

## Developing Answers

By Shoichi Akazawa

No sooner had the Soviet empire collapsed and the Cold War ended than the world realized that it was on the brink of another major problem with grave security ramifications—the North-South problem so long overshadowed by the East-West conflict.

This is not a new problem. In fact, it is the perennial confrontation between the haves and the have-nots. In the early 1960s, it was realized that the global economy could not develop in any balanced way unless the poorer countries also developed, and that they could not develop without enhanced export earnings. Thus was the United Nations Conference on Trade and Development (UNCTAD) established in 1964. It was at UNCTAD's first congress in Geneva that Secretary General Raul Prebisch made his famous speech arguing the need to shift from aid to trade. Now, nearly three decades later, the North-South problem is back on the front burner, hotter than ever.

While the basic problem is in the explosive population growth in the developing countries, this is compounded by the energy and environmental problems that will inevitably arise in connection with the developing countries' understandable desire for better living standards.

The United Nations has forecast that the world population—5.3 billion in 1990—will be 7.2 billion by 2010 and 8.1 billion by 2020. Of the anticipated 1.9 billion increase in the years between 1990 and 2010, only 0.1 billion will be in the industrial countries and 1.8 billion will be in the developing countries. These countries' economies will clearly have to grow just to keep up with the population growth, and it is a foregone conclusion that this will entail greater energy consumption and greater environmental pressures.

The Earth Summit held in Rio de Janeiro this June provided a vivid illustration of the chasm between the industrial and the developing countries. As a result, no long-term solutions were agreed on in Rio. It is easy to say that the problems are

two or three decades down the road, but they loom so large that they need to be addressed now. Otherwise, it is not problems but disaster that looms ahead.

This is by no means a non-Asian problem. Asia's population is also increasing rapidly and the increase is expected to be 1.1 billion by 2010 and 1.4 billion by 2020. Particularly sharp increases are being recorded in China and India. China, for example, is already the world's most populous country at 1.2 billion. Yet its per-capita arable land area is very small. It is thus imperative that Chinese efforts for industrial development and better living standards also include a strong effort to hold population growth in check.

In Japan, crowded conditions have made pollution a serious concern for more than a decade, and Japanese industry and government researchers have developed some of the best pollution-prevention technology around. Yet the global environmental problems are too big for any one country to meet—either in terms of policy or in terms of technology. These are transnational issues demanding transnational solutions. For example, the CO<sub>2</sub> and other atmospheric pollution generated in China affects not only China but also neighboring Japan.

It is thus essential that all countries work together to resolve these global environmental issues in everyone's best interests.

## COMING UP

The role of the transport system in a nation's economy is like that of the circulatory system in the human body. Today, Japan is one of the most densely populated countries of the world with one of the most sophisticated networks of land, air and sea transportation facilities. The next issue of the *Journal* will feature this "circulatory system" of the Japanese economy in its Cover Story.

Other items will include a look at Japan's pension system.

## Trade Conflict Control

Oddly, Mr. Shoichi Akazawa's comments in "Dynamic Capitalism" (June/July 1992) on the existence of multiple forms of capitalism are in agreement with the very group of Western analysts he condemns in his article. These so-called revisionists study Japan from the standpoint that capitalism is a polytheistic house and that a nation's economic system cannot be easily separated from its historical, political and social foundations—precisely the position taken by him.

Moreover, Mr. Akazawa is simply misinformed when he writes that revisionists contend "Japan is incapable of change." In fact, revisionists argue that the global trading system needs to adopt policies that account for differences in national and regional forms of capitalism—a logical extension of his own position. Any decision to change on Japan's part would be welcome, but it would only partially correct current problems.

By not creating international trade policies that understand institutional differences in the house of capitalism we merely ensure continued trade tensions between Japan and the U.S. This will also guarantee rising levels of acrimony between Japan and the EC in the years ahead. After all, the EC has no need to balance trade and security issues with Japan as the U.S. does, so the potential for widening schisms in the global trading system brought on by EC-Japan trade conflicts will be particularly acute in the years ahead.

Unfortunately, neither Japan, the U.S., the EC, nor the current GATT negotiations have shown themselves capable of adopting the sorts of policies that will bring this potential for widening trade conflict under control.

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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.

## Securities Watchdog Panel Inaugurated

A 202-member securities watchdog panel was inaugurated on July 20 to ensure the fair and equitable, as well as "transparent," operation of the Japanese stock market.

The Securities and Exchange Surveillance Commission is aimed at preventing a repetition of the scandals exposed since last year in which brokerage firms admitted to having compensated favored corporate clients and big investors for stock investment losses.

Advocates of reform hope that the new commission will play a key role in restoring trust and credibility to the stock market, as well as ensuring the transparency of its operations, thereby giving an uplift and boost to depressed stock prices. But critics maintain that there is not much that the commission can do. They note that the commission, being subordinate to the Ministry of Finance (MOF), has little independent authority or power.

But Toshihiro Mizuhara, chairman of the commission and formerly Nagoya district chief prosecutor, is unperturbed. He told a news conference following the inauguration of the commission, "We will act independently of the MOF." Asked about the relatively meager staff under his command compared with the U.S. Securities and Exchange Commission (SEC) which boasts nearly 2,000 staff, he

pointed out that the two commissions operate under highly different circumstances. He said that while the SEC oversees some 12,000 registered U.S. securities companies, his commission keeps watch over a far smaller number of 265 licensed Japanese securities firms.

The commission has the legal power to investigate brokerage houses and investors when there is suspicion of unfair trading practices, such as stock price manipulation, compensation for investment losses and insider trading. Unlike the SEC, it is not empowered to punish offenders and can only recommend administrative punishments to the minister of finance.

The commission counts some former police and legal officials among its staff, but the fact that most of the staff are ex-MOF officials who have little experience in criminal investigation may be one of its weaknesses. One senior MOF official admits it may take some time before the commission becomes fully operational and swings into "high gear."

In any case, the importance of a watchdog commission was brought home with full force recently when the inauguration of the commission coincided with the uncovering of a fresh scandal, in which Nippon Housing Loan Co., the nation's biggest mortgage loan firm, was reported to have failed to declare ¥2.5 billion in taxable income by producing a false report on stock transactions. ■

## Ruling Party Rebounds In Upper House Election

The ruling Liberal Democratic Party rebounded from a humiliating setback it suffered three years ago and seized more than half the seats at stake in the July 26 election for the House of Councillors in which opposition groups appealed to voters to reject the enactment of a controversial bill permitting Self-Defense Forces (SDF) troops to join United Nations peacekeeping operations overseas, such as in Cambodia.

Despite heated political debates over the scheduled dispatch of SDF personnel abroad for the first time since World War II, and the current flagging Japanese economy, one out of every two eligible voters stayed away from the polls, keeping voter turnout to a record low of 50.7%.

Nevertheless, the victory marked a strong LDP comeback from the severe setback it suffered in the 1989 race, when it lost its overall majority in the upper chamber of the Diet for the first time since 1955—a victory that made it virtually certain that Prime Minister Kiichi Miyazawa will retain his post at least until his term as president of the governing party expires in November 1993.

In the first national election since Miyazawa came to power last November, a total of 127 seats—half of the 252 seats in the upper house plus one vacancy—were contested in the triennial election, comprising 77 seats in local constituencies and 50 in the proportional representation system under which voters choose parties rather than candidates.

The conservative party led all other parties by winning 69 seats, including 19 in local constituencies. One successful independent candidate was recognized as an official LDP candidate after his victory.

The Social Democratic Party of Japan, the nation's major opposition party, managed to win 10 seats in the proportional representation system but fared poorly in local districts, and wound up with 22 seats—the same number as the SDPJ seats that were up for election.

The centrist Komeito won 14 seats, four more than its number of seats up for election. The party thus seized a record-



Toshihiro Mizuhara, chairman of the new Securities and Exchange Surveillance Commission, attaches its name to the office door.

Photo: Kyodo News Service

tying 14 seats and succeeded in having all its local constituency candidates elected.

Although Miyazawa's LDP took more than half the seats contested, it still fell far short of attaining a majority in the upper house. However, with those seats not up for election, the combined votes of the LDP, Komeito and the moderate opposition Democratic Socialist Party ensured it of a comfortable majority in the upper house. Not only that, the combined seats of the LDP and Komeito alone provided five more seats than were needed to form a majority. Komeito and the DSP were the two parties that forged an alliance with the LDP to help push the peacekeeping cooperation legislation through both houses of the Diet in June.

The big loser in the election was Rengo-no-Kai, the political arm of the nation's biggest labor union Rengo (the Japanese Trade Union Confederation). It made a dramatic political debut three years ago when 11 of the 12 candidates it fielded were elected, largely at the ex-



Photo: Kyodo News Service

A detachment of SDF personnel receive instructions while training in Sweden.



Prime Minister Miyazawa colors in the eye of a lucky daruma, symbolizing his party's victory in the upper house election.

pense of the LDP. A voter revolt centering on the implementation of the 3% consumption tax cost the LDP dearly in the 1989 upper chamber election. But this time, a rift developed between the SDPJ and the DSP, the two major backers of Rengo, over the controversial peacekeeping bill, and all 22 Rengo-no-Kai candidates were defeated. Only one independent candidate supported by Rengo was elected in Tokyo.

Miyazawa told a post-election press conference that his party's victory represented voters' endorsement of the peacekeeping bill and other LDP policies. The prime minister expressed his intention to reorganize his Cabinet around the end of October when the current term of top LDP executives expires. But he ruled out the possibility of an early dissolution of the Diet for a general election.

Miyazawa also said he would put all his energies in an extraordinary Diet session to be convened in late September into stimulating the sagging economy by such measures as a supplementary budget, and taking steps toward political

reform by correcting the disproportionate size of constituencies for the House of Representatives.

Starting in August, the government has taken various measures to prepare for the dispatch of 600 Self-Defense Forces personnel to Cambodia scheduled for late October following the enactment of the peacekeeping bill. They include the establishment of the International Peace Cooperation Headquarters to be chaired by the prime minister, training in Sweden of SDF personnel to be sent to Cambodia, and the dispatch of two fact-finding missions to Cambodia.

The government has also decided on the emperor's visit to China from October 23 to 28.

As matters stand in the post-election climate, Miyazawa and the LDP cannot afford to relax and rest on their laurels despite their impressive victory in the July election. This is because a combined opposition could still form a majority in the upper house, and thus the LDP must look to Komeito and the DSP for help as occasion demands.