

## Eastern Horizons

By Shoichi Akazawa

The whole world seems to be focused on Europe—on the one hand the collapse of the Soviet Union and Russia's continuing economic difficulties and on the other the way that the EC is moving, albeit a bit more slowly than anticipated, toward integration. Yet developments have been just as interesting in East Asia—this vast area that Europe and the United States refer to as the far, Far East.

Perhaps the first of these developments is the very rapid growth achieved by the newly industrializing economies (NIEs), the ASEAN countries, China, Japan, and the rest of the region's dynamic economies. Given this growth, many economists have predicted that these economies will continue to prosper and evolve and that East Asia will be a global growth center in the 21st century.

There are several reasons why the East Asian economies were able to take off like this. First and foremost is the fact that the political situation in the region has been relatively stable. Second is that trade and investment in the region have generated a very strong virtuous circle of growth. And third is that the NIEs and the ASEAN countries have liberalized their economies and oriented their industry toward exports while still managing to hold down inflation, to improve their government fiscal positions, and to make skillful use of foreign capital and technology transfers.

China's adoption of economic openness is particularly noteworthy here. The Party Congress in October 1992 adopted resolutions calling on the government to move vigorously to promote and consolidate economic openness—resolutions that were backed by the appointment of large numbers of reformists to leadership posts.

Yet such is not to imply that East Asia's economic future is all roses. There are problems, and many observers are rightly concerned about possible destabilization here.

One source of concern has to do with China's future. Over the last 14 years, China has achieved average growth of 7% to 8% a year with its economic openness policies, as a result of which it is now faced with the need to reconcile this economic openness with the dictatorship of the party and the fact that political power is concentrated in Beijing. Openness has empowered outlying regions economically, and there is a considerable question as to how long they will be content to be subservient politically. The second source of concern, also in China, is the major economic disparities that are developing between the coastal Special Economic Zones and the hinterlands.

In addition to these problems in China proper, there is also concern in the ASEAN countries about China's hegemonic ambitions as seen in the dispute over the Spratly Islands. Outside of China, the Korean Peninsula is another source of anxiety—both the question of how to pay the costs of reunification and the lingering fears that North Korea may be moving to develop nuclear weapons. And on the periphery of East Asia, we have the very important question of how to restore peace and prosperity to Cambodia.

However, I am personally rather optimistic about the region's future. If the United States, China, Russia and Japan will do what they can, each elucidating its policies and cooperating commensurate with its position and capabilities, I fully expect that East Asia can sustain its dynamic development and realize its potential as a global growth center for the future.

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.

## Coping with the System

Several articles in the August/September 1992 issue of the *Journal* described the need to reform current Japanese trade legislation due to its lack of clear connectivity to international norms.

Authors of the articles used the expression "non-transparent" in reference to the current system of administrative guidance (p. 17, 19, 48). It is my impression that "non-transparency" may be the result of a deliberate tendency to write laws in as ambiguous a manner as possible so that the enforcement of the laws (i.e. through administrative guidance as opposed to applying clear sanctions or measures) may be flexible and adjusted to perceived needs at a particular time.

The authors agree that the current system is unfair to outsiders and that the system needs to be modified—including abolishing the system of administrative guidance and implementing an "explicit" system.

Two questions come immediately to mind: First, how long will it take for such reform to actually be implemented? Japanese institutions are known for the slowness with which change is introduced. Moreover, introduction of a "legalism" to Japan will of itself take time. In general, Japanese are hesitant to resort to litigation. Institutionally, litigation is expensive and time-consuming. Culturally and historically, the Japanese have preferred mediation (with implicit agreement) over litigation (with explicit ends). Second, what can foreign companies do if they cannot or do not wish to wait for as long as 10 years?

The three articles could be read to suggest that foreign companies will not have much chance of succeeding unless the current system is reformed. I wonder, however, if there are ways in which foreigners presently manage to maneuver around or through the current system.

Perhaps future articles could provide some suggestions based on actual, specific practices utilized by creative foreign companies under the present regulatory framework. Or, perhaps under the present system administrative guidance

could be flexibly crafted to meet the needs of foreign companies?

I would like to hear more about what actually happens under the current system and how foreign companies are coping. Perhaps the *Journal* could provide insights into these matters in future issues? Thank you.

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## New Copier Prevents Faking of Bank Notes

Canon Inc., a leading Japanese camera and office automation equipment manufacturer, has developed the world's first device for preventing the counterfeiting of bank notes. There has been an upsurge in counterfeiting around the world since the advent of digital full-color copying machines. Fake ¥10,000 notes were discovered in Tokyo last February and August, while counterfeit \$100 notes recently turned up in Arizona in the U.S. Fake pound notes have been seized in Britain and fake marks in Germany.

These incidents led the Bank for International Settlements (BIS) to warn copying machine makers in September that BIS member countries would restrict the use of color copiers unless makers voluntarily took steps to prevent counterfeiting. The Japan Business Machine Makers Association, whose members vir-

tually control the world copying machine market, has begun advising users on how to prevent their machines from being used for faking bank notes.

Canon, with a 70% share of a world market for color copiers now estimated to exceed 200,000 units, began marketing a new line of copiers with its prevention device at the end of October. It has also offered to install the devices in earlier machines for an additional payment, and is reportedly ready to grant technology licenses to other makers.

Canon's device contains an integrated circuit which recognizes all bank notes now in use in the world, and produces only black copies when an attempt is made to copy a bank note.

The device also enables the copying machine to print invisible numbers on all copies which, if processed by reading machines, can identify the machines used for copying. Canon says that the new device now provides a countermeasure against any other kind of counterfeiting. ■



### COMING UP

Asia is moving fast to become a pillar of the world economy with the creation of AFTA by ASEAN countries, while the EC is becoming a single market and NAFTA has been formed in North America. What is feared is the tendency toward regionalism and protectionism in the world market. APEC, concerned about this tendency, has decided to strengthen its function by establishing a permanent office in Singapore. Japan is determined to go along with the APEC move. These issues will be taken up in the next issue of the *Journal*.

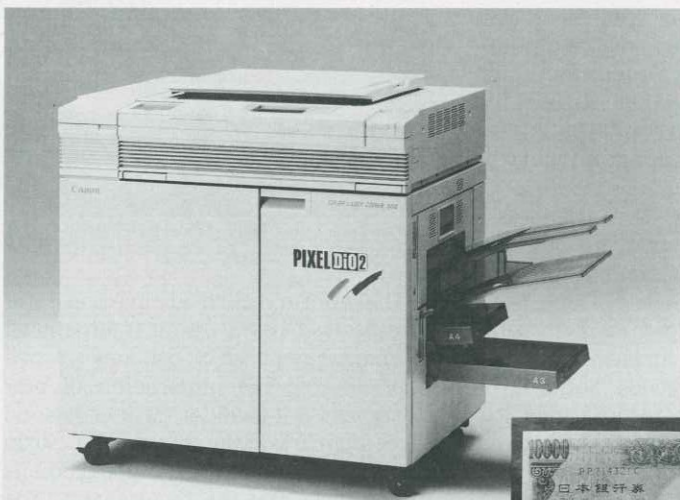


Photo: Canon Inc.

The world's first counterfeit-prevention copier, Canon's "PIXEL DIO2," contains an integrated circuit for producing only black copies when an attempt is made to copy any registered bank note.



An example of a fake ¥10,000 note (above) made using a photo copier, and an authentic note (below) with a watermark.

Photo: Kyodo News Service

## Imported Sushi Gets Go-ahead

The government has capitulated to a hard-driving fast-food restaurant chain owner in a conditional decision that opens the way for Japanese consumers to see for themselves how imported frozen sushi suits their palate.

The controversial decision by the Finance Ministry was a setback for the Food Agency of the Ministry of Agriculture, Forestry and Fisheries, which is bent on banning the import of rice. The decision is expected to affect the import of other rice-based foodstuffs.

The Finance Ministry in early October authorized the Kobe port customs office to approve an application to import frozen sushi from California, filed by the Sushi Boy restaurant chain of Osaka. Sushi is an oval-shaped, vinegared rice ball, topped with a slice of raw fish.

The Food Agency has insisted on keeping Japan's domestic market closed to foreign rice growers in order to maintain Japan's "food security." Japan has been under pressure to liberalize rice imports in the ongoing Uruguay Round of multilateral trade talks, but has thus far refused to amend the Food Control Law, which bans shipments of rice from entering the country.

The Finance Ministry's decision was a victory for the management of Sushi Boy, which had argued that while the government has almost completely kept non-Japanese rice out of Japan, crackers made with foreign rice are already being imported as processed goods. Some 1,315 tons of cooked rice with squid and fried rice pilaf was also imported last year as "processed meat and seafood."

Sushi Boy, which operates a chain of restaurants featuring revolving belt conveyors loaded with sushi at the counter, put the authorities on the spot in early October by having samples of frozen sushi flown in from California. The Food Agency initially insisted that the frozen sushi be banned because it used foreign rice. But the agency lost out to the Finance Ministry's contention that the imports could be classified as "processed fish."

Customers sample sushi imported frozen from the United States after a controversial decision that pitted government agencies against each other.



Photo: Nihon Keizai Shinbun



American rice on exhibition during the '92 Great American Food Show held at a Tokyo hotel last April.

The ministry cited an existing tariff classification based on an international tariff agreement which contains a provision allowing the importation of processed rice if it includes meat or seafood exceeding 20% of the total weight. Sushi Boy claimed the raw fish toppings on its frozen sushi met the requirement. The Food Agency countered that the toppings and rice balls were easy to separate.

Japanese farmers' groups, on the other hand, opposed the Sushi Boy imports, claiming that they were concerned about safety because of different standards for agricultural chemicals in the United States.

The U.S. Embassy in Japan and the Rice Millers Association in the United States began pressuring the Japanese

government to authorize the imports. And in the end, the Ministry of Finance decided in favor of Sushi Boy.

Sushi Boy imported 27 kilograms of sushi with five kinds of fish toppings, all of which have passed bacteriological tests by the Health and Welfare Ministry, to offer prospective customers for sampling.

Then, in the late October, the whole plan hit a snag because of a dispute among the management of Sushi Boy over the pricing of imported sushi. With official approval for the imports having been granted, however, food industry insiders say other businesses may be encouraged to import rice-based dishes such as *gyudon*—bowls of rice topped with beef—and eventually rice itself. ■