in principle the U.S. request that Japan buy communications satellites. But such purchases will be made only to the extent that they do not seriously interfere with the nation's program to develop its own satellites.

The latest economic measures contrast with the previous program announced in October 1983 in that the former feature microeconomic measures involving specific areas of industry, while the latter aimed at expanding imports through macroeconomic means of stimulating internal demand.

The emphasis on specific liberalization measures reflects, among other things, the Japanese concern that Japan-U.S. economic friction might become politicized in this U.S. presidential election year and amid the growing threat of protectionism in Europe where unemployment remains high.

The new package was generally welcomed by foreign nations including the United States and EC countries as a step in the right direction. At the same time, however, it left largely unresolved the problem of the growing trade imbalance which lies at the heart of economic friction.

The measures were explained to U.S. Vice President George Bush and EC Commission President Gaston Thorn during their visits to Tokyo in May. Both Bush and Thorn, in their respective meetings



Top executives of the major Japanese companies that plan to establish a second NTT



The government of Japan announced a new package of external economic measures at a cabinet meeting on April 27, 1984.

with Prime Minister Yasuhiro Nakasone and other Japanese government leaders, expressed their appreciation of Japan's continuing market-opening efforts. But, at the same time, they pointed out that the package fell short of expectations, and called for further efforts to liberalize the domestic markets and expand imports.

In particular, Bush requested that Japan take quick action to settle such pending issues as a tariff cut on plywood and a further opening of its financial and capital markets.

The Japanese government made it clear that it would deal positively with these remaining problems. At the same time, Nakasone and other government officials requested that the United States and the EC support the Japanese initiative for a new round of multilateral trade talks under the auspices of the General Agreement on Tariffs and Trade (GATT).

Outline of External Economic Measures

1. Market opening and import promotion

- (1) The tariffs on 74 items will be abolished or reduced beginning in fiscal 1985.
- (2) The Tokyo round tariff-cutting schedule will be advanced by two years for mineral and industrial products and by one year for agricultural, forestry and fishery products.
- (3) Efforts will be made to increase the number of tax-free items under the agreement governing trade in commercial aircraft.
- (4) The import quotas on beef, oranges, orange

- juice and grapefruit will be expanded.
- (5) The import restrictions on prepared pork products and certain other items will be lifted while the quotas on nine items including beans will be increased.
- (6) Effective use will be made of foreign testing organizations, and foreign test data will be accepted in certain cases in order to improve standards and certification systems.
- (7) A program to facilitate the market penetration of particular foreign products will be carried out as a means of promoting imports of manufactured goods.

2. Wider market access for high-tech products

- (1) Measures will be taken to enable private companies to purchase foreign made communications satellites, provided that the telecommunications bills now in the Diet are passed.
- (2) The new telecommunications company to be formed through the privatization of Nippon Telegraph and Telephone Public Corporation will also be allowed to buy such satellites both in Japan and abroad as long as the purchases are compatible with the nation's space development policy.
- (3) Government agencies will also buy communications satellites, if necessary, both in Japan and abroad, provided such products are not covered by the domestic technological development program.
- (4) Consultations will continue in and outside the government on the pending question of how to protect computer program rights, with consideration given to the practices in other countries and to relevant international agreements.

3. Liberalization of financial and capital markets and internationalization of the yen

Specific measures will be taken to further liberalize the domestic financial and capital markets and expand the international role of the Japanese currency. Such steps are deemed necessary to raise the efficiency of the Japanese economy and integrate it more closely with the international econ-

omy. However, liberalization will be carried out in such a way that domestic banking and financial services are not seriously disrupted.

4. Promotion of inward direct investment

The system of information dissemination and grievance procedures will be improved to promote foreign direct investment in Japan.

5. Energy trade

Follow-up measures will be taken on the joint policy statement on energy cooperation announced by the Japan-U.S. Energy Working Group in November 1983. Such measures will include sending a private coal mission to the United States. (Note: This mission, comprising over 20 representatives from Japan's coal-consuming industries, visited the United States in May.—Ed.)

6. Foreign legal services

Efforts will be made to reach an early settlement of issues involving foreign lawyers' activities in Japan with due respect to the initiative of the Japan Federation of Bar Associations.

The Prime Minister's Statement

Nakasone, in a statement of April 27, said that the government had decided on these additional market liberalizing measures in the light of the growing responsibilities Japan is required to assume in the international economic community. He expressed the hope that foreign nations would fully appreciate Japan's efforts and intentions and would strive to maintain and strengthen the free trade system.