

## We Are What We Drive

By Shoichi Akazawa

The streams of cars flowing along Tokyo's roadways are more exciting these days. Not only are the cars more colorful and better designed, but also there is a wider variety of vehicles—both Japanese and imports, both compact runabouts and expensive luxury models. Not so long ago, the standard family car was a small white hardtop. No more. Car buyers have gone beyond simple utility to embrace automobile fashions as a way of expressing their own individuality and identity.

This year, the Japanese economy is in the fourth year of a sustained expansion, with no letup in sight. And within the industrial galaxy, the automobile industry is one of the stellar performers.

A strong automobile industry is nothing new to Japan. What is new is that this growth does not rest on export expansion but is domestic-based. In terms of numbers, total exports have slipped in recent years, and this trend is expected to continue for the foreseeable future. It is strong domestic demand that is responsible for the automobile industry's prosperity.

While this strong domestic demand is clearly a reflection of the fact that Japanese are now better-off than ever before and are seeking more affluent lifestyles, it is also at least in part because this affluence has spawned a greater desire among Japanese consumers for personalization and distinctiveness. Wanting to express their individuality, people have moved away from mass conformity and sought out goods and services that reflect their personalities. And by and large, industry has been able to pick up on this trend and to provide the kind of customized goods and services people want.

Nowhere is this more evident than in the Japanese automobile market and the way automakers—Japanese and foreign alike—have responded to this. Of course, this phenomenon is not limited to the automobile industry. In sector after sector, foreign products are an increasing presence. In sector after sector, Japanese

companies have embarked on determined cost-cutting and rigorous quality control along with more offshore production and market-stimulation.

There are those who would argue that Japan is somehow unique and cannot be understood in Western logical terms, but I find this nonsensical. Japanese consumers, like consumers everywhere, want goods and services that satisfy their personal needs. As the physical needs are met, the spiritual needs come to the fore.

People want better cars. They want a customized mix of options. They want to express themselves. And they want to do this in the same global free market that characterizes other "Western" cultures. Anyone who has any doubts about this need only look at the Tokyo traffic.

### COMING UP

The Japanese economy is currently enjoying strong growth propelled by domestic demand, and shops seek to tempt customers with a wide range of high-priced goods. A common question still heard from foreign importers, however, is why goods that are successful in their own country sell poorly in Japan. One answer to this is the difficulty foreign firms have in hitting on a formula to appeal to Japanese consumers.

The May/June issue of the *Journal* will focus in its Cover Story item on consumers in Japan. Mariko Fujiwara, an associate researcher at the Hakuho-do Institute of Life and Living, will discuss consumer behavior and social attitudes, while Marino Osami, director of the Japan Consumers' Association, will explain the views of consumers—men and women, and young and old.

There will also be an interview with Hiroko Nakamura, a prominent pianist and a juror for the Chaikovskii Concours, a top music competition. She also shows her talent as an essayist.

## Cooling Tempers on Imports

Mr. Hirofumi Kawano's article in the *Journal's* November/December 1989 issue on the attempts by Japan and the United States to "tackle" structural reform merits re-reading as the deadline for the "interim" report on the Structural Impediments Initiative (SII) talks nears this spring. This MITI official's view that the SII discussions should "offer an opportunity for Japan and the United States to discuss issues that each must be responsible for solving on its own" is a sage one.

However, there is now an established belief in the United States that the Japanese government is reluctant to concede that structural barriers exist in Japan. Such a perception has led many policymakers in Washington, including and especially in Congress, to be pessimistic about achieving meaningful results from the talks.

While many Americans—economists, businesspeople, trade experts and government officials—freely admit that the United States must address such problems as its budget deficit, low savings level, investment strategies and educational woes, Japanese officials argue that historical and social factors make it difficult to resolve the alleged structural barriers to the Japanese market.

It is important to recognize that SII is the latest chapter in a process of negotiations between Japan and the United States, stimulated by the large trade imbalance between the two Pacific powers. This process has included the MOSS (market-oriented sector-selective) discussions, the Semiconductor Trade Agreement, talks on such matters as financial services, beef and citrus, machine tools, and most recently the three areas under the "Super 301" provision of the 1988 Omnibus Trade Act.

Mr. Kawano suggests that macroeconomic factors alone affect a country's trade balance and that removal of structural and other barriers would have no discernible impact on a country's trade balance. I don't think any serious U.S. public official or businessperson would claim that removal of barriers in Japan—or anywhere else—would "balance" Am-

erica's trade accounts. However, it is hard to accept that facilitating the distribution of imported goods and modification of Japanese companies' supplier relationships would *not* increase imports to some degree.

To borrow an expression from the late Everett Dirksen (U.S. Senate Minority Leader), "a few imports here, a few imports there, pretty soon you'll have real trade deficit reduction." This is all the more true since Japanese officials (and many American economists) believe that changes in U.S. companies' corporate strategies (e.g. a longer-term view on investment and more funds for research and development) would significantly increase America's own competitiveness.

I do agree with Mr. Kawano that the SII consultations can succeed if they remain a forum for discussion of mutually recognized problems. While their outcome may be inconclusive—and there is a high risk that they would be so perceived in this election year—if they result in a recognition of the effect of structural factors on market access, tempers could cool across the Pacific, and perceptions on the opportunities for American products in Japan would be altered.

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## FY 1990 Budget Boosts ODA, Welfare Spending

The fiscal 1990 budget plan adopted by the Japanese government last December calls for total expenditures to be increased by 9.7% and general account outlays by 3.9% in the fiscal year beginning April 1.

The increases, the steepest in nine years, would boost the national budget to ¥66,273.6 billion and general account outlays to ¥35,409.2 billion.

The greatest growth is in official development assistance (ODA) to developing nations and international organizations, which will rise 8.2% to ¥817.5 billion. The ODA increase, mostly in bilateral grants, is in line with Japan's international pledge to provide \$50 billion in ODA over the five years ending in 1992.

The budget plan also calls for a 6.6% increase in social welfare expenditures to ¥11,614 billion. The growth reflects greater spending on medical care for the aged in a rapidly graying society. It is also seen as an attempt to deflect public criticism of the 3% consumption tax introduced last April.

Spending on defense, at ¥4,159.3 billion, is up 6.11%. Finance Ministry officials say the sum is sufficient to meet the

targets set by the nation's current five-year mid-term defense program, which ends in fiscal 1990. It allocates funds for front-line weaponry, including a range of high-tech tanks and a warship equipped with an AEGIS system, and logistics support facilities.

The defense budget amounts to 0.997% of Japan's estimated GNP in fiscal 1990, falling below the former limit on defense outlays of 1% of GNP for the first time in four years. The drop in the ratio results in part from the projected higher growth in GNP than in defense spending and in part from consideration given to concerns expressed both at home and in Asian countries over increases in Japan's defense spending.

The budget plan sets aside ¥14,289.3 billion for debt-servicing, 22.5% more than in fiscal 1989, for the biggest year-on-year increase ever. This is largely because the Finance Ministry is resuming for the first time in nine years its legal obligation to take funds equivalent to a fixed portion of outstanding government bonds from the general account and transfer them to a special debt-servicing account. The government suspended the transfers in fiscal 1982 as state finances teetered under the soaring burden of outstanding government bonds. The decision to resume the transfers reflects the



Finance Minister Ryutaro Hashimoto (right) discusses budget appropriation issues with top government officials.

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improved health of national finances. Some ¥2,700 billion will be transferred in the new fiscal year.

On the revenue side, the government expects to raise ¥58,004 billion in taxes in fiscal 1990, up 13.7%, as the continuing economic expansion brings higher income tax and corporate tax revenues. The sum also includes ¥5,300 billion in revenue from the consumption tax.

Encouraged by these bright prospects, the government will finally stop issuing debt-covering bonds in fiscal 1990, a target it has sought to attain since it first began covering revenue shortfalls with the bonds in fiscal 1975.

At the same time, it will cut bond issues for financing public works projects by 20.8% to ¥5,630 billion. These steps should lower the ratio of funds raised by bonds to the total budget to only 8.5%, the first single-digit figure in 15 years. But the total outstanding balance of government bonds, including those issued to finance public works, is still expected to reach ¥164 trillion by the end of fiscal 1990, ¥2 trillion more than a year before. The government will soon be paying ¥30 billion a day in interest alone. ■

## Living More, Working Less

Japanese people have more free time than they used to, but most of them still feel that they do not have sufficient leeway in their lives, according to a series of public opinion polls carried out in 1989.

A survey undertaken in June by the Economic Planning Agency showed that different age groups express different ideas about how they would use more free time if they had it. While young people in their teens and 20s displayed a strong desire for more time to spend on pursuing leisure activities and hobbies with friends, people in their 30s and 40s, who are in the prime of their working lives and in many cases see a lot more of their offices than they do of their homes, said they wanted to spend more time with their families. Elderly people aged 60 or over, meanwhile, put the highest priority on maintaining good health.



In polls, Japanese in their 30s and 40s say they want to spend more time with their families.

In the same survey, a majority of respondents, especially those in their 30s, replied that they wanted more free time, but only 20%-30% of all age groups said they would be willing to reduce the amount of overtime they work if this meant a drop in income.

In November, the Leisure Development Center, affiliated with the Ministry of International Trade and Industry, carried out a survey of 200 middle-aged married couples in Tokyo and Osaka. Asked what their main unfulfilled desire in life was at present, the majority of couples answered "a long vacation," complaining that they did not have enough time to spend together.

In July, the Ministry of Labor commissioned a questionnaire on company vacation schemes which revealed that only 6.8% of the firms questioned operated schemes that enabled employees, at an appropriate time in their careers, to take a long vacation from work to mentally and physically refresh and reinvigorate themselves. Most of the firms operating such a scheme were large corporations. Less than 5% of small businesses had introduced such a scheme, the main reasons cited for not doing so being insufficient labor and organizational leeway.

It is often said that the Japanese work hard and take few holidays because they are so dedicated to their jobs. But when the Economic Planning Agency in November asked 330 Americans and Euro-

peans resident in Japan what they thought of Japanese workers' attitudes to vacations, most of them replied that the Japanese work hard not because they want to but because they are pressured to do so by their seniors and colleagues. If the Japanese are to lead more leisurely lives, they suggested, they first of all must create an office environment in which people can take the holidays to which they are entitled without feeling any constraints.

The campaign for more time off for Japan's workers received a spur in December from the National Personnel Authority's research group on working hours, which issued a report proposing that civil servants be put on a five-day workweek, if possible from as early as spring 1991. The report suggested that closing government offices for the whole of every weekend would provide an impetus for private companies, especially small businesses and firms in the provinces, to eventually follow suit. It also called for the early introduction of a five-day week for schools, which the Ministry of Education is now contemplating.

As the Japanese seek more free time to enrich their lives outside work, the debate on shortening working hours and improving corporate vacation schemes is likely to pick up momentum in companies, government offices and schools around the country. ■