

# Publisher's Note

## China in a Bull Shop

By Naohiro Amaya

Two thousand years ago, China was the whole of the civilized world to Japan. Self-sufficient in the necessities of life, Japan still had an insatiable appetite for things Chinese and was quick to import every novelty it discovered. Still, imports alone were not enough, and the Japanese soon went on to learn the technologies and acquire the craftsmanship needed to produce the Chinese products they coveted. Introduced via the Korean peninsula, Chinese bronze and iron rapidly evolved into superb Japanese bronze mirrors and swords.

A nation long accustomed to being on the cultural periphery and learning from others, Japan showed the same eagerness for things foreign when it was exposed to Western civilization in the late 19th century. In just over a cen-

tury, Japan successfully absorbed and adapted the bulk of Western learning, arts, and technology.

Unlike Japan, China has always been the focal point of culture. Although it contributed much to its neighbors, it has never shown a hunger for outside cultures or taken the initiative in acquiring them. China's reaction to the West was quite the opposite of Japan's in the 19th century, and it has preferred to turn its back on the world throughout most of the present century. Only after the chaos of the Cultural Revolution and the Gang of Four's downfall has China turned outward for its modernization.

There are three prerequisites for modernization: the hardware of technology; social systems compatible with this technology; and the values needed to preserve these social systems. No nation can progress in the absence of these three factors.

China is today absorbed in a headlong effort to modernize its technology and incorporate market principles within the framework of socialism. Korea and Japan provide ready ex-

amples of how, properly managed, this kind of mixed economy can succeed when a nation's technology is still at an early stage of development. The risk of failure is high, however, as any number of examples can demonstrate.

The deciding factor in whether a system succeeds or not is the popular mindset—the values, ethics, and perceptions that the people live by. The society must value work, must have a strong sense of unity, and must put pragmatic considerations first. Politicians and bureaucrats need to be particularly industrious and self-controlled for a developing country to industrialize successfully.

In China's case, Communism has served to check the potential for class schisms, but there is still a need to democratize social systems and instill the ethic of modernization. The Chinese people must have freedom—and the responsibility freedom entails—if their modernization is to succeed. China stands today at a crossroads, one it has never had to face before; yet this difficult passage is also the path to a new greatness surpassing even the many wonders of China's illustrious history.

## Letters

### Different Roles, Similar Goals

Much of the May/June *Journal of Japanese Trade & Industry* is devoted to the national business organizations that provide structure to the private sector of the Japanese economy.

Both the differences and the similarities between the Japanese and Dutch structures are noteworthy. In comparison with the system in Japan, business organizations in the Netherlands have much less national structure and much less overall coordination. There is no "national voice" for the Dutch business community comparable to that in Japan.

The chambers are extremely active in export development. Virtually every business organization in the Netherlands has international commerce as a prime—often the prime—goal. Flanking these are a group of governmental agencies, national and local, that exist to help Dutch companies to export effectively.

The measure of emphasis on world commerce is a real distinction between our two countries. Even though Japan is a veteran of the export marketplace and is vigorously expanding its trade-development efforts, world trade is about three to four times as important for my country. With the latest comparative figures I have (OECD for 1980), exports represented 12.5% of GDP for Japan compared with 46% for the Netherlands. Both figures have grown since, but the relative differences are great. What is more, related transportation and distribution services add further to the

Dutch dependence on world trade, another 5 or 6% of the economy.

My impression of Japan is that it will narrow the gap substantially because of the mutual commitment of business and government to expanding exports. Yet it is hardly surprising that we Dutch today exceed the Japanese as world traders; indeed, that has been our nation's role in the world for more than three centuries.

Our smaller size—both in population and land—together with a similar resource deficiency, led the Netherlands to become a gateway to and from Europe. As its capital city, Amsterdam has a vigorously growing Japanese community—businesses, people, school, other institutions—that reflects the truths about our two countries. Everything I have seen and heard leads me to believe that our two countries will become increasingly linked in world commerce.

Vera E. van Os

Deputy Director for Foreign Investment  
City of Amsterdam

### Language Indispensable

Reiko B. Lyster's finely written article "Capitalizing on Being Different" in your July/August issue made several valid and interesting points about small independent American-run businesses in Japan, but one major omission can-

not go unmentioned: the absolute necessity of fluency in spoken Japanese.

Doing business in Japan with the Japanese in their own language demonstrates to them an interest in their culture and country that goes beyond their yen, and the many sacrifices made to master such a difficult language ("sacrifice" being one of the passwords to this country).

In my own experience, I could never have gotten very far without the language. Almost as important as initial discussions and negotiations with, for example, department store managers, are my periodic visits when we have coffee together and talk about baseball or the rainy season or new American products. The personal relationships built during these times have contributed immeasurably to the growth of my company. The Japanese will come to trust you and want to help you if you only give them a chance, and this must be done in their language. We expect the same in the United States; why should they expect anything less of us?

Lyle Fox

President, Fox Bagels Ltd.  
Tokyo

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.



# CURRENT TOPICS

## Japan Announces Market-Opening Action Program

On July 30 the Japanese government announced the details of a far-reaching action program aimed at further opening the Japanese market to foreign goods and services.

Prime Minister Yasuhiro Nakasone made the official announcement at a televised press conference, and strongly reaffirmed his previous commitment to "make the Japanese market one of the most open markets in the world." He said he will personally assume responsibility in supervising and instructing the ministries and agencies concerned to implement the program.

A special task force of senior government officials approved the outline for action, and it was subsequently approved by the Cabinet. The program represented more than three months of concerted effort by the task force which had been charged by Nakasone with fashioning a package of measures to address some 200 concerns expressed by foreign companies and their governments.

"The world economy today is confronted with the danger of stumbling down a slope toward protectionism," Nakasone said. "The free world nations are at a crossroads, facing the crucial choice of continuing on the road of economic prosperity with free trade as its basis or following the path to economic stagnation under protectionism." It was to protect free trade and eliminate unfair criticism of Japan that the government has mounted this program to expand imports, he said.

Nakasone also announced the formation of a special working group to plan and promote efforts to expand domestic demand. The group will study various measures such as relaxing official restrictions, the spread of the five-day work week system, introduction of private sector vitality into public works projects, and review of the tax system.

Among the key provisions of the action program were broad changes in setting standards and certifying products, reduction or elimination of tariffs on more than 1,800 items, a variety of measures to liberalize Japan's financial and capital markets, a promotional program to encourage public corporations and private companies to purchase foreign goods, and



Prime Minister Yasuhiro Nakasone (left) announces the action program aimed at further opening the Japanese market.

steps to ease the entry of foreigners into the services market, as well as a number of other actions to stimulate imports to Japan.

While much of the program had been previously announced, copies of the comprehensive plan made public gave many more details of the actions the government would take in the near future and specified a number of products and market segments which would be affected.

### Standards and product certification

The program paid special attention to relaxation of standards, certification systems, and import procedures. What Prime Minister Nakasone called "drastic measures" will be taken to reform 88 cases based on the results of a study of as many as 40 relevant laws and regulations.

A reduction of the number of items covered by standards and certification requirements was one key provision. The existing product coverage of the Japanese Industrial Standards (JIS) marking system will be reviewed to reduce the numbers by 10% beginning in August 1985. Also included in such reductions were cosmetics, medical devices, and measuring instruments. The government also committed itself to a transition from certification by the government to "self-certification" for medical equipment. The government will also conduct reviews aimed at extending self-certification to

electrical appliances, high pressure gas equipment, products now covered by the Consumer Product Safety Law, and some 10% of certain fire equipment.

The government will also establish a new and simplified handling procedure for imported automobiles, including allowing automobile manufacturers to provide test data generated by themselves, and eliminating the one-by-one presentation of vehicles to the official inspecting office at the time of inspection. Consultations with representatives of foreign interests on issues of standards and self-certification for vehicles were also promised.

Rather than requiring Japanese tests for such products as pharmaceuticals and automobiles, the government will also accept test data from applicants and foreign governments. To help foreign enterprises obtain approval for JIS marking more easily, foreign testing organizations will be utilized for the required test data. In addition, Ministers may designate foreign testing organizations from whom test data will be accepted for electrical appliances, gas equipment and appliances, high-pressure gas vessels, and liquefied petroleum gas apparatus.

Together with measures already taken, these changes will result in most of Japan's standards and certification systems accepting foreign test data.

The government also pledged to adjust its standards to international norms for a number of products, including fire extin-



guishers and sprinklers. A similar pledge, aimed at so-called "transparency" issues, will allow the views of foreigners to be reflected in the drafting of new and revised standards in all cases.

With regard to all standards and certification systems, standard processing periods shall be set for each procedure.

A broad simplification of import procedures was included. For example, some food materials, such as animal crude oils and fats, and malts and hops, will be allowed to be imported without notification of import. For other food products regularly imported, such as rice, wheat, soybeans and whisky, which are stable in quality and have few sanitary problems, notification on each import will not be required.

## Tariffs

From the earliest possible moment in 1986, Japan will unilaterally eliminate or reduce tariffs on 1,853 items which represent about 80% of all taxable items.

Among the 34 products on which tariffs will be eliminated in 1986 are auto parts, telecommunications equipment and aluminum aircraft skins. These imports totaled more than \$1 billion in fiscal 1983.

Tariffs on another 32 manufactured items will be eliminated after April 1, 1987, and reduced duties on 36 agricultural and fishing products will be effected in 1986.

The tariff reductions of almost 20% which will be put into effect in 1986 will affect 1,793 items. Included in these are kraft papers, liner and paperboard; central processing units of computers; aramid fiber; and wrought aluminum plate, sheet and strip.

Regarding mining and manufactured products, tariffs on 79 of the 90 items of concern to the U.S.\* and 40 of the 60 items of concern to the European Community will be eliminated or reduced.

As to the reduction of tariffs on plywood, a U.S. concern, the government pledged a reduction as of April 1987.

The government also said that in the forthcoming new round of multilateral trade negotiations, or possibly before, it would press for reciprocal tariff elimination on high-tech products and low-tariff products, as well as for reciprocal large

reductions on other goods. Priority will be given to negotiations on parts and related items of automatic data processing machines, taking note of the trade volumes of these items. Japan will also propose improvements in the General System of Preferences (GSP) following the principles of freeze and reduction in the number of products excluded from GSP zero tariff rates, and special consideration for the least developed countries.

## Financial and capital markets

Japan has taken a series of steps designed to liberalize its financial and capital markets, in keeping with the report of the Joint Japan-U.S. Ad Hoc Group on Yen/Dollar Exchange. Under the action program, the government will proceed with further measures. Interest rates on large-lot deposits, for example, will be liberalized by Spring 1986.

In addition, by April of 1986, securities companies will be allowed to deal in the recently established yen-denominated banker's acceptance market, where transactions have been limited to banks and short-term credit dealers. Also in the spring of 1986, the issue of floating rate Euroyen notes will be liberalized, and maximum maturities of Euroyen Certificates of Deposit will be extended to one year. In addition, applications of the nine foreign banks already declared eligible to enter trust banking activities will be processed as soon as possible.

## Services market

Measures to liberalize various services markets in Japan, and thereby give foreigners wider access, were promised in the program. Following study, legislation affecting foreign lawyers will be submitted to the Diet, and the entry of foreign companies into the transportation business will be eased.

The government reaffirmed its present policy of giving foreign insurance companies equal access to the Japanese market, and promised more flexible licensing for new instruments and services. Foreigners will also be given the same status as Japanese with respect to medical insurance.

The program committed the government to a review of commercial customs within Japan to determine whether they were obstructing sales of imported goods, and to correcting any problems found.

The government also pledged to take sterner measures to deal with the manufacture and sale of counterfeit products in Japan.

## Import promotion

In order to realize a quick and visible expansion of imports, the government will undertake a promotion program designed to increase purchases of foreign goods. It has already requested 60 major Japanese firms to increase their foreign purchases, and will follow up on those requests. In addition, the government will make the same request to other companies. The interest rate of the Export-Import Bank of Japan will be lowered on import credits, and the bank will introduce foreign currency lending for manufactured imports.

The government also said it would allow more public corporations to procure foreign goods.

Prime Minister Nakasone appeared on television recently to urge each Japanese citizen to buy at least \$100 of imported goods. The government will now stage large-scale "import bazaars" and other events throughout the country to promote the sale of imported goods.

The government will also study Japan's distribution system to see if that system is causing any problems in the sale of imported products.

## Other steps

(1) The program promised that the government would initiate a number of measures to give foreign companies an even fairer opportunity to compete for official procurement contracts. Included in this part of the program were a number of improvements to the procedures under which companies are qualified to bid for and receive government contracts. For example, once it has qualified, a company will not be required to make further applications within the same Ministry or Agency.

(2) Japan's Office of the Trade Ombudsman will be authorized to hear complaints on service matters as well as trade matters.

(3) In efforts to encourage the exchange of investment by Japanese and foreign companies, the government will encourage local governments in Japan to attract foreign investment, and will publicize investment opportunities in Japan. In addition, overseas offices of the Japan External Trade Organization (JETRO) will each have an investment counselor on staff.

(4) Present import quotas for leather and footwear will be adequately dealt with in the GATT forum.

\*The products of concern to the U.S. which were not addressed in the program are: unwrought aluminum, footwear, five types of leather, gelatin and derivatives, tanned fur skin and articles from such skins, and unwrought refined copper.