

Publisher's Note

Kansai's Allure

By Naohiro Amaya

Just as the history of America is a history of going west, the history of Japan is one of going east. America has developed its vast continental expanses from east to west over the last 200 years, and Japan has developed its rice-planting culture from southwestern Kyushu to northeastern Hokkaido over the last 2,000 years.

Although perhaps starting in the Kyushu area, Japan's political and economic heart moved to the Kansai area in the 2nd or 3rd century and stayed there until it started the shift to the Kanto area in the 17th century. Yet even when political control moved to the Tokugawa shogunate in Edo (Tokyo), the economic center remained in Kansai. It was only in the middle of the 20th century that Tokyo gained economic dominance as well as political control. For most of Japan's recorded history, Kansai has been the center of Japan, politically, economically and culturally.

The shift of the Japanese political and eco-

nomie center of activity from Kansai to Kanto also reflects a change in Japan's international relations. When Japan shifted from a policy of national isolation to one of openness to international commerce in the mid-19th century, the port of entry for Western culture moved from Nagasaki (near the Kansai region) to Tokyo. This was because the Tokyo frontier region, not having the long historical traditions that the Kansai had, was more positive about absorbing this new culture that was so at odds with Japanese tradition. Thus it was that Japan's encounter with Western culture was started in earnest in Tokyo in the mid-19th century and accelerated in the mid-20th century. During this period, the Kansai region saw a sharp deterioration in its political and economic importance.

Ever since the arrival of Commodore Perry in 1853, the Japanese have been pursuing a goal of catching up with the West. This goal has now been largely achieved, at least in the economic sphere. Having accomplished one goal, it is now important that the Japanese discover new values transcending the overemphasis on economic growth and export expansion and pursue these new values in earnest.

Where is Japan to discover these economy-transcending values? It is easy to produce automobiles and semiconductor chips, but it is very difficult to create new values. In seeking to create values that go beyond the obsessions of the last century, it is only natural that we should first turn back once more to our ancient traditions. Needless to say, the Kansai is the repository of the best of Japanese tradition. This is especially true of those refined aesthetic senses which are imbued in the Japanese, and this aesthetic sensitivity lives on in the hearts of the people of Kansai.

The 21st century will be a century in which economics and science cannot be all-powerful. Rather, the main issue in the 21st century will be that of how man can best express the beauties of existence. Man has a paradoxical existence, subjected as he is to the conflicting pulls of emotion and reason, of past and present and of community identification and internationalism. In the Japanese case, the Kansai is the center of our emotions, past and community identification; and the Kanto the symbol of our powers of reasoning, present and internationality. If a balance can be struck between Kansai and Kanto, the outlook is bright for Japan in the 21st century.

Letters

Less Is More

Your article on rice prices in the September/October Topics section has a misleading headline. Instead of "Rice Prices to Be Cut," it should read "Consumers to Pay Farmers More for Rice." This conclusion is clear from the data in the article. "Subsidies to end; prices fall." It all sounds great until you read the fine print.

Farmers will get a *greater* premium over their cost of production this year than last. Their costs will go down due to better yields and lower dollar-based fertilizer prices, but the price they get will fall *less*. The real cost, the transfer of resources from Japanese consumers to farmers, increases.

Will the foreigners—and the LDP voters—be fooled? I doubt it. Ironically, the United States has set the international battle lines over "subsidies" and "price," a decision that permits just this type of action to generate approval rather than concern. The United States and Japan should pay more attention to the welfare of Japanese consumers. Foreigners will make more long-lasting and profitable inroads into Japanese markets if consumers buy not foreign rice, but rather a wide variety of foreign goods as Japanese rice prices fall and consumers spend their income on domestic and foreign products that meet their high standards.

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Kudos for Kimura

I am a long-term resident of Japan (approaching 15 years) and an avid Japan-watcher. Many foreigners, including myself, publish their observations of the Japanese scene, but few Japanese do, at least in English. And when they do, they are often obscure.

Shozaburo Kimura is startlingly different. He not only has the ability to write lucidly, he has a great deal to say. His Reflections articles reveal an objectivity unclouded by either bitterness or sentimentality. He also is an excellent correlator; he can see the interrelatedness of many diverse elements.

I was first attracted to his writings by his articles on today's Japanese youth. I attempt to teach an English class at Tokyo Dental College, and I find it frustrating from many points of view. I do not understand what motivates the faculty or the students, and I have been baffled by their lack of interaction. Most of the students honestly do not care about what they are doing and take no pride in doing it well. They are startled and embarrassed by the fact that (i) I expect them to participate in the class and (ii) I expect them to enjoy it.

Many of his remarks have helped me see these students more clearly.

The next article I read was on the Japanese relationship with the sea. A lot of Japanese history fell into place for me: the reverence for Ganjin's heroism; the noninterference of the shogunate with the trade run by the Zen monks; the kabuki heroes who are always be-

ing caught in the mountains when they could have escaped by sea.

The Christianity article was also illuminating. I am a nominal Christian who is always taken aback by the serious commitment of my Japanese Christian friends. The discussion of the reasons why Japanese generally do not become Christians brought the motivations and courage of those that do into focus for me.

Please ask him to keep writing, because I want to keep reading.

Lee Pierce
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.

COMING UP

The Jan./Feb. issue of the *Journal* will feature a special report on the Japanese economy in 1988.

Economist Nobuyoshi Namiki will give his outlook for the coming year, while Jiro Ushio, chairman of Ushio Electric Co., and James C. Abegglen, chairman of Asia Advisory Service Inc., will debate prospects for Japan-U.S. economic relations.

In addition, economists at the Industrial Bank of Japan will provide their forecast of the business performance of key industries.

TOPICS

Ensuring Compliance With COCOM Rules

The export of sensitive technology to the Soviet Union by Toshiba Machine Co. in violation of COCOM (Coordinating Committee) regulations has raised questions about Japan's export administration and corporate behavior. In the U.S., an omnibus trade bill including the Garn Amendment calling for an import and government procurement ban on Toshiba group products passed the Senate in late July. Congress reopened on September 9, setting the stage for a joint conference to coordinate the legislation with a similar bill passed earlier by the House of Representatives.

These moves are not simply a case of "Japan bashing" stemming from Japan's large trade surplus with the United States. The Toshiba affair, described as "very unfortunate" by opinion leaders in both countries, came at the worst possible time. The measures taken by the Japanese government in the wake of the incident, including revisions to the Foreign Exchange and Foreign Trade Control Law, were favorably received by the Reagan administration. But Congress remains highly critical.

The amendment to the foreign exchange law was voted into law on Sep-



Photo: Kyodo News Service

MITI Minister Hajime Tamura gives the government account of the COCOM violation issue.

tember 4, a little more than a month after the July 31 Cabinet decision to press for change. Under the revised law, exports of certain goods and technologies "affecting the maintenance of international peace and security" must be approved by the minister of international trade and industry. Administrative sanctions against unauthorized transactions have been added or strengthened, as have punitive provisions. The statute of limitations has been extended as a result of the tightened penal regulations, and there are provisions for consultations between the foreign minister and the international trade and industry minister.

Furthermore, a new council of Cabinet ministers and a standing committee of bureau directors from the ministries concerned have been created to deal with COCOM-related matters. Last but not least, budget appropriations for the export monitoring system have been increased.

Meanwhile, private corporations and industry associations are taking their own initiatives to ensure compliance. On August 12, Keidanren (Federation of Economic Organizations) Chairman Eishiro Saito issued a statement pledging efforts to prevent further violations of COCOM regulations. On August 31, following a visit to Japan by U.S. Assistant Commerce Secretary Paul Freedenberg, in charge of export management policy, a discussion was held at the headquarters of Keidanren attended by officials from the Foreign and International Trade and Industry Ministries as well as 200 representatives of Japanese corporations. Animated discussions were conducted on export management policy affecting security-sensitive items and ways to improve intracompany compliance systems.

In his statement, Saito declared that Japan "is a member of the free world. As our economic power and technological level rise, we must exert full self-restraint so as not to undermine the solidarity of free world nations and the true spirit of free trade."

Diet Okays Tax Reforms

The Diet has approved major reforms in Japan's tax system in fiscal 1988, clearing the way for a large income tax cut and abolition of the *maruyu* tax exemption scheme for small savers.

Under the new system, a minimum 10.5% tax will be levied on high income brackets. At the same time, the present progressive tax rates will be simplified from 15 to 12 gradations. The income tax

reductions in fiscal 1987 alone will total ¥1.54 trillion.

The *maruyu* system provides income tax exemptions for interest on savings deposits of up to ¥3 million per person. Its abolition will leave interest on all savings accounts subject to a uniform 20% tax.

Interest on postal savings and government bonds, too, will be taxed for the first time. Only depositors aged 65 or older, fatherless families and the handicapped will be able to claim exemptions.

Personal savings deposits totaled ¥406 trillion at the end of March 1986, of which 71% was exempt from interest taxation. Abolition of the *maruyu* system drew strong opposition. Critics said the move would result in the taxation of what little money savers have been able to put away for their retirement years.

The government, however, strapped for new revenue sources to compensate for the income tax cut, brushed aside such objections, maintaining that the *maruyu* system has to be abolished to counter foreign criticism that Japan's huge savings help finance exports and are contributing to its massive balance-of-payments surplus.

Finance Ministry calculations show that the tax reforms will result in a lighter tax burden for all income brackets. Japan is unusual by international standards for its heavy dependence on direct taxes, such as individual and corporate income taxes, rather than excise and other indirect taxes. Direct taxation accounted for 74% of Japan's tax in fiscal 1986.

In an attempt to reduce the direct burden on taxpayers, the government tried to push a new, large-scale sales tax through the Diet in the early summer. But the plan was scrapped amid a chorus of protests from consumers, small-business leaders, the opposition parties and even some members of the ruling Liberal Democratic Party, dashing government hopes for sweeping tax reform. Instead, the tax reform program approved for fiscal 1988 is limited to the *maruyu* system and income tax cuts. Meanwhile, the ruling and opposition parties are continuing to discuss further reforms through consultative machinery agreed upon when the sales tax scheme was withdrawn.

Word Processors Trigger Sales Battles

Japanese-language word processors and personal computers are becoming increasingly popular among consumers, triggering intense sales competition.

Manufacturers are slashing prices and refining their products as the market for these electronic marvels enters a new phase. Further fanning the flames are rapidly growing communications networks among personal computer owners.

When the Japanese-language word processor debuted in 1982, production did not exceed 40,000 annually. Now output has soared, topping 2 million units in the year ended March 31, 1986. Spurring growth is a new generation of machines easy enough for even the most unskilled user to operate. Word processors have already consigned to obsolescence the cumbersome Japanese-language typewriter, which required a specialist to use.

Domestic word processor production is expected to climb 25% in fiscal 1987 as the machines become commonplace in the home as well as the office. Pricing is the focus of competition, with most middle-range models equipped with liquid-crystal screens carrying discounts of as much as 35-40% off official price tags of ¥100,000 (\$690 at an exchange rate of ¥145) or more. Up-market processors with TV-style CRT screens—considered prime candidates for replacement demand—officially sell for slightly less than ¥200,000, but are actually sporting 30% discounts.

Performance also counts in sales competition. Manufacturers are developing hybrid word processors with facsimile and telecommunications capabilities. The newest trend is toward rudimentary artificial intelligence that permits some functions reliant on "reasoning." The rapid-fire appearance of new models causes consternation to some users who have already invested in older machines.

Personal computer sales, meanwhile, have been boosted by the spread of communications networks. Aimed at Japan's



Intense sales competition among makers of Japanese-language word processors and personal computers has seen prices slashed as new models rapidly appear on the market.

estimated 4 million personal computer users, these services began appearing two years ago but only took off in earnest last spring.

Spurring personal computer communications has been a sharp drop in the price of modems (modulators and demodulators), devices for linking personal computers to communication lines. Costing about ¥100,000 a year ago, they now sell for less than half that price.

Another contributing factor is the improved availability of network services themselves. Network users now number 70,000-80,000, and the number is increasing by 4,000-5,000 monthly. One projection estimates the number of users will reach 400,000 in three years. Services already include electronic mail, teleconferencing, information retrieval and home shopping, and are proliferating as network operators vie to attract new members. Networks have become so popular among young people that some use their personal computers in place of telephones for daily communications.

Student Job Offers Reflect Firms' Fortunes

Companies have all but completed their hiring of university students slated to graduate next April. Male students received an average 2.8 job offers this year, and female students an average 1.2 offers, both up slightly from last year as the job market eased. Yet relative increases and declines in hiring by companies in different industries provided a glimpse of the changes that are reshaping the nation's economic structure.

According to a survey by private research organ Recruit Research, companies nationwide planned to hire some 573,000 male graduates this year, an increase of 7.6% over the year before, while only 205,000 prospective male university graduates were seeking employment in the private sector. Job offers for liberal arts majors increased 4.8% over last year to 296,500, and those for science majors 10.8% to 276,500, pushing up the average number of job offers for science majors to a record 3.44. For prospective female graduates, job applicants totaled 167,000, against total job offers of 200,000.

Business performance was reflected clearly in recruiting policies. According to an *Asahi Shimbun* survey, 30% of Japan's top 200 enterprises planned to reduce hiring from last April, while about 25% were seeking more recruits. The increase in the ratio of job offers to job applicants this time stemmed from the ambitious



Students in high spirits on the night before beginning a round of job interviews

hiring plans of a handful of companies, especially securities companies. Flush with earnings as a result of the investment boom now sweeping Japan, Daiwa Securities Co., for example, planned to hire 510 male and female university graduates, a substantial increase from 367 last time. Distribution companies, whose business performance has been boosted by an upturn in consumer spending, are also aggressively increasing their number of recruits. Construction companies, riding the wave of expanded domestic demand, are planning heavy recruitment of engineering majors.

In sharp contrast, export-oriented companies, which have been hit hard by the yen's rise in value, are sharply curtailing recruitment plans. Leading electrical appliance and computer firms like Hitachi, Toshiba Corp. and IBM Japan, traditionally heavyweights in the job market, are also cutting down spring hiring. Camera makers, with export sales ratios as high as 70-80%, are also cutting back; Canon, for example, will recruit only one-third as many graduates as last time. Automobile makers, too, are trimming the number of new employees. In contrast, food, steel and electric power companies are hiring more engineering majors than usual as they try to diversify into new lines of business.

From the job applicants' perspective, Nippon Telegraph and Telephone Corp. (NTT) is the most popular company with male liberal arts students, while NEC Corp. is the employer of choice for male science majors, both unchanged from last year. The Japan Travel Bureau is now first with female job seekers, while financial institutions and electrical appliance makers remain as popular as ever with college coeds.