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Japan Report

(FOUO 28/82)

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POLITICAL

UPPER HOUSE LDP DIETMEN ARE AT ODDS WITH THEIR COUNTERPARTS

Tokyo THE DAILY YOMIURI in English 9 Apr 82 p 2

[Text] Suspicious goings-on among Liberal-Democratic House of Councilors members were observed by the LDP executive during an ordinary Diet session about a year ago.

The executive was puzzled, for example, by the shelving of important bills toward the end of each Diet session, and by the denunciations made at the way in which the LDP were running Diet sessions. Behind such antics were none other than LDP upper house Dietmen.

True, it is common knowledge that, even within the same political party, the relationship between the lower and upper house members is not always smooth.

And disarray within the LDP is one good example. Friction between LDP lower and upper house Dietmen has become particularly apparent this spring. The upper house members, in fact, have tacitly declared "war" on their lower house counterparts, who have an absolute majority and whose instructions the upper house Dietmen are supposed to carry out. Behind the declaration lurks a deep-seated grudge in the hearts of the upper house members.

In almost every world there exists jealousy and prejudice. Such is especially strong, and emotionally expressed, among Dietmen because theirs is a world in

which the power they wield has much to do with the outcome of elections.

Scrap Upper House

In fact, such is the current animosity that in the view of one LDP Dietman, a member of the Suzuki cabinet who has been chairman of the party executive and policy board as well as LDP secretary-general, the upper house should be dismantled and the task should be the first undertaken in the reform of the government's finances and administration.

Scrapping the upper house would, the Dietman contends, save the country hundreds of billions of yen. The house was, in any case, simply doing the job of the lower house. Its members were "just wasting time." Their tenure in office was six years during which time there was no election, while lower house members had to be prepared for elections which could be held at any time. And if they feel mortified by his words, the Dietman said, they should stand in a general election to become lower house members.

Special Society

Other upper house members, indeed, are rather

unhappy. They feel discriminated against. At ceremonies marking Coming-of-Age Day or the construction of a new primary school, for instance, young lower house members get much better seats than aged upper house members. Pride is at stake, inferiority complexes abound.

Within the LDP there is a five-year old supra-factional organization called the Religion and Politics Study Society. It holds meetings every Thursday and recently its membership has increased rapidly. Last year the society's membership was 74. As of April 1 it was 104 and 15 more LDP Dietmen are soon to join. In terms of only membership, the group can compete with the strongest faction which is led by Kakuei Tanaka.

A study of the society's ranks shows that 74 members, the majority, are from the upper house. Of those, 30 joined this year. There are 136 LDP upper house members, so more than half have joined. In reality, the membership comprises the "mainstay troops" of those upper house Dietmen holding grudges against the lower house members. According to the society, no upper house LDP member is satisfied with the status quo.

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Kazuo Tamaki, president of the society, reports that upper house discontent is widespread. By joining forces, he said, the society could do some good.

LDP upper house members, led by Tamaki, had persuaded the government to accept pay hikes for government employes, as recommended by the National Personnel Authority (NPA) at the Diet session last fall, in exchange for support of a lower house bill on administrative reform. Opposition parties, too, had urged support of the NPA recommendations. Criticism of the LDP upper house members was strong, but of course they were happy with the result of their lobbying.

Tamaki's society has won the support of veteran LDP House of Councilors members such as former posts and telecommunications minister Torasaburo Shintani, former upper house president Ken Yasui and former home affairs minister Yuichi Kori. All feel nostalgia for the good old days when the upper house had power and influence.

Shock Treatment

When the Kishi cabinet was formed during the tenure of president Tsuruhei Matsuno (1956-1962), Matsuo had withdrawn all would-be upper house cabinet ministers because he was dissatisfied with the allotment of posts. And when Yuizo Shigemune was upper house president (1962-1971), the then prime ministers made it a rule to politely greet the upper house president at the start of each upper house main session.

The society's first goal is to become financially independent. At present, the

LDP upper house members' fund amounts to about ¥250 million a year. Each member donates ¥150,000 a month to the fund. To assure financial independence, the society estimates it needs at least ¥3 billion a year. This can be obtained by holding political receptions, and by inviting donations from private business, the society believes.

For shock treatment, the society intends to see that some LDP-originated bills are shelved at the end of the current Diet session. As Tamaki says, there is no reason to unconditionally accept the lower house bills. Tamaki himself has a record of previously thwarting two bills.

Dietmen, however, should be reminded of the fact that the supporters of Japanese politics are, in the end, the people.

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POLITICAL

NATIONAL PRIORITIES, COLD REALITIES CONSIDERED

Tokyo THE DAILY YOMIURI in English 11 Apr 82 p 2

[Editorial: "National Priorities"]

[Text] The prospect of a revenue shortfall of ¥2 trillion in fiscal 1981 has prompted debate on whether to go ahead with plans for administrative reform or to concentrate on measures to stimulate business. Opinion is growing that the government might have to revise its austerity program.

These developments raise the question of Prime Minister Suzuki's responsibility.

It is right and proper that economic and fiscal management should be heatedly debated. But pointless charges and recriminations will only produce chaotic policies.

The core of the issue is simply that the government overestimated the natural increase in tax revenues by calculating national economic growth beyond its real power, while acting lackadaisically on necessary spending cuts.

The government figured that the economy could maintain a mid-term real growth rate of more than five percent. However, many people in the private sector estimate the rate at three to four percent.

Three Tasks Necessary

It is wrong to blame the revenue shortfall on such a transitory phenomenon as a delay in business recovery.

The cold reality is that the revenue shortfall will total over ¥2 trillion in fiscal 1981 and ¥3-4 trillion in fiscal 1982. We deem that the government has to tackle three tasks:

Firstly carry out a thorough review of the seven-year economic development plan. This will lead to a drastic revision of the government's mid-range fiscal prospects and will require the scrapping of the easy-going program to reconstruct the national finances based on natural increases in tax revenue.

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We do not take issue with the government's move to place orders for 77 percent of public works projects planned in fiscal 1982 in the first half of the year. However, its effects could be extremely limited and merely psychological.

It is totally unthinkable that this step will recharge the economy in one stroke. We should not repeat the mistakes of 1977 and 1978 when government bonds were issued in great quantities, producing heavy burdens but little economic stimulus.

Slash Spending

The second task is to slash spending by resolutely reforming the administrative setup. We disagree with the view that business priming measures should take precedence over administrative reform. On the contrary, the prospect of a revenue shortfall increases the urgency of cutting national spending.

All unnecessary expenditures should be eliminated to bring things in line with economic realities and also to stop the practice of covering deficits with government bonds. The cutback should take account of the revenue shortfalls in fiscal 1981 and 1982, as well as the compilation of the fiscal 1983 budget.

The third task is to rectify the ratios between direct and indirect taxes. There are calls for revising the ultra progressive tax rate. It is only natural to lower the rate and income tax rates should be reduced at the same time.

Such tax cuts can be offset by slashing government spending through administrative reform and by introducing a large indirect tax.

It appears that both the government and the Liberal-Democratic Party are hesitant to tackle this issue in view of the general elections scheduled next year. This would mean relinquishment of their political responsibility. We urge Prime Minister Suzuki to have the courage to tell the public the truth.

(April 11)

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POLITICAL

EDITORIAL ON ADMINISTRATIVE REFORM, DEFENSE RECOMMENDATIONS CRITICIZED

Tokyo MAINICHI DAILY NEWS in English 10 Apr 82 p 2

[Editorial: "Adm. Reform and Defense"]

[Text] The first section of the Second Ad Hoc Council on Administrative Reform is now compiling a draft recommendation on the "preparation of Japan's own defense system." This refers to "defense" in the general security of Japan but we think it to be incompatible with the administrative reform which is under study by the council. We are afraid that the study by the council section deals with dangerous aspects which run counter to the real meaning of the reform.

It is quite natural for the council to study the possible rationalization of the defense administration, but an attempt to sanctify the expansion of Japan's defense capability should not be made in the name of administrative reform.

Referring to the defense policy, the draft recommendation said that Japan's own defense system must be prepared within the framework of the U.S.-Japan Security Treaty and emphasized the importance of realizing a general defense plan and improving the defense capability from a qualitative viewpoint to meet an emergency.

We believe that the council departed from its task to study administrative reform when it went into the plan of national defense which is the basic policy of the Japanese government.

In its first recommendation, the council seemed to have emphasized a "smaller government" but as far as the defense problem is concerned, the council's direction is not necessarily toward a "smaller" defense capability. Promotion of the defense capability's expansion runs counter to the goal of achieving a smaller government.

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People may suspect that the administrative reform is being utilized as a means to expand military capability at the sacrifice of social welfare. We can expect ups and downs before the final recommendation is adopted but we urge the council to draw up a recommendation which would not turn its back on the people.

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POLITICAL

DECLINE OF SHUNTO ANALYZED

Tokyo THE JAPAN ECONOMIC JOURNAL in English 20 Apr 82 p 10

[Article by Masahiko Ishizuka]

[Text] For a foreign observer of the Japanese economy, *shunto* — conveniently translated in somewhat gaudy "spring labor offensive" — should by now be a familiar word just as it is to the 100 million Japanese people. But some may be missing it in the future because this annual event with 30 years' history appears to have come to an end this year as its traditional pattern and leadership have apparently broken down.

Shunto, Japan's unique pattern of concerted wage settlement bargaining and campaigns, in the past depended on synchronized strikes both by public and private industrial workers, with transportation strikes across the nation dramatizing the whole scene and multiplying the effects to push up wage increases. Such a pattern started 30 years ago when the nation's postwar labor movement was burgeoning.

This year, something unprecedented in history of

shunto happened — failure of transportation strikes to materialize. This illustrated more than anything else the collapse of the *shunto* formula.

Behind such a development are various factors, but the most obvious is the decline of the leadership of public workers' unions, including, among others, national railway workers', which traditionally dominated the Japanese organized labor forces. Public workers, equipped with the powerful weapon of striking the railways, had been the more militant segment of the labor movement. This militancy was capable of having influence over the labor as a whole, especially in concerted actions with private railway workers' unions which also resort to strike tactics, actual or threatened.

One underlying cause for the decline of public workers' influence and strike tactics is the loss of sympathy from the public, which in affluence is

more and more alienated from ideology-oriented, strike-prone labor movement.

Moreover, the national railways under mounting attack for a staggering ¥2,000 billion deficit and deteriorated job disciplines resulting in serious, and some unbelievable, kinds of accidents hardly could afford to go on strike.

Corresponding to the decline of public workers' forces is the rising move to shift leadership to unions of private industries. This year, private railway workers from the beginning had no intention of joining forces with national railway workers in strike schedules.

It is certain that next year and after wage bargainings at most companies and industries will remain concentrated during March and April, but the pattern and formula will no longer be like *shunto* in the past. It may already have ceased to be "offensive."

— Masahiko Ishizuka

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POLITICAL

DEPOLITICIZATION OF ELECTORATE REPORTED

Tokyo THE JAPAN ECONOMIC JOURNAL in English 20 Apr 82 p 10

[Article by Tetsuo Tamura]

[Text] Some recent events clearly indicate that a considerable change is underway in Japan's political climate. When the ruling Liberal Democratic Party clinched an overwhelming victory in the elections of the both Houses held simultaneously in June 1980, observers all pointed out the electorate's trend toward "reversion to conservatism," but the recent political phenomena seemed to insinuate a trend for "accelerated depoliticization" of the electorate rather than "reversion to conservatism."

Firstly, there were two elections recently which characterized such a trend: the Kyoto gubernatorial and the Yokohama mayoral contests. In the Kyoto election, an unexpected overwhelming victory of the incumbent mayor, backed by conservatives and centrists, stunned the ruling LDP itself and especially, his wide margin over the opposition candidate endorsed by communists and reformists. LDP officials first hinted at the possibility that the incumbent might lose the election because Kyoto was an area where a reign of reformist forces had continued for 28 years before the incumbent mayor came to power. But the result was an astonishing margin of 180,000 votes (560,000 over 380,000).

A similar trend emerged in the Yokohama mayoral election. The conservative camp was apprehensive because Yokohama was a city where Chairman Ichio Asukata of the Japan Socialist Party had ruled for a very long time as mayor. But the outcome was an overwhelming victory for the conservative incumbent, just as in the Kyoto election.

One characteristic common to the two elections is that the conservative and centrist forces which do not have any organization to

speak of won a victory in the fight against communist forces which boast of a solid organizational power. From its inception, the LDP has lacked traits common to political parties and accordingly, a strong backing organization. The JSP used to have an organization formed mainly by labor union members, but that organization has disintegrated gradually. All this leaves the Japan Communist Party as the only organized force in Japanese politics, but the elections in Kyoto and Yokohama demonstrated that even the organized JCP lost out to unorganized voters whose ideological identity is amorphous. Such a situation was evident more than anything else in the fact that the JSP did not pick any candidate of its own nor gave support to any candidate running in the Kyoto election.

To sum up, it is possible to say that the Japanese people are not reverting to conservatism, but are simply depoliticized. A recent survey by the Prime Minister's Office revealed that people have a keen interest in only local assemblymen's elections; they are losing their interest in elections at prefectural and nationwide levels. The survey indicated that the Japanese people now tend to pay little attention to things, elections included, which do not have direct influence with their immediate concerns.

The same trend could be said to constitute the background of this year's spring wage negotiations which did not have a general railway strike for the first time in 30 years. As more and more people are interested only in their own matters, it would have threatened the foundation of its own existence if the Council of Public Corporation Workers' Union went on a large-scale strike because members of the unions themselves are just as turned off.

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The LDP and the Government have already been ruling the nation through politics geared to the "amorphous masses" and will move more and more in that direction in the future. Their constant refusal to take up the issue of amending stems from their desire to prevent "the general public" from splitting into pros and cons. The same psychology applies to their efforts to keep divisive disputes from erupting on such fundamental issues of the nation like education, security and defense.

If Japanese politics is to continue to function along the same lines in the years to come, it will be practised more and more without principles. This will not give rise to any disputes domestically for the time being, but it will not work well externally. Some symptoms of "the disease" inherent in such a trend have already began to show up in Japan's trade frictions with the United States and the issue of \$6 billion aid requested by South Korea.

External problems, if confined to economic issues, may be somewhat soluble but the situation could get really serious if they are political issues.

(Tetsuo Tamura is a Nihon Keizai deputy political editor)

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MILITARY

OUTLINE OF FISCAL YEAR 1982 PROGRAM UNVEILED

Tokyo NIKKEI SANGYO SHIMBUN in Japanese 4 Feb 82 p 7

[Article by reporter Motohashi: "Defense Related Industries Excited by 'Fat Budget'"]

[Text] The defense budget, which registered a 7.75-percent increase over the previous fiscal year, is currently the focus of a Diet debate. The defense related industries are quite satisfied with the "large appropriation" under the Financial Rehabilitation Plan: "The amount of the frontal equipment order is just about right." (Mitsubishi Heavy Industries Ltd Executive Kenya Ikeda) in the 1980's Interim Operation Estimate that the Self-Defense Agency is currently framing (for 1983-1987), the major equipment orders are expected to expand further; thus the defense related industries will continue to enjoy the favorable business trend.

At the Japan Weapons Industry Association's New Year gathering, the president of the organization, Mankichi Kanno (president of Japan Steel Works, Ltd), praised the Self-Defense Agency's "efforts." "Under difficult circumstances, it framed an unusually favorable defense budget." In response, Self-Defense Agency Director-General Ito urged "the industry to endeavor to establish effective defensive strength alongside the Self-Defense Agency. Thus went the mutual exchange of salutations between the civilian and official sectors.

Exchange of Salutes Between Civilians and Officials

Equipment purchase allocation, an item of great relevance to the defense related industries, in the 1982 defense budget of 2,586,100,000,000 yen, is 580.3 billion yen. This represents a 7.5-percent increase over the previous year. It is somewhat less than the overall gain in the defense budget, but that is because the first-year expenditure for major equipment is relatively low. The order base quantity is close to the full amount.

Appropriations for the main strength fighterplane F-15 (23 planes) and anti-submarine patrol plane P3C (7) are less than the requested amount (43 F-15's and 17 P3C's were requisitioned respectively); but the balance is expected to be ordered under the FY-83 budget, and the impact on the defense-related

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industries is not significant. Mitsubishi Heavy Industries, which is manufacturing the F-15 under a license agreement, says that "the delivery dates for materials and other imported articles are being extended, and perhaps the industry ought to defray the cost and order them" (Aircraft and Special Vehicles Project Headquarters), but the company is satisfied that the quantity of orders is steadily increasing.

Among land equipment, 72 model 74 tanks were ordered--less than requested (80). However, orders for this model tank have increased from 48 in 1979 to 60 in 1980 to 72 in 1981. Even a Self-Defense Agency Equipment Bureau source commented that "the procurement tempo has been rapid thus far, and a purchase of 80 units would have been impossible at any event."

The Ground Self-Defense Force's anti-tank helicopter AH1S, too, has made its appearance. Fuji Heavy Industries, Ltd, is slated to obtain a license for production from the Bell Corporation of the United States. The Self-Defense Agency is planning to order at least 54 helicopters in this category (including 12 scheduled for 1982). The cost is nearly 2 billion yen per unit. Although there is an element in the United States which frowns on furnishing Japan with defense equipment production licenses, Fuji Heavy Industries, Ltd, Executive Iwao Shibuya says that "there is no such feeling with regard to AH1S itself."

The AH1S will most likely become the mainstay of the firm's Airplane Division.

"Continuous Buildup" Impossible

In the vessels category, three 2,900-ton escort ships--one less than requested--were ordered. A request for a 1,400-ton escort ship was not approved. The escort ships are handled by five shipbuilding firms--among them Mitsubishi Heavy Industries, Ltd, and Ishikawajima-Harima Heavy Industries Co, Ltd. "A continuous buildup," whereby one vessel per year is ordered, will not be undertaken in 1982, but that format hopefully will be revived during the 1983-1987 Interim Operation, says the industry.

The attention of defense related industries has already been shifted to the 1983-1987 Interim Operation Plan. The goal is to reach the defense capability and level set forth broadly in the government's Self-Defense Plan for the period specified; work to this end is currently underway and is expected to be completed this summer.

The Self-Defense Agency's investigative operation includes the following figures: (1) approximately 95 F-15 planes, including 20 carried over from the 1978 Medium Term Defense Program; (2) 65 P3Cs, including 20 carryovers; (3) 18-19 escort ships, including missile loading DDG's; (4) 7 submarines; and so on. Also, the number of model 74 tanks is expected to be about 400 units.

Orders Will Increase, But Increase Will Be Small

The 1983-1987 Interim Operation has several large projects, such as the selection of the (SAM-X)--a successor to surface-to-air missiles such as Hawk and Nike; and construction of an automatic aerial defense warning/control system (Badge X).

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It is true that defense purchases are steadily increasing under the 1983-1987 Interim Operation Plan. But it is not such a drastic increase as to affect the defense industry in any significant manner. Mitsubishi Heavy Industry is producing the F-15 at the rate of one aircraft per month, but "we can double the current production rate with the existing facility" (Mitsubishi Heavy Industries Director Yoshio Sasaki), so it is not operating at full capacity. Even in the case of the model 74 tanks, although the total order during the 1983-1987 Interim Operation Period would be 400, the annual average is 80--eight more than the 1982 figure (72). "It is not a case of terrific business and all smiles." (Mitsubishi Heavy Industry, Ltd, Special Vehicles Division chief Iwao Hayashi) The industry emphasizes that there is not such a "bulge out" mood as the public at large believes.

Another worry is that with regard to the issue of offering American military technology to others, the United States is becoming very cautious about giving Japan the licenses. In the case of the AIM 9L aerial missile (Sidewinder) (Mitsubishi Heavy Industry) and 203 mm automatic howitzer (Komatsu Ltd), which became licensed production items in 1981, the U.S.'s attitude was quite unyielding. Even though there is licensed production, if the proportion of direct imports from the United States is great, a large piece of the pie, that is slated to become larger as a result of 1983-1987 Interim Operation, may have to be given up to the United States.

Self-Defense Agency's Main Equipment Budget Breakdown

(Firearms, tanks, etc)	<u>1980</u>	<u>1981</u>	<u>1982</u>
9 mm gun	--	1,800	1,800
Model-64 rifle	5,100	5,000	5,000
Model-62 machinegun	51	51	51
Model-74 tank machinegun	38	38	38
84 mm recoilless mortar	188	219	221
Model-79 antivessel, antitank roving firing facility	8 set	9 set	8 set
Model-64 81 mm trench mortar	65	44	43
Model-75 155 mm automatic howitzer	26	30	34
203 mm automatic howitzer	--	6	13
Model-75 130 mm automatic rapid-fire rocket firing facility	8	8	8
Model-75 automatic surface wind measurement unit	3	--	3
Model-74 tank	60	72	72
Model-73 armored car	9	9	9
Wheeled mount armored car	--	--	10
Model-78 tank recovery vehicle	3	3	5
Model-78 snowmobile	22	22	22
Model-70 automatic pontoon	2	3	3
(Surface-to-air guided missile)			
Modified Hawk	1	1	1
Short SAM	--	6 set	9 set
Portable SAM	--	20 set	65 set

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(Aircraft)	<u>1980</u>	<u>1981</u>	<u>1982</u>
Ground Self-Defense Force			
Antitank helicopter AH1S	--	--	12
Reconnaissance helicopter OH6D	10	8	6
Multipurpose helicopter HU1H	5	8	6
Communication/reconnaissance craft LR1	2	1	1
Transport helicopter V107A	1	--	--
Maritime Self-Defense Force			
Antisubmarine patrol plane P3C	10	--	7
Beginner pilot training craft KM2	--	1	2
Instrument flight training craft TC90	2	4	3
Antisubmarine helicopter HSS2B	2	6	8
Rescue helicopter S61A	--	1	4
Beginner pilot training helicopter OH6D	--	--	2
Rescue aeroboat US1	1	--	--
Air Self-Defense Force			
Fighter plane F-15	34	--	23
Support fighter F-1	3	2	2
Transport C130H	--	2	2
Advanced training craft T2	4	6	5
Search and rescue craft MU2	1	1	--
Rescue helicopter V107A	2	2	1
Early warning craft E2C	--	4	--
(Vessels)			
4,500-ton escort DDG	--	1	--
2,900-ton escort DD	2	2	3
1,400-ton escort DE	1	--	--
Submarine SS	1	1	1
Medium-size minesweeper MSC	2	2	2
Submarine rescue mother ship AS	--	1	--
Support vessel	3	2	3
Modernization of boats	--	for 1 vessel	for 2 vessels

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ECONOMIC

JAPAN CONCERNED BY TRADE FRICTION WITH ASEAN COUNTRIES

Tokyo NIHON KEIZAI SHIMBUN in Japanese 18, 19 Mar 82

[18 Mar 82 p 7]

[Text] Worsening Market for Primary Products

"We cannot accept that the United States offers less favorable treatment for imports from ASEAN countries than for those from Caribbean countries." Thus, Vicente Valdepenas, Philippine Vice Minister for Industry and Trade, who chaired the conference between the U.S. and ASEAN governments held in Washington for 3 days beginning on the 9th, acting as spokesman for ASEAN, expressed strong concern about the effect on ASEAN of the Reagan administration's policy concerning assistance to Central America. The United States is going to lift all taxes on Central American products; if this happens, major damage will be unavoidable, as it will mean the cessation of exports to the United States of Philippine sugar, and so on.

To judge from the expressions of dissatisfaction with American aid to Central America, the ASEAN countries' prospects for exports will be ruined. For countries like Thailand and the Philippines, which export primary products, the value of exports declines with the drop in demand accompanying a recession in the advanced countries, and starting about the middle of last year the growth of exports suddenly weakened. Thailand's reduction last July of the rate of exchange it had maintained for 12 years (8.7 percent), with the goal of strengthening the competitiveness of exports, had no significant effect on the lowered value of rice, rubber, tin, and so on, and last year Thailand recorded its highest deficit ever, 67.6 billion bhat (about 3 billion dollars).

In the Philippines, also, copper and lumber showed a considerable decline because of the slump; exports, which in the second quarter of the previous year had strongly increased by more than 20 percent, decreased 0.4 percent in the same period last year. Deliverance from the nightmare of drastically increasing oil prices and the controls on the growth of imports failed to reduce the trade deficit, and last year it again exceeded 2 billion dollars.

On the other hand, the oil-producing countries are also gloomy. Indonesia, for which exports of oil and natural gas make up 80 percent of all exports,

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maintained the level of income of the previous year through October of last year, but after that it was forced to cut production, and the situation this year is even worse. Malaysia was also forced to cut production in the second half of last year by nearly 20 percent.

For both countries, the most serious situation was the catastrophic drop in the nonoil portion of their exports. In Indonesia, in addition to coffee, rubber, and other primary products, the sale of industrial products such as cloth and chemicals declined greatly, and in the period from April to October of last year, nonoil products decreased 31.9 percent in comparison to the same period of the previous year. In Malaysia, also, veneers and textiles slumped and the trade balance shifted into the red for the first time in 21 years.

Gloom Also in the Newly Industrialized Countries

Also fully suffering from the impact of the wave of recession in the advanced countries were the NICS [newly industrialized countries]. South Korea, which last year recorded exports of 20.9 billion dollars, 19.9 percent higher than the previous year, and which seemed on the road to revolution, is now again beginning to see clouds. The value of exports for January and February this year was 3.04 billion dollars. Although this is a 7.3-percent increase over the same period of last year, it is lower than expected and is not a circumstance which permits optimism concerning future prospects for exports.

In Singapore, too, exports to the Middle East of oil rigs and ships, for which there remain good prospects, and to Europe of electronics and cloth and the like decreased greatly. In addition, the growth of exports to Indonesia, Malaysia, and others in ASEAN was weak, and the deficit in the trade balance for 1981 increased to 6.6 billion U.S. dollars. Taiwan and Hong Kong are in a similar situation.

This is the first time since the first oil crisis of 1973 that a trend has appeared for the Asian developing countries, centering on ASEAN, to simultaneously show increases in trade deficits and large reductions in surpluses. This is all the more reason for these countries simultaneously to develop policies to revive exports. Ameliorating the conditions for the financing of exporters is a policy common to all the countries. For example, in Indonesia in the middle of January there were, among a group of 18 detailed policies designed to encourage exports, 1) a liberalization of the control of currency exchange (for U.S. dollars) for exports, and 2) new systems for the protection of exports.

At the beginning of January, Thailand too enacted 1) tax relief for the export of major agricultural products, 2) a reorganization and simplification of procedures for exporting, and 3) the establishment of a special fund for export assistance. The Thai Government has explained that the 0.5-percent surcharge levied against all imports (except petroleum products and milk for infants) at the end of February is intended to provide revenue for this special fund. It is thus more for the purpose of promoting exports than restraining imports.

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Missions Aimed at Diversifying Markets

Further, efforts to diversify export markets are being intensified. All of these countries are studying the dispatch of trade missions, and South Korea is ready to send a mission at the end of this month to some 20 countries, chosen mainly in Africa, Central America, and South America, where it has had little business. Also in the area of opening new markets, Thailand this year has concluded a long-term contract with the USSR for tapioca. Thailand has until now been expanding exports of tapioca to the EC (European Common Market), but the EC has been seeking a voluntary limitation of its exports, and the future has become insecure, so the Thais are happy to agree to export 2.2 million tons to the USSR over a 5-year period.

Table: Japan's Asian Trade (in millions \$US, * = deficit or decrease)

Country	1981	1981	1981	Compared to 1980 (%)	
	Exports	Imports	Balance	Exports	Imports
Indonesia	4,123	13,305	*9,182	19.2	1.0
Malaysia	2,424	2,927	*503	17.6	*15.6
Singapore	4,468	1,944	2,524	14.2	28.9
Thailand	2,251	1,061	1,190	17.4	*5.2
Philippines	1,928	1,731	197	14.5	*11.2
ASEAN total	15,194	20,968	*5,774	16.6	*1.1
South Korea	5,658	3,389	2,269	5.3	13.1
Taiwan	5,405	2,523	2,882	5.0	9.9

(Source: JETRO figures)

This no-holds-barred scramble for markets has gradually begun to have its effect on Japan. A typical example is the shipbuilding industry. Japan's shipbuilders last year made bids on 13 large international orders totaling 43 ships, but they did not get an order for a single ship. They were totally defeated by South Korea, asserting its position as "king of the shipbuilders," and others. The Korean shipbuilders' efforts to overthrow Japan, with generous assistance from the government, are steadily achieving results.

[19 Mar 82 p 5]

[Text] "Japan's strength in exports is the proper result of the efforts of its industry. However, when the surplus of exports passes a certain limit, it becomes unbearable for [countries] such as Taiwan." Thus a businessman resident in Taipei--Ch'en Chia-hsin--complained in a letter to his headquarters concerning the sudden imposition in the middle of February by the Taiwanese authorities of a ban on the import of Japanese consumer goods. According to Ch'en, Taiwan's trade with Japan has been in the red for the 29 years from 1952 through last year, with the exception of 1955. Moreover, as the amount has increased year by year, it has been strongly questioned whether "Japan is sinking into trade imperialism."

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Striking Out Due to Irritation

Taiwan thus has banned imports of 1,533 Japanese products--not only electrical products such as video recorders and refrigerators, but cosmetics, foods, and the like. There is no time limit. Moreover, in a later enactment, it was announced that imports of large trucks, buses, and engines from Japan have been banned for 1 year.

Among these [items], the limited ban on truck imports is intended to protect the automobile manufacturing plant jointly established by the American GM (General Motors) and Taiwan's interests, but the ban on consumer goods is a direct expression of Taiwan's anger at its growing trade deficit with Japan.

According to the announcement by the Taiwanese authorities, last year's trade deficit with Japan was 3.4 billion dollars, nearly 300 million dollars greater than the previous year's, with the total over the last 4 years amounting to 11 billion dollars. The Taiwanese have already held several discussions with Japan aimed at improving trade problems, and they explain that, since nothing at all has been arranged, they have decided to take this firm step "pending real cooperation on the part of Japan" (Taiwan Ministry of Economic Affairs). Although not explicitly designating Japan as the target, in the manner of Taiwan, the return export (counterpurchase) system that the Indonesian Government has just enacted is largely directed at Japanese firms.

Under this system, foreign companies from which the Indonesian Government has ordered construction projects for national enterprises of more than 500 million rupees (about 800,000 dollars), as well as materials and supplies, must purchase for their own countries nonpetroleum products from Indonesia (natural rubber, coffee, veneers, textiles, and the like--a total of 11 designated items) in proportion to their receipts, which makes this a powerful measure for revitalizing the nonpetroleum sector of exports.

The Indonesian Government says that "projects and supplies ordered from foreign companies will amount to about 4.5 billion dollars this year" (Minister of Trade Radius Prawiro), so this new system, if enforced 100 percent, will by itself increase exports enough to rectify the trade balance.

When this policy was announced, the countries of Western Europe--including West Germany, France, and Britain--were at first critical, and Japan, too, did not conceal its doubts. This is because Japan's exports to Indonesia amount to about 30 percent of Indonesia's total imports, and, in addition, since most of them are plants and other heavy industrial products, they will nearly all be subject to the counterpurchase obligation.

Concern has been expressed that "if this policy produces definite results for Indonesia, other Southeast Asian countries will follow suit, and the basic conditions of Southeast Asian trade will be changed."

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Further Measures in Disregard of Concern

Disregarding such concerns, the Indonesians have designated deals for developmental imports this year worth some 250 million dollars and amounting to about 1 million tons as the first phase of the counterpurchase export system, and are steadily progressing toward its enforcement. Consequently, first the Europeans but now also Japanese firms have shifted from their initial protests to a flexible stance of "cooperating with Indonesia's policies to promote exports." Within the Japanese trading companies, the view has emerged that "if present habits are transformed by a real system to recognize Third World exports, our own opportunities for business will increase."

The Thai import surcharge enacted at the end of February will also inevitably have its greatest impact on Japan. Thailand's adverse trade balance with Japan has always been large, and the value of imports is almost double that of exports; this move is also an indication of the dissatisfaction that is rapidly building up beneath the surface. Very recently a Bangkok economic newspaper, at the top of its front pages, took up the problem of the imbalance in trade with Japan and made the ominous prediction: "In the latter half of this year, groups in the government, in the military, and among businessmen will start an anti-Japanese movement."

It is impossible to predict at this point whether the growing dissatisfaction concerning trade with Japan within ASEAN and the NICS will erupt everywhere, following Taiwan's lead. For example, in Thailand the 9th yen loan, amounting to 70 billion yen, was tentatively agreed upon just this past February, so the government's unhappiness with the trade deficit can be termed mild. Moreover, the Indonesian counterpurchase exports are to enable the Suharto government, which is anticipating a general election in May, to promote exports of primary products, and the tendency is growing to see this as a policy aimed domestically--to encourage confidence within the depressed agricultural villages, to lead to victory for his party in the election, and to anticipate flexibility in enforcement following the election.

Even in the case of the Taiwanese import ban, the goods covered amount to only about 1.7 percent (some 100 million dollars) of Taiwan's imports of Japanese products, and [the ban] is not considered to have any great immediate impact. It is also true that there are voices in Taiwan which say that the problem is in the trade structure, in which--in contrast to Japan's exports to Taiwan being nearly all capital goods and industrial raw materials, without which Taiwan's industry cannot operate--Taiwan's exports to Japan are mainly agricultural and marine products and light industrial goods for which there are alternative sources. Since the Taiwan authorities are fully aware of this, there are many who see the import ban as a political gesture.

Following the Adjustments with Europe and America

However, one may also observe that the various countries of Asia are simultaneously coming up with demands upon Japan as an aftermath of the

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adjustments made with Europe and America, as may be seen in the view of one knowledgeable Taiwanese that although "Taiwan was not wise to risk Japanese retaliation by taking the lead in banning imports," yet "when we consider the effects of Japan's adjustments with Europe and America, we are but following in their wake." As it is certain that, with the narrowing of the American and European markets, Asia will become steadily more important to Japan, it is safe to say that it is necessary for Japan to hear them out and keep cool.

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ECONOMIC

JAPAN-US 'TAX FRICTION' BECOMING SERIOUS

Tokyo THE JAPAN ECONOMIC JOURNAL in English 7 Apr 82

[Text]

"Tax friction" has become serious between Japan and the US, in addition to the trade imbalance problem, and it is being worried about as a new cause of friction with foreign countries. Recently, there is one Japan-affiliated enterprise after another which is subjected to additional impositions of taxes in the US, due to the difference in the interpretation of the tax law between Japan and the US. In addition, it is expected that the taxation under a new formula which the US Internal Revenue Service (IRS) will carry out from July toward the enterprises in the US, will deal a big blow to the Japan-affiliated enterprises, the rate of whose own capital is low. Voices of strong repulsion are being raised from among the Japan-affiliated enterprises. Therefore, the Finance Ministry and the National Tax Administration Agency will make the following proposals at the periodic conference between Japanese and US revenue officials, which will be held soon: (1) When Japan-affiliated enterprises in the US are to be investigated, Japanese revenue officials also should be present; and (2) Japanese and US revenue officials should investigate Japanese parent companies and their subsidiaries in the US simultaneously by specification of work. Their policy is to do their utmost so that the problem will not become more serious than at present.

As to a dispute between Japan and the US over taxes, there is a case of US Honda, which is a subsidiary of Honda Giken. When a Japanese parent company declares, for the US corporation, income tax on its subsidiary too low by intentionally raising the export price for the subsidiary in the US and compressing the profits of the subsidiary, the US levies the tax by applying the "moved price tax system." US Honda was subjected to this suspicion as to its income for fiscal 1975, and the case is pending in a US tax court even at present.

According to the Finance Ministry and the National Tax Administration Agency, similar disputes over taxes are occurring frequently among several Japan-affiliated enterprises, including the subsidiaries in the US of two other major automobile-manufacturing companies (Toyota Motors and Nissan Motors). Also, the National Tax Administration Agency points out: "Even when an enterprise is subjected to an irrational additional imposition of taxes,

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it may be made an object of tax investigations by Japanese and US revenue officials, when it lodges an objection. So, there are increasing cases of putting up with such a step without receiving a deduction as to the amount of foreign taxes.

Such disputes arise because the Japanese and US tax laws are basically different in the handling of the "burden of proof" toward an income which has arisen, in addition to the moved price tax system. Japan is adopting the actual amount tax system under which national tax officials, who conduct investigations, have the burden of proof, and even when the income of a taxpayer is suspected to be too low, there is no other way but to levy a tax on the income which is too low, when the tax officials cannot prove it. In the US, on the other hand, the tax authorities estimate that there ought to be a certain income if there are certain earnings, and levy a tax on the amount of these earnings. When the real income is smaller than the amount estimated by the authorities, the tax-payer himself must prove it. Therefore, it is usual that the amount of the tax imposed is larger than that under the actual amount tax formula in Japan.

Furthermore, the excessively small capital tax system, which is to be carried out in the US from July this year, will deal a big blow to Japan-affiliated enterprises. Under this system, even borrowed money is regarded as a part of capital, and a tax is levied without handling the payment of interest as a loss of money. The view is strong that this is aimed at Japan-affiliated enterprises which highly depend upon borrowed money and which are making good showings on the average.

There are many cases where Japan-affiliated enterprises in the US depend upon money borrowed from their parent companies in Japan. In carrying out the tax system from July, transactions between parent companies and their subsidiaries between nations are to be handled separately. However, the IRS is hurrying to lay down rules covering international transactions, and it is likely that one enterprise after another will be pressed for a complete review of procurement of funds by their subsidiaries in the US. As the moved price tax and the excessively small capital tax do not exist in Japan, some Japan-affiliated enterprises point out that "Both are non-tariff barriers on the US side toward Japanese enterprises."

In the State of California, a unitary tax system is being carried out under which taxes are levied on the subsidiaries and branch offices of large enterprises which have advanced into the State, in the light of the situation of yields as an enterprise group as a whole, even when their settlement of accounts shows a deficit. This is presenting a problem among the enterprises which have advanced. The Japanese authorities concerned are taking a serious view of the fact that a dispute has begun to arise even with the IRS, in addition to such moves in each State.

Therefore, the Finance Ministry and the National Tax Administration Agency want to request the US side to hold at an early date the periodic conference between Japanese and US revenue officials, which is scheduled to be held by this coming summer, and prevent the expansion of the disputes

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through talks. In concrete terms, their policy is to work upon the US side to co-ordinate taxation at the actual scenes, with Japanese revenue personnel also present, when the US side conducts investigations, and carry out international simultaneous investigations, with Japanese and US revenue officials conducting revenue investigations by specification of work.

As to such moves, there are growing voices from among Japanese enterprises, which are a focal point of the tax friction, requesting that the deduction as to the amount of foreign taxes in Japan (TN: sic) be implemented more flexibly, and seeking a revision of the Japan-US Tax Treaty, not only for co-ordination between the officials concerned on the investigation level but also for the prevention of dual taxation.

However, the Japanese Government, which is suffering from small tax yields, strongly intends to levy taxes, as much as possible, on the incomes which Japanese enterprises have earned overseas. On the other hand, the US, which is making desperate efforts to overcome the financial deficit, views Japan-affiliated enterprises, which are obtaining large amounts of yields in that country, are a good target for securing tax yields. Therefore, many people think that the difference of opinions between the Japanese and US enterprises over taxation on Japan-affiliated enterprises in the US will continue, for the time being. It is feared that this may become a new cause which will make the Japan-US economic friction more serious.

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ECONOMIC

'MAINICHI' VIEWS JAPANESE ECONOMIC PROSPECTS

OW171101 Tokyo MAINICHI DAILY NEWS in English 16 Mar 82 p 2

[Editorial: "World Economy 'Engine'"]

[Text] The economic planning agency has disclosed that Japan's economy during the October-December period in 1981 recorded a decline of 0.9 percent from the previous quarter, a 3.5-percent negative growth in annual terms. This was the first time since the January-March period of 1975 that a negative quarterly real-term economic growth had been recorded, indicating the serious economic situation in Japan.

The decline was mainly caused by a considerable drop in exports. However, there is a bright spot in domestic demand in expanded equipment investment. Compared with the negative growth immediately after the first oil shock in 1973, however, there seem to be less pessimistic trends in the current economic situation.

Firstly, we have stable prices of commodities including oil. Secondly, individual consumption and equipment investment are not in as bad a condition as might be. Thirdly, earnings of large business firms are not low. Accordingly, some people view that the current sluggish economy is just a temporary phenomenon.

We must, however, watch the overseas economic situation carefully. The United States and European nations are suffering from high inflation and unemployment, with increasing numbers of bankruptcies. The U.S. move towards protectionism has become more pronounced. Eastern European nations, including Poland, and nonoil producing developing nations are deeply in debt, which may invite international financial instability.

The high American interest rates have prompted worldwide economic instability. Aimed at controlling inflation, the high interest rates have at the same time caused inactive equipment investment and, subsequently, declined earnings for business firms, inadequate tax revenues and expanded fiscal deficits. In addition, they have helped reduce currencies other than the U.S. dollar to levels below their actual value.

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The basic cause of the U.S. fiscal deficit is its arms expansion race with the Soviet Union, which has sharpened East-West tension and curtailed East-West trade. Thus, the arms expansion can be termed the "root cause of various evils."

Under such circumstances, we have no reason to be optimistic about the future of the Japanese economy. While Japan has enjoyed exceptionally low inflation rates and unemployment, what worries the Japanese government is the fiscal deficits, but the government has taken no drastic action to cope with this.

Prime Minister Zenko Suzuki has pledged to suspend the issuance of national bonds which are aimed at covering fiscal deficits by 1984, but this pledge has prevented him from taking steps to reactivate the economy, except for advancing the implementation of public works programs in fiscal 1982.

What will become of the world economy if Japan fails to take active measures? Doing nothing will accelerate a reduced world economy and the trade friction will remain as it is. Some Western European nations and the United States have demanded that Japan, a model of economic policy, play a more important role as an "engine" to boost the world economy. We believe that Japan, an economic power enjoying 10 percent of the world gross national product (GNP), must change its policy to come up to world expectations.

For this purpose, we call for an expansion of domestic demand, an increase in official governmental assistance to developing nations and efforts for world disarmament. If and when these policies can provide a lift, even a modest one, to the world economy, criticism leveled at Japan will moderate.

This demand must be realized through the promotion of public works and housing construction as well as an income tax cut in fiscal 1982. A revision of the economic structure through these measures will help Japan remove the trade friction.

The increase in government assistance must be welfare-oriented, aimed at preventing hunger, for example. The aid to least developed nations will settle the unstable international fiscal situation. Japan must also urge the promotion of disarmament because, we believe, Japan should be a pioneer in this field. After all, Japan achieved its present prosperity by keeping military expenditures to a minimum.

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ECONOMIC

GOVERNMENT TO INCREASE FINANCIAL EXPENDITURES TO EXPAND DOMESTIC DEMAND

Tokyo MAINICHI DAILY NEWS in English 4 Apr 82

[Text]

It became clear on the 3rd that the OECD, which is a group of advanced nations, has sought Japan's drastic conversion of its management of the economy. This was formally conveyed to the Japanese side for the first time at the meeting of the Secretaries of the OECD Economic Policy Committee (EPC), which was held in Washington late last month. It pressed Japan to (1) raise the interest rates and (2) bolster business. The Government is taking the posture of basically rejecting this, saying that "Raising the interest rates runs counter to business measures." However, the situation makes it inevitable for the Government to decide on measures to expand domestic demand further from two fields -- elimination of the trade friction with Europe and America and bolstering of domestic business. Therefore, the Government has firmed up the policy of starting studies on comprehensive economic measures centering on the expansion of domestic demand, together with measures for opening the market, including partial liberalization of agricultural products, after the passage of the fiscal 1982 Budget Bill on the 5th, completing the framework for business measures led by finances, including the expansion of loans by the Housing Loan Corporation, an increase in the expenses for public works, an increase in the number of independent local projects, and a tax reduction, and announcing the framework by the time of the Versailles Summit (Advanced Summit Conference) in June.

At the Cabinet meeting on March 16, the Government decided and carried out the 1st round of measures to bolster business, including advance implementation of public works and housing construction with public funds. However, as the second round which is to be newly checked into, expansion of loans by the Housing Loan Corporation and increase in the amount of electric power facilities investments are expected to be included, centering on an addition of expenses for public works in this coming fall and thereafter.

Government leaders including Economic Planning Agency KOMOTO are already hinting at measures to bolster business. Finance Minister WATANABE, too, who has so far been taking a cautious posture, says that

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"We will not cause the Japanese economy to become weak from this coming fall." Thus, new business measures will be boiled down from early this week, when the Budget Bill will be passed.

The probability is great that the contents of the business measures this time will resemble the case of the supplementary budget (enterprise scale: ¥2 trillion -- 1.1 percent of the GNP) which was announced after the London Summit in fiscal 1977. In concrete terms, such measures are expected as to increase the expenses for public works by more than ¥1 trillion and expand the Housing Loan Corporation loans for tens of thousands of houses. Whether or not the tax reduction can be carried out by fiscal 1982 is fluid. However, there is the following voice: "A tax reduction by ¥300 billion or ¥400 billion will be possible by breaking down a part of the reserve funds for the recovery of subsidiary coins, which amount to ¥1,200 billion at present" (Government source).

On the other hand, the Economic Policy Committee, where the criticism against Japan's economic policy was voiced, is an organization to check into economic situations and policies in the OECD. A secret meeting of the Secretaries was held in Washington on March 27, with representatives of major advanced nations participating.

With US Presidential Economic Advisory Committee Chairman WEIDENBAUM as Chairman, the representatives of various countries discussed the present economic situation in the world and economic policies. According to the Government source, OECD Secretary General VAN LENNEP and representatives of two or three countries expressed opinions to seek a change of Japan's economic policy, at the meeting.

As to the gist of these opinions, they showed the view that the policy mix of the policy to ease the money situation and the policy to restrain financial expenditures (combination of financial and monetary policies), which mix Japan is adopting, is "eventually inducing a lower yen," and sought the raising of interest rates and the increasing of financial expenditures, as a measure to improve it.

This is a criticism against Japan's having been holding down financial expenditures as far as possible for the re-construction of finances, and depending mainly upon the easing of the money situation as a business measure. It is said that Secretary General VAN LENNEP clarified the judgment that Japan's economic policy is linked to a lower yen under the high interest rates in the US, and is intensifying the trade friction between Japan and advanced nations.

As to this request for raising the interest rates, there are many who are of the following opinion: "It is possible to induce a higher yen by raising the interest rates, but on the other hand, it will drag down on the feet of business through declines in facilities investments and housing investments and the worsening of enterprise yields. So, we cannot accept it"

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(Finance Ministry leader). Within the Government, there is rather the intention that it is reasonable to request the US to lower the interest rates and work to lower the domestic interest rates.

However, in regard to the request for bolstering business through the expansion of domestic demand, the Government has apparently been driven into a situation where it cannot but carry it out, in view of the internal and external situations. Domestic business has bright aspects, too, such as the fact that inventory adjustment has run its course, and that the rise in commodity prices has calmed down. In industry circles, however, there is a growing sense of depression mainly among medium and small enterprises, and there is a widespread sense of crisis to the effect that if the situation continues as is, the vitality of the economy will be lost.

As to the trade friction with Europe and America, on the other hand, a limit has begun to be seen to individual measures, and it has become indispensable for Japan to change its policy to show its posture of international co-operation, before the time of the Versailles Summit.

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ECONOMIC

TAX REVENUE DEFICIT IN LOCAL AUTONOMOUS ENTITIES

Tokyo THE JAPAN ECONOMIC JOURNAL in English 10 Apr 82

[Text]

According to the Autonomy Ministry, the deficit in the tax revenues of prefectures is expected to reach about ¥340 billion, as against the estimate in the Local Financial Plan, and the deficit amount is expected to reach the second highest level ever registered, after that seen in fiscal 1975. The reason for this is that the amount of revenues from the corporation business tax, which accounts for about 40% of the amount of prefectural tax-revenues, will decrease sharply from the originally estimated level, reflecting the poor business results of enterprises. The total amount of tax revenues in prefectures up until the end of February showed a one-digit, low-rate increase, compared with the corresponding period of the preceding year. The fear is becoming stronger among the persons concerned that a large-scale lack of tax revenues may arise in fiscal 1982, too.

This will be the fourth time since fiscal 1977 (¥28.5 billion) for prefectures to suffer from a lack of tax revenues. The deficit amount will reach the second highest level, after that (¥748.7 billion) seen in fiscal 1975.

According to the Autonomy Ministry, the amount of tax revenues in prefectures as of the end of February was ¥6,362.6 billion (excluding the amount of increase in revenues from non-legal ordinary taxes and excessive taxation), 6.7% above the level registered in the corresponding period of the preceding year. This figure is 4.7 points below the estimated increase rate (11.4%) in the Local Financial Plan formulated by the Autonomy Ministry, as a guideline for the compilation of budgets by local autonomous entities. It is estimated that if the situation develops as is, the lack of tax revenues will reach ¥337 billion.

In the case of the State, the corporation tax on companies, which carry out settlement of accounts in the March term of 1982, will be included in the tax revenues for fiscal 1981. In the case of local

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autonomous entities, however, the corporation business tax will be included in the tax revenues for fiscal 1982. Unlike the case of the State, therefore, there is hardly any room for tax revenues to be affected by the business results of companies which carry out settlement of accounts in the March term.

Among the various tax items, it is the corporation business tax which has become markedly stagnant. The total amount of tax revenues up until the end of February increased by 3.2%, compared with the corresponding period of the preceding year. This figure is as much as 14.6 points below the estimated increase rate (17.8%) in the Local Financial Plan. When limited to the corporation business tax alone, it is estimated that the deficit will reach ¥396 billion. It seems that it will be impossible for even the increase in revenues from the individual residents' tax and the individual enterprise tax, which are in a comparatively favorable tone, to offset completely the decrease in revenues from the corporation business tax.

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ECONOMIC

CONTENTS OF 'SECOND PACKAGE' OF MARKET-LIBERALIZATION MEASURES

Tokyo DAILY YOMIURI in English 10 Apr 82

[Text]

The contents of the concrete measures which the Government formulated on the 9th, as the "second round" of market-liberalization measures, are as follows:

"Various Measures for External Economic Relations, for the Time Being"

In the light of the present international situation, it is considered that the following measures should be taken, for the time being, in order to maintain co-operative relations with other countries, and to suppress protectionism and to maintain free trade.

(Those marked with asterisks are measures which should be taken before the Summit)

I. General Arguments (omitted [TN: by the paper and not by the translator])

II. Concrete Measures

1. Promotion of the liberalization of the market

* (1) Easing and Abolition of the Remaining Import Restrictions -- The policy for the easing and abolition of the remaining import restrictions will be firmed up, based on the exchange of views, etc., with the US, at the Japan-US Agricultural Products Working Group (April 12 and 13).

(2) Lowering of Tariffs -- * (a) In regard to items for which the international competitive power of our country's industries has improved in recent years (for example, high technology products, including computers), reciprocal lowering of tariffs will be called for (however, depending on cases, unilateral lowering will also be studied).

* (b) The intention of a unilateral lowering of tariffs will be expressed for items which have become symbolic problems (for example, cookies, chocolate, brandy, wine, whiskey, etc., in regard to the EC, and semi-processed lumber, such as spruce, pine and fir, in regard to Canada).

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* (3) Tobacco -- Concrete plans for a large-scale increasing of tobacco retail shops and for a large-scale increasing of advertizing expenses will be shown to the US side and talks will be pushed. As regards the monopoly system itself, expectations will be attached on the promotion of the studies at the Provisional Administrative Affairs Research Council, in the direction of promoting imports.

(4) Removal of the "invisible barriers" in the distribution structure, administrative guidance, etc. -- * (a) A general policy to the effect that "Restrictive actions in regard to transactions, on the enterprise level, will not be permitted, and there will be no restrictions on imports through administrative guidance, etc., and depending on circumstances, strict and fair actions will be taken by the Fair Trade Commission," will be announced.

* (b) The actual situation in regard to soda-ash, paper and pulp, and medical instruments, regarding which the US side is showing interest, will be clarified, and necessary measures will be taken.

(c) Studies will be carried out on concrete measures for the promotion of imports, centering on manufactured products.

(5) Improvement of import-related procedures, such as standards, etc. -- * (a) As regards the transparency of the process for the establishment of standards, etc. (including the participation, etc., of foreign persons, whose interests are involved, etc.), it will be tackled as a task for the future, and work in this regard will be started.

* (b) Forward-looking conclusions will be reached on the standards for automobiles, plywood, medical drugs, cosmetics, etc., on the problems of cherries and papaya produced in the US, apples produced in France, flower bulbs in the Netherlands, customs clearance procedures (speeding up of screening under the laws coming under the jurisdiction of Ministries and Agencies other than the Finance Ministry, etc.), import procedures for wild rice, the grading of "sake", tests for the safety of thermos bottles, sanitation standards for bacon, etc.

(6) Trade in services and capital transactions -- * (a) A general policy to the effect that "internationalization in the field of services will be promoted, and our country will contribute in a positive way to the establishment of international rules" will be announced.

(b) The problem will be tackled, with emphasis on the problem of lawyers, and liberalization will also be pushed gradually in regard to the insurance and banking businesses.

(c) The improving of access to the capital market will be tackled.

* (d) A statement to the effect that investments in Japan will be welcomed, will be issued.

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* (7) Utilization of the Ombudsman system -- (Omitted)

2. Promotion of Positive Co-operation

* (1) Ways for concrete co-operation with the US and the European nations, such as the establishment of a Japan-US joint working group concerning high technology, will be explored.

(2) Promotion of overseas investments, centering on the manufacturing industries.

* (3) Studies will be pushed on the development-imports of US general coal.

* (4) In connection with our country's food aid, efforts will be made to utilize US-produced wheat, in addition to the grains produced by the developing nations.

(5) Purchase of specific products will be promoted (nuclear-energy-connected machinery, heavy electric machinery [US], automobile parts [US and Canada], aircraft, helicopters, ferro-nickel and enriched uranium [France]).

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ECONOMIC

AUTOMOBILE PARTS INDUSTRY'S STRUGGLE FOR EXISTENCE REPORTED

Tokyo NIKKEI SANGYO SHIMBUN in Japanese 3, 9, 10 17 Feb 82

[3 Feb 82 p 8]

[Article by reporter Kawabe: "Mie Giken Kogyo--Direct Introduction of Robotics"]

[Text] Mie Giken Kogyo is a Honda Motor Company affiliate parts manufacturer that is considered to have top-ranking capability (main office: Tokyo; president: Noboru Hasegawa; capital: 500.5 million yen). The firm's main plant is the Yasuno plant (about 300 employees) located in Yasuno, Mie Prefecture. Just this January, Honda Vice President Shigeru Sasamiya, together with representatives from the parts division of BL Corporation (Britain), Honda's partner, as well as a delegation from BL affiliate parts manufacturers, visited the Yasuno plant to present an outstanding factory award and observed its "certified high-yield production system." (Vice President Sasamiya)

Double-Digit Growth

Let us enumerate Mie Giken's "strengths": As of June 1981, its sales figure (35.2 billion yen) exceeded the projected figure by about 3 billion yen. The profit-loss diverging point was 71.3 percent (3.0 point decline from the previous period). The monthly per person added value, excluding materials cost, was 1,302,000 yen (increase of 112,000 yen). In the midst of the "auto recession," the firm has achieved a double-digit increase in sales. Added to that is the above detailed financial accomplishment. For these reasons, it far outdistances others in the Honda group in skillful management. Since last year a certain work process has been introduced at the Yasuno plant as an energy-saving, automated operation model. A year ago, three lines of the same work process occupied eight men and nine women workers--a total of 17 employees. A partial reorganization of the work procedure and introduction of automated machines reduced the number of workers to 11 (7 men and 4 women) while maintaining the same production volume in the same timeframe. Honda is planning to employ this technique not only at Mie Giken but at other affiliate parts manufacturing operations.

Thoroughgoing Independent Management

A thoroughgoing total quality control (TQC) system with significant delegation of authority emphasizing the lower echelon workers has been implemented and each employee is committed to the "self-management" concept. This has been

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the key to Mie Giken's success in the all-out business competition. None of Mie Giken plants has full-time inspectors. Rather, the system "infuses" quality at each manufacturing step. It is said that the executives of Mitsui Bank--the firm's main financial bank--receive "lectures" regarding the unique management's annual plan frequently.

Mie Giken President Hasegawa, although reserved, is confident: "I believe we have had considerable positive achievements in terms of efficient management." After making its initial overseas expansion move in Taiwan (September 1980), it pooled capital with Honda and another firm and set up a parts manufacturing company in the United States last autumn. Its overseas strategy as a member of the Honda group was launched successfully. Mie Giken appears to be sailing full sail under a favorable wind.

President Hasegawa, however, is fond of saying: "From here on is the new challenge." He is of the opinion that "the automotive parts industry has left the era of automated rationalization and has now stepped into a revolutionary era of robotics." That is, he has decided on a plan to implement an efficient production mode qualitatively very different from the model work process of last year. "Traditionally, we have been a small to medium-size operation in which personal contacts and interresearch were our big assets. Robotics is a different matter from what we have been used to, but the tide is unmistakable when we look to the future. If we were to resist the introduction of robotics, we would endanger our business foundation." There is a sense of urgency in his speech.

Currently, Mie Giken has approximately 30 processing and assembly robots installed in all four of its factories. The company is examining a plan to increase this number drastically, to about 100 robots, in another year. President Hasegawa would not disclose the long-range installation plan, but the firm's operating policy since its inception in 1958 has always been: spare no expense on equipment!

The firm's capital was 800,000 yen during the early part of the sixties, and equipment purchases amounting to double, triple, even 10 times the capital have been implemented more than once. Even now, the annual repayment cost is over 2 billion yen. Interest in investing in equipment for the future is extremely high at Mie Giken.

Toughened by Trials

Mie Giken has used increased volume as leverage while investing in equipment and revolutionary technologies. Although demand for two-wheeled vehicles will continue to be strong, a large-scale introduction of robots will create surplus workers among the firm's approximately 500 employees. President Hasegawa has no intention of cutting back the current work force. Thus, Honda points out that, "the topic for the future is diversification of products."

But taking over products handled by other parts manufacturers, on the strength of a high-efficiency production system, would cause friction among the group

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members. Therefore, President Hasegawa describes the firm's future direction as "the creation of a new market in the plastics field, which is just starting to run smoothly, and expansion into the industrial machinery sector."

The Yasno plant is associated with some 40 subcontractors. Mie Giken admits that "we ourselves have had close calls three times in the past and we became stronger as a result of those ordeals." It is likely, therefore, that under Mie's high-pitched leadership, the subcontracting firms will be asked to respond expeditiously to shifting needs.

[9 Feb 82 p 9]

[Article by reporter Takahashi: "Nihon Radiator--Finds Solution in Commercial Sale of Air-Conditioning Units"]

[Text] Nihon Radiator's president, Jukichi Tada, is extremely busy of late. He is the firm's top salesman in trying to increase the sale of car air-conditioning units. He is about to celebrate his 70th birthday and yet, he himself must dash all over the country. Why? Because there is a need to strengthen the business framework to stave off the rapid decline of the automotive industry. Although the firm has annual sales figures of 100 billion yen, it is not secure from the prevailing tide of stringent business climate. Thus, he cannot sit idly in the president's easy chair.

"Limit to Growth"

Nihon Radiator is an automotive parts manufacturer that is a direct lineal descendant of Nissan Motors. Nissan supplies 48.5 percent (36.12 billion shares) of its capital. It has been highly successful as a specialty manufacturer of radiators, car heaters, mufflers and so on. However, it decided that "there would be a limit to growth if the existing operation were pursued exclusively," so it entered the car air-conditioning market several years ago. Since then, it has built up a position as Nissan Motors' car air-conditioning manufacturer, but it has been forced to find other growth avenues as a result of the lack of growth in the sale of automobiles. That is, the firm is trying not only to maintain its status as the official supplier to Nissan but also to develop steady sales on the open market.

President Tada's New Year's speech to employees was as follows: "We must further strengthen our business skill. Although we are Nissan's legitimate heir in the parts manufacturing sector, we cannot take that position for granted. The circumstances have changed. Concentrate all your energy on strengthening the operational framework. We have to perform this task ourselves." Up to now the majority of automotive parts manufacturers directly affiliated with automakers--including Nihon Radiator--have only been required to make and deliver parts in response to the parent company's direction. They have not been adept at sales. But what is needed for Nihon Radiator now is the "will to do it (selling)!" For that reason, the president of the firm is leading the personnel in an all-out sales campaign.

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Weakness in the Production Format

The firm has a weakness in its production format. Although last fall, a new assembly line was completed at its Gunma plant (Yurakucho, Gunma Prefecture) and a consistent production format capable of producing 100,000 units per month was established; a vital component of the product--the compressor--is not made by Nihon Radiator. The company must purchase it from other Nissan group affiliate firms such as the Atsugi Automotive Parts Company and so on. If production from beginning to end--compressor to completed unit--could be produced in a cohesive operation, it is eminently clear that quality control and cost management could both be easily accomplished. Nihon Radiator's weakness lies in the fact that it does not have full control over the entire production operation.

When Nihon Radiator decided to undertake car air-conditioning production, it had planned to make its own compressor. But upon witnessing Atsugi's difficulty at that time, with the decline in propeller shaft demand resulting from a switch over to FF (front engine, front-wheel drive), Nissan decided to allocate compressor production to Atsugi, and the subsequent division of labor format between Nihon Radiator and Atsugi Auto parts was affected.

Technological Exchange With Atsugi

In order to survive in the fiercely competitive open commercial market, overall cost management and comprehensive, cumulative technology--including after service--are needed. While the factory installed car air-conditioning market is demanding, open commercial market competition is fierce. Commercial market manufacturers, pushed by the made to order makers are beginning to roll back the tide.

Securing a place in the open commercial market against this backdrop under such a handicap requires some doing. Nihon Radiator first of all set comprehensive technological advancement as its priority objective. First, it scouted professional technicians at Nissan and began emphasizing technical exchange with Atsugi Automotive Parts. With the latter, cooperation was pledged at a top-level conference attended by Nihon Radiator President Tada and Atsugi President Shigeru Kitamura. The solidarity between the two firms has begun already.

Moreover, great effort is being expended to gather technicians by means of mid-career hiring, and the firm is intent on upgrading its comprehensive technological capability.

In the car air-conditioning market, Toyota Motor group's Nihon Denso has begun to put its muscle behind expanding its commercial sales volume. Sankyo Electric Appliance--a top-ranking open commercial market manufacturer--is counterattacking. In addition, the Nissan group has other "senior" ranking car air-conditioning manufacturers besides Nihon Radiator--Hitachi Works and Diesel Machinery. With close scrutiny from these quarters, Nihon Radiator's car air-conditioning unit consolidation policy has many difficult facets. How effective will the campaign led by President Tada to expand into the open market be as the mainstay of the firm's structural improvement? This year will be the "win or lose year." (President Tada)

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[10 Feb 82 p 8]

[Article by reporter Kawabe: "Nihon Hatsujo--Development of Nonautomotive Sector"]

[Text] "Very soon, we will at last begin the second phase construction at the Komagane plant, with the goal of completing the synthetic products manufacturing plant in October of this year," says Nihon Hatsujo President Masao Iketani, demonstrating confidence at having finally translated a long-standing plan into a new business strategy. The firm's Komagane plant, located in Komagane city, Nagano Prefecture, is on a site of about 60,000 square meters. The first phase construction, which was completed toward the close of last year, consisted of a research and development wing which will bring together and house the firm's development engineers. The second phase construction involves a building with about 4,000 square meters of floorspace for a synthetic goods plant (urethane products for industrial machinery use and so on) to be built at a cost of about 500 million yen. The plan is to develop this site into a "nonautomotive goods mecca."

Clear Objectives

Nihon Hatsujo is the largest manufacturer of automotive board springs and coil springs. Its long-term business strategy is "lucidity." The total sales for 1980 was 87.8 billion yen. The plan is to expand that figure to 135 billion yen over the next 5 years and at the same time to increase the profit margin from 5 percent to 7 percent. In terms of financial status, over 40 percent of the capital is company held. The profit-loss diverging point is below 80 percent. The goals thus are set in numerical terms and are clearly laid out.

Moreover, President Iketani predicts that "demand in the automotive field will be limited to an annual growth rate of about 2 percent at most." Consequently, the firm's strategy puts development of new products slated for general industry--other than automotive--as the generating force for sustaining business growth. Steady growth for automotive spring products and high growth for non-automotive products, based on application of automotive spring manufacturing technology, are the company's twin goals. The Komagane plant's second phase construction plan is slated to translate these goals into reality, and thus, President Iketani is taking great interest in bringing the project to fruition.

In the nonautomotive sector, Nihon Hatsujo's emphasis is on four categories: (1) precision springs; (2) industrial and (3) processing equipment based on spring technology; and (4) mold processing for synthetic materials. In every instance techniques accumulated through automotive spring manufacture are applied to other fields. President Iketani says: "Replenishment of technological capability is our most important topic up to 1985." In other words, this really means multifaceted product development.

Even in the field of electronics technology--which has become the quickly rising star in the automotive parts industry--the firm's Processing Equipment Division is steadily translating the spring sensor and the NC coiling machine into finished products. "Although electronics-related products occupy only

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2-3 percent of total sales now, we intend to raise this ratio threefold under our 5-year plan." (President Iketani) That would mean that Nihon Hatsujo, with its background of mechanical technology, will have a "new face."

Replenishment Phase for Overseas Ventures

The "Company Objectives for This Year" published internally by Nihon Hatsujo at the beginning of this year list quality control at production site (QC) as well as total quality control (TQC), which includes indirectly related departments, coordinated strengthening of overseas operations and strengthening of individual firms within the group structure, in addition to consolidation of technological capability. Among the listed items, overseas strategy is described as "having entered the second phase--from the development stage to the replenishment stage."

Nihon Hatsujo has recently provided technological knowhow to an Indonesian spring manufacturer. It intends to form a technological tie with a Malaysian automotive parts firm soon. Since 1973 it has been steadily increasing overseas ties through capital advancements and technological offers--beginning with Thailand, then Taiwan, the Philippines, Singapore, Australia, Indonesia and Malaysia.

President Iketani proclaims the firm's overseas strategy's repletion phase in the following words: "The strategic foundation building in the western Pacific rim has now been completed. The goal for this area now is upgrading business strength and further replenishment of market competitiveness. At the same time, we will get down to serious business with our overseas strategy in the as yet uncultivated European/U.S. arena."

In the United States, the mecca of automobile manufacturing, it is working on a new cooperative tie with the firm's former technological partner, Rockwell International Corporation. Nihon Hatsujo's international strategy is to feel out the receptiveness to a basic capital participation proposal among firms that it already has ties with or expects to have ties with.

Developing Talent

Nihon Hatsujo's sales structure at present is as follows: a little less than 80 percent automotive and the rest general industry. During the 1985-1995 decade, it plans to change the firm's orientation drastically by reducing the automotive ratio to 60 percent and allocating 40 percent to other fields. The related firms and subcontractors will be asked to make the necessary shifts, too. Last year, the Nihon Hatsujo group--25 firms led by Nihon Hatsujo--worked toward improving the business and financial status. Starting this year, the emphasis will be shifted to developing talent and establishing autonomous technology. President Iketani states: "Hereafter, we will observe the development of various enterprises, and if need be, we will think about consolidation and reorganization." The firm has acquired its present position as the largest spring manufacturer by absorbing its competitors. That tradition will be carried forward, and it will not shrink from reorganization if need be.

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Approximately 50 firms that supply materials and parts to Nihon Hatsujo belong to a cooperative organization called "Shinwa kai [Fraternal Association]." Nihon Hatsujo's mainstay thus far has been steel (springs), but in the future it will transform itself to deal with synthetic, electronic and processing equipments technologies; and the organization of subcontracting businesses with a slightly different focus than before and with a certain degree of systems technology will be needed. The reorganization of subsidiary business groups may very well determine the success or failure of Nihon Hatsujo's future.

[17 Feb 82 p 9]

[Article by reporter Takahashi: "Sankyo Denki (Sankyo Electric Appliance)--Unification of Manufacturing and Distribution Operations"]

[Text] Toward the close of last year, the largest commercial automotive air-conditioning unit manufacturer--Sankyo Electric Appliance Company--tentatively decided that its president and founder, Kaihei Ushikubo, would be elevated to chairman of the board, and his younger brother, Managing Director Shuji Ushikubo would be promoted to the firm's presidency. This top-level management change was formally promulgated on 12 January when everyone was still aglow from the New Year's festive mood. At the same time, the leadership of Sanden Sales (main office: Tokyo; capital: 200 million yen), in charge of Sankyo's sales and distribution was also changed. Sankyo Executive Director Eijiro Masagaki became Sanden Sales' president. A move patterned after the unification of Toyota Motor Manufacturing and Toyota Automotive Sales appears to signal the beginning of a unified production and sales strategy designed to strengthen the business framework.

Reduced Volume Is the Only Way

The reason that Mr Kaihei Ushikubo decided to retire from the presidency of the firm--an office he filled for 40 long years--is because an expeditious reworking of the business framework is urgently required, or else the company may not survive. The Sankyo Electric Appliance group (made up of Sankyo Electric Appliance, Sanden Sales, and Sankyo International) showed a significant decrease in income and profits at the March 1981 settlement of accounts. The reason for the decline was overstocking. The sales amounted to 12.9 percent less than the previous term, 65.9 billion yen. There was a drastic drop in profit after tax--1 billion yen or 82.5 percent less than the previous period. In order to recover the earnings, it was considered that there is no other way but to unify the manufacturing and distribution phases and to effect a "volume decrease"; and toward the end of last year this view was translated into a concrete plan.

Using the retirement of the founder as a turning point, a chain of personnel changes was made. The new format assigns overseas strategy to chairman of the board Kaihei Ushikubo, and new President Shuji Ushikubo will concentrate on strengthening the general business framework. As soon as he assumed office, the new president initiated action. He told the 60 some subcontractors to "create a self-reliant operational structure that can survive without depending on the parent enterprise." President Shuji is at the same time the

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president of a subsidiary firm, Sanwa Toso Company, and he has long investigated ways to escape from total dependence on the parent company.

Promotion of Personnel Exchange

Beginning with the top-level management change at Sanden Sales, exchange of personnel between the manufacturing and sales sectors will become more frequent. First of all, Sankyo's president's quarters, currently at Isezaki, Gunma Prefecture, will be transferred to the Sanden Sales complex in Aibahara, Tokyo. The aim of this move is: by moving the president's office to Tokyo, Sankyo's officers will be permanently stationed in Tokyo, thereby removing the barrier separating manufacturing from sales. It is certain that the eventual intention is for Sankyo Electric Appliance and Sanden Sales to merge--very much in the same vein as Toyota's merger of processing and distribution departments.

Sankyo Electric Appliance Company was started in 1943. Up until 1964 the Operational Headquarters was in charge of sales; but it was decided that in terms of capital procurement and so on, the separation of manufacturing from distribution was desirable. So, in 1965, the Operational Headquarters was renamed Distribution and Sales and given an independent status. Thereafter, riding the fair wave of "motorization," the company rose to the position of a top open market automotive air-conditioning unit manufacturer. The rapid decline of the automobile industry forced it to resume its original organizational format.

Rushing About All over the World

Although Sankyo Electric Appliance had been hailed as the top commercial automotive air-conditioning unit manufacturer, the circumstances surrounding Sankyo for the past year or two have become increasingly difficult. The ratio of factory installed automobile air-conditioning units (that is, instead of installation of commercially purchased units) is gaining each year. Moreover, Toyota Motors group affiliates such as Nihon Denso and the Nissan motors group firm Nihon Radiator have started to commercially market their units in earnest. In the midst of the stagnating domestic sales of automobiles, it is not easy to increase commercial sales of automotive air-conditioning units.

Even with manufacturing and distribution departments unified and the production volume decreased, the future is fraught with difficulties. Strong measures are needed to recover profits and turn back the tide to achieve a better business showing. As a mainstay in that effort Sankyo Electric Appliance has chosen overseas business development. It was the first in the automotive air-conditioning equipment industry to establish a plant in Dallas (United States), which began full-scale production last year. This year, another plant will be built in Singapore in an attempt to effect rapid enlargement of overseas production.

Within the main office in Gunma Prefecture, an organization called "Ford Research Room" has been created. It is seeking avenues to open supply routes to the Ford Motor Company. It is dead serious about its overseas strategy. The chairman of the board who yielded the presidency to his younger brother

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is busily rushing around the world, for in order to reap maximum benefit from a strengthened business framework, a strong overseas operation is essential. How successful will be the duo teamwork of President Shuji and Chairman Kaihei, entitled "The Shape-Up Strategy?" It is clear that each step taken is directly tied to the success or failure of the company. The situation is grave indeed.

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ECONOMIC

EARLY FARM IMPORT LIBERALIZATION DIFFICULT

Tokyo THE DAILY YOMIURI in English 10 Apr 82 p 1

[Text] Early liberalization of imports of farm produce is difficult in the light of the present situation faced by Japan's agriculture and in view of many problems still remaining to be solved.

This was stressed by the Agriculture, Forestry and Fisheries Ministry in its annual white paper on agriculture announced on Friday.

On the problem of liberalization of farm produce imports, the white paper said it was important to take appropriate measures on the matter while maintaining harmony with sound development of domestic agriculture.

It said problems exist in taking hasty action on the matter.

The white paper said the country's agricultural and farming villages were fulfilling their role of forming a healthy regional society and maintaining the natural environment besides working for a stable supply of foodstuffs.

It said labor productivity in Japan's agriculture rose at an annual rate of 5.6 percent between fiscal 1965 and 1980. This, it said, was due chiefly to technological innovations and efforts to overcome such adverse conditions as a drop in farm acreage.

It stressed that it was

necessary for the agriculture industry to work for structural improvement in the future.

Faced with the increasing severity of Japan-US trade friction and criticism raised by the Second Ad Hoc Administrative Reform Council that the government is taking an overprotective policy toward agriculture, this year's white paper cited further improvement of agricultural productivity based on structural improvements as the biggest task faced by Japan's agricultural industry.

It strongly appealed for raising productivity through technological innovation and expanding the scope of agriculture.

The white paper also said:

- Since Japan's rate of reliance on imports of farm produce is high, even a minimal shortage in basic foodstuffs will pose dangers of big social confusion and uneasiness. Therefore, a stabilized supply of foodstuffs has become increasingly important.

- Japan's imports of farm products already have reached a high level and a sharp increase as in the past cannot be anticipated in the future when viewed from movements of foodstuff expenditures.

It is important to make imports of foodstuffs in the future based on inter-

national cooperation. It noted that various advanced countries were taking protective measures on farm products in accordance with their domestic situation.

- Amid increases in the food supply-demand situation since the middle part of the 1960s, the nation's food supply structure has shifted to a dual structure composition with the self-sufficiency rate for some items being high and that of others drastically low. The overall self-sufficiency rate for food, excluding feed, stands at 72 with that of grain registering 33 percent.

- Prices in Japan of such products as wheat, rice and beef are sharply higher than international levels while those of chicken, eggs and pork are lower.

- The per capita consumption of rice in fiscal 1980 declined 1.1 percent due to the effects of a drop in real income and the abnormally cool summer. Rice consumption is still showing a declining trend.

- The number of farming households declined at a slow annual rate of 1.3 percent between 1979 and 1981. There were a total of 1.04 million households having males exclusively engaged in farming in 1981, accounting for 23 percent of the total farming households.

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