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Japan Report

(FOUO 27/82)

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JAPAN REPORT

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ECONOMIC

TRADE FRICTION WITH UNITED STATES ANALYZED

Tokyo NIHON KOGYO SHIMBUN in Japanese 9, 10, 12, 17, 18, 19 Feb 82

[9 Feb 92 p 1]

[Text] Rebuilding U.S.-Japan Relations: Effort To Promote Imports; Criticism of Status Quo in Japan

As Japan-U.S. trade friction escalates, government officials and trading companies are afraid that a Reagan shock may strike Japan. The Reagan administration is chafing under an \$18-billion trade deficit with Japan and a growing domestic unemployment problem. They believe that he may unilaterally enact stiff sanctions against Japan such as import restrictions or import surcharges. The U.S. Congress has repeatedly proposed reciprocity bills, which may be taken as a forewarning of some such action, and a movement to seal off Japan in emerging. Also, the effects of the expanded military budget aiming at a strong America cannot be overlooked. The EC (European Community) also began studying anti-Japanese measures on the 10th of the month. Depending on how the situation develops, Japan may drop out of GATT (General Agreement on Tariff and Trade) temporarily because of a boycott on Japan. Furthermore, the recent demands on Japan related to trade friction are for opening up to services as well as conventional goods, and they are spreading to domestic economic policies and defense issues. The Japanese response has become correspondingly difficult. The difficult must be overcome one way or another in order to maintain national security and the smooth working of the free economy of the West.

Masumi Ezaki, chairman of the LDP International Economic Measures Special Study Committee, will visit the United States on the 21st to talk with President Reagan, explain the policies for opening the Japanese market, and seek understanding. Chairman Ezaki is actually the chief person responsible for enacting measures for improving 647 non-tariff barriers (NTB) previously determined by the government. Since this visit will occur during the rush for a reciprocity bill, he is likely to meet with rather harsh criticism. However, Chairman Ezaki is taking the stance: "In order to build a new Japan-U.S. relationship, I will state clearly what needs to be said." He will advance directly on the White House and attempt to make this visit to the United States a starting point for a substantial Japanese liberalization policy.

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[Interview with Chairman Masumi Ezaki of the LDP International Economic Measures Special Study Committee; questions by reported Eitatsu Furudate]

Tariff Levels the Lowest in the World

[Question] First what is your own view, Mr Chairman, on the NTB improvement measures?

Ezaki: The study committee spent about 80 hours examining this problem in parallel with last year's budget formulation. As a result, while consulting with Chairman Yamanaka of the Tax System Study Committee and obtaining full cooperation, we decided to move up the multilateral trade negotiations decided on during the Tokyo Round of trade talks by 2 years. In other words, we decided to take early action on all 1,653 items. Not only would this have an effect of reducing the deficit by 40 to 45 billion yen, but it would make Japan's average tariff rate 4.9 percent, the lowest in the world. This was decided on as the first step.

Also, with respect to improvement of import inspection procedures, there are 51 items which have been under study by our committee since its inception. Ultimately, this was expanded to 99 items. This shows in reverse how overly troublesome the import inspection procedures have been. This process has exposed some haphazard aspects in the procedures of government offices. I believe we have achieved substantial results.

Sweeping Away Foreign Criticism With OTO

[Question] However, a continual inundation of demands for improvement can be expected from the United States and Europe.

Ezaki: Certainly, just as the 51 demands grew to 99, we can expect the number of specific demands to easily reach 120 or 130. Therefore, we decided to create an Office of Trade Ombudsman (OTO) with a complaint processing role, directly under the prime minister's office, as an organ for comprehensive government response to the opening of the market. By this means we can make a quick, comprehensive response to problems that involve more than one ministry or to new problems and avoid the repetition of criticism by foreign countries that we always say that we will "take positive measures" but never actually respond. This is especially important in our approach to foreign countries.

[Question] There are some who claim that this will be "making an image of Buddha without putting in the spirit."

Ezaki: In a vertically organized government administration, it is necessary to have a followup study to see if a certain thing has actually been done. The study committee is prepared to make such a study and do everything it can to follow up. If this approach really works, I believe it can become an international matter, as pointed out by the U.D. Minister in Japan, Barraclough. This is a very important aspect of avoiding friction.

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Reciprocity a Principle of "Equality"

[Question] However, it is questionable whether the trade imbalance with the United States and Europe will be eliminated or whether trade friction can be avoided through these measures alone.

Ezaki: Certainly, I do not think this alone will make the problem go away. However, we have simplified our import procedures so that they are similar to those of the United States. If there is a further demand to make the procedures similar to those of the EC, we are prepared to discuss it and do something about it. And, as you mentioned, we have created a policy of beginning construction on 1.3 billion units of housing and are making repeated efforts to promote product imports to expand domestic demand. Therefore, we hope that the United States and Europe and the developing countries will make a greater effort to export to Japan. We would like the business leaders of the United States and Europe to make a renewed effort to promote this within their countries.

[Question] However, whatever the situation is in Europe, the United States is facing off-year elections. Even if there is a theoretical understanding, there is a rising mood of protectionism and some danger of retaliatory measures against Japan in the name of reciprocity. In other words, there could be a "Reagan shock" worse than the "Nixon shock."

Ezaki: There is a lot of discussion of "reciprocity." We understand reciprocity to be a principle of equality, the carrying on of trade according to the same rules. To espouse volume restrictions and protectionism under the name of reciprocity would throw the world economy into confusion and would lead to trouble even in the limited case of the United States and Japan. Japan is purchasing a large volume of agricultural products such as wheat from the United States and exporting almost no agricultural products to that country. The important thing is for the country which has a certain product to export it to the country that does not, to the place with the greatest need.

However, Japan cannot prosper unless the United States prospers. This is a fundamental principle. Furthermore, the number of unemployed in the United States has reached almost 10 million, the greatest number since the great depression of the 1930's. We must take this very seriously. The same goes for the EC. This is not a simple situation.

[Question] What measures can Japan take for this?

Ezaki: It is necessary for us to cooperate wherever possible. In particular, our industrial sector, indeed each company, must think of this as a "second opening of the country" and work actively to place its facilities in the United States and other countries and promote technological assistance. Also, we must sincerely proceed to simplify the complicated domestic distribution system which has been criticized by the U.S. auto industry, promote the application of data from U.S. testing organs, and make a positive study of the 27 items which still come under import restrictions.

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Invite American Opinion Leaders

[Question] Then what will you appeal for in your upcoming visit to the United States?

Ezaki: It would be impudent to offer the secrets of Japanese success or ask the United States to learn from us in the area of productivity. However, one of the motive forces of Japanese progress is the quality of its managers. Anyone can become president of a company regardless of his background. I would like to have them understand these differences in Japanese culture and society. Also, I would like to extend a sincere invitation to America's opinion leaders to come to Japan to see and hear these things.

Another big problem between the United States and Japan is that we are not unified by a network of roads as is the EC. That is not all. It is said that there is a lack of reciprocity in our treatment of U.S. financial and service organizations. The Japanese have traditionally had a strong attachment to stocks and not been inclined to let them out. This has given rise to the misunderstanding that we are closed and isolationist. Also, there are some items that are restricted when there is danger of a substantial adverse effect on the Japanese economy. I would like to explain these special problems, including our Achilles heel--oil. If something happened one day in the Middle East, the prosperity of the Japanese economy could crumble.

[Question] Finally, I believe there is a good possibility that during your visit on the trade friction problem the United States will make demands which include a sharing of the defense burden.

Ezaki: I will treat defense and trade as two separate problems. To bring these two problems together would make the solution of problems between the United States and Japan much more complicated. However, I also understand something about the defense problem, so I will listen carefully and explain in detail how Japan is making an effort. I think new demands will be made for opening the market, and I intend to explain clearly what we can and cannot do. The promotion of diplomacy directed toward members of congress concerned with these matters will also be necessary.

[10 Feb 82 p 1]

[Article by reported Norio Konuma]

[Text] Second Move: Abolishment of NTB; Cooperation in Advanced Technology Before Paris Summit

Painful Awareness of Weak Foundations of Japanese Economy

"Can't we have a third oil shock?" This remark has frequently been heard in MITI recently, and it is hard to tell whether it is a joke or a serious wish. If an oil shock came, there would be an immediate trade deficit. This would get rid of the trade friction that is becoming such a headache for MITI.

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Indeed, during the two previous oil shocks, the balance of international payments went into the red, and the U.S. and European criticism of Japan somehow disappeared. If the same thing happened again, things would "work out well." This approach is like "waiting for a divine wind."

Of course, there would be serious trouble if this longed-for oil shock came. So the present situation is causing a great deal of irritation. What MITI is really trying to say is: "The foundations of the Japanese economy are weak." Japan is the only country that is continuing to grow successfully while the U.S. and European economies remain in a slump, so it is the object of envy and complaints. However, MITI is saying: "It is not really true." MITI is afraid that with a little pressure from the outside, "it could easily crumble."

Minister of International Trade and Industry Abe presented a position of "maintaining freedom of trade" and protested reciprocity at the tripartite trade conference at Key Biscayne, Florida on 15 and 16 January and in a series of talks with U.S. Government and business leaders. But he has also advocated something else in a quiet way. That is: "The United States and Europe argue strongly that their economies are in recession and unemployment has increased. But no country has as great a financial burden as Japan. Japan is pressed by the debt created by many years of deficit financing. The internal situation is not as good as the United States and Europe may think." This statement implies that the foundations of the Japanese economy are weak, not at all strong, and that future policies are restricted. If invisible unemployment is considered, unemployment is growing in Japan, even if it is not yet as bad as in Europe and the United States. If the free trade system breaks down, there is a latent fear that a country like Japan which depends on trade will run into trouble.

Certainly, some processed goods like automobiles, color television sets, machine tools, and semiconductors are strong enough to cause trade friction with foreign countries. However, other basic industrial sectors such as aluminum and petrochemicals are under attack from overseas. They are like a candle flame in the wind, and there are many problems.

Avoiding Repercussions Over Semiconductors

With the present petroleum situation, there will not be another oil shock soon. But if there is a shock brought on by the United States unilaterally imposing sanctions on Japan such as import surcharges or restrictions, the Japanese economy will soon come to a standstill. This awareness is driving MITI to take active measures to open the market, even though it believes that the reciprocity bill now being presented in the U.S. congress "will not pass" (Makoto Kuroda, assistant director of MITI's International Trade Policy Bureau). The policy is to "reduce the number of remaining items with import restrictions and expand the boundaries" (Minister of International Trade and Industry Abe). Whatever form the policy takes, MITI wants to avoid a "Reagan shock" one way or another.

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So what is to be done? MITI is aware that the previously formulated policy to eliminate non-tariff barriers (NTB), mainly by simplifying and improving import procedures, is not enough. Therefore, MITI believes it is necessary to introduce a second NTB elimination proposal with the objective of reducing the items still under import restrictions, such as agricultural products, and open up the market to financial and trust services before the Paris summit in June. The MITI leadership thinks that "America is concentrating on one thing, opening up the market." Therefore, if it does not make some sort of response, there is the danger that America will rush to take protectionist measures.

However, most of these proposals actually come under the jurisdiction of other ministries and agencies. Therefore, MITI is determined to set an example and push hard for opening of the market, working to "expand the boundaries of imports" for items like leather goods which are more of a political than an economic problem.

With respect to separate categories which come under MITI's jurisdiction such as automobiles and machine tools, MITI is taking a strong surface stance for the second year. Vice Minister Ichiro Fujiwara says: "Automobiles will be handled according to the rules." According to Kaku Toshima, director of the Machinery and Information Industries Bureau: "Fundamentally, the number of vehicles will be 1.68 million plus alpha." Actually, However, MITI intends to be flexible in negotiations. "A reduction is impossible." "This will be a means of softening U.S.-Japan negotiations."

However, what worries MITI is the possibility that, in the name of reciprocity, high technology such as that seen in semiconductors may meet the same fate as automobiles. Even if problematic items like communications equipment were added, says Kengo Ishii, assistant director of the Machinery and Information Industries Bureau, it would not be a big problem because "the amount of money involved is small compared to automobiles." However, it is a matter of concern.

Do Not Give an Excuse for Reciprocity

For this reason, MITI is working on the various sectors to open the market as much as possible and not give the United States an excuse for implementing reciprocity measures. This touches on MITI's true feelings of irritation at the prospect of having export restrictions put on items under its jurisdiction such as automobiles, semiconductors, and communications equipment because of proposals by the other ministries--the Ministry of Finance, the Ministry of Agriculture, Forestry, and Fishery, the Ministry of Health and Welfare, and the Ministry of Transportation--which are criticized by the United States.

MITI believes it should actively promote positive policies and positions for industrial cooperation in advanced technological fields, which are being requested by the United States and Europe, as an aid to eliminating trade friction. Shohei Jurihara, a trade official, says: "This is fundamentally a matter for the private sector, but we will make every effort to cooperate on the part of the government."

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"The United States says that it is in difficult circumstances. However, Japan has been forced to look too much at the northern and eastern areas, especially Detroit. There is also a strong part of America, in the West and the South, producing agricultural products and electronics products." MITI officials are feeling the pressure from America directly. "For some reason, a cold wind has been blowing from America since the beginning of March. Even though it is spring, it feels like we are going back to winter." Will Japan prosper as a country built on the foundation of trade with a balanced expansion according to MITI's plans? Or will the world take the path of protectionism and contraction. This will be decided by Japan itself as it endeavors to open its markets.

[12 Feb 82 p 2]

[Article by reporter Tsuyoski Kikuchi]

[Text] Technology and Services: General Trading Companies Move Away From Emphasis on Tangible Goods; Promotion of Comprehensive Industrial Cooperation

Taking the "Vanguard" Role in Eliminating Friction

According to Seiki Tozaki, president of C. Itoh and Co, "We have entered an era of compound political and economic crisis." Ever since the U.S.-Japan fiber negotiations, trade friction has been continuously exacerbated by politics.

Economic stagnation has brought about high unemployment. The stagnation of regional industry has become more of a problem politically. As a result, some leaders of large companies have begun to ask: "Why is Japan the only country that has to move up the implementation of the Tokyo Round tariff reductions? This does not agree with diplomatic commonsense."

On the other hand, most observers believe that the American actions have been very reasonable. "Japan is starting from zero, but America is starting from 100 percent" (Tomen consultant Yoshitomi Ishimaru). There is a big difference between America implementing import restrictions with a background of 100 percent liberalization and Japan making small concessions after having no achievements in this area. Therefore, some think that the main problem is how much restriction exists in comparison to 100-percent liberalization rather than how many items are restricted. This view holds that before America became political, Japan was even more political. Japan's political "lack box," represented especially by farm products, has made the trade problem more complicated.

As exemplified in Minister of Finance Watanabe's statement about "carousing," the trading companies are usually thought of as the "vanguard of trade." When it comes to the trade friction problem, they are at the forefront of the effort to open the market. Behind this is a reaction to the idea that the trading companies are inherently evil. "The friction has been caused by auto and electrical equipment makers. The trading companies are actually helping to eliminate friction."

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The nine largest trading companies have a 56-percent share of Japan's total imports, but only 48.7 percent of the exports (in 1980). For six trading companies, imports exceeded exports. Mitsui USA is ranked fourth among U.S. exporters (with \$3.8 billion in 1980), coming behind Boeing and GM. Because its exports exceed imports by \$2 billion, it claims: "We are contributing to improvement of the U.S. trade balance."

A New Viewpoint on Liberalization of Farm Products

Trading company business has slowed down as much as that of domestic basic industries, so difficulties are increasing. Even if the U.S. demands are met, imports from the United States will reach only \$1 billion, just a drop in the bucket for eliminating friction. The ripple effects of increased distribution volume are great, and it would be better for business not to have these accusations.

Yohei Mitsumura, president of Mitsubishi Corporation, says: "Why not liberalize the import of beef and oranges? Compensation for the domestic problems could be considered separately." Sachio Shibayama, president of Sumitomo Shoji, says: "The remaining items under import restriction should all be liberalized. An import tax could be established, and these funds could be used to carry out domestic measures. Seiko Kojima, senior executive managing director of Marubeni, says: "It is only natural that nontariff barriers (NTB) should be modified, but this will not automatically restore the trade imbalance."

Minister of Agriculture and Forestry Tazawa is keeping up a stiff defense against liberalization of farm products: "Any more is impossible." Increasing self-sufficiency is a problem related to national security. However, Hiromune Minakawa, executive managing director of Mitsubishi Corporation, is optimistic: "It is a mistake to think that security is possible with self-sufficiency in food. Things should be arranged so that the countries exporting farm products to Japan will be in trouble if anything goes wrong in Japan." Kojima also says: "There are some sectors such as livestock which have grown on the basis of feed imports. There are limitations to increasing self-sufficiency." He emphasizes that close economic relations can aid in easing conflicts.

However, since exports to America are industrial products and imports are primary products like wheat, feed, and coal, the U.S.-Japan trade structure will always resolve itself into a pattern whereby Japan enjoys a favorable balance of trade under ordinary rates of economic growth. Ultimately, the United States will try to reach into service fields as well as commercial product trade. But service fields grow out of each country's historical and cultural backgrounds. Therefore, simple comparisons are difficult and the Japanese response inevitably becomes more difficult.

Policies To Create a Strong Yen and Solve Fundamental Problems

Even though exports were slowing down with the yen exchange rate at last year's high level, as a result of a drop in the yen rate, an export drive is getting underway again. There is a fundamental problem with economic policies which

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depend on exports. If measures are not taken to induce a high yen rate in parallel with the liberalization of imports, the problem will not be solved. Some of the large trading companies are saying that the series of reductions in the interest rate have led to an increase of friction, and they are beginning to call for the implementation of "operation twist." This is a policy opposite to that used in ordinary times. It is a policy for creating low long-term interest rates and high short-term interest rates. The Kennedy administration used it successfully in parallel with a tax reduction policy.

This will probably end up only in increased direct intervention in the exchange market. The pound rate will remain high because of the North Sea oil fields. This has the ironic result of weakening international competitiveness, and the U.S. high interest policy leads to a strong dollar. However, Japanese foreign exchange policy has an undeniably large effect on the present trade friction.

Another problem is that Taiwan and Korea are catching up with Japan. There is a boomerang effect, and the large trading companies are beginning to get involved while at the same time trying not to offend Japanese steel makers. The trading companies are also under pressure to use a diversified approach. According to Shunji Ueda, president of Nichimen Co, Ltd: "Japan cannot survive without buying things from foreign countries. However, it must not only deal in products but must also carry out "comprehensive industrial cooperation" involving technology and services as well in order to solve the trade friction problem. This is where the trading companies must get into the act."

Previous imports of primary goods have been described as the wreckage resulting from Japanese employment policies. The liberalization of farm product exports is more of a domestic problem rooted in our country's political base than it is a problem of U.S. political pressure.

[17 Feb 82 p 1]

[Article by reporter Katsuhiko Tomioka]

[Text] Clarification of Items of Preferential Treatment: Time Required for Understanding of System: "Discrimination" Against Foreign Banks a Misunderstanding

Dissatisfaction Over Bank Administration and the Financial System

As Japan-U.S. trade friction increases, the debate on the isolationism of Japanese financial services has rapidly become a focus of concern. U.S. Ambassador Mansfield clearly expressed dissatisfaction with reference to this problem in January: "Japanese banks are buying American banks, but American banks are not allowed to buy Japanese banks."

America is asking for reciprocity, and this inequality in the area of financial services, or rather, this discrimination against American banks, is difficult to bear. Correction of this situation is becoming a key point in improvement of Japan-U.S. trade relations.

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Let us analyze what the United States means by discrimination against foreign banks. The dissatisfaction of the United States can be divided into complaints against the bank administration of the Ministry of Finance and complaints against the Japanese financial system itself. Items related to the former category are the regulations governing establishment of banks, limitations on activities for obtaining deposits, and income regulations on Japanese financial institutions. Problems under the latter category are the prohibition of bank debenture issues and limitations on consumer credit business.

If the U.S. accusations are correct and these types of restrictions on foreign banks exist, we must admit that this is indeed "discrimination."

What is the real situation? First, let us examine the rebuttal given to the LDP International Economic Measures Special Committee by the Ministry of Finance under the orders of Finance Minister Watanabe on 12 February.

"Establishment and expansion of branches of foreign banks are allowed as long as a necessary minimum of soundness is maintained. There is no discrimination between this and the establishment of branches of Japanese banks. The solicitation of deposits from individuals by foreign banks is completely free."

"The purchase of Japanese banks by foreign banks is possible in principle. However, this requires agreement between the parties as a prior condition. Also, if a financial institution holds more than 5 percent of the stock, the approval of the Fair Trade Commission is necessary under the Antimonopoly Law. However, this is not something that is only applied to foreign banks."

Japanese banks go along with the Ministry of Finance in saying that the complaint about the prohibition of bank debenture issues and the limitation on consumer credit activities is nonsense. The issuing of bank debentures is also impossible for Japanese banks, with some exceptions such as the Bank of Tokyo, and not just for foreign banks. "This is a difference in the system, not discrimination," according to the International Division of Sumitomo Bank.

The same source says this about the limitations on consumer credit business: "Japanese banks are actually placed under stiffer restrictions. Foreign banks are free. Indeed, a number of consumer finance companies have emerged under the name of banks. In a sense, you could say that domestic banks are being discriminated against."

Actually No Advantage in Purchasing Banks?

I would like to narrow the discussion down to the "purchase of Japanese banks by foreign banks" spoken of by Ambassador Mansfield and analyze this issue carefully. It is a fact that Japanese city banks have purchased U.S. banks in such places as California, and it is also true that there is no opposite example of U.S. banks buying Japanese banks. However, this is not because they want to buy a Japanese bank and cannot. It appears that, in reality, they have not bought any Japanese bank because there is no advantage in doing so.

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"Japanese banks are forced to operate at a low rate of profit under the euphemism of 'social mission.' Could the hoped-for results be achieved by buying such institutions?" These words of an influential American bank executive seem to back up this idea. Furthermore, there is no example in the past of a foreign bank making an offer to buy a Japanese bank.

If we ask for the real opinion of foreign banks, the response varies. At the same time they are generally sensitive about the discrimination problem. Several influential foreign banks have said: "No comment." One branch manager made the following statement on the condition that the name of the bank not be revealed, whether in deference to Ministry of Finance officials or to "middlemen." "I do not think there is discrimination. They think that because they have not carefully studied the Japanese situation. Most of the responsibility is theirs."

However, the majority seem to believe that "there is still some unfairness."

"Whether there is unfairness or not depends on how it is interpreted. If the problem is national treatment, there is no unfairness now, in spite of what the past situation might have been. However, if we look at the issue of the system itself, this is not necessarily true. Japanese banks receive preferential treatment in the United States because they are foreign banks. For example, because their head office is in a foreign country, they can establish a place of business in any state. In Japan there are so such areas of preferential treatment for foreign banks" (Bankers Trust).

Differences Between the United States and Japan in the Degree of Freedom in Operations

"It is not discrimination, but I find a difference between Japan and the United States in the degree of freedom in banking operations. Japan's financial system is overly complicated and it obstructs free economic activities. Especially with respect to fund procurement methods, the diversification used by Japanese banks in the United States should be made possible here" (Chase Manhattan Bank).

From the views of these banks, we see that the differences between the financial systems in Japan and the United States give rise to a "perception of unfairness," and the most extreme people interpret this as "discrimination."

If this is the case, the "various forms of discrimination" toward foreign banks claimed by the United States cannot be denied out of hand. There are qualitative differences, but if the position of both countries is clearly communicated, it is not a problem that is impossible to overcome.

The Ministry of Finance seems to have understood this belatedly. It says that it will make clear the areas of preferential treatment toward foreign banks which the United States did not know of or was not informed of, such as the exemption from Bank of Japan "window guidance" or the exemption from the obligation to accept national bond issues, in order to clear up U.S. misunderstanding.

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Because there are differences in fundamental awareness or philosophy with respect to the system, the attempt to create understanding will take sometime. However, such a dialogue should lead to definite results. Although it is a rather commonplace conclusion, I believe that patient effort is the key to improvement of this situation.

[18 Feb 82 p 1]

[Article by reporter Tetsunosuke Hirose]

[Text] Era of Compound Crisis: Isolationism Casts a Shadow; Getting Away From Dependence on the United States; Economic Relations To Be Diversified

Progressing to Social and Cultural Friction

"Three Japanese businessmen purchased the management rights of the Haworth Country Club in Bergen County, New Jersey, and decided on a big hike in the annual membership fee from \$300 to \$5,500-\$10,500. At first, this was met with jokes like: "Are they planning to put a geisha in the locker room?" However, the Japanese actually began to shut out Americans in practice, and hatred of the Japanese grew among the members. It is terrible when Americans are made into "second-class citizens."

This is just a small article from a recent NEW YORK TIMES. However, the paper gave it the title "Japan-U.S. Golf Course Friction." The trade friction which began with textiles, color television, and automobiles is now spreading from general economic friction to social and cultural friction. Furthermore, the economic friction was not brought about only by economic causes.

"Today, 40 years after Pearl Harbor, the United States has become a virtual 'economic colony of Japan.' Japan imports farm products and raw materials from the United States and exports finished products such as cars and color television sets to the United States. This is the classic form of a colonial relationship. Why has such a thing happened? It is because Japan has been spared large outlays for defense" (WASHINGTON POST).

Economic friction has roots in military and political problems and it gives rise to further social and political problems. These various problems are intricately entangled.

Ryuzo Seshima, a consultant to C. Itoh and Co, has frankly called this situation "an era of compound crisis." He says: "If the trade friction is understood only on the economic level, we will lose our view of the whole. An understanding on the political level is absolutely necessary." He has recently been making an active contribution to foreign economic policy and administrative reform as a part of the "general staff of the financial sector" and as a member of the Second Ad Hoc Council on Administrative Reform. Because of his experience as a part of the "general staff," his political and military analysis of the world situation has a solid reputation.

When Seshima speaks of a "military analysis," he is referring to "the close connection between trade and defense. This "trade and defense linkage theory" is not the exclusive property of Seshima. The relation between the two was incisively analyzed in the report "America's Choice," put out by the Hoover

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Institute of the United States. The bill demanding an increase in Japanese defense spending, sponsored in the U.S. Congress last fall by Congressman Neal, arose from the same kind of thinking.

No Solution With Bilateral Reforms

Certainly there is a strong allergy to this linkage theory in Japan. If this linkage becomes clear, there will be reactions such as "the business sector is being sacrificed to defense" and "the opposition parties will not stand for being drawn into more involvement in defense because of economic friction." And the government will not be able to move either way. However, as Seshima points out, if we analyze trade friction only in economic terms, we will head into a blind alley and not be able to find a way out.

"The government and the LDP are working to improve non-tariff barriers and open the market, and this probably has substantial psychological effectiveness. However, in terms of its effect in reforming the trade imbalance, it will only reduce the trade surplus by a small monetary amount" (Yoshihiro Inayama, president of the Keidanren).

As long as the trade imbalance is not eliminated, friction will not disappear. No matter how hard Japan works to open its market, there will be no end to the demands from the United States and Europe. The restrictions on auto exports to the United States implemented under a 2-year agreement have been extended to a third year, and after autos, there is a strong campaign for new self-imposed restrictions on electronics exports such as semiconductors. While it is still uncertain whether improvement of non-tariff barriers will be achieved, the United States has demanded liberalization of service trade. Furthermore, there is the troublesome fact that "the trade imbalance cannot be corrected bilaterally" (Inayama).

"The Americans are threatening to pass a 'reciprocity bill.' If they can do it, let them try. Could it be passed in Congress? If such a situation occurs, it will cause a big problem in the United States" (Sony Chairman Akio Morita). This kind of "defiance" or "hardline" attitude is comparatively common among Japanese businessmen. This may be a kind of shock therapy for the United States, but the problem is that even with this defiant attitude, it is necessary to look carefully not only at economic aspects but also at the intentions of the United States and the strategy of the Reagan administration.

We can speak of defense being entangled in the trade friction problem, but the problem cannot be solved under the simple formula espoused up to now of "either trade or defense."

Looking at Defense From the Viewpoint of Comprehensive Security

"On the basis of that dichotomy, if we expand defense spending to 1 percent of the GNP as requested by the United States, the trade friction should be eliminated" (Shun Ishihara, president of Nissan Motor).

The following scenario of the Reagan strategy has been discussed recently.

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"Reagan is taking a hard line against the Soviet Union on the surface, but behind the scenes, he is seeking to "shake hands" with the Soviets. A "new Yalta system" has been constructed which gives tacit approval to the situation in Poland. In other words, the objective is detente and world domination by the United States and the Soviet Union. If this could be done, the United States would not need to maintain the alliance relationship with Japan and the countries of the West. The Western alliance is more of a burden than not for the United States. The United States will return to the old Monroe Doctrine (isolationism)."

This scenario is just the theory of one American expert in Tokyo. However, there is plenty of corollary testimony to back it up. Seshima points out: "The Poland problem is a product of the Yalta agreement." Ishihara says: "The conflict between the United States and Europe and the uncomfortable relationship with Japan will force the United States to turn to isolationism for its own advantage." Also, according to the WASHINGTON POST: "Murmurs of isolationism are heard throughout America. Critical glances are being cast at our allies, West Germany and Japan. If West Germany and Japan do not do what they are asked, all of their products should be shut out of the U.S. market."

The Reagan administration is rebuilding a new Yalta structure and moving toward isolationism. According to the WALL STREET JOURNAL, the administration strategy corresponds to the mood of the U.S. Congress. "Japan's dependence on America for defense and its dependence on the American market should be eliminated." The isolationism of the United States is casting a shadow on the trade friction problem. This will have the effect of increasing the pressure on Japan to expand its defense capability.

Japan is entering a period where it must work to build diversified economic relationships and escape from dependence on America. At the same time, according to Inayama, it must seriously consider "defense capability from the viewpoint of Japan's own overall security."

[19 Feb 82 01]

[Text] Substance of Problems With the United States and Japan's Choice:
Economic Sector Consensus Should be Reflected in Government

The focus of concern in Japan-U.S. relations has moved to politics as well as economics. The results of a poll on "overall security" taken among influential business executives by the NIPPON KOGYO SHIMBUN (on 1 January) demonstrated that most executives think there is "a threat of invasion of Japan by another country." They also emphasize that "it is necessary to maintain friendly relations with the United States and raise defense spending to 1 or 2 percent of the GNP." However, because of financial difficulties and attacks from the opposition parties, it is hard to increase the defense capability, and the approach to Japan-U.S. relations tends to be restricted to trade problems. Irritation and anger at this Japanese attitude is spreading in the United States. We asked Assistant Professor Yahiro Nakagawa of Tsukuba University to comment on the situation in the United States and our country's future policy. Here are his remarks:

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Central Problem Is Defense

The present serious problems in Japan-U.S. relations can be said to constitute a crisis of catastrophic proportions. And the central problem is not economic friction. It is the U.S. anger (dissatisfaction is not the appropriate word) directed at Japan over the issue of defense.

Japan is trying to placate the United States by working only on the U.S. trade deficit with Japan, and it is attempting to alleviate that by only abolishing some non-tariff barriers.

However, the \$18-billion U.S. trade deficit with Japan is not nearly as serious as the defense problem. This was demonstrated by the contents of President Reagan's budget message, which was announced early, on 6 February. All Japanese newspapers as usual are fooling the people with a sense of victimization, saying that a share of the defense burden will be pushed on us. However, there is a danger, if Japan continues to refuse or fails to make an appropriate response, that the anger of the United States will result in "economic retaliation against Japan" and "military abandonment." Japan is facing its greatest crisis since the war.

U.S. Anger Is Real

Let us look at the ideas of Professor Lutowakku [phonetic] published in the WASHINGTON POST on 13 December 1981.

"The statement by Prime Minister Suzuki on keeping defense spending within 1 percent of the GNP (referring to a statement made in November 1981) was a final insulting reply to the United States."

"In order to rationalize the refusal to increase the defense capability, Prime Minister Suzuki is playing on the same team as the (anti-armament) opposition parties and the mass media."

"The time has come for the United States to deliver, politely, an ultimatum to Japan."

"This ultimatum should clearly include the retaliatory measures to be taken if it is not complied with."

Lutowakku [phonetic] is a scholar from Georgetown University who is well versed in Japanese affairs, but he was also a member of the Reagan administration transition team, and at present he is a consultant to the Department of Defense. This seems to be a hardline statement, at first glance, with its use of incredible words like "insulting," "ultimatum," and "retaliatory measures." However, it would probably be better to view it as representing the present thinking of the Department of Defense, which is "becoming the mainstream view within the United States Government."

For some reason, the Japanese press is not reporting the reality of this anger of the U.S. Government toward Japan.

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Do Japanese journalists think that this kind of argument is just the babbling of a few hardline scholars? Or do they think that if Japan makes concessions in the area of economic friction, things will work out all right?

This anger is a true response which is found throughout the government and among the people.

Caused by Prime Minister Suzuki

On 8 May last year, Prime Minister Suzuki signed a joint communique between Japan and the United States. It promised the United States and announced to the world that Japan would share a role in defense of the Northwestern Pacific (from several to 1,000 nautical miles out from Japan) in order to defend the peace of the free world against the threat of the Soviet Union.

In short, Japan made an agreement, in effect, to totally revise the Defense Guidelines (determined in 1976) and break the barrier of 1 percent of the GNP in defense spending.

This is because defense expenditures of at least 1.5-1.8 percent of the GNP are necessary for defense of the sea and air around Japan. However, although 10 months have passed since then, Japan has not carried out this international agreement. Rather, it has continued to hold firm to the "Defense Guidelines" and to the limit of 1 percent of the GNP.

There could be no failure to carry out an agreement which shows more rudeness toward the other party to the agreement. Is it not reasonable for the U.S. Government to take this as an insulting response?

That is not all. The prime minister of this country did not even make public this "joint communique," an international agreement which he signed himself. In practice, he denied it soon afterward. This action has injured the international credibility of Japan and even placed the existence of our reliance on peace in danger.

Understanding of U.S. Problems

Since the shah of Iran was deposed in January 1979, the United States has been making an all-out effort to undertake a new burden of maintaining a large-scale military presence in the Middle East.

Also, in order to restore the balance of naval power and strategic nuclear force which is fundamental to the overall military balance, the U.S. per capita expenditure is nine times the Japanese defense expenditure (from taxes). Today's Japanese cannot even imagine what a great burden this is under an unprecedented recession with 10 percent unemployment.

Most of Japan's raw materials are imported from the United States or from the military allies of the United States. And Japanese products are being exported to the United States and its military allies. Are the Japanese aware of this at all?

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Also, the freedom and safety of the export and import ships that make this trade possible are supported by American naval power (American taxes), but the Japanese do not seem to feel any obligation.

The actual economic livelihood of Japan could be maintained even if it broke off relations with the communist bloc, but it would be impossible for even 1 day without the United States.

Responsibility to the Free World

Furthermore, the Soviet Union in the 1980's has the capability for military deployment on three fronts, Europe, the Middle East, and the Far East, and has clearly demonstrated its ambition for territorial expansion. In this situation, the United States is exerting its strength to expand its military force even though there is a huge deficit in the national finances.

The Far East or the Western Pacific must be made the responsibility of Japan, or at least the joint responsibility of Japan and the United States.

From the 1980's on, the peace and existence of the free world must be maintained by the tripartite alliance of the United States, Western Europe, and Japan. In brief, as a choice for Japan, there is no room to consider anything other than this.

Therefore, if Japan denies this minimum military role for world peace, the military balance of East and West will break down, and there is a very high probability that a large-scale war will break out. And this will be the end of "Japan, the major economic power."

Establishment of Autonomous System Primary Consideration

I previously mentioned that the anger of the United States toward Japan can only have the chilling result of "military abandonment." Because of the avoidance of a direct battle between the United States and the Soviet Union, Japan is negligent and fails to understand the seriousness of the situation. It would be the end of Japan if the United States decided that it would be better to throw Japan to the Soviet Union than to spend its strength in our defense.

"The world will not move in accordance with the domestic affairs of Japan." Naturally, with a response that does not show an understanding of this fact, we cannot avoid a crisis.

In order to restore relations of friendship and trust between the United States and Japan, the first consideration is the military problem of Japan's international role. In other words we must take a clear position and carry out policies of defending our country by ourselves.

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SCIENCE AND TECHNOLOGY

TECHNOLOGY COOPERATION WITH U.S. TO BE STRENGTHENED

Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Mar 82 p 1

[Text]

There are prospects that the co-operative structure between Japan and the US will be strengthened greatly in the field of development of high ultra-modern technology, including 5th-generation computers and biotechnology. In regard to high-level ultra-modern technology, which is one of the focal points of the Japan-US trade friction, MITI on the 29th formulated concrete measures for over-all technological exchange between Japan and the US and for the opening of the market, with the following items as the contents: (1) US enterprises' participation in Government-aided projects; (2) promotion of investments and technological exchange between Japan and the US; and (3) complementary development through the sharing of roles between Japan and the US. The Ministry will soon propose to the US Government the establishment of a working group to realize these measures, and Japan and the US will jointly start checking into the details. High-level ultra-modern technology is a field where rapid growth of the market is expected. As the US is strengthening its criticism against Japan's closed research and development structure, and as this may become a cause of trade friction in the future, MITI wants to prevent friction in advance by strengthening the co-operation between the two nations.

Opening of high-level ultra-modern technology is a big pillar among the "14 items of interest" to the US Government. In this field, represented by computers, biotechnology, etc., the US side has an advantage at present. However, the US side fears that if the Japanese market is left closed, the advantage of the US side will be lost due to further technological progress in Japan, and that there will appear a field which will repeat the failure of automobiles.

Therefore, at the Japan-US Trade Sub-Committee meeting held in early March, the US side requested of the Japanese Government the following four points: (1) Stopping Buy Japanese, including the Government's preferential procurement of home-produced products; (2) treating foreign capital-affiliated enterprises and domestic enterprises on equal terms in such fields as the tax system; (3) having foreign capital-affiliated enterprises participate in Government-aided projects; and (4) not hindering the results of technological development by Japanese enterprises from being given to US enterprises.

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The policy of MITI is to respond to these requests by the US side in a positive way. First of all, International Trade and Industry Councillor KURIHARA, who is to visit the US in the middle of April, will propose the establishment of a working group to discuss high-level ultra-modern technology between Japan and the US. This group will grasp the present situation of investments and technological exchange between Japan and the US and thereupon check into concrete measures to create a co-operative structure for the future. It is said that the US is advanced in development in the fields of basic technology and software, and that Japan exceeds the US in the fields of production technology and quality control. MITI wants to aim at creating a structure to complement these favored fields between Japan and the US.

In regard to the development of 5th-generation computers, the Ministry will propose to the US side the holding of a symposium to exchange research results between Japan and the US. As to the payment of Government subsidies to US enterprises, which payment the US side is seeking strongly, too, the Ministry is planning to explain that "If US-affiliated enterprises make applications, they will be treated in the same way as Japanese enterprises."

Furthermore, the Ministry will show the posture of checking into the lowering of tariff rates to push the opening of the computer market. MITI intends to seek that the US side also lower the tariff rate on computers in co-ordination with Japan's lowering of the tariff rate. It judges that it is necessary for both Japan and the US to tackle the opening of the computer market.

MITI has decided to announce the posture of Japan-US co-operation by tackling the opening of the field of high-level ultra-modern technology in a positive way, in response to the request of the US side, because it judged that "To eliminate the Japan-US trade friction, it is indispensable to open the markets for the items in which the US side is interested." Also, the Ministry thinks that not only meeting the request of the US side but also co-operating with the US side in a forward-looking way will be effective in settling the Japan-US trade problem, which has become so serious that it cannot be settled only by piling up individual items. MITI's having begun to show the posture of responding to the elimination of the friction in a positive way by such means as opening high-level ultra-modern technology will have effects also on the Agriculture-Forestry-Fisheries Ministry, which is negative about the opening of agricultural products.

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SCIENCE AND TECHNOLOGY

MITI APPROVES U.S. PARTICIPATION IN 5TH GENERATION COMPUTERS

Tokyo NIKKEI SANGYO SHIMBUN in Japanese 6 Apr 82 p 1

[Text]

In response to the Government's having decided on a general framework for measures to open the market, MITI firmed up the policy of approving US enterprises' participation in the "plan for the development of 5th-generation computers," and it has started studies on the creation of a concrete setup to receive them. The Ministry will soon inaugurate a "New-Generation Computer Technology Development Organization," a foundation, as the mother-body to promote the development plan. It intends to check into the contents of the setup to receive US enterprises, centering on the organization of that Organization, its sharing as to development, etc. MITI, expecting that opening the doors for the development of ultra-modern computer technology will be a conclusive factor for the settlement of the present trade friction with the US, together with the liberalization of agricultural products, etc., intends to have Councillor KURIHARA, who is to visit the US within April, sound out the reaction of the US Government.

The 5th-generation computer development plan is a joint project by the Government and private circles, designed to develop the newest computer having the function of dealing with languages, letters, and diagrams which cannot be dealt with by the existing computers, and put it into practical use within the 1990's.

So far, the US Government has not concretely sought approval for US enterprises' participation in this development plan, in its request to Japan for opening the market for ultra-modern technology. However, the US side criticized Japan's measures to foster ultra-modern technology with the concerted efforts of the Government and private circles, which measures Japan showed as to the research and development of VLSI's (very large-scale integrated circuits), saying that they are subsidized by the Government. Also, it has strongly hinted at an intention to the effect that having US enterprises join in the Government-private joint project for 5th-generation computers, following the development of VLSI's, will become a pillar for the opening of the market for ultra-modern technology. In response to this, MITI has started forward-looking studies as to in what form US enterprises can be received in case of having them participate.

In concrete terms, the Ministry will explore an optimum development structure in case of US enterprises' participation, with the following three items as pillars: (1) Organization to steer the "New-Generation Computer Technology Development Organization" (Fujitsu President Takatomi YAMAMOTO informally designated as Chief Director); (2) the contents of actual sharing of development; and (3) who is to have the right concerning the results of development. Especially, MITI is planning to develop three functions -- (1) disposition of inference, (2) a knowledge base, and (3) an intellectual interface -- as themes for research and development for the three years from fiscal 1982. It will cautiously check into how to share the contents of research and development with US enterprises.

Also, the possibility is strong that the above-mentioned Organization, which is to be formed with domestic computer manufacturers as main constituents, will be limited strictly to a body to steer the development plan, and that actual research and development will be pushed by separately establishing a "Joint Research Association," like in the case of the development of VLSI's. What to do about the form of US enterprises' participation in this Association is also one of the subjects of study by the Ministry.

In the background of MITI's having begun to move to open the doors for the development of 5th-generation computers, there is also the fact that various domestic computer companies have changed rather to a forward-looking posture in "taking in" US IBM. IBM is changing to the strategy of waging an offensive against Japan with products which are not interchangeable with Japanese products. Among various domestic companies, there has arisen a voice saying that it is wiser to push the development of new-generation computers jointly with IBM and aim at obtaining IBM's knowhow.

However, there are not a few people who wonder if US IBM will think of participating in the development of "5th-generation computers" in real earnest, even if MITI approves US enterprises' participation. Also, there remains a problem of how to co-ordinate the participation of three European countries which are showing interest in the plan -- Britain, West Germany, and France -- and the participation of US enterprises.

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SCIENCE AND TECHNOLOGY

TARIFF RATE ON COMPUTERS LOWERED TO 4.9 PERCENT

Tokyo NIHON KEIZAI SHIMBUN in Japanese 9 Apr 82 p 1

[Text]

MITI on the 8th firmed up the policy of lowering the tariff rate (7% at present) on computers (proper) to the US level (4.9%) in fiscal 1983, to avoid the trade friction with the US and the EC. Japan's tariff rate on computers is scheduled to be gradually lowered to 4.9 percent by 1987, through the agreement at the Tokyo Round (multilateral trade negotiations). However, it will be lowered ahead of schedule, at one shot. As to the tariff rate on peripheral units (10.3% at present), too, the Ministry is checking into lowering it to the level (6%) of agreement at the Tokyo Round, in fiscal 1983. On the Japanese computer market, foreign products hold a share of about 50 percent. However, MITI wants to make the lowering of the tariff rate on computers a star item of its comprehensive market-opening measures, which will be formulated in early May.

On the lowering of the tariff rate on computers, which are one of the items in which the US side is greatly interested, MITI at first intended to check into it, on the premise of the US side's lowering its rate. However, it is strengthening the judgment that in order to eliminate the Japan-US trade friction which is becoming serious, it is necessary to have drastic market-opening measures run ahead, without waiting for US moves. When ITI Minister ABE called on Prime Minister SUZUKI and discussed comprehensive measures to open the market, they are said to have agreed to conduct studies in the direction of lowering the tariff rate on computers. Thus, the Ministry has firmed up a policy for Japan's lowering the tariff rate on computers even independently.

The US and EC sides' requests to Japan for opening the market include the liberalization of such agricultural products as beef and oranges, the lowering of the tariff rates on cookies, chocolate, and whisky, and also the opening of the service sector including financing and insurance. In

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Japan, however, there is strong opposition to the liberalization of imports of agricultural products and the lowering of the tariff rates on cookies, whisky, etc. MITI is taking the posture of strongly pressing the Ministries and Agencies concerned, such as the Agriculture-Forestry-Fisheries Ministry, to liberalize the import of agricultural products and lower the tariff rates, by carrying out the lowering of the tariff rate on computers, which are a star item.

The tariff rate on computers proper was lowered from 9.1 to 7 percent, and the rate on peripheral units -- from 14.6 to 10.3 percent, effective from April 1. This is because the Government decided, at the end of November last year, to carry out a gradual tariff reduction, based on the agreement at the Tokyo Round, from April 1, 1982, two years ahead of schedule. Still, the tariff rate is higher than that in the US (4.9% on computers proper), and the US side is requesting that the tariff rate be lowered further. Therefore, the Ministry will lower the tariff rate on computers proper to the final level (4.9%; scheduled to be carried out on April 1, 1987), agreed upon at the Tokyo Round, for the time being.

In regard to peripheral units, too, the Ministry will check into lowering the tariff rate to the final level (scheduled to be carried out on April 1, 1987; 6%; 4.5% in the case of the US) which was agreed upon at the Tokyo Round. Considering computers proper differently from peripheral units is due to the fact that Japanese manufacturers' competitive power is weak as to peripheral units, compared with computers proper, and that the US side's interest in such units is not so strong.

According to the agreement at the Tokyo Round, the US side is supposed to lower the tariff rate on computers proper to 3.9 percent, and on peripheral units to 3.7 percent by 1987. MITI wants to have the US side, too, lower the tariff rate on computers ahead of schedule, if possible, by taking the measures this time.

On the Japanese computer market, especially on the large-size computer market, IBM Japan, a subsidiary of IBM, is proud of its overwhelming share. Therefore, the products of foreign capital-affiliated manufacturers including this company, and the products imported by these companies, hold a share of about 50 percent. Also, the trends of exports and imports of computers in 1981 (based on surveys by the Finance Ministry) show that exports amounted to ¥198,500 million and imports to ¥213,200 million, showing that the imports exceeded the exports. Moreover, with the tariff reduction from April 1 as an opportunity, foreign capital-affiliated computer enterprises other than IBM Japan, which have so far been obscure, are showing moves to roll back on the Japanese market.

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Therefore, it is expected that Japanese computer manufacturers including Fujitsu will strongly repulse MITI's policy. However, partly because the semi-conductors of Japanese computer manufacturers are sweeping the US market, and because the US Department of Commerce is conducting investigations as to whether or not to invoke the national security clause in regard to 64-kilobit RAM's, many people view that they will inevitably have to accept MITI's policy, in the end.

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SCIENCE AND TECHNOLOGY

FRICION WITH USSR OVER COMMUNICATIONS SATELLITE NOTED

Tokyo YOMIURI SHIMBUN in Japanese 9 Apr 82 p 3

[Text]

The problem that Japan is conducting a heated controversy with the Soviet Union over the stationary orbit for the "CS-2a," Japan's first practical stationary communications satellite, which Japan is scheduled to launch in February next year (already reported in the evening edition of the YOMIURI on the 3rd), was taken up at the LDP Space Development Special Committee (Chairman: Taro NAKAYAMA) meeting, which was held on the 8th.

At the meeting that day, the following problem was brought forward: "This is the first time I have heard that the Soviet Union has wedged itself into the stationary orbit over the equator at 130 degrees east longitude. What is the situation?" Government leaders of the Postal Services Ministry, the Foreign Ministry, the Science and Technology Agency, etc., who were present as observers, explained the circumstances where the Soviet Union requested Japan to shift the position where the "CS-2a" is to be stationed. Also, they explained that the problem is being co-ordinated between Japan and the Soviet Union on the basis of the procedures stipulated at the International Tele-Communications Union (ITU).

Also, a Postal Services Ministry leader answered on the schedule for launching the satellite as follows: "If February is missed, the satellite will have to be launched in August. As there will arise various problems including the quality assurance of equipment, we want to push co-ordination strictly along the line of launching it in February."

As the problem is connected with Japan's space development plan as a whole, the said Committee eventually decided to watch the co-ordination negotiations between the Governments of the two countries with serious interest, and seek that the Government report on the progress of the negotiations at all times.

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SCIENCE AND TECHNOLOGY

TRANSLATION SYSTEM TO BE ESTABLISHED, 'DICTIONARY' PROMOTED

Tokyo NIHON KOGYO SHIMBUN in Japanese 31 Mar 82 p.1

[Text]

In order to promote the "internationalization" of the Japanese people who are weak in linguistics, the Science and Technology Agency has decided to launch into the development of a simple-type translation system which will be capable of handling about ten times as many words as in the case of an already existing trial-produced machine. This will be an English-Japanese and Japanese-English electronic computer system, under which translation will be carried out mechanically to the extent of 70% to 80% or so, while revision and complete translation will be carried out as to the remaining percentage, unlike the case of a full-translation machine which is desired in connection with large-scale projects. As regards hardware, an already existing computer ("M-200" produced by Fujitsu) will be used, and it will also merge with a "terminology dictionary" containing 500,000 to 600,000 words. The work of development will be entrusted to the Japan Information Center of Science and Technology (JICST) and the Industrial Science and Technology Board and the Electronic Technology Overall Research Institute. Moreover, the Agency plans to disburse about ¥1.5 billion out of its scientific and technological promotion funds and to complete the proposed development within three years. It also plans to promote the nation-wide use [of the new system] through the utilization of on-line scientific and technological information services (JOIS) by JICST.

It is said that internationalization is lagging behind, because there are language barriers. These barriers are not only making ordinary personnel exchange negative but are also weakening researchers' capability for the international exchange of information.

Recently, there is also an increasing number of researchers who write their research treatises in the English language. However, only one-third or so of the domestic treatises, the annual average number of which is said to be 300,000, are translated into English.

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This fact is recently tending to be rather criticized by Europe and the US. It is said that on the international arena, Japan should make public the results of its research, and that Japan should abandon its exclusionism and open its market also in regard to treatises.

Setting its eyes on this situation, [the Science and Technology Agency], in connection with the Industrial Science and Technology Board's large-scale "super-computer" development project, plans to make it have the function of being capable of carrying out English-Japanese translation, besides that of conducting scientific and technological calculations. Thus, moves for the development of translation machines are also becoming more vigorous.

At present, however, all plans aim at "complete" translation which will not at all require any human hands; therefore, development is difficult. A long period of about ten years is needed.

As can be seen also in the fact that the Science and Technology Agency is aiming at realizing practical use within three years, its purpose is to develop a system which can be used right now. In regard to the concrete contents, the Agency has decided to conduct final studies on them through a "committee for promoting research on a spot report system concerning overseas scientific and technological documents" (to be composed of ten some-odd persons) which will be set up in the near future. Fundamentally, it has been decided that the Electronic Technology Overall Research Institute will develop various kinds of software, with the M-200, which it has, as the CPU, and have them merge with a scientific-terminology dictionary which will be developed by JICST, and which will use magnetic disks.

As for the target performance, [the Science and Technology Agency] is considering [a system] which will be capable of mechanically carrying out the Japanese-English or English-Japanese translation of various kinds of scientific treatise abstracts on the level of 70% to 80%.

It is said that the present average fee level as to the translation of treatises into English is as much as ¥4,000 per case. [The Science and Technology Agency] is aiming to enable users throughout the country to use the proposed system at lower cost through the utilization of JICST's JOIS. It is expected that the time of translation will also be shortened to below one-tenth of the present level.

The research project is scheduled to be started even by around the middle of May.

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SCIENCE AND TECHNOLOGY

COMMUNICATION COMMITTEE TO COPE WITH ULTRA-MODERN TECHNOLOGY

Tokyo NIHON KOGYO SHIMBUN in Japanese 13 Apr 82 p 2

[Text]

In the US Congress, there are growing moves to introduce a mutuality clause covering Japan, Europe, etc., to push the opening of the market in the high-level ultra-modern technological field including semi-conductors, communications machinery, and computers. According to what was revealed by a source concerned on the 12th, MITI has recently directed important organizations concerned including the Communications Machinery Industry Association (Chairman: Hitachi President Katsushige MITA), the Electronic Machinery Industry Association (Chairman: Mitsubishi Electric Machinery Board Chairman Sadakatsu SHINDO), and the Electronic Industry Promotion Association (Chairman: Mitsubishi Electric Machinery President Nihachiro KATAYAMA) to check into responses to these moves. On that occasion, MITI directed them, aside from measures to open the market, to check also into responses to be made in case the US seeks Japanese industry circles' co-operation in the future in the development of ultra-modern technology. Therefore, ways of Japan-US co-operation on high technology on an industry circle basis will be taken up on a large scale in the future.

A meeting between the Communications Machinery Industry Association and MITI was held on the 7th. From the Industry Association, members on the Engineering Department Manager level of four companies -- Hitachi, NEC, Fujitsu, and Oki Electric -- attended the meeting, in addition to the Secretariat leaders. At this meeting, MITI reported on the recent moves of the US Government, Congress, and industry circles over high-level ultra-modern technology, and emphasized that in the US, both the Government and private circles are "sensitive" to the field of high-level ultra-modern technology.

The US has for some time past been saying that various foreign countries including Japan have barriers in terms of tariffs and NTB's (non-tariff barriers) in the field of high-level ultra-modern technology. Thus, it is requesting that they open their markets on the level of the US. It is pointed out that such moves are linked to the introduction of the mutuality clause in the US Congress into the field of high-level ultra-modern technology.

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In the case of Japan in particular, its high-level ultra-modern technological field includes many items which are superior to those in the US, and it is said that US industry circles strongly intend to carry out technological exchange with Japan in this field. It is pointed out that this is the background of the introduction of the mutuality clause.

It is viewed that for such reasons, MITI conveyed its intention to the main organizations concerned and directed them to explore responses. The Communications Machinery Industry Association will explore concrete measures by establishing a "High-Level Ultra-Modern Technology Measures Committee" (tentative name) within this month. Thus, various industry circles have started actions on an "Industry Association basis." In this situation, various industry circles are scheduled to make general reviews of measures to open the market, the present situation of technological development, etc., and then explore such matters as what Japan-US technological co-operation should be. It is expected that Japan-US co-operation in the field of high-level ultra-modern technology will progress, with this as an occasion. However, the US is expressing dissatisfaction with the fact that the Government is pushing basic studies on Japan's high-level ultra-modern technology under the Japan, Inc. formula by giving "subsidies. It is viewed as unavoidable for Japan to be pressed for some response or other on such points, too. It is expected that arguments will mount between Japan and the US over what this field should be.

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SCIENCE AND TECHNOLOGY

REVISION, ABOLISHMENT OF 355 LAWS APPROVED

Tokyo NIHON KEIZAI SHIMBUN in Japanese 19 Mar 82 pp 1, 3

[Text]

The Government, at a Cabinet meeting held on the 19th, decided on a permission and approval one-package readjustment bill (administrative tasks simplification and rationalization bill). The purpose of the bill is to materialize the second recommendation formulated by the Second Provisional Administrative Affairs Research Council (Chairman: Toshio DOKO). This is the second package bill concerning the Research Council's recommendation, after the Administrative Reform-Connected Special Exceptions Law. It includes the permission and approval readjustment bill, drawn up separately from the Research Council's recommendation, and also the laws and ordinances readjustment bills shelved at the previous Diet session. It calls for dealing with the revising or abolishing of a total of 355 laws on a one-package basis.

The second recommendation calls for the readjustment of 24 items which require permission or approval. In order to carry it out, it is necessary to revise 17 laws. The Road Vehicle and Transportation Law revision bill for the purpose of extending the period between regular intervals for the inspection of automobiles and the Radio Waves Law revision bill calling for abolition of the license [system] for the establishment of citizens' bands (a kind of transceiver) have become single, independent legislation, in view of the purports of the respective Laws and because of the problem of legislative techniques. Therefore, the package bill covers 15 laws, including a Passport Law revision [bill] calling for expansion of the scope of applications by proxy for the issuance of passports and a Public Tele-Communications Law revision bill which will generally liberalize the use of data communications circuits.

In regard to the readjustment of permission and approval, the 1,147-case readjustment plan, on which the Administrative Management Agency, from its own standpoint, has been carrying out co-ordination with various other Ministries, has been formulated, besides another plan based on the Research Council's recommendation. Eight laws, including a Monopoly Law revision [bill] calling for extending the period for the

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designation of tobacco and salt retailers, have been added to it. Moreover, the laws and ordinances readjustment bills for the purpose of abolishing laws, which exist in form only, and which have become unnecessary, have been unified, too. In this connection, there are 332 laws excluding those which are overlapped. Therefore, the revising or abolishing of a total of 355 laws will be handled on a one-package basis.

At the very beginning, the Administrative Management Agency had planned to have [the package bill] decided by the Cabinet by the 12th. But co-ordination between the Postal Services Ministry and MITI on the liberalizing of data communications had hard sailing, and [the reaching of a decision] slid into the 19th. The bill will be submitted to the Diet even on the 23rd. Deliberations will be conducted at the Cabinet Committee, because the Administrative Reform Special Committee has not been set up, as in the case of the previous Diet session.

Gist of Permission and Approval Readjustment Bill

Following is the gist of the permission and approval one-package readjustment bill decided at the Cabinet meeting on the 19th:

Fair Trade Commission: Paragraph 2, Article 6 of the Anti-Monopoly Law: In regard to the kinds of agreements or contracts (such as contracts for borrowing of money and loaning of money), which, it is thought, will hardly raise any problems, from the standpoint of the Anti-Monopoly Law, the submitting of reports shall be made unnecessary.

National Public Security Commission: Paragraph 3, Article 2 of the Law Concerning Control over Business Which May Affect Public Morality: The period of renewal as to the licenses for the operation of game centers, such as pin-ball houses and mah-jong parlors, shall be extended from the present six months to one year.

Administrative Management Agency: Paragraph 2, Article 10 of the Statistics Law: With regard to statistics superintendents, a part (stationing of statistics superintendents in cities, towns, and villages) of the established restrictions shall be abolished.

Foreign Ministry: Article 3 of the Passport Law: In applying for the issuance of a passport, when the application is submitted through the spouse of the applicant or through a relative within the second degree of consanguinity, the application shall be accepted in case the submitting of an application is not regarded as being difficult, for unavoidable reasons.

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Finance Ministry: (1) Paragraph 1, Article 32 of the Tobacco Monopoly Law: The period of designation as to retailers of manufactured tobacco shall be extended from the present within three years to within five years.

(2) Paragraph, Article 65 of the same Law: With regard to appliances in the appliances and machinery for the production of manufactured tobacco, there shall be no need to obtain approval, for example, in the case of their being manufactured.

(3) Paragraph 1, Article 26 of the Salt Monopoly Law: The period of designation as to salt sellers shall be extended from the present within three years to within five years.

(4) Article 17 of the Sugar Consumption Tax Law: As regards the clarification of tax exemption as to the transfer of sugar, etc., without paying taxes, it shall be clarified only when this is deemed particularly necessary, from the standpoint of securing taxes.

(5) Paragraph 3, Article 8 of the Playing-Card Tax, Etc., Law: In connection with playing-cards, etc., to be used as samples, [the system for obtaining] the tax office superintendent's or the customs-house superintendent's approval for exemption from the application of the Law shall be abolished.

(6) Article 14 of the Petroleum Gas Tax Law: The tax-exemption clarification system shall be abolished, in regard to the imposition of a tax on petroleum gas concerning the tax-free transfer thereof.

(7) Article 104 of the National Tax-Collection Law: In connection with the public sales of real estate, etc., persons, who make the second highest-priced bid, after the highest-priced bid, shall be designated as "applicants for buying it at the second highest price," and when the decision on sales to the highest-price bidder is withdrawn, sale to the "applicant for buying it at the second highest price" can be decided, instead of carrying out re-sales, and necessary procedures can continue to be taken as they are, after that.

Education Ministry: (1) Paragraph 3, Article 45 of the School Education Law: In regard to the granting of permission by prefectural boards of education for the establishment or abolition of senior high schools which have curricula based on a wide-area correspondence system, the obtaining of the Education Minister's approval shall read the submitting of reports.

(2) Article 9-2 of the Social Education Law: As regards assistant superintendents concerning social education, the established restrictions shall be abolished.

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Welfare Ministry: (1) Article 20 of the Welfare Ministry Establishment Law: Quarantine stations can be forced to carry out inspection or guidance in regard to the imports of foodstuffs, additives, appliances, containers and packing materials, etc., which are put on sale, or which are used for business.

(2) Article 8 of the Public Health Center Law: The Welfare Minister's approval shall be abolished in the case of using such words as to mean public health centers, in the name of facilities other than public health centers.

(3) Paragraph 2, Article 1 of the "Trachoma" Prevention Law: The system shall be abolished under which doctors will submit reports to the public health center directors concerned when they conduct check-ups on cases of trachoma.

(4) Article 5 of the same Law: The established restrictions shall be abolished as to facilities concerning the prevention of trachoma and medical treatment.

(5) Article 4 of the Helminthiasis Prevention Law: The established restrictions shall be abolished with regard to facilities concerning the prevention of and medical treatment for helminthiasis.

(6) Paragraphs 1 and 2, Article 16 of the Venereal Disease Prevention Law: The established restrictions shall be abolished in regard to hospitals or clinics for conducting checkups on venereal disease.

(7) Paragraph 5, Article 2 of the Law Concerning Masseurs, Chiropractors, Acupuncturists, Moxa-cauterists, and Others: Examiners for the license to become massager-chiropractors, acupuncturists, or moxa-cauterists shall be unified with those for the license to become judo adjusters.

(8) Article 3-3 of the same Law: In connection with massager-chiropractors, acupuncturists, and moxa-cauterists, the system of reporting on (changes) in their addresses shall be abolished.

(9) Paragraph 3, Article 6 of the Physicians Law: The annual report system shall be reformed, and reports shall be submitted once every two years.

(10) Article 14 of the Law Concerning Medical Radiation-Rays Technicians and Medical X-Ray Technicians: In regard to medical X-ray technicians, the system of reporting on changes in their addresses shall be abolished.

(11) Article 7 of the Judo Adjusters Law: With regard to judo adjusters, the system of reporting on (changes) in their addresses shall be abolished.

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(12) Paragraph 1, Article 11 of the same Law: Examiners for the license to become judo adjusters shall be unified with those for the license massager-chiropractors, acupuncturists, or moxa-cauterists.

(13) Paragraph 3, Article 6 of the Dentists Law: The annual report system shall be changed, and reports shall be submitted once every two years.

(14) Paragraph 3, Article 7 of the Dental Hygienists Law: The annual report system shall be changed, and reports shall be submitted once every two years.

(15) Paragraph 3, Article 7 of the Dental Technicians Law: The annual report system shall be changed, and reports shall be submitted once every two years.

(16) Article 33 of the Law Concerning Health Nurses, Midwives, and Nurses: The annual report system shall be changed, and reports shall be submitted once every two years.

(17) Article 9 of the Pharmaceutists Law: The annual report system shall be changed, and reports should be submitted once every two years.

Agriculture-Forestry-Fisheries Ministry: (1) Fertilizer Control Law: The established restrictions shall be abolished as to fertilizer inspectors.

(2) Article 21 of the Veterinarians Law: The annual report system shall be changed, and reports shall be submitted once every two years.

MITI: (1) Paragraph 1, Article 14 of the High-Pressure Gas Control Law: In connection with changes in the manufacturing facilities of the Group A manufacturers, approval shall be shifted to reporting, with regard to small-scale changes which will raise no particular problem, from the standpoint of safety.

(2) Paragraph 3, Article 14 of the same Law: In connection with changes in the manufacturing facilities of the Group B manufacturers, there shall be no need to submit reports, with regard to small-scale changes which will pose no particular problem, from the standpoint of safety.

(3) Article 181-8 of the Measuring Law: The validity term of designation as to special-container manufacturers shall be extended from the present three years to five years.

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(4) Article 6 of the Electric Repair Work Personnel Law: The established restrictions shall be abolished, with regard to examiners for the license to become electric repair work personnel.

Transportation Ministry: Article 99 of the Road Transportation Law: The scope of trucks for private use, to be reported to the Transportation Minister in connection with the use thereof, shall be limited to trucks the maximum loading capacity of which exceeds the tonnage prescribed by the Transportation Ministry Ordinance.

Postal Services Ministry: Article 55 of the Public Tele-Communications Law: The connection of computers to computers, which connection has not been approved so far, shall be approved under certain fixed conditions, and the establishment of diversified data communications shall be made possible through the mutual connection of computers. The connection of public communications circuits and specific communications circuits, which connection will only be approved under an individual approval system, shall be liberalized. The public-specific-public connection, which has not been approved up until now, shall also be made possible under an individual approval system.

Construction Ministry: Regulations Attached to the Architects Law: The selection system shall be abolished under which one can obtain an architect's license even if one does not undergo examinations for becoming an architect.

Autonomy Ministry: Article 13-4 of the Fire Defense Law: The established restrictions shall be abolished, with regard to examiners for the license to become personnel who handle dangerous objects.

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SCIENCE AND TECHNOLOGY

MITI, POSTAL SERVICE HEAD FOR 'SECOND ROUND' OVER COMMUNICATIONS

Tokyo MAINICHI SHIMBUN in Japanese 20 Mar 82 p 9

[Text]

A Public Tele-Communications Law revision bill for the purpose of "liberalizing data communications," over which confusion had been continuing between MITI and the Postal Services Ministry since the autumn of last year, was drawn up through the mediation of the LDP, and it was decided at a Cabinet meeting held on the 19th. It is expected to be submitted to the current Diet session.

Data communications mean networks for tele-communications to be established through the use of circuits of the Nippon Telegraph and Telephone Public Corporation (NTT). At present, they are being used for on-line systems, including banks' cash cards and the National Railways' "Green (TN: First Class Ticket) Windows." There are many restrictions on the use of such communications circuits; therefore, industrial circles have from before been requesting the liberalization thereof. Moreover, the Provisional Administrative Affairs Research Council also called for the liberalization of data communications. That is why the Postal Services Ministry finally started to take action and drew up its Public Tele-Communications Law Revision Bill, including the liberalization of the processing of on-line information.

However, in regard to the proposed liberalization, how far the communications circuits should be liberalized, is a major problem. On that point, controversy has been continued between the Postal Services Ministry and MITI, during a long period of more than six months.

From the viewpoint of outsiders, the contents of the controversy between the two Ministries are very difficult to understand, partly because they contain technical terminology. In the final analysis, however, the problem can be boiled down to the point of whether [the Government] should approve the free use of circuits by private circles through the liberalization thereof to the greatest possible extent, as called for by MITI, in order to cope with the development of information-processing services, or whether the contents should have a strong restrictive coloring, with importance attached to the public-utility nature, as proposed by the Postal Services Ministry.

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In other words, the stand of MITI is as follows: "The Postal Services Ministry's plan envisages too many restrictions and limitations, even while calling for liberalization. It is very far removed also from the Provisional Administrative Affairs Research Council's recommendation calling for the adoption of a negative-list formula (under which liberalization will be carried out as a general principle, while the scope of restrictions will be clarified to the minimum necessary extent)."

The contents of the Revision Bill, agreed upon between the two Ministries this time, use such expressions as "it shall be based on the spirit of administrative reform." When viewed as a whole, the direction of liberalization has been clarified. Also, in regard to use by others (which means that for the sake of enterprises which cannot have their own computers, information-processing enterprisers will lease circuits from NTT and sub-lease them to such medium and small enterprises through the establishment of an on-line system) who are medium and small enterprisers, which use was regarded as a problem pending between the two Ministries, it will be approved under certain fixed conditions. Thus, the direction of liberalizing communications circuits has been generally clarified. A MITI leader also emphasized the "general achievement," saying as follows: "This marks one step forward." "I myself will rate it at 70 points or so."

However, when one carefully views the contents of the agreement, one will find that they are "ambiguous." For example, in connection with use by others, they call for the imposition of such restrictions as "it shall be limited to use by medium and small enterprisers who have close business connections," or "under certain fixed conditions." The contents of these restrictions are vague, and it will also become possible to strengthen the restrictive coloring through the establishment of a Ministry ordinance. Moreover, the expression "it shall be based on the spirit of administrative reform" shows the direction of permitting liberalization, but the degree will depend largely on the completely subjective judgment to be formed. As regards use by others, the agreement between the two Ministries this time only takes the form of a provisional step, to the last.

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When the agreement this time is likened to a meal, this can also be said to be a situation whereby the kinds and size of tableware have been decided, but whereby it is still not clear what kind of food will be served. Therefore, in regard to the revising of the Postal Services Ministry Ordinance for the purpose of deciding on the detailed contents of the agreement, a vigorous exchange of words is expected to be carried out between the Postal Services Ministry, which wants to carry it out, from its own basic standpoint, and MITI, which wants to promote the proposed liberalization, as far as possible, even during the current Diet session. Also, in regard to the final settlement of the problem of liberalizing data communications, which settlement, it is said, will be secured within the next one year, the second round of fierce offensive and defensive battles will probably be continued between the Postal Services Ministry, which thinks it necessary to enact a new law which will recognize the State's right to grant approval and permission, and MITI which regards such a new law as unnecessary.

(By reporter Shigeki MORI)

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SCIENCE AND TECHNOLOGY

INDUSTRY STARTS PREPARATIONS FOR DATA COMMUNICATIONS ROLE

Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Mar 82 p 1

[Text]

The Government, at a Cabinet meeting held on the 19th, decided on a "permission and approval one-package readjustment bill" which incorporates a revision of the Public Tele-Communications Law for the purpose of liberalizing data communications. The bill will be submitted to the current Diet session. Big users and suppliers as to the data communications system have already started to move simultaneously to provide for the proposed liberalization. The "Mitsubishi CC Research Council," composed of 14 major companies which are affiliated with the Mitsubishi group, has inaugurated two experts committees concerning communications technology and estimation of demand. Fujitsu FIP (with its Head Office in Tokyo [President: Heiji KIDA; capital: ¥240 million), a big information-processing services company, has also inaugurated a "Data Communications Circuits Project Team" within that company. Moves for connecting the effective use of data communications with a new business chance will probably be accelerated.

The "Technological Experts Committee" and "Demand Experts Committee," set up by the Mitsubishi group, for the first time, will be participated in by Department Vice Chief- or Section Chief-level experts from the information-processing and communications sectors of the various companies concerned.

To begin with, "joint use," in which data communications circuits will be leased and used jointly by a plural number of enterprises, is expected to be shifted from the present "banned in principle" to "liberalization in principle." Therefore, the Technological Experts Committee is scheduled to study what kinds of technology will become necessary when joint use is carried out after the liberalization. It is also scheduled to carry out also the work of establishing a circuits network which will become a model. Furthermore, it will check into such problems as whether a joint company will be necessary to exercise control over the circuits to be thus leased, and in what form such a company should be established if it is to be done.

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Moreover, the Technological Experts Committee will conduct studies on VAN (added-value communications), in parallel, from the stand that in order to enhance the functions of the joint circuits networks, VAN services will hold the important key.

On the other hand, the Demand Experts Committee will conduct research as to what new demand for data communications will arise among industrial circles, with which various enterprises are affiliated, and among the enterprises concerned, after the liberalization of circuits. In other words, studies will be conducted as to what kinds of new communications will become possible between the participating enterprises, including enterprises which are not affiliated with the Mitsubishi group, and other enterprises with which they have business transactions connections, and what change this will cause in regard to the handling of business.

In the midst of the moves for securing the liberalization of circuits, such enterprise groups as Mitsubishi, Mitsui, Sanwa, and Ito-Chu have already started to hold study meetings on data communications. Among them, the "Mitsubishi CC Research Council" is running out front.

Fujitsu FIP to Tie Up Also with European and US Enterprises

Fujitsu Ef Ai Pi (abbreviated to Fujitsu FIP) is carrying out the work of establishing a new information-processing services set-up on the premise of data communications, through its Project Team. It will also carry out the following tasks with the co-operation of Fujitsu, its parent company: (1) Research on the market and commodities on the basis of the new data-communications system after revision of the Law, and (2) development of a software operation system for on-line services which will use the new data communications system. The said Company says that it "wants to make efforts, so as to enable the start of new services," at the same time as the start of the new system.

The same Company also says that the following lines of business are conceivable: "Business in which information will be transmitted to many customers through the use of circuits to be leased from the Nippon Telegraph and Telephone Public Corporation (NTT.)" "Acting as an intermediary in case communications circuits are used jointly by a plural number of enterprises." "Business of connecting enterprises with customers through the establishment of a new system."

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For that purpose, the Company, centering on its Project Team, intends to conduct surveys on the situation concerning the use of communications circuits in the US and various European countries, with the co-operation of Fujitsu. At the same time, if there are systems and software, which may be able to be introduced into Japan, the Company intends to accumulate know-how and software through the conclusion of tie-ups with the local enterprises concerned. The Company further says that it wants to make efforts, so that it may realize the "profits of the original enterpriser," to the fullest extent, ahead of other information-processing services companies.

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FURTHER DISCUSSIONS ON DATA COMMUNICATIONS URGED

Tokyo YOMIURI SHIMBUN in Japanese 24 Mar 82 p 4

[Text]

The problem of liberalizing the use of data communications circuits has been generally settled, with the Public Tele-Communications Law revision bill incorporated in the administrative tasks simplification and rationalization bill which was decided at a recent Cabinet meeting.

Data communications mean a system for connecting communications with the processing of information through the use of computers, as in the case of the National Railways' "Green (TN: First Class Ticket) Windows and the banks' on-line systems. The establishment of networks for the processing and distributing of information is rapidly progressing among enterprises.

Under the present system, however, the use of data communications circuits is restricted strictly. In industrial circles, voices calling for liberalization were strong.

The use of circuits for data-processing purposes, between enterprises will be liberalized, due to the revision this time. Thus, the restrictions will be eased to a considerable extent. However, this is still nothing but the first step toward liberalizing data communications. Rather, it should be said to be a stop-gap, provisional measure.

From the standpoint of improving the conditions for developing data communications, there are still many problems.

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For example, in regard to "message exchange" for transmitting information, without changing the contents thereof, the recommendation, submitted earlier by the Provisional Administrative Affairs Research Council, points out as follows: "The use of circuits should be liberalized, with the exception of [enterprisers] who carry out message exchange, with an unspecified large number of persons as the objects." However, as far as the revision this time is concerned, restrictions will be left behind to a considerable extent.

The Nippon Telegraph and Telephone Public Corporation (NTT) is performing data communications services by itself, while offering communications circuits. However, it holds the position of a privileged organization, as a report on the results of its inspection, which report was released by the Administrative Management Agency last year, points out as follows: "[NTT] is carrying out message exchange, which is banned toward private circles. It has also made up the deficit of as much as ¥50 million in its data-communications sector through the use of earnings from its telephone services, etc."

Even if NTT is to extend data communications services, it should establish a set-up for carrying out fair competition with private circles.

Data communications are a system which will form the foundation of an informationized society in the future. In regard to the discussions conducted up until now, MITI emphasized its views, from an industrial standpoint. However, [data communications] will fulfill an important role, not only in the industrial field but also in various other fields, including education, medical service, administration, and science. Efforts should be made to establish a desirable data-communications system through wide-range discussions.

At this time, therefore, it will probably be necessary to clarify what were the substantially problematical points of the data-communications problem discussions conducted up until now.

The characteristic of the informationization of today is the point of connection between communications and the processing of information through the use of computers. Despite the fact that the field of information-processing is growing in importance, the Postal Services Ministry regards the long-established communications system as the premise, and it is trying to take informationization on an extension line thereof and to impose restrictions on it. Is there no problem in regard to this posture?

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Apart from the data communications, the realization of picture communications, in which necessary pictures will appear on the television through the use of communications circuits, is also close at hand. Technology for satellite communications and optical communications, too, has already been put to practical use. It is certain that informationization in Japan will markedly progress within the next 10 or 20 years, thus causing a revolutionary change in economic society.

It is important for Japan to promote such informationization smoothly. A communications policy should be formulated, from the viewpoint of what should a necessary communications system for that purpose be like, that is, from the standpoint of the informationization policy.

At this time, we want to propose the establishment of a deliberation organization under the direct control of the Prime Minister, in order to conduct communications-policy discussions comprehensively.

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