

## Investing in the Future

By Shoichi Akazawa

The world economy moved powerfully ahead in the 1980s, making the necessary structural adjustments and achieving strong growth. This is borne out by the statistics. Not only has the world economy recorded average annual real growth of 2.6%, it has grown about 30% larger in the process. World trade has grown an average of 4.5% per annum in real terms to be about 50% larger than it was at the start of the decade.

While it is impossible to look back entirely with satisfaction, since these achievements in trade and development have masked a widening disparity of wealth between the Northern "haves" and the Southern "have-nots" and a resultant accumulation of debt in the poorer countries, it should be noted that not all of the developing countries suffer the same grinding poverty and dead-end development. The newly industrializing economies (NIEs) of Asia and the ASEAN countries have achieved remarkable development over the past 10 years.

One of the main factors contributing to the developmental progress in the NIEs and ASEAN countries has been that they have adopted policies to attract foreign capital and pursued export-oriented industrialization. The second factor that is commonly cited is that of political stability. Third is their hard-working people. And fourth is the fact that Japan and the United States have opened their markets and been willing to absorb their robust exports. Just as these countries' economic development will provide a model for the later-developing countries and the countries of Eastern Europe, their progress is also indicative of the advent of the Asia-Pacific century.

Today, there is a new dynamism evident in East Asian economies. Part of this is seen in the rising investment by the Asian NIEs in the ASEAN countries. In 1988, for example, investment by the Asian NIEs in Indonesia topped the total investment by Japan and the United

States combined. Similar trends are apparent in Thailand as well, and are emerging in Malaysia and the Philippines.

Second is the greater vitality in investment and trade between neighboring countries. Although statistics are hard to come by, it is estimated that there is considerable trade and investment between, for example, Hong Kong and Guangdong Province, Taiwan and Fujian Province, and the Republic of Korea and Shandong Province.

Along with moves toward integration in the European Community and the East European countries' shift to market economies, these developments in East Asia offer clear evidence that today's world economy is truly going global.

It is almost axiomatic to state that economic globalization means that companies and individuals in every country are able to engage in cross-border business activities and that this inexorably leads to heightened economic interdependence among all countries. And this globalization is vastly enhanced by the advances that have been made in transport, communication and information technologies. Given this economic climate, it is not surprising that direct foreign investment became more active in the late 1980s than ever before. By the end of 1988, the total book value of all direct overseas investment outstanding had topped \$1 trillion.

Japan has, of course, played a major role in this global economic development. Not only has the Japanese economy achieved striking globalization as Japanese companies set up production and sales centers overseas, there has also been a sharp increase in direct foreign investment in Japan.

Yet far from decrying these trends in cross-border investment, I applaud them as accelerating the globalization of the world economy and boding well for a quantum leap in economic interdependence and shared prosperity in the years ahead.

## Perspectives on Affluence

Two articles in the July/August issue of the *Journal* highlighted the condition of the ordinary worker in Japan in ways which I hope will have impressed your readers overseas.

One of them, "Father Can't Come Home Anymore," portrayed the sad plight of workers so engrossed in their jobs that they have developed phobias about going home. The other one, which referred to trade unions seeking to organize older and part-time workers, quoted the phrase "the nation is rich but its people are poor."

On one hand, Japanese workers are the admiration of the industrialized world, noted for their dedication and efficiency.

While no one would wish to detract from their achievements, one wonders whether overseas readers are aware of the down side of the Japanese workplace—the excessive hours worked at the sacrifice of families, the "peer pressure" that discourages people from taking either sick leave or their full entitlement to paid vacations, the prejudice against women in the work force, and the poor pay and conditions that are the lot of thousands of workers in smaller companies, especially those in the manufacturing sector.

As stated in the second article mentioned, in general the individual Japanese worker does not fully benefit from the nation's affluence.

Foreign press reports about the Japanese thirst for luxury brand name goods give a distorted picture of Japanese society, and leave out of account the many thousands of families who struggle to make ends meet, scrimp and save to pay education fees (especially for higher education), and live in rented accommodation that would be considered cramped or substandard in other Western countries because house and land prices are far beyond their reach.

Michael Watson  
Journalist  
Yokohama





## COMING UP

The January/February issue of the *Journal* will feature a special report on the Japanese economy in 1991.

Dr. Yoshio Suzuki, chief counselor at Nomura Research Institute, Ltd., will give his outlook for the coming year, while experts at the Industrial Bank of Japan will provide forecasts of the business performance of key industries.

There will also be a second article by Vladimir Pucik, an associate professor at Cornell University, about his survey on personnel management in American companies in Japan, following his first article in this issue reporting on a similar survey on Japanese companies in the United States.

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.

## Water Shortage Prompts Desalination Projects

The Japanese government is gearing up to launch a series of desalination projects to deal with future water shortages. The move has been prompted by a severe water shortage in the Tokyo metropolitan area this summer which inconvenienced millions of people.

The Health and Welfare Ministry and the Ministry of International Trade and Industry will orchestrate the projects, which include plans for both land-based facilities and for a ship equipped with desalination devices which could be dispatched to areas hit by water shortages.

Building new dams, the time-honored

approach to increasing water supplies, takes years and entails formidable expense. Desalination plants, while expensive to build and operate, can be set up relatively quickly without causing environmental problems.

Japan's desalination technology is among the best in the world, and has been widely used on many of the country's remote islands and in the Middle East. Domestically, there have been 30 plants built since 1967 with a combined processing capacity of 11,779 cubic meters per day, enough to supply water to 25,000 people.

The Health and Welfare Ministry's proposed projects include plants 100 times more powerful than those now operating on remote islands which could

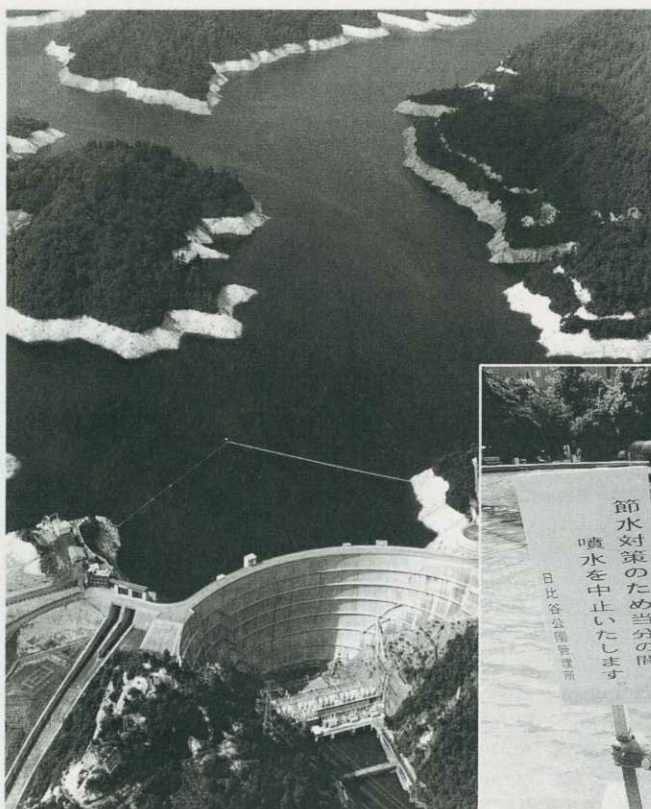
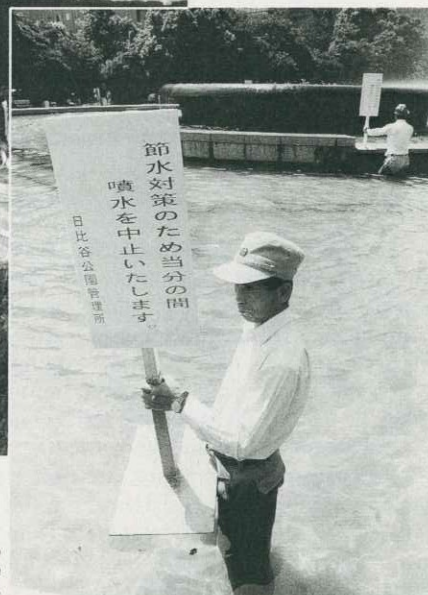


Photo: Kyodo News Service

Many reservoirs around the Tokyo metropolitan area fell to record low levels during a prolonged dry spell this summer.



The water shortage this summer forced the Tokyo Metropolitan Government to temporarily turn off the well-known fountain in Hibiya Park.



supply enough water for 100,000 people. The first such plant, costing ¥18 to 20 billion, will be built in fiscal 1991 at a site now being selected by the ministry. Building costs will be paid by the local government with a subsidy from the national budget. Numerous local governments in urban areas have expressed interest in getting plants of their own.

Meanwhile, MITI is planning a unique desalination ship. Equipped with desalination facilities, the vessel would be dispatched to coastal industrial areas to supply industrial water during water shortages. MITI officials say their water-supply ship will have the advantage of being mobile and available for emergencies. The ministry earmarked ¥18 million in its fiscal 1991 budget to start a two- to three-year feasibility study. MITI officials say a ship of several thousand tons would be able to produce 100,000 tons of industrial water a day. ■

## Trading Houses Join Reforestation Efforts

Major Japanese trading houses have launched worldwide reforestation plans as part of their growing environmental preservation efforts.

A special task force on environmental issues at C. Itoh & Co. is mapping out a comprehensive plan for reforestation in Australia, New Zealand, Thailand, Brazil, Chile and African countries. Meanwhile, a similar office at Mitsubishi Corporation will soon launch unprecedented experiments for restoring depleted tropical rain forests.

Japan has come under criticism for its extensive logging operations in the world's rain forests. C. Itoh's plan calls for planting eucalyptus and other fast-growing trees in areas deforested by logging.

Most reforestation projects are unprofitable because it takes so long to recover the investment, making them unattractive to private corporations. C. Itoh is seeking government assistance for the project, including low-interest loans from government-affiliated financial institutions and a temporary freeze on interest payments. It plans to submit details of the

project jointly with paper manufacturers to the government next fiscal year after selecting several reforestation sites.

Mitsubishi, meanwhile, is exploring the possibility of restoring depleted lauan and other tropical rain forests, one of the planet's most easily damaged ecosystems. The company's Environmental Affairs Department will cooperate with Prof. Akira Miyawaki of Yokohama National University's Institute of Environmental Science and Technology in conducting the experiment on a 50-hectare tract of land leased by Malaysia Agriculture College. The annual budget for the project is ¥60 million.

The experiment will be the first of its kind. Lauan takes more than 100 years to reach maturity, and young trees are very sensitive to environmental changes. Currently lauan forests are virtually abandoned after logging. Officials at Japan's Forestry Agency say they are watching the experiment with keen interest, since success could make a great contribution to preserving the earth's environment.

Other trading houses are also embarking on less ambitious environmental preservation projects. Nissho Iwai Corp. and Marubeni Corp., for example, have started using recycled paper for their employees' name cards and have stopped using throwaway wooden chopsticks at their canteens.

Yet despite these conservation efforts, major trading houses are still involved in large-scale development projects criticized for their impact on the environment. The environmental task forces set up by these companies have no authority to stop new development projects, even if they pose an environmental risk. Mitsubishi's Environmental Affairs Department, for example, participates in screening the company's investment and financing plans, but it has no authority to conduct screening of the plans from the environmental point of view.

It remains to be seen whether Japan's trading houses will police their own activities at a time of rising calls worldwide for environmental preservation. ■



Photo: Mitsubishi Corporation

Students at the Malaysia Agriculture College with Prof. Akira Miyawaki (2nd from left) of Japan's Yokohama National University engaged in experiments to restore depleted lauan and other trees in tropical rain forests.

