



ECONOMIC AND POLITICAL APPRAISAL OF JAPAN

Mr. Kiyohiko Tsurumi

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Reviewed by Col R. W. Bergamyer, USAF on 17 May 1964.

INDUSTRIAL COLLEGE OF THE ARMED FORCES
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Economic and Political Appraisal of Japan

2 April 1964

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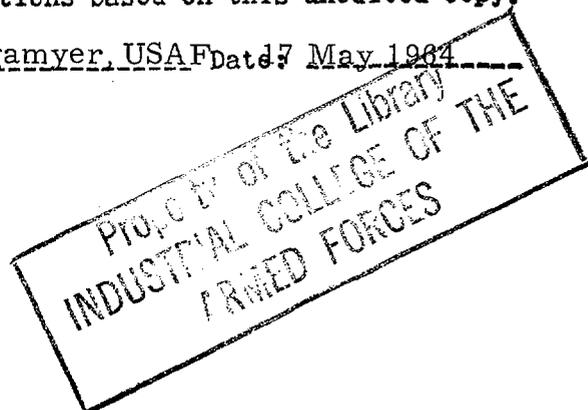
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INDUSTRIAL COLLEGE OF THE ARMED FORCES

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2 April 1964

MR. FREERS: Our speaker this morning can rest assured that this audience fully appreciates, in general terms at least, the importance of Japan to our security; the stabilizing influence that she exerts in Asia; and the significance that she holds for us in the field of trade in both directions. We are therefore looking forward with special interest to hearing his authoritative account of the economic and political factors that effect Japan's role in world affairs today.

Mr. Tsurumi has had a distinguished career in Japanese Government at home and abroad, especially with regard to economic and trade problems. He knows the United States well both as a student and as a diplomat.

It is a pleasure to present to the Class of 1964 for his first lecture here at the Industrial College, Mr. Kiyohiko Tsurumi, Counselor of the Japanese Embassy. Mr. Tsurumi.

MR. TSURUMI: Thank you very much, Mr. Freers, for the kindly introduction. It is really a great pleasure and privilege to speak on present-day Japan before this very distinguished audience, and discuss with you the problems facing Japan in this changing world.

I recall when I went down to Montgomery, Alabama, last October, to speak about Japan to their war college, I quoted from President Kennedy's speech at Salt Lake City. And I think it's rather fitting now at this moment too, to quote that speech, because I think in order to analyze the role and programs of Japan in this changing world you have to have

certain knowledge of the changing world situation as such, and how to approach it; not only the problems of Japan itself, but also of the changing world. And I believe you have been fully briefed on how the world has been changed recently. So, I won't dwell on that aspect; I would just like to call to your attention how the world has been changed, by quoting a part of the speech made by the late President Kennedy out at Salt Lake City.

He said, "We must acknowledge the verities of the world. We cannot remake other nations in our own image nor can we enact their laws nor can we operate their governments; nor can we dictate their policies."

This is the part of his speech, I think, by which he set the whole tone of his foreign policy - on this line. Somewhat in a similar vein, recently, President Johnson spoke, as I recall, to the industrial war-crafts meeting. Well, this characterizes the world which has been changing rather greatly. The characteristics of the changing world have been noted by eminent professors of your country as well as other countries also, and including Mr. Kennan. That is to say, the world is moving from so-called bi-polarization to the polycentric.

I think Japan's can be dictated, certainly, not only by her own domestic and external relations, but by this changing world too. But in this changing world I think the best we can accomplish is by what I might call "unity in diversity on the basis of partnership." And I recall when President Johnson gave his State of the Union Message this year he called for Atlantic and Pacific partners. I think this has been very much welcomed by my country, and by all the world.

Now, against this background I'd like to speak and give you a rather sketchy picture of how Japan fares these days in its political, social and economic aspects. First of all, the political situation in Japan. Perhaps you have some basic information already, but I might perhaps briefly touch upon it. First of all, the Diet, as we call it; that is, your Congress, and the British call it Parliament; the Diet has three or four major parties, as you probably know. The government party is the Liberal Democratic Party, which is in the lower house and which we call the House of Representatives. There are 294 members.

The major opposition party is called the Socialist Party, and they have 144 members.

The third party is the Democratic Socialist Party, which has 23 members. Besides those three major parties there are a few Communist Party members who number 5 in the lower house.

We had so-called "General Elections" last November, and in that General Election the government party - the Liberal Democratic Party - commanded 54% of the popular vote. The Socialist Party had 29%. The Democratic Socialist Party had 7%. And the Communist Party had 4% of the popular vote. This will give you a rough idea of how our political lineup is constructed.

Now, I might briefly touch again on how they stand in various programs; for instance, the security pact with the United States, the Mutual Security Pact which we have with the United States. That was renegotiated and revised back in 1960, and it's still in force. You may recall at the time of the revision of this Mutual Security Pact with the

United States there were some student demonstrations instigated by the rather notorious Denga Koren; that is, the Leftist student organization; and the unfortunate incident of preventing the visit by President Eisenhower to Japan.

In this Mutual Security Treaty the Socialist Party says it should be abrogated. Instead, the Socialist Party advocates so-called neutralism. Whereas, the Democratic Socialist Party, even though their number is small, doesn't advocate the outright abrogation of the treaty. They do accept it, but they say they'd like to have it improved. But how, they haven't mentioned.

Now, the next big problem is what should be our relations with Mainland China. The Socialist Party will say that Japan should recognize Continental China right away. The Democratic Socialist Party says that Japan should recognize Continental China, but at the same time it should seek to have relations with Nationalist China. Their idea is one China and one Formosa, or one Taiwan.

The next problem, as you've recently been reading in the newspapers, for instance, is the negotiations of Japan with the Republic of Korea, in an attempt to normalize the relations between the two countries. These have been going on since 1951. At one time I was in charge of Foreign Affairs and I took part in the negotiations myself. But in this negotiation the Socialist Party says it's not time for normalized relations; that Japan should wait until Korea is unified. That means, the Republic of South Korea and North Korea should be unified.

The Democratic Socialist Party is in favor of the early normaliza-

tion of relations with the Republic of South Korea.

Well, this will give you some idea of how we stand in various programs facing us at this time. The Liberal Democratic Party, which is the government party, is now led by Prime Minister Ikeda and has been in power for the last eight or ten years. And it still commands the greater majority of the lower house. But the problem facing that party is what we call so-called factionalism among the party members themselves. Recently several factions within the party have been abolished, but there are still latent forces who favor factional interests within the party, even though Prime Minister Ikeda is in full command of the party as a whole.

However, the factionalism will give rise to certain complications when the party has its next party convention that is scheduled to be held this coming July. At that convention Prime Minister Ikeda will be re-elected as President of the Party. It is a question now, but it is likely that he'll be re-elected. But, as you've probably read in the papers, there are several aspirants for that position. For instance, Mr. Haffa (phonetic) is one of the major contenders. Mr. Haffa is now the Minister in Charge of the Scientific and Technical Agency, and he is also in charge of the Olympics.

Another aspirant is Mr. Kono who is now the Minister of Construction. And there are several others.

This factionalism, even though it has been abolished within the party itself, will have some bearing on the direction which the present government party will take in the future. But some American scholars

have said this factionalism is contributing to a compromised policy which has been adopted by the government party. The Liberal Democratic Party has been in power for such a long time they may become more frigid, or rigid - etc. Because of this factionalism they have to argue among themselves in coming out with certain policies. That was one of the contentions of the theories propounded by American scholars, which I have quoted.

Now, as to the political situation, I might be remiss if I didn't touch upon the famous Article 9 of the Constitution. You probably know of it. This is the new Constitution that was enacted by the Diet on May 3, 1947, which was formulated in close consultation with the general occupation forces headed by General MacArthur. Article 9 of the new Constitution says, "Aspiring sincerely to international peace based on law and order, the Japanese people forever renounce war as a sovereign right of the nation, and the threat or use of force as a means of settling international disputes."

This Article 9 has been widely and greatly acclaimed when the new Constitution was adopted. Since then, this Article 9 has been a sort of guiding principle in the way in which the Japanese people think of national defense etc. Since then, as you know, the world situation has changed. We have so-called "National Defense Forces," including land, air and sea defense forces, altogether numbering about 230,000 men and officers.

Since about ten years ago, the so-called Constitution Study or Research Council has been working with us as to whether this new Constitu-

tion is in need of some revision or not - or amendments. It has been in the papers quite often, recently. Article 9 and other provisions of the Constitution have been in the limelight. But the Amendment to the Constitution, as you probably know, will require a 2/3 majority in the Diet and also a national referendum. So, it is, indeed, rather difficult to amend.

As to the political lineup I mentioned a bit earlier, we do contest general elections very severely, and when a general election campaign is going on the din is rather tremendous. Generally speaking I would say it's much noisier than in the States in a Presidential Election. At the same time, our free press has been very vocal in criticizing the government party and the government itself. This has a large effect on our political situation and also our social conditions. And so, you have to keep this in mind. I might say that all over the world the Japanese press is one of the freest presses in the world, I think.

In order to appraise the domestic situation of Japan we may briefly have to touch upon the social conditions. You've often heard ^{of} the aggressive Leftist demonstrations by the Denga Koren, or students, and at the same time you often hear that some beatniks or beatles, or whatever you may want to call them - we have, certainly, quite a great number of those beatniks or beatles, etc., - have done some demonstrating. At the same time, I can assure you that most of the young people are what you might call middle-of-the-roaders and they have to study and work hard in order to get a higher education.

Incidentally, our compulsory education runs up to the 9th grade.

About 60% of those who finish the compulsory education go on to higher education. About 10% of those will receive a university or college education. So, they have to work rather hard. And I think, even though there are some occasional outbursts on the Leftist side and the beatnik side, the middle-of-the-roaders are in the majority. In this connection I regret to say that one of those mentally unstable youngsters stabbed Ambassador Reicher recently and the whole nation was really shocked, and ashamed of it. One relief is that he is recovering satisfactorily.

Now turning to the economic appraisal of Japan, you have often read, and I think it was included in your essential reading material; that is, the Economics of Japan, by the Economist of London - and also the New York Times, the Washington Post, and some other quality newspapers, articles that were featured on the economy of Japan. To cite just briefly, in the - let's see - past 13 or 14 years, back in 1949, the per capita income was about \$100 and now it stands a little over \$500. Crude steel production back in 1949 was just about 7.7 million tons and now it stands over 30 million tons. I think we can say we've passed Britain and Germany, and Japan stands as the third largest steel-producing country.

Our export back in 1949 was about \$830 million and it now stands at about \$5.7 billion. Our imports at that time were \$970 million and we now import about \$6 billion worth.

Our gross national product in 1949 was about \$11 billion and now it's about \$60 billion. But that's only about 1/10 of America's GNP. In per capita national income I think ours is just about 1/6 of the American per capita national income. As to why we have accomplished this so-called

tremendous or remarkable growth in the economy, I will cite one of the eminent economists in Japan, Professor Okita. You have probably heard of him. There are several reasons that he cited. One is that we have recovered from the ravages of war, and so, the growth rate is much higher than it would be in the ordinary situation. Secondly, we have a comparatively small national defense expenditure. Our national defense expenditure now runs a little over 1% of our GNP. And basically, I think, our education is the basis of the rapid growth of our economy. Because, skilled labor has been in abundance, and education provided the basis for adaptability in a changing world, especially in the technical field.

I should also say the world situation surrounding Japan was rather favorable. For instance, back in the 1940s and the early part of the '50s we had general assistance from the United States in the form of what they call "garrior" (phonetic). And as the world situation changed, more heavy industry came to be regarded as essential. And fortunately, our industrial sites are on the coast, so that they can get raw materials at less expense.

Those are the basic reasons which have been cited by eminent Professor Okita as concerns our rapid economic growth. Still, we do have serious problems facing our economy. One is what we call the pure structure of the economy. Our heavy industry, chemical industry, precision industry, electronic industry, etc., have been progressing very rapidly and some of them are in the top-notch of world production. But at the same time we have what we call medium and small-scale industry - and enterprises, including commercial businesses.

And, also our agriculture. Even though we used to say that Japanese agriculture is very efficient and we do produce a great volume of rice - the per acre yield is very high - at the same time, compared to other manufacturing industries, agricultural productivity is low. We have about 30% of our labor population engaged in agriculture, and the average farm property per family is 2.5 acres. So, you can well imagine how small they are. Therefore, per capita productivity is rather low in agriculture.

Then, we have declining industries such as coal mining industries. It's this way all over the world; in this country, Britain, etc. So, it's this declining industry of coal mining which we have to look after. Those low productive industries such as medium and small-scale industries, agriculture, coal mining, etc., all have to be looked after. We have to have something for them. We've had some low interest rate credit financing for those industries. Also, in the case of agriculture we've been trying to reorganize and improve the productivity and to diversify not only rice-growing, but the dairy industry, some fruit-growing, etc. Thus, the diversification of agriculture is taking place. This is one big problem facing Japan.

The second one is the rather rapid rise in consumer prices in the last couple of years. Every year it's about 6% or 7%. In order to ward off inflation we'll have to do something, and we've been seeking to do it.

The third problem is not exactly a lack, but a shortage of what we call social capital. The Japan industry has been progressing and growing

very rapidly, but social capital such as road construction and harbor improvement is not keeping up with social expansion as a whole. And the government is now expending a great amount of money along that line. For that purpose we will need foreign capital also.

And I suppose you've already heard that as of yesterday, April 1, Japan became what we call an "IMF ADCO Aid Country," in that we don't have any restrictions as far as the current account transaction is concerned. And we are about to acceded to the OECD, the Organization for Economic Cooperation and Development, and in this, as we used to say in Japan, we are now in the open economy. But to live in this open economy we have to have expansion of our foreign trade in order to maintain our international balance of payments.

As to the liberalization of our import trade because of this open economy situation, we have now established 93% of our total imports being liberalized. You may not be impressed by that figure, but if you compare it with the figure of about four years ago you may notice how we have advanced in that direction. Just four years ago our rate of liberalization was only 41% and now it stands at 93%.

As to the international balance of payments, at the moment our foreign currency holdings are just about \$2 billion, including some gold from the IMF. So, it looks as if we have been successful in expanding our trade.

Of course, we do have reparation obligations to four countries, as you probably know - Burma, the Philippines, Indonesia, and Viet Nam - totalling a little over \$1 billion. Also, we are now paying back your

postwar assistance. That comes to about \$45 million. When we have succeeded in normalizing our relations with the Republic of Korea we are going to extend grants of \$300 million to Korea for the coming 10-year period, and also \$200 million of long-term loans. Certainly these things will have some effect on our future international balance of payments. So, in the face of this we have to expand our trade so as to maintain economic growth and stability.

Thus far I have briefly touched upon the domestic economic, political and social conditions in Japan. I might now turn to our external relations with various countries. Our foreign policy as enunciated by the present government is based on what they call "three pillars." The first one is support of the United Nations. The second one is a close association with the Free World. The third is cooperation with Asian countries. Because, Japan is situated in Asia. Those are what we call the "three guidelines of our foreign policy."

Now, guided by these foreign policy guidelines I might touch briefly upon our relations with Korea, China and other Asian countries, and from there, on to some of the European countries; and finally, the most important one, our relations with the United States.

As to our relations with Korea, I spoke briefly about them a few minutes earlier. We have been trying to normalize our relations with that country. The negotiations for that purpose have been going on since December 1951. Recently the negotiations came to a rather high pitch, but unfortunately, as you read in the papers, some student demonstrations in Seoul and some other places in Korea, have given a cooling element

by their attitude toward renormalization. The basic issue which is still pending, as I said, what we call the "claim business," we have, in principle, come to agreement on. That is to say, we will extend for the coming 10-year period \$300,000 worth of grants, and \$200,000 in long-term loans, plus \$100,000 worth of commercial loans.

But the biggest pending program is the fishery business. As you recall, when President Syngman Rhee was in power in Korea he proclaimed what they call a "reline." On the average it extends from the coast about 60 miles. At the furthest point I understand it's about 150 miles from the coast. Because of the reline they say that the Japanese fishing industry should not fish within that reline. And we've been telling them that it's not in line with established international law and practices. We have already said that a four-mile limit will be acceptable. Because, the recent international overseas meeting which took place in Geneva back in 1960, I think, said six miles were territorial waters and beyond that, six miles exclusively shall be zoned.

So, we will go along with that, but beyond that we have certain joint-control fishing zones which we would regulate as to the mesh of the fishing nets, the gear, the kind of fish, the number of fishing vessels, etc. Those are the positions which we've been proposing. And at some points they have gone along with us - not fully, but partially. However, as I said, because of some of the student demonstrations there attitude has apparently hardened, and it is unfortunate that we will not be able to come to an early conclusion in these negotiations.

As to our relations with China, we have no more diplomatic relations with Nationalist China, Taiwan or Formosa. With Continental China

we have no diplomatic relations at all. But, we've been trading with that country. Last year we exported about \$60 million worth of goods and imported about \$70 million worth. We've been doing this trade on the principle that we do separate political matters from economic ones. That is one basic principle. We've been trading with China on a strictly commercial basis. So, certainly we are not extending any so-called long-term loans which might be called aid.

Also, we've been strictly adhering to the COCOM restriction which prohibits the export of strategic commodities. As to the concept of trade with Continental China, it might be gradually decreased because of their payment capacity and their availability of commodities which we do wish to import are rather limited. So, we don't foresee a great expansion of our trade with Continental China.

As to our relations with other Asian countries, we've been extending our credit, loans and assistance, and also helping with technical assistance. Every year we've been inviting about 1,000 trainees into our country, and sending about 250 experts out to give technical training.

And, as I said earlier, we have these reparations obligations. Our obligation to Viet Nam is almost completed. We have extended \$39 million to Viet Nam in reparations, with which they built a big hydro-electric power station, to supply 88,000 kilowatts of power to Saigon and the area nearby.

Now, as to our relations with the European countries, we've been having rather close relations with Britain, France, etc., and similar

to our arrangement with the U. S. we have so-called regular meetings at which the Prime Minister, and sometimes the Foreign Minister, regularly meet every year. We expect to have Prime Minister Popidou from France, in a couple of days. And our trading ties with the European countries have been strengthened, but some of them still have discriminatory positions or attitudes vis-a-vis our exports to those countries. For instance, Italy has about 120 commodities, I remember, on which they discriminate on imports from Japan. France has about 60 commodities, I think, on which they do discriminate.

We are very anxious to have those discriminatory barriers abolished or at least ameliorated.

Lastly, and most importantly, is our relations with your country. I should say that our relations with the United States are the best thus far in our history. As to regular contacts we have four channels now established, out of which, three have been established since the late President Kennedy met our Prime Minister Ikeda back in 1961. The joint communique established three regular channels of contact. One is the joint general meeting on trade and economic affairs, which recently for the first time met in Tokyo last January, for which I went back with the Ambassador and attended the meeting.

The second one is the educational and cultural joint meeting which took place in October of last year here in Washington, in which, both on a governmental and private basis, professors, broadcasting, telecasting authorities, etc., participated to exchange ideas, etc.

The third is the joint scientific exchange meeting. This year it's

going to meet here in Washington, I think, in May.

Those are the three regular channels of contact between the two countries, which were established when the late President Kennedy met with our Prime Minister in 1961. Beside that, we have in the national defense field what we call, a "Mutual Security Consultative Council Meeting," which is always held in Tokyo, attended by your Ambassador in Tokyo and also your Commander in Chief of the particular area. And on our side is our Foreign Minister and our Minister of National Defense.

Those are the four regular channels of contact. But, certainly, always - every day - through your Embassy and through our Embassy here, contact has been made very closely.

As to trading relationships, last year we exported to your country \$1.5 billion worth of goods, whereas we imported from this country \$1.7 billion worth of goods. Japan is the second biggest market for your country, and the U. S. is the first biggest market for our country. In the past, a little over ten years, our export, or rather, our imports from your country were exceeded by about \$3 billion. That means we have contributed to some extent to alleviate your balance of payments.

But even though our relations - political, cultural, scientific, economic and trading - are close, we have some problems. The closer the relations become, the more problems are bound to arise, even though we can certainly describe them in a very frank and sensible manner in an attempt to settle them, and we do still have some problems. I might as well cite a few of them.

One is that there is some tendency on the part of your country to

restrict imports from our country. An example is our cotton textiles, on which we came to an agreement last year. A recent example is your steel industry, U.S. Steel, Bethlehem Steel, etc. These are complaining that the importing of steel not only from Japan but from the European countries is too high and is adversely effecting their position. I can't fully understand it. According to the papers I see that this country is doing a very good business and I don't see why they're complaining about it. Anyway, they do still complain about it and I feel that any restrictive measures should not be taken by the government.

A third example is woolen textile commodities. Again, your woolen textile manufacturers have been putting pressure on Capitol Hill and the government, to have certain international woolen textile agreements, which we don't go along on, and we hope that the restrictive tendency will not effect our trade with your country.

On the financial side, as you probably know, is what you call ^{an} interest equalization tax bill which is now on The Hill, which was proposed by President Kennedy last July, which would have a certain restrictive effect on capital import into Japan and other countries, as well as your country. Your government has been telling us that we should liberalize the acceptance of investments from the U. S. Now you're proposing to further restrict the import of capital into Japan from the U. S.

And, as I said, in order to sustain our economic growth and stability we need a lot of capital. So, we've been counting upon your market for getting capital for our economic growth. And this Interest Equaliza-

tion tax Bill is one of the factors which has been irritating the Japanese people, and in particular, economic circles.

Now, I've cited those examples on which I think we can sit down together and discuss candidly and frankly, and I think we'll be able to work out some sort of formula. But, those problems still exist and I hope you will take note of them.

Against this background of Japanese domestic political conditions and external relations, what should be our role in this changing world? Some of your people say that we should expand our defense effort. For instance, that a little over 1% of GNP is too little for a necessary defense effort. Some have said that we should expand our financial and technical assistance to the lesser developed countries. Well, in answer to that we would say that to accomplish democracy and a thriving economy in Japan would be the role to be played by our country. Because, if we fail in that task, certainly it would set a bad example for the less developed countries which aspire to greater prosperity and economic development.

At the same time we are, as you probably know, trying to expand our financial, capital and technical assistance to the less developed countries. As you know, the 1960s have been proclaimed by the United Nations as a decade of development, and for which the United Nations Conference on Trade and Development is meeting in Geneva now. So, in that direction I'll comment that our people are trying to contribute, even though, comparatively speaking, the amount is not so impressive.

In the Year 1961 we extended in total about \$382 million worth of

assistance. And in 1962 the amount came down a bit, to \$180 million, and last year it was \$180 million again. But, we are rather anxious to expand that assistance in cooperation with the United States and the other Free World countries. In that field, I think, our role in this changing world should rest.

Well, I've given you a rather sketchy picture of present-day Japan, but I hope it will help you to understand the problems facing Japan. I believe one of your groups is going to Japan to have an on-the-spot briefing and inspection, and for those people, in my brief sketch you've heard an introduction, I hope.

Thank you very much.

QUESTION: Could you tell us a bit, sir, about the Communist Party in Japan, where its allegiance lies toward China versus Russia?

MR. TSURUMI: Well, the Communist Party in Japan, as I mentioned in my speech, numbers outright about 800,000. And there have been, certainly, some fellow travelers. Their position or attitude toward Communist China and Soviet Russia - they used to have certain factions; they have factions too in the Communist Party - a certain faction favored closer ties with Soviet Russia. But recently, a greater majority of the Communist Party has been in favor of Communist China.

Mr. Nosaka, who is the figure-head of the Communist Party, was in Continental China all during the war, and I think they lean more toward Communist China than Soviet Russia. That is why they are for an early recognition of Communist China by Japan. I know they've been agitating.

They've had some demonstrations against the U. S. etc.

QUESTION: Would you comment on the present attitude of the Japanese to the Okinawans?

MR. TSURUMI: Well, at one time when I was in charge of Korean Affairs I was also in charge of Okinawa and island affairs. The present attitude of the Japanese people toward Okinawa - not only the present, but the consistent attitude - is to have ^{an} early return of Okinawa to Japan. That has been the consistent attitude and I don't think it's going to change. At the same time, the government recognizes the U. S. Government's position vis-a-vis Okinawa, and in the face of that, the people would like to realize the improvement in the economic welfare of the Okinawan people down there. For that purpose we're cooperating with your government in extending economic assistance to Okinawa in the amount last year, let's say, of about 1.8 billion yen. That means about \$5 million or so.

So, basically, as I say, the people of our country are longing for an early return of Okinawa to Japan. But for the near future they would like to have the well-being of the Okinawan people improved. For that purpose they've been doing work in cooperation with your authorities.

QUESTION: Sir, you spoke of the desire to get more capital into Japan. On the other side of the coin I note that within the last year or two the Japanese have been establishing industries overseas, in the U. S. and possibly Mexico. Would you talk about the criteria you follow in determining when you do set up industries, what kind of industries they will be?

MR. TSURUMI: Well, as a government as such, we don't set any rule at all. But we do encourage private business to invest abroad, mostly in the less developed countries, but also in some of the advanced countries. Take, for instance, a steel and paper manufacturing company, the Sekfi Chemical Company established a factory in the State of Pennsylvania and they have started operating already. And also, I think one of the paper pulp manufacturing companies has established a plant at Sitka, Alaska. And some department stores have come to this country and opened shop.

As to the less developed countries, we have been encouraging private industry and business to invest. For instance, we have big investments in Brazil, in steel, manufacturing, ship-building, textiles, etc.; also in India and a number of other countries. But we don't set any rule as such, as a government, to fix the specific field of industry. However, we do encourage private industry to invest abroad. For that purpose we do have investment guarantees and also investment financing facilities which the government has been providing for that purpose.

QUESTION: The new Japanese Constitution back in 1949 contained some new ideas which were somewhat contrary, it would appear, to the old traditional sort of system. A few of them were such as the equal inheritance of wealth by women; the right of women to institute divorce proceedings; free choice of spouses; and things of that nature. While this is contained in the Constitution, do actual facts now indicate that this is working in that direction? Or is it working to the contrary? Has the social system of social backing changed from the traditional?

MR. TSURUMI: Well, I should say the selection of a spouse, etc. doesn't go along with the changing social conditions in Japan. As you know, we used to have the system of arranging by the families the selection of a spouse. In my case, for instance, my father and my present wife's father got together. But even in that system we have a period during which we get to know one another.

As you probably recently read in the paper, the Imperial family, for instance, Prince Yoshi is going to get married to the daughter of Mr. Kagaro. In that case the arrangement was made by the Imperial Household's agency, but even in that case they'll have a certain period of time in which they can come to know each other much better.

So, I don't see any provisions in that aspect in the Constitution have been working against the renewed plans of social conditions or social feeling by the Japanese people. I don't see that.

QUESTION: Sir, would you discuss Japanese relations, diplomatic and otherwise, with North Korea?

MR. TSURUMI: As to our relations with North Korea we have nothing. We have no diplomatic relations with North Korea at all. Some time ago the Korean residents in Japan, who, according to our statistics, number more than 700,000, and of whom there are a great number who wish to go back to Korea, from the humanitarian point of view, if they so wish, we won't prevent them from going back to North Korea. There has been an exodus of several hundred thousand Koreans back to North Korea. This was entirely arranged by the Japanese Red Cross Society.

The government provided the facilities, but no negotiations as such on a governmental basis took place. That means we have no diplomatic

relations with that country, even though we have certain amounts of trade with that country. This trade amounts to about \$2 million, but that's all.

QUESTION: You mentioned certain discriminatory practices by the United States, such as tariffs and other import restrictions. Could you tell us to what degree you have import restrictions or tariffs on goods to try to protect your own industries?

MR. TSURUMI: Well, as I said, the rate of import liberalization came to a little over 93%. That means that about 7% are still under import restrictions, of which the major items are agricultural products. Because, in the import of products such as rice, wheat, barley, etc., is under state control. Even under the GATT agreement on tariffs and trade the state-imported items are exempted from liberalization. So, it's true, those things are import-restriction items. They amount to, let's say, about 100. These include such commodities as motor cars and some machinery, which are of great interest to American exporters.

So, I should say we do, certainly, have some import restrictions, even though we are trying to further liberalize our import restrictions. Also, in the case of tariffs, we have, certainly, various tariff rates on various commodities. But, we are anxious to participate in the so-called "Kennedy Round" in which an across-the-board reduction of tariffs is aimed at. We are, certainly, taking part in it, but at the same time so-called known tariff barriers will have to be taken off or should be reduced. That is our current position.

The American Government has been urging us to liberalize, for in-

stance, the import of automobiles. Well, in the near future that liberalization will take place, even though at the moment we still do have a quota system for the import of automobiles.

QUESTION: Sir, would you comment on your country's attitude toward the desirability of setting up a Regional Economic Community with the countries of Southeast Asia?

MR. TSURUMI: Well, in view of the, so-to-speak, worldwide trends of regional economic grouping, such as EEC in Europe, or LAFTA in Latin America, or the African Development Bank on the African Continent, etc., there have been some arguments not only in Japan but in the Asian countries which do send representatives to the ECOFE meeting. ECOFE is the Economic Cooperation of Asia and the Far East, of the United Nations. In that forum there have been arguments saying, why don't the Asian countries organize themselves into a regional economic grouping. What they might call "OAEC" - the Organization for Asian Economic Cooperation.

Unfortunately, the economic basis of the countries in Asia is quite different if you compare the economic conditions of the European countries which form EEC, or EFTA, or the case of LAFTA in Latin America. Some of those countries still have a rather close connection with the former metropolitan countries. In the case of India and Pakistan they still do have quite a close connection with Great Britain. In the case of the Philippines they still have quite a close connection with the United States. There is that different economic basis and the close connections or ties with those countries which were there former mother countries.

Those things have some hindering effect for coming to realize close regional economic groupings. We are for that, but at the same time we do recognize the difficulties accompanying that idea.

QUESTION: Mr. Tsurumi, you mentioned the decline of the coal industry. Would you expand on your remarks, concerning the economic adjustment for the workers in the coal mines, particularly the older worker who may be thrown out of a job. Is there some type of social program to get him into another job, retraining or something like this?

MR. TSURUMI: Yes, we do have that, particularly the coal mines in Kiyushu Island. They have been seriously effected. And the miners, particularly the older ones, have been given some training in other industries; for instance, manufacturing and small and medium-scale industry techniques. Also, they are given a certain allowance for moving out of that depressed area to other areas where industry is flourishing and where there is more employment opportunity available. A special law has already been passed by the Diet and it has been in force to alleviate the difficulties facing those unemployed coal miners. Have I answered your question?

QUESTION: Well, I was just wondering, have these people actually been able to find employment after their retraining, or have they been blocked by this policy of hiring younger students out of school rather than older people?

MR. TSURUMI: Well, I wouldn't say that all of them have been re-employed, but a great number of them have found a re-employment opportunity. Others have found it, but not satisfactorily. I should say I

can only give you this general picture.

QUESTION: Mr. Tsurumi, how much influence do the leading industrialists exert over government activities? And if it is great, how would they react to a change in government, say the Socialist Party taking over?

MR. TSURUMI: Well, I haven't touched upon the so-called "pressure groups in Japan, but this business circle is one of the biggest special groups. The farm population and the Socialist Party - and organized labor is a pressure group for the Socialist party. Organized labor claims over 4 million members. The business circle, as such, I think prefers to keep the present Liberal Democratic Party in power so that they won't be adversely effected.

The Socialist Party, even though they haven't openly claimed that if they come to power they will nationalize industry, etc., as in the case of Great Britain when the Labor Party won out, the business circle as a whole, I should say, is keeping their fingers crossed, hoping that the Socialist Party will not come into power. But they are keeping in contact with the Socialist Party in order that they will not be foreigners if the party does come into power.

QUESTION: This is an extension of the question that was asked a little while ago about the question of employment. I would assume that Japan, because of its economic position, would be more likely to be short of labor rather than to have high employment. Do you have any program for importing labor from other places, or of moving labor from one part of the country to another?

MR. TSURUMI: I don't think we have any program of importing labor from abroad. But we do, as I said, have a program for moving labor from one part of the country to another where industry is flourishing. As you mentioned, we have come to the stage at which we've been feeling the labor shortage these days; in particular, in some medium and small-scale industry which are not able to give fairly good salaries or wages. They are feeling the pinch of a shortage of new employees.

If some of you have been to Japan, you know that in Japan as a whole you can get a New Do order (phonetic) and the employee of that shop will take you to your house in a hot condition (sic). But these days such an employee is rather hard to find. This is one of the examples of where we have come to the stage where the labor shortage is being felt.

As to your second question, we have a program to move unemployed labor from one part of the country to another. Well, that is my answer to your question.

COLONEL TILLMAN: Mr. Tsurumi, on behalf of the Commandant and all of us, thank you very much for a very fine presentation on this subject.