

Editorial Note

Productive Cooperation in Everybody's Interests

By Yoshimichi Hori

Until the end of World War II, most Japanese and other Asian peoples considered themselves fortunate if they could be rich in mind and spirit even though poor in material wealth. Yet 41 years later, a considerably Westernized and modernized Asia is hot in pursuit of material wealth. Only socialist Burma retains the old Asian virtues.

Undeniably, Japan's near miraculous post-war economic growth from nil mining and industrial production to the second-largest economy in the free world has stimulated the other countries of Asia to attempt to follow the same path. Given their agricultural heritage and their Buddhist and Confucian traditions, the hardworking people of Asia now account for the bulk of the world's NICs (newly industrializing countries).

Despite their large populations, these Asian NICs boast high per-capita GDPs: \$6,658 in Singapore, \$5,319 in Hong Kong, \$2,646 in Taiwan and approximately \$2,000 in both Malaysia and Korea in 1983. Their per-annum GDP growth rates are also high: 8.7% in Malaysia, 7.1% in Hong Kong, 5.6% in Thailand

and 6.1% in Indonesia, as compared to 4.1% in Japan, between 1979 and 1983.

Just as Japan owes much of its phenomenal economic growth to its advantageous proximity to these Asian neighbors, so do they owe much of their success to their closeness to Japan. This closeness has made it easier for the Asian countries to acquire low-priced, high-quality Japanese products and to learn efficient Japanese management techniques, export strategies and technological know-how, and to apply these lessons to promote their own vigorous economic development.

Yet now that they have come this far, the Asian countries are caught in the same economic stagnation that plagues the rest of the world. Uncertainty about the future is exposing many latent problems demanding solution.

All things require a balance between *yin* (passive) and *yang* (active), but there has been altogether too much of the *yang* recently, stemming for the most part from the hypertension generated by the fragile nuclear balance between the United States and the Soviet Union. This uncertainty about the future is also reflected in the wild fluctuation of the U.S. dollar on exchange markets, skittishness about the economy and the frantic pace of investment in increasingly superficial paper profits at the expense of long-term productivity. It is impera-

tive that all the countries of the world cooperate to put an end to this madness.

Early this June, the Japan Economic Foundation and the Royal Institute of International Affairs cosponsored the U.K.-Japan High Technology Industrial Forum featuring vigorous and meaningful discussion among 22 of the world's leading high-technology corporations. As *Journal* publisher and JEF President Naohiro Amaya pointed out at the forum, "Britain is said to excel in basic technology and Japan in applied technology. Governments and private industry alike need to overcome national boundaries and cooperate in further developing their respective strengths. So far, internationalization in Japan has meant primarily Westernization, while in Britain it has been the anglicization of other countries. Now, however, given the increasing role being played by the Asian region, we have to rethink our concepts of internationalization."

Cooperation must be the key. In this issue, the *Journal* looks at Japan's relations with the ASEAN countries. These relations are by no means ideal, but they do highlight some of the ways that people can cooperate to make a better world for everybody.

(Editor-in-Chief)

Letters

The Juku Syndrome

Tetsuro Ito's article, "Japan's Double-barreled Educational System," in the July/August 1986 issue contained a vast array of interesting statistics and information about Japan's *juku* (cram) schools. From my teaching experience in the United States and in Japan, I agree that these schools perform a service for Japanese society and play a role in Japan's academia complementing the public school system. *Juku* help establish discipline and moral fiber in the next generation of workaholics. This early preparation during junior high and senior high school helps mold students into self-sacrificing company employees.

Competition for good, white-collar "worker bee" positions in leading companies is intense. Japanese believe in the Yuppie-like ideology, "keeping up with the Joneses," want the best for their children and mean well. This social phenomenon and concurrent peer pressure from a teenager's friends leave parents with few options other than sending their children to *juku*.

Another reason *juku* schools have become popular is that parents lack the time to help with their children's education. Day after day, fathers leave home at the crack of dawn, ride congested commuter trains and subways, work marathon hours and return home late. They hardly have any time to devote to their children, even on weekends. Thus mothers

are given responsibility for taking care of the children, and along with cooking meals and handling household chores, raising a family becomes quite a task in the average Tokyoite's cramped living quarters. *Juku* provide one avenue for mothers to alleviate daily tension by permitting them a little freedom while enabling their children to use their time productively.

Finally, there is the wave of dissatisfaction with the quality of public school education, similar to that in the United States. *Juku* have capitalized on this vulnerability. Sending a child to absorb information to pass an exam is expensive, and these extracurricular institutions, as Ito mentioned, are reporting record profits. One wonders if business is not more important than the quality of education.

Another fault of the *juku* system is its emphasis on rote memorization. True, the system prepares its students for Japan's career-determining high school and college entrance exams. But does stuffing a teenager's mind full of facts stimulate that same student to think deductively? Does a sense of imagination emerge from such an educational system? The Japanese population has been stereotyped as a people who can imitate others' ideas or products and even to perfect a concept.

But Japan still lacks people capable of producing original ideas. Of course, there are individual exceptions; yet until this void can be filled, Japan, despite its economic super-

power status, will not become an accepted world leader. And until the social philosophy changes, the sidewalks of Tokyo will remain vacant of children and teenagers Monday through Saturday.

Michael P. Faas
Editor of *Business Reports*
Tokyo

The Journal intends to consider other aspects of Japanese education in future issues.
—Editor

Information Resource

In my view, your *Journal* constitutes a valuable contribution to economic public information available in Japan. The layout is attractive, the topics are well chosen, and the articles are informative. This applies especially to the article "Frontiers in Biotechnology" by Mitsuru Miyata in the May/June issue. This article covering a new field of science and technology was a particular piece of substantial and comprehensive information.

Werner Kaufmann-Bühler
Embassy of the Federal Republic
of Germany
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.

TOPICS

Nakasone Forms New Cabinet

Prime Minister Yasuhiro Nakasone formed a new Cabinet on July 22 in a sweeping post-election reshuffle aimed at beefing up his party position for an extension of his term of office. This Cabinet is the third organized by Nakasone since he came to power in November 1982 (p.61).

Nakasone, who led the ruling Liberal-Democratic Party to a landslide victory in the July 6 Diet elections, rewarded Shin Kanemaru, his chief election strategist, with the deputy prime ministership.

The Foreign Ministry portfolio went to Tadashi Kuranari, a politician close to Nakasone, who replaced Shintaro Abe, while Kiichi Miyazawa, an advocate of active fiscal measures, was given the Finance Ministry, replacing tight-fisted Noboru Takeshita. Yuko Kurihara, a former Defense Agency chief, was returned to that post, replacing Koichi Kato. Hajime Tamura was named minister of international trade and industry.

In a parallel reshuffle of the top LDP executive positions, Nakasone appointed Takeshita as party secretary general. The chairmanship of the party Executive Council went to Abe, with Masayoshi Ito, a former foreign minister, chosen as the party's top policy-maker in his capacity as chairman of the Policy Research Council.

With the advice of the three new top party executives, Nakasone swiftly filled the 20 Cabinet posts, with Chief Cabinet Secretary Masaharu Gotoda, Nakasone's right-hand man, becoming the only minister to retain his old post in the new Cabinet.

While Nakasone has vowed to focus the government's post-election policy on key domestic and foreign issues, the choice of party and Cabinet appointments was seen by some political analysts

as a move to ensure party support for an extension of his term. Nakasone's second two-year term as president of the LDP and the nation's prime minister expires in October, and current party rules ban a third term. Supporters have said that the extension should be as brief as possible, but Nakasone is believed to be aiming at a substantial extension of his term to allow fulfillment of his campaign pledges.

The appointment of Kanemaru as deputy prime minister is regarded as particularly significant, because the influential LDP politician has openly hinted that Nakasone should be allowed to remain in office at least until the next ordinary Diet session is over, sometime in May next year. Takeshita, Abe and Miyazawa are known as three "new leaders" aspiring to the prime ministership, but they backed off after the elections, agreeing to let Nakasone extend his term in recognition of his contributions to the July 6 election victory.

With the task of reorganizing his Cabinet complete, Nakasone now faces a host of issues, both domestic and foreign, to be dealt with in the Diet in the months ahead. After the landslide election victory and subsequent consolidation of his power base in the LDP, Nakasone is expected to direct full attention to solving the problem of U.S.-Japan trade friction, to dealing with the effects of a high yen on Japanese business and to introducing major tax cuts.

Addressing an LDP dietmen caucus following his reappointment as prime minister, Nakasone vowed anew that he would actively pursue reform in three areas: government organization, taxation and education. One major area for reform includes the privatization of the massive debt-ridden Japanese National Railways, a Diet autumn session topic.

But the most urgent issue awaiting the new government is the 1987 fiscal budget. While Nakasone has been calling for retrenchment in government spending, at the same time he is faced with the problem of increasing fiscal spending to boost domestic demand.

Final Recommendation on Administrative Reform

An ad hoc body on administrative reforms has called on the government to adhere to its pledge to return the nation to financial health without a tax increase. The final report of the Extraordinary Administrative Reform Promotion Council submitted to Prime Minister Yasuhiro Nakasone on June 10 put the finishing touches to five years and three months of discussions on administrative and fiscal reforms by the council and its predecessor, the Extraordinary Administrative Research Council. The two bodies spearheaded the campaign for "small government" in Japan.

The government was quick to respond, resolving at a June 17 Cabinet meeting to "pay maximum respect to the recommendations, make continued efforts to carry out administrative and fiscal reforms at the central and local government levels and take necessary measures on a step-by-step basis."

The promotion council, chaired by Keidanren (Federation of Economic Organizations) Honorary President Toshiwo Doko, is composed of business leaders, former senior government officials and labor representatives. An advisory body to the prime minister, it was formed in July 1983 to oversee implementation of the research council's recommendations.

The final report, titled "A Basic Direction for Future Administrative and Fiscal Reforms," concludes that while administrative reforms have made steady progress, "there are problems yet to be tackled, such as the division and privatization of the deficit-ridden Japanese National Railways (JNR)."

Financial reconstruction likewise has a long way to go since "the outstanding balance of national bond issues will probably reach ¥143 trillion by the end of fiscal 1986," the report warns, declaring that administrative reforms are "now at a crucial point."

The report recommends that the ratio of the tax and social security burden to national income in Japan be kept "considerably lower" than the 50% level in Europe, and appeals to the government to hold down spending and stand by its commitment to financial reconstruction without higher taxation.

As an immediate goal, it urges the government to cease its reliance on deficit national bonds and to use restraint in floating even construction bonds.

Yet the final report struck a more flexible note than interim statements, suggesting that the government might take

Nakasone's new Cabinet



emergency steps to "cope with drastic changes in the economic situation." But it nonetheless stressed that such measures should not overstep the bounds of basic administrative and fiscal reform policy. Finally, the Promotion Council advised that another watchdog panel be created to follow up on its work. The Council was formally dissolved on June 27.

Japan, U.S. Settle Semiconductor Dispute

The Japanese and the U.S. governments came to terms on their year-long dispute over semiconductor trade on July 30. Under the agreement, Japan pledged efforts for greater access for foreign-based semiconductor makers to the Japanese market. Japan also committed itself to monitor prices of eight semiconductor chips including two chips to be shipped via third countries.

The settlement of the dispute is quite significant because it will not only help promote the sound development of the semiconductor industries of both countries but also have a favorable effect on bilateral economic relations, officials of the Ministry of International Trade and Industry (MITI) said.

The dispute resulted from the filing of a complaint by the Semiconductor Industry Association (SIA) of the U.S. in mid-1985 on the basis of Section 301 of the 1974 Trade Act. The SIA action came against the backdrop of an unprecedented slump in the U.S. semiconductor industry, due particularly to slow sales of personal computers, and the subsequent decline of competitiveness of the U.S. semiconductor industry.

In the complaint, the SIA claimed that Japan's semiconductor market has a closed structure stemming from past industrial policies and that under the shelter of such a closed market, the Japanese semiconductor industry had made excessive capital investment and sold its products at less than fair value. As a result, the Japanese industry was injuring its U.S. counterpart, according to the complaint.

As relief measures, the SIA sought improved access to the Japanese market for U.S.-made microchips, including those produced outside the U.S. by subsidiaries of American firms, and prevention of potential Japanese dumping on the U.S. market. Similar dumping complaints were filed against 64-kilobit dynamic random access memory (DRAM) chips in June and against erasable, programmable, read-only memory (EPROM)



Ark Hills area in central Tokyo

chips in September by U.S. manufacturers and against 256K and above DRAMs in December by the U.S. Commerce Department.

Tokyo and Washington have been holding a series of intensive talks on these issues since August 1985. Broad agreement was reached by MITI Minister Michio Watanabe and U.S. Trade Representative Clayton Yeutter at their meeting in Tokyo in May this year. The framework agreement called for a package solution for both the market access and dumping issues.

Negotiations on a final agreement continued, and the Commerce Department and Japanese manufacturers signed an agreement on July 30 to suspend the EPROMs anti-dumping probe in return for operation of a price monitoring system. They signed another suspension agreement on August 1 for 256K and above DRAMs.

During these talks, the Japanese government has pursued ways to achieve sound development of the semiconductor industry under a fair and free trading system. With semiconductors regarded as a vital high-tech sector supplying the "blood of industry," the U.S. appears to view the talks with Japan as crucial to its national interests and has taken an uncompromising attitude. The Japanese government is tackling the dispute in a positive manner to allow prosperity in the two countries' semiconductor industries and in the world as a whole.

In the light of present strained Japan-U.S. economic relations, constructive solution of the semiconductor trade issue, one of the most serious disputes between the two countries, is to be appreciated.

Ark Hills

The talk of Tokyo these days is Ark Hills, the new urban complex created in central Tokyo. Ark Hills is the largest urban redevelopment project ever undertaken in the city. It covers 56,000 square meters (14 acres) and cost ¥100 billion (about \$625 million at the rate of ¥160/\$) to build. The complex includes

a 37-story office building, two 25-story apartment buildings with a total of 500 units, a 36-story, 900-room hotel, a concert hall and a TV studio. In addition to these facilities for work, life and culture, it has a bird sanctuary complete with greenery and a pond.

Ark Hills is like a small 21st century city in the heart of the mammoth Tokyo metropolis and attracts huge crowds of the curious every day.

From conception to completion, the Ark Hills project took 17 years. Construction accounted for only a little over two years while 15 years were consumed in negotiating with the many landowners and neighboring residents.

The central force in promoting the project was the developer, Mori Building Co., which will now manage the completed center. Everyone concerned unambiguously points out that despite the many delays, the project was not abandoned midway because of the enthusiasm of Mori Building's 82-year-old president, Taikichiro Mori.

Ultimately the timing of the completion of Ark Hills has been most propitious, coinciding as it has with the blossoming of Tokyo as an international financial center. Seventeen foreign corporations have already moved into the office building, and of these, 11 are internationally prominent financial institutions. Among them, the Bank of America has rented several units in one of the apartment buildings as well.

At the opening ceremony, Mori said his company had created a new complex in Tokyo where people can work and live in a cultural atmosphere. The complex was named by taking the initial letters of Akasaka and Roppongi, two of Tokyo's bustling urban centers, and adding the initial letter of "knot" to signify that the complex is located at the junction of Akasaka and Roppongi. At the same time, the name evokes an ark sailing into the future.

The real blooming of Ark Hills will come in October when the concert hall opens with a performance by the Berlin Philharmonic Orchestra conducted by Herbert von Karajan.