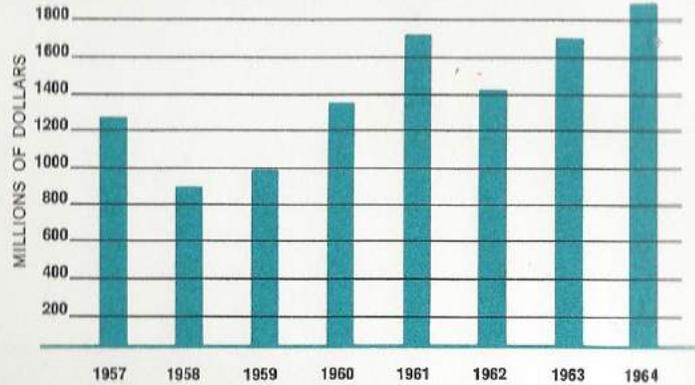


**HOW
JAPAN'S
ECONOMY
WORKS
FOR
YOU**



JAPAN IS SECOND BIGGEST CUSTOMER OF THE UNITED STATES

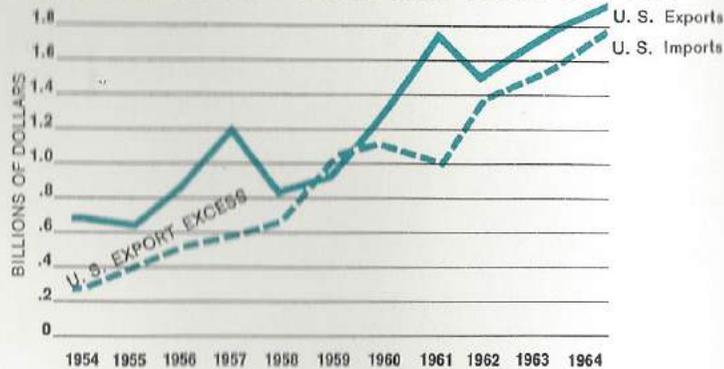
GROWING U. S. EXPORTS TO JAPAN



Only Canada buys more goods from the United States than Japan buys

JAPAN BUYS MORE FROM THE UNITED STATES THAN IT SELLS TO THE UNITED STATES

U. S. MERCHANDISE TRADE WITH JAPAN 1954-1964



The balance of cumulative US-Japan trade over the last 10 years is about 2.5 billion dollars in favor of the United States

SOURCE: U. S. Department of Commerce

INTRODUCTION

Japan is a nation smaller in size than the state of Montana, crowded with a population comparable to 65% of the United States'. (Japan has nearly 100 million people, while Montana has 670,000.) Japan's other traditional problems are a dearth of natural resources and an inadequate food supply for her people.

Japan has nevertheless posted an economic growth record unequalled in the Free World. Japan's Gross National Product of over \$70 billion now ranks fifth in the world, and her 1964 per capita income rose to the \$560 level, in comparison to average annual per capita income of about \$95 in Asia. With the rising level of personal income resulting from the rapid growth of the national economy, the Japanese people today thus enjoy a living standard unparalleled in Asia and close to that of many advanced nations in Western Europe.

The Statistics Bureau of the Office of the Prime Minister states in its 1964 annual report on family income and expenditure that household expenditures for consumer durables increased more than 4 times in the seven-year period of 1955-1962, while the ratio of such expenditures to total household expenditures also rose more than 2.5 times. For instance, Japanese consumers spent \$33 billion in 1963, 16% more than in 1962. Furthermore, this consumer spending rose by 12% in 1964.

This is why American businessmen can look to Japan as a unique source of industrial and consumer products and a prime outlet for capital investment during the next decade. It is not immoderate to project a doubling of Japan-U.S. trade during the 1960's.



Since 1955 especially, the sound of progress has been audible in the hum of a tripling industrial production, the whine of winches on the loading docks transferring exports and imports which have both doubled, and in the ring of retail cash registers which in department store sales alone have represented a three-fold increase.

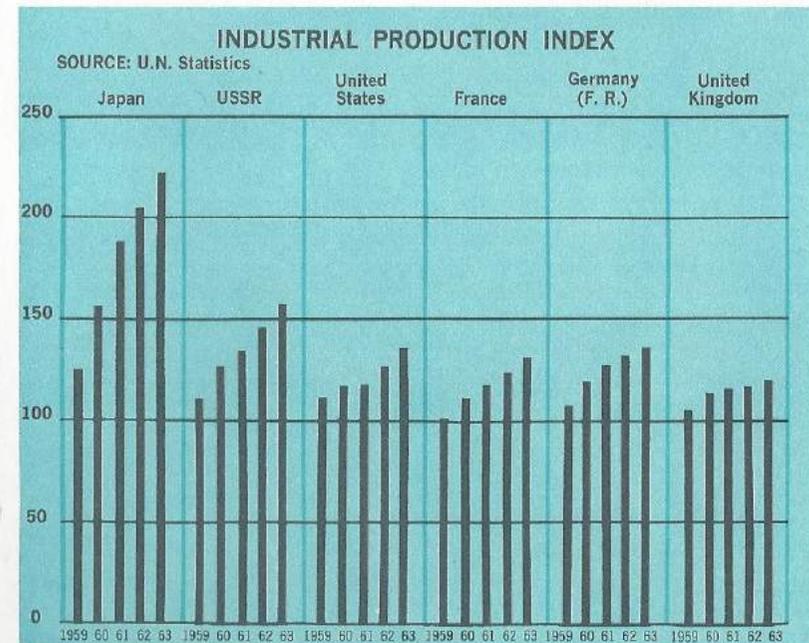
But this extraordinary record could not have been posted without the special efforts that Japan is making in quality and management techniques, in far-reaching democratic planning and a special attention to the development of advanced technologies.

In short, Japan's inventiveness, ingenuity, adaptability and discipline are characteristics that spell mutual Japan-U.S. growth and prosperity. Indeed, mutual economic goals and aspirations have rarely been focused so clearly as they are in what Japan makes and what Japan buys. And the more Japan *sells to* the United States, the more she can *buy from* the United States.

1 JAPAN'S "ECONOMIC MIRACLE"

Japan has fostered, in one decade, the kind of industrial growth which most nations have taken generations to achieve. Behind the numbers that represent the extraordinary growth of the Japanese economy in recent years lies a record of heightened quality standards and broadened ability.

Today, Japan's highly developed industrial complex stands ready to act as a supplier of parts, sub-assemblies, and finished products that meet the most exacting standards of the American consumer or of U.S. industry.



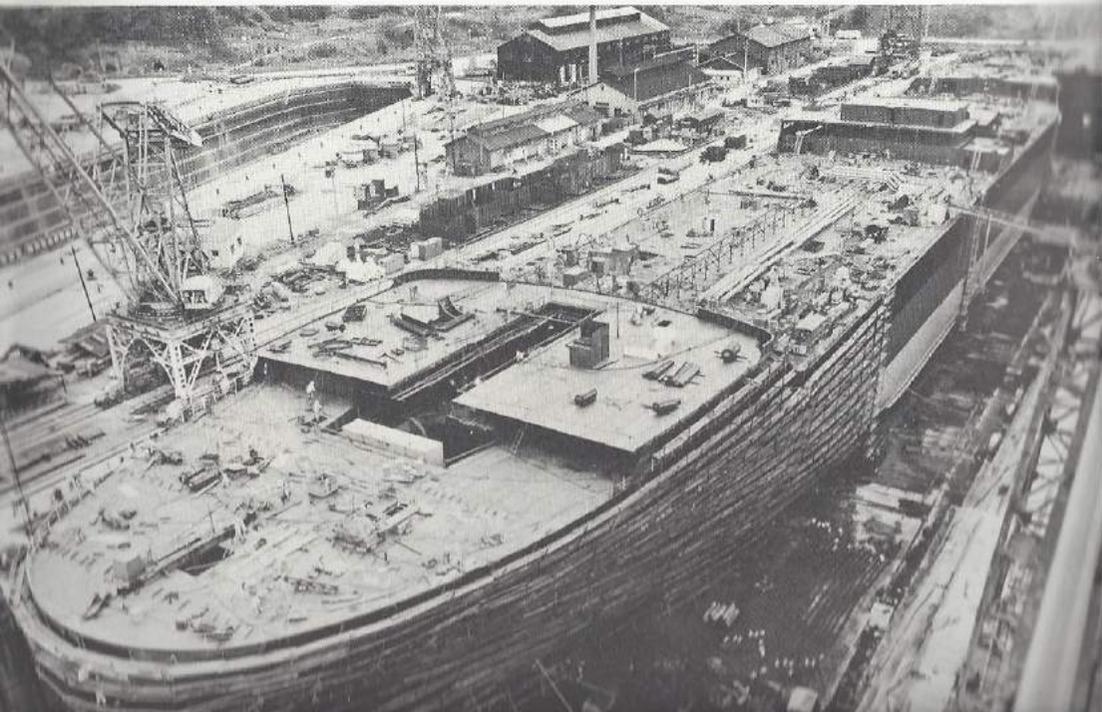
By late 1961, Japanese industrial production had tripled over 1955 and today Japan ranks fourth among all nations in the world in total industrial production, following the U.S., Soviet Russia, and West Germany.

Thus today Japan, a thriving industrial community, has maintained a leading position in several major industries. For eight successive years, Japan has led the world in the total tonnage of ships launched, with about half built for foreign flags.

In production of synthetic fibres and television sets, Japan ranks second only to the United States.

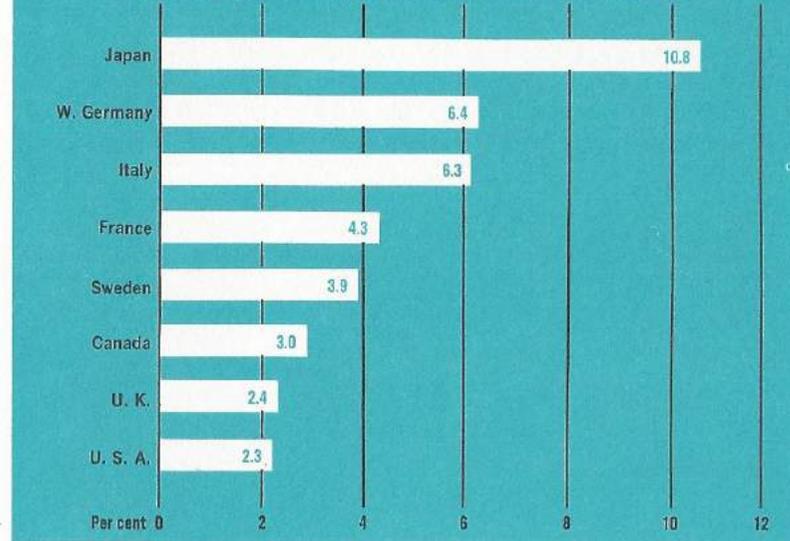
Japan is also the world's third largest producer of steel, replacing Great Britain in 1961 and West Germany in 1963, as well as the world's third largest producer of cement and plastic.

The Japanese Government's economic outlook for 1965 estimates an economic growth rate in 1965 of 7.5%, with adjustment for price fluctuations. The percentage is far below the 12% registered around 1960 and still below the 9.4% for fiscal 1964, the year of business adjustment. Japan, under Prime Minister Eisaku Sato, seeks economic growth with stability, instead of high economic growth alone.



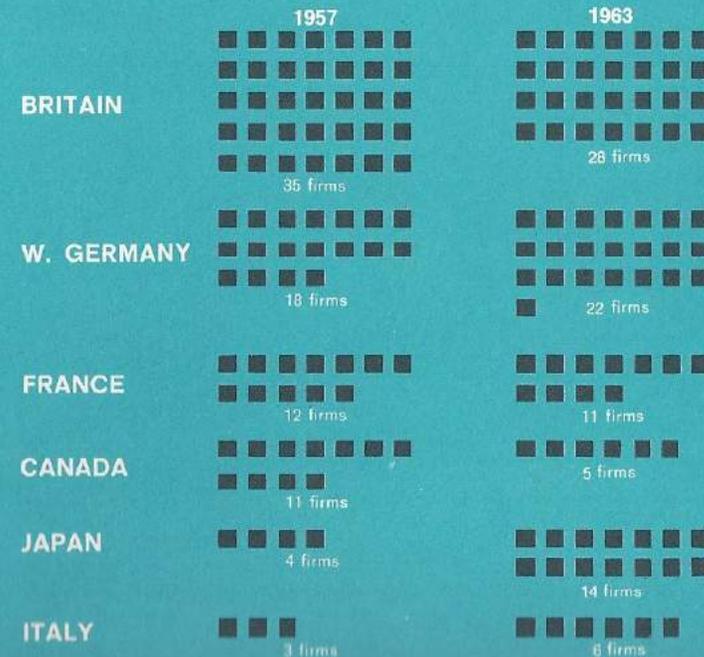
AVERAGE ANNUAL RATE OF REAL GROWTH OF GROSS NATIONAL PRODUCT (1955-61 av.)

SOURCE: The Japan Times — Japanese Industries in Review, 1965



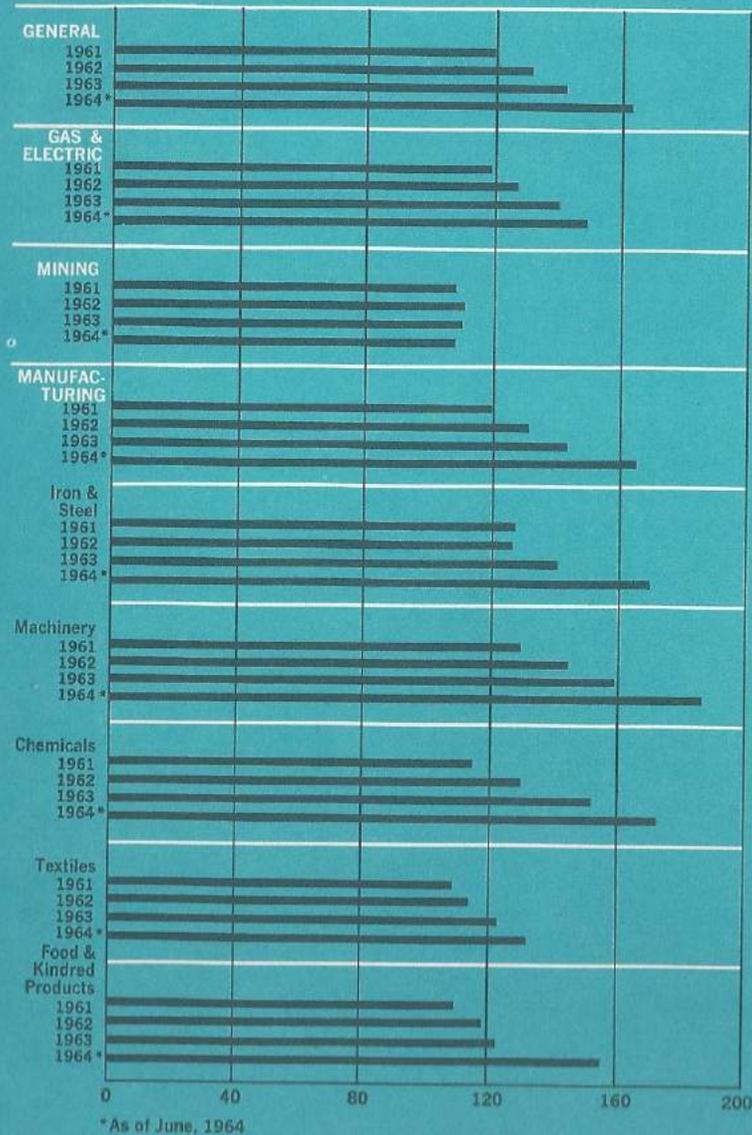
WORLD'S 100 LARGEST INDUSTRIAL COMPANIES BY COUNTRY (EXCEPT U.S.)

SOURCE: The Fortune Directory, 1964



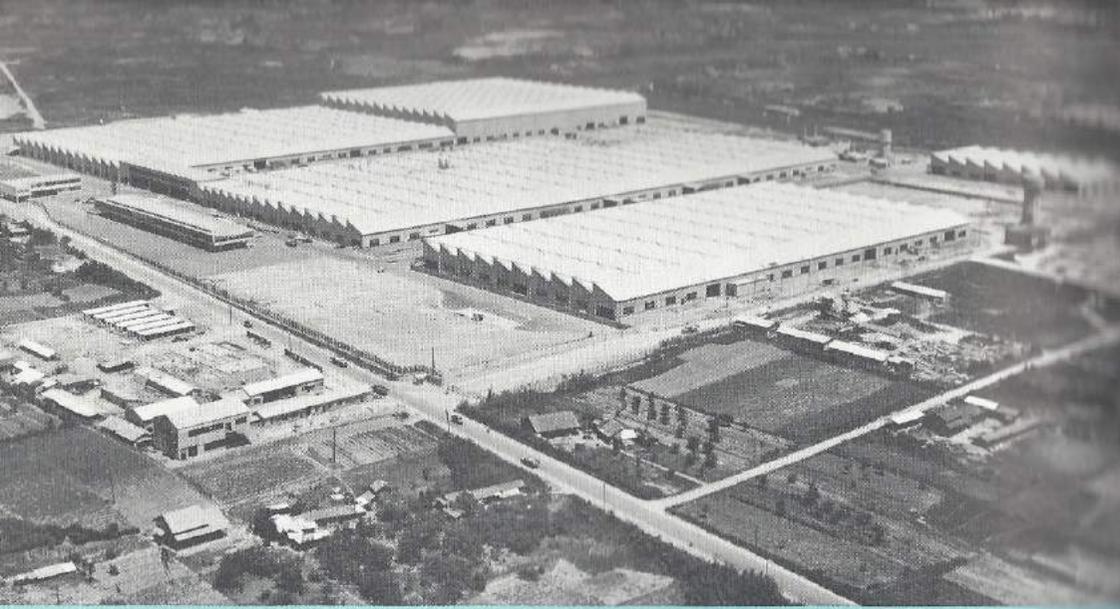
INDUSTRIAL PRODUCTION (BY INDUSTRY) (1960 = 100)

SOURCE: Ministry of International Trade and Industry



In those industries previously cited and others — such as electronics, optics, light machinery, organic chemicals, and food products — Japan's ability to post record results derives from the high standards of Japanese engineering and technology as well as the Japanese producers' ability to meet stringent and exacting customer demands and meet them on time.





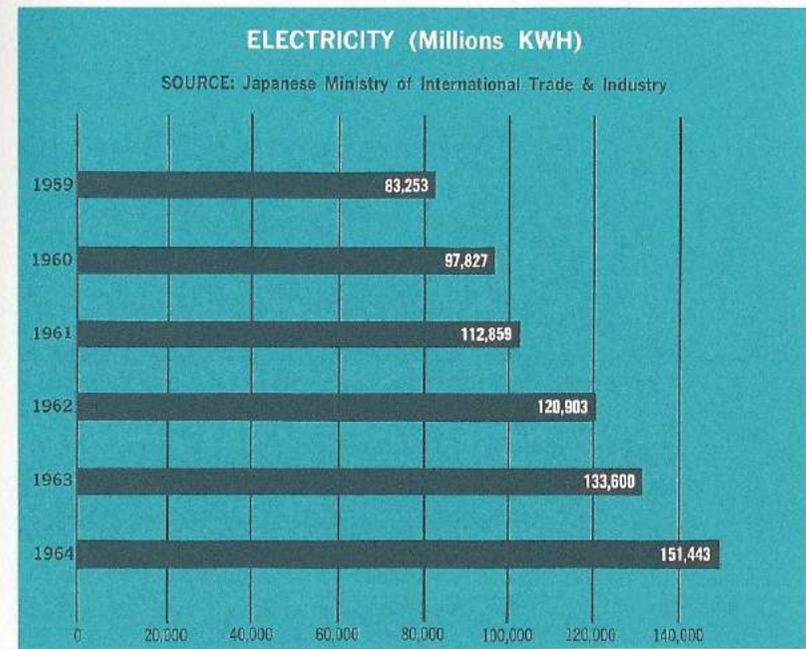
Especially remarkable is Japan's four-wheel motor vehicle industry, which registered a gain of 14 times from 1955 to 1962. Japan has about one million passenger cars in total, with annual production estimated at about 300,000 cars. In production of trucks and buses, however, Japan ranks second only to the United States.



2 THE STANDARDS ARE RISING

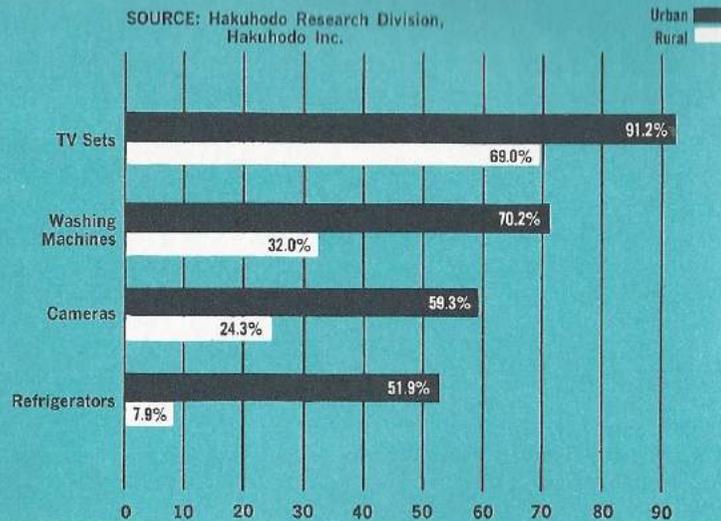
As might be expected, the Japanese standard of living is rising at a rapid pace. In actual individual spending, Japan trails only West Germany and France. And this show of economic strength is expected to become even more vivid in the Sixties. With an expected doubling in the country's Gross National Product before 1970, per capita income should follow an upward curve.

The consumption of power in Japan has been increasing as a result of rising industrial activity as well as growing use of electricity in the typical Japanese home.



RATE OF OWNERSHIP FOR MAJOR DURABLE GOODS FOR 1963

SOURCE: Hakuho Research Division, Hakuho Inc.



3 SPECIALISTS IN PRECISION PRODUCTS

Increasingly, Japan is becoming known as a source of high-precision, quality products, equalling or surpassing those made anywhere in the world.

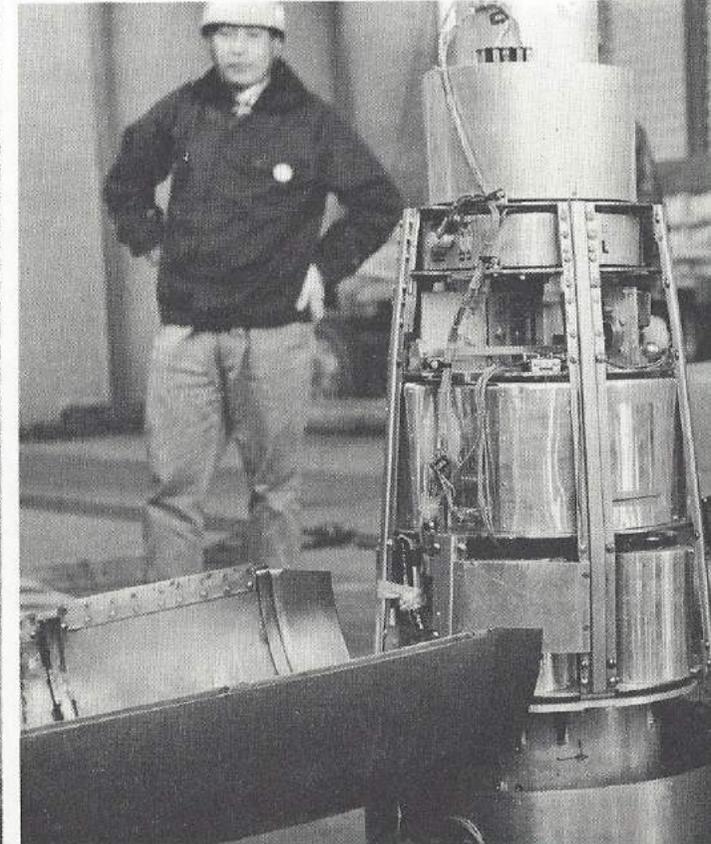
Japanese manufacturers, already the world's largest producers of transistors, are today in a position to supply international markets with highly complex, high quality products springing primarily from intensive experience gained in such fields as electronics, optics, photography, and sound reproduction.

Because of her heavy emphasis on equipment investment and increased quality in production, Japan today is able to supply world markets with a broad diversity of products, many of which involve new concepts in consumer products.

While the world market for cameras, binoculars, telescopes, and precision optical equipment is increasingly focused on Japan, planetaria built in Japan are being used increasingly in the launching of earth satellites and other aspects of space exploration.

Most professional and amateur space scientists are familiar with the work of Professor H. Itokawa in developing Japan's three-stage, solid fuel weather observation rocket. More recently, the U.S. and Japan have conducted joint space research projects.

Similarly, space exploration is also stimulating the development of miniature ball bearings which are indispensable in missile guidance systems. Japanese producers can now contribute significantly to the development of computers and other high precision developments where miniaturization is an important factor.





Japanese watches have extremely high standards of design, workmanship, and performance, and are gaining increasing acceptance in world markets where heretofore they had been sold and supplied on a subcontractual basis to U.S. watch manufacturers.

And just as research has been an important factor in Japanese investment, it is especially crucial in the area of high precision instruments and precision products. Although some companies operating in the textile field and related areas have long conducted private research programs, the scientific research that had formerly been conducted primarily in university laboratories is moving increasingly into the factories.

The result: A flow of innovations, such as the "Esaki diode," which are finding their way into a broad range of products ranging from electronic, optical and time measuring equipment; and new concepts in production methods, such as the Toyobo-Howa continuous automated spinning system which has been licensed to an American textile company for manufacture and sale in the United States.

4 THE TREND TOWARD CONSUMPTION

As the economies of the Western World have become increasingly prosperous, a tendency for disposable income to be shared more broadly among lower and middle income groups has advanced. This trend has been a predominant factor in America's growth. In the past decade, it has become equally evident in the major European countries. And in the last seven or eight years in Japan, a similar development has been taking place: Japan is beginning to take on many of the aspects of a consumer economy.

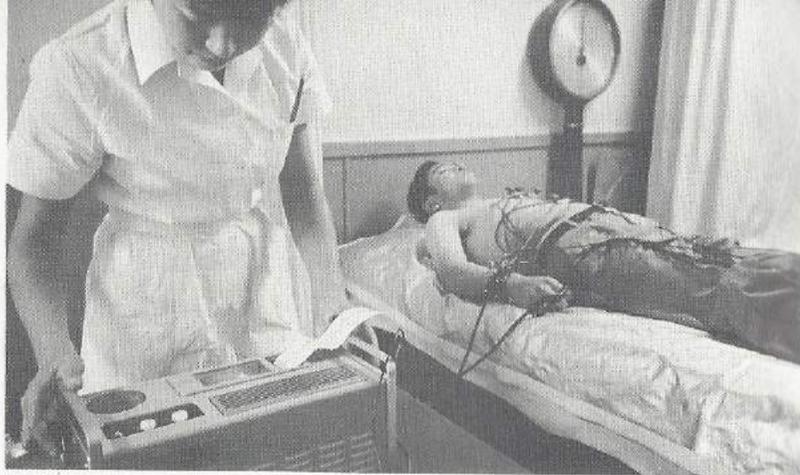
Two developments have occurred in recent years to contribute further towards the strengthening of Japan as a consumer economy:

- The products and services heretofore enjoyed only by city dwellers are now moving increasingly into agrarian communities.

Here is a typical example: in early 1960, urban households had four times as many TV sets as rural households. A year later, the ratio dropped to a little more than two to one. In short, Japan's more intensive agricultural production, by raising farm income, is broadening markets in Japan.

- There has been a steadily increasing participation by labor as well as management, in the benefits of prosperity. When "fringe benefits" are taken into consideration, most Japanese wages are quite comparable to wages in Western Europe.





Such Japanese fringe benefits include:

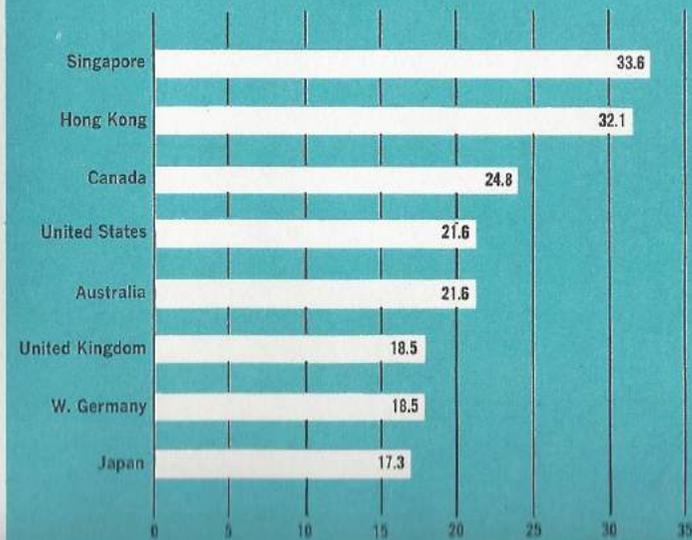
- Semi-annual bonuses, equal in total to about three to six months salary
- Family allowances based upon the number of dependents
- Low-cost company-owned housing
- Transportation to and from work
- Almost complete medical care, including dentistry
- Clothing and other necessities at very large discounts
- Health and recreational facilities

- Accident-health, and unemployment insurance as well as old-age pensions
- Educational programs for employees in such subjects as flower arrangement, tea ceremony, philosophy and many others
- Substantial retirement allowances averaging three and a half years' salary, following lifetime service to the company



CRUDE BIRTH RATES IN 1963 (per 1000 persons)

SOURCE: U.N. Statistics

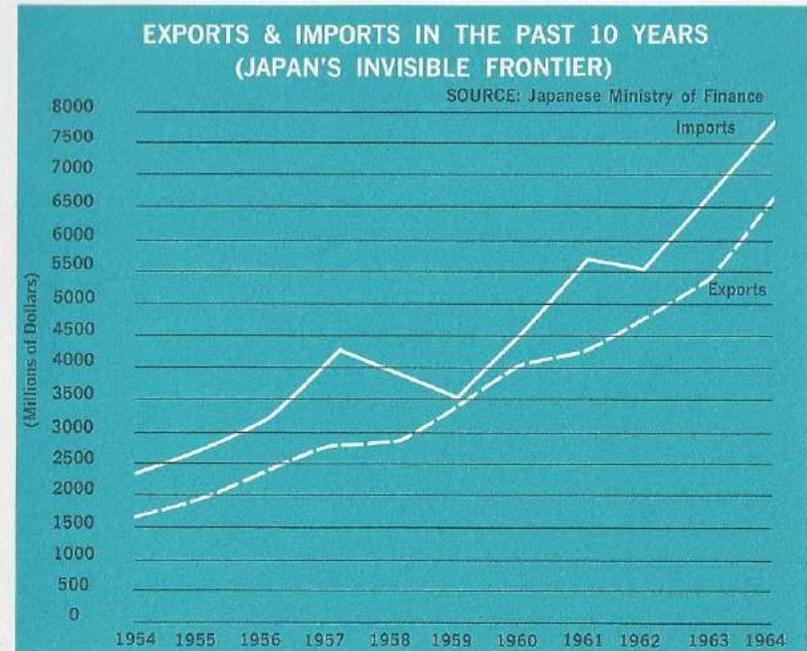




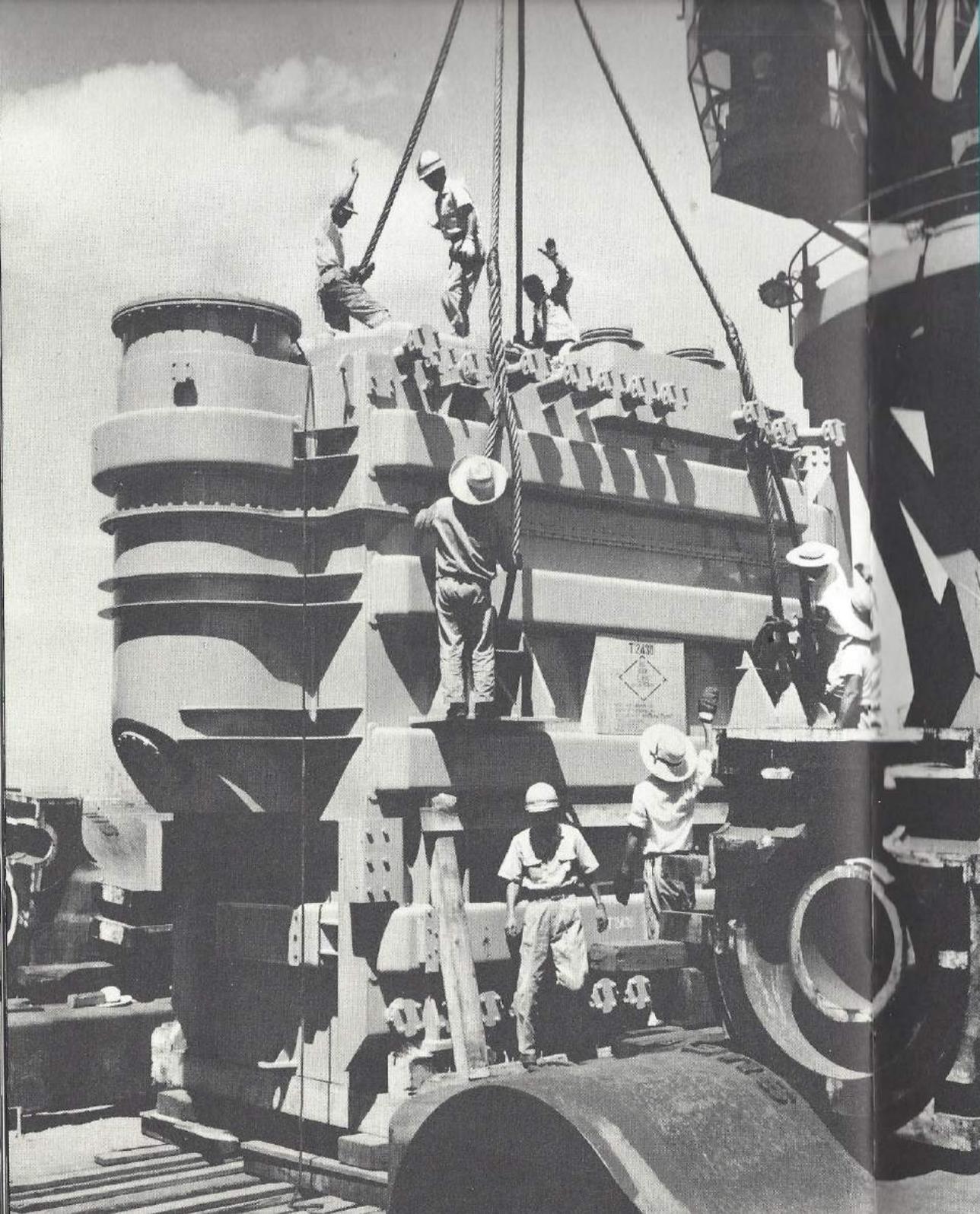
5 JAPAN MUST TRADE TO LIVE

However successful Japan may be in the coming decade in fashioning her own bootstraps, she will nevertheless continue to require a considerable inflow of raw materials, capital goods and consumer products.

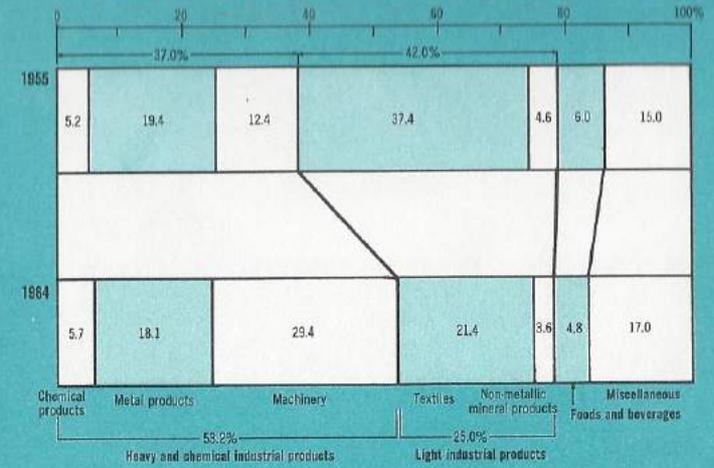
Being a small country with few natural resources to support her advanced industrial economy, Japan is virtually wholly dependent on foreign supplies of raw cotton, wool, crude rubber, phosphate rock, iron ore, and petroleum.



In Japan, trade actually means an "invisible frontier"—where the Japanese people may contribute to national progress, and help develop a national dream in making possible new advances for the developing nations and humanity as a whole.



CHANGES IN JAPAN'S EXPORT STRUCTURE

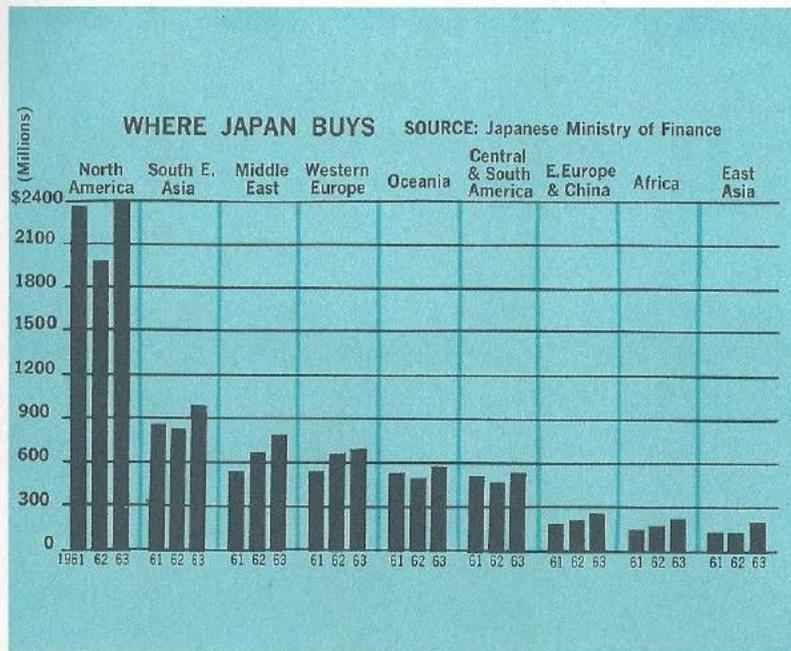


SOURCE: The Japan Times — Japanese Industries in Review, 1965

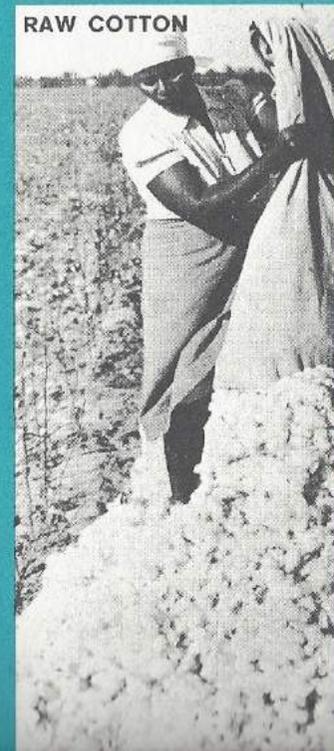
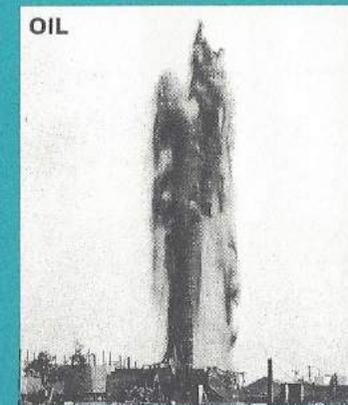
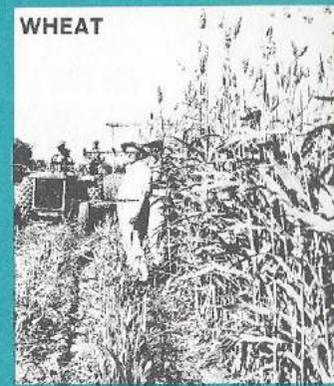
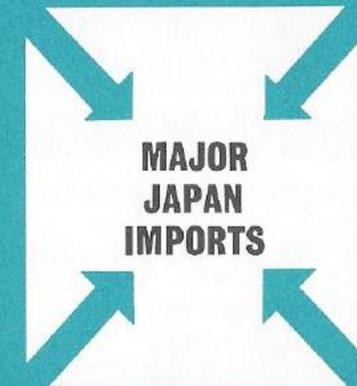
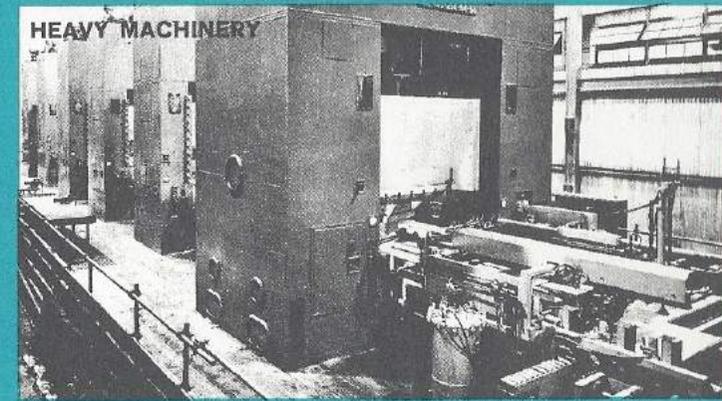
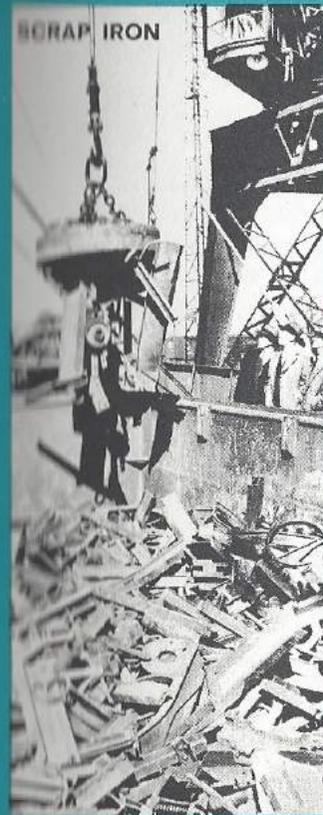
This huge 100,000-KVA Auto-transformer, one of seven ordered for the South Sydney Substation in Australia from the Tokyo Shibaura Electric Co., Ltd. (Toshiba), is being readied for shipment. These Toshiba transformers are the largest ever installed in Australia.

6 WHERE JAPAN BUYS

There is no area of the world from which Japan does not import. But an important share of Japan's foreign purchase is now being made in the United States. And for good reason, since the U.S. today makes and produces those items which Japan needs most to accomplish the economic growth that has been predicted for the next 10 years. To the United States, this means a market of considerable proportions as the figures indicate.



With an estimated population increase of several million, mining, manufacturing, and construction is expected to account for almost 40% of the 1970 national income. To satisfy the needs of this expanding economy, Japan expects to be importing some \$9.9 billion by 1970, up from \$6.0 billion in 1961. Of this, the United States can expect to account for nearly 40%.

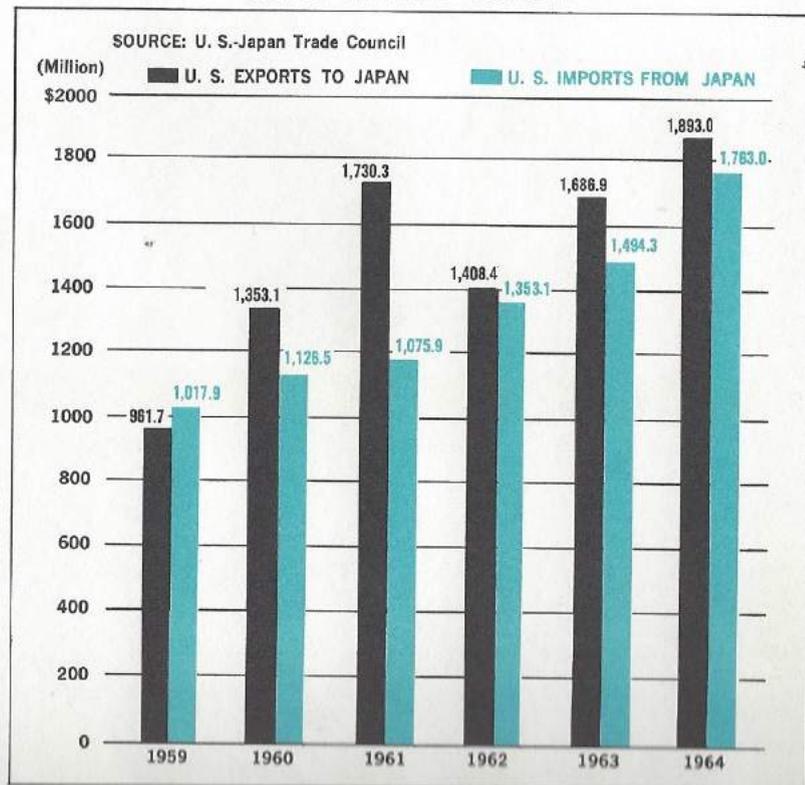


7 JAPAN BUYS MORE FROM THE UNITED STATES

Japan is, second only to Canada, America's best customer abroad. Over the last decade, Japan has bought almost \$2.5 billion more from the United States than she has sold in return. In 1964, for instance, Japan has purchased \$1.9 billion worth goods from the United States, while she has sold \$1.76 billion worth goods in return.

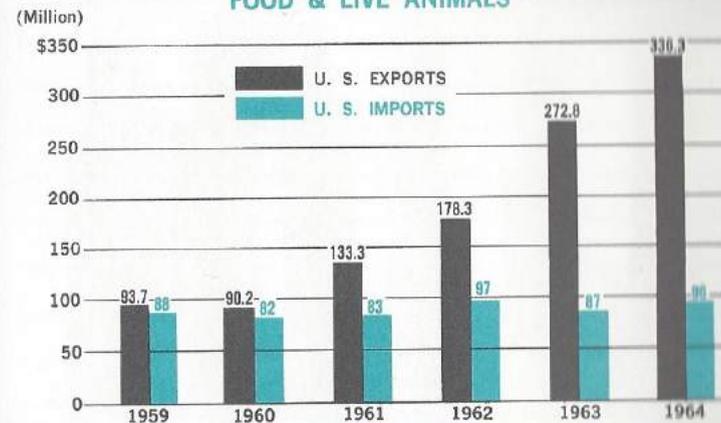
America's sales to Japan have helped create employment for U.S. workers. According to the United States-Japan Trade Council, sales to Japan in 1963 generated between 375,000 to 425,000 jobs in American industry.

U. S.-JAPAN TRADE

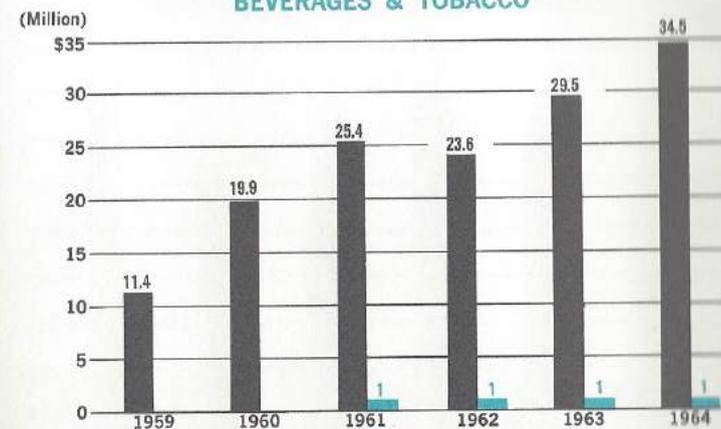


U. S. EXPORTS TO & IMPORTS FROM JAPAN

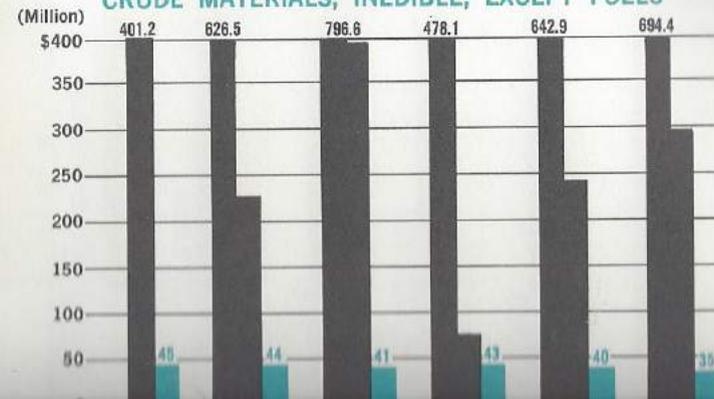
FOOD & LIVE ANIMALS

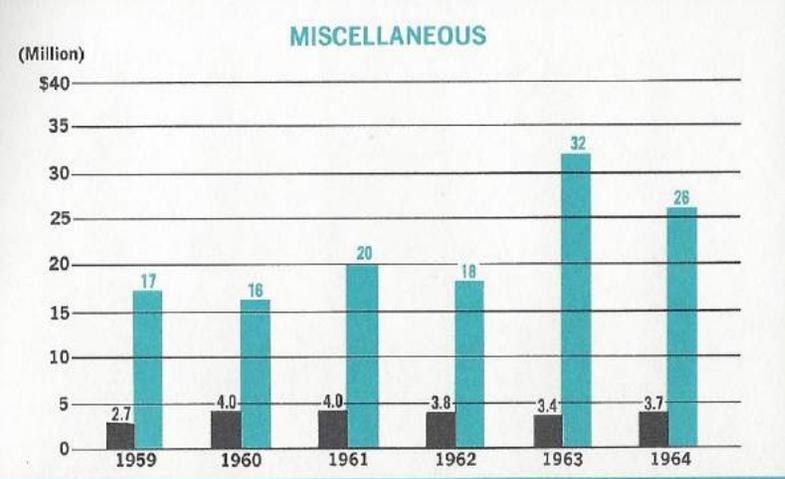
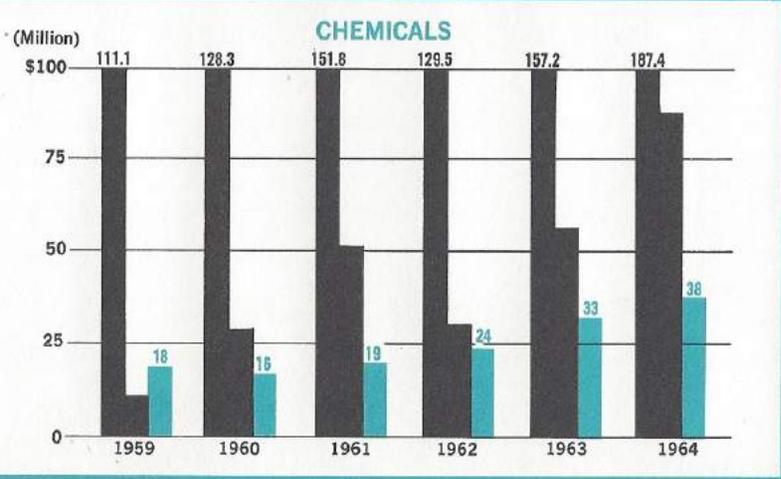
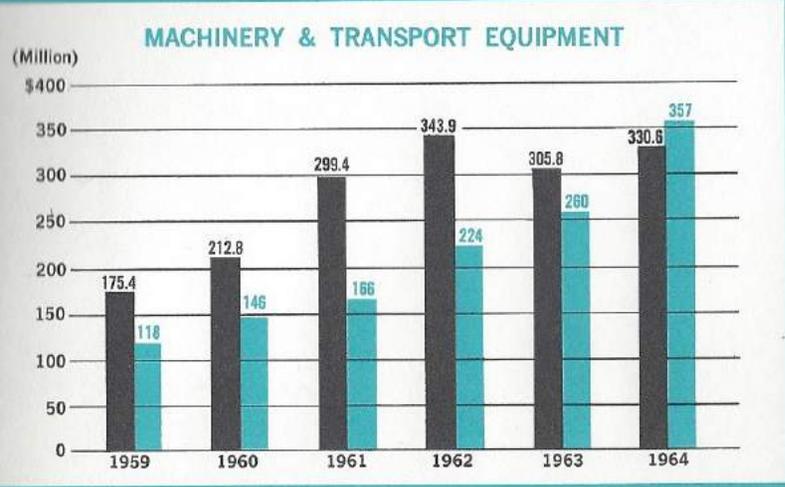
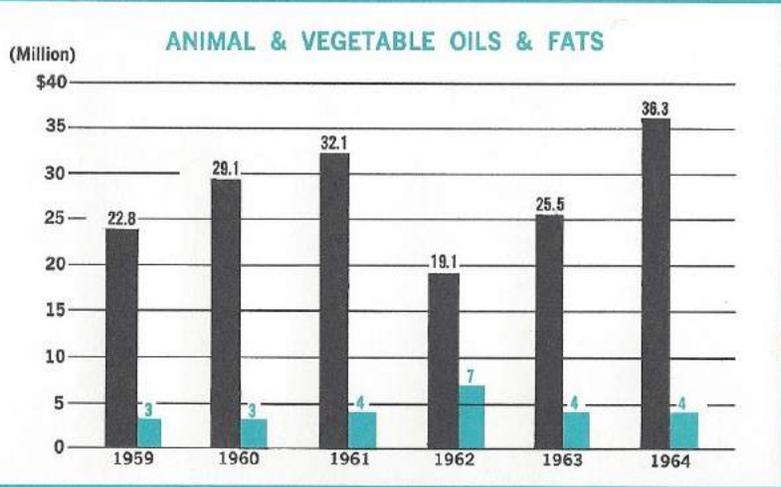
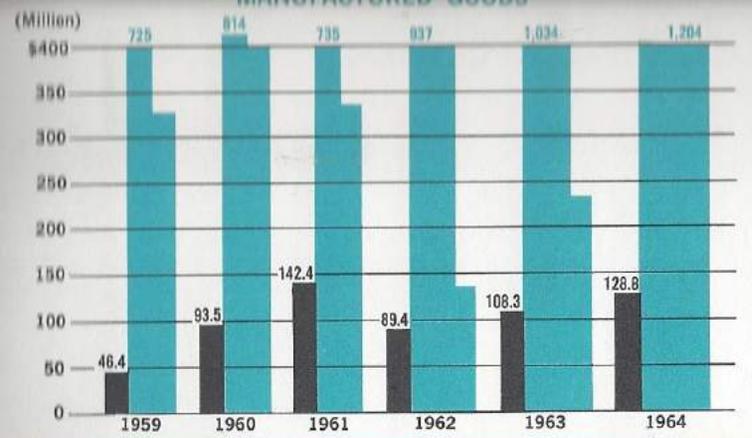
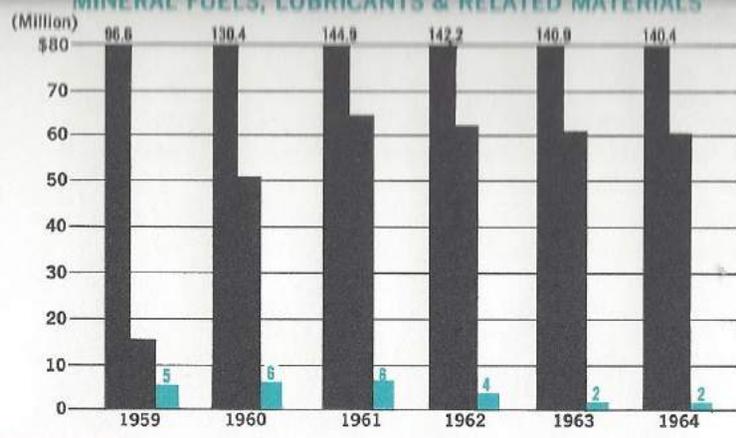


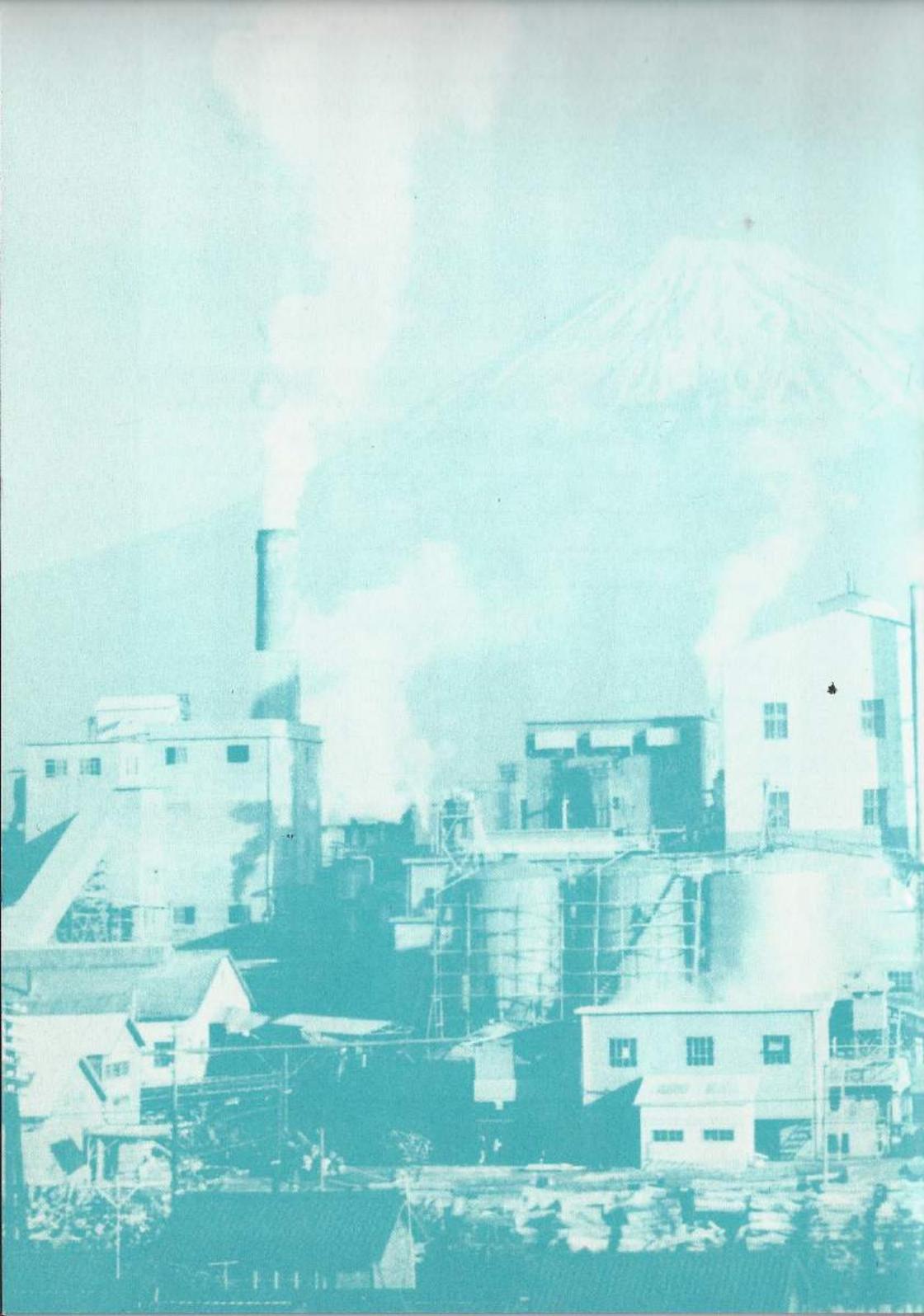
BEVERAGES & TOBACCO



CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS







8 JAPAN'S "INVISIBLE FRONTIER"

Political understanding, technological advances, private initiative, astute management — these are the catalysts that have helped to make affluence an economic hallmark in Japan and the world's other democratic, industrial nations. But few developments have contributed more to the spread of prosperity than the liberalized trade policies which the world's free nations are now pursuing. This is especially true of the economic give-and-take between Japan and the United States.

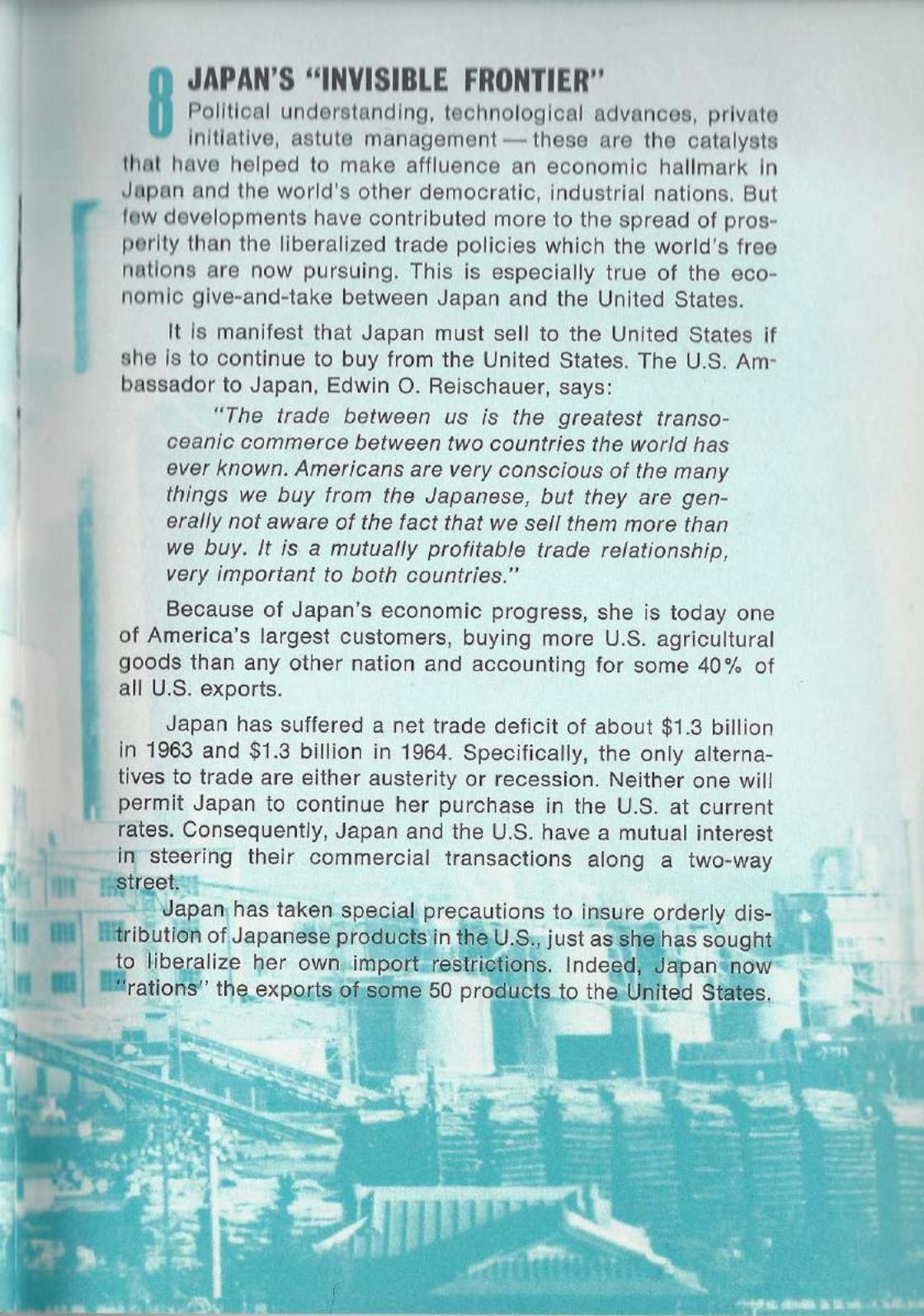
It is manifest that Japan must sell to the United States if she is to continue to buy from the United States. The U.S. Ambassador to Japan, Edwin O. Reischauer, says:

"The trade between us is the greatest transoceanic commerce between two countries the world has ever known. Americans are very conscious of the many things we buy from the Japanese, but they are generally not aware of the fact that we sell them more than we buy. It is a mutually profitable trade relationship, very important to both countries."

Because of Japan's economic progress, she is today one of America's largest customers, buying more U.S. agricultural goods than any other nation and accounting for some 40% of all U.S. exports.

Japan has suffered a net trade deficit of about \$1.3 billion in 1963 and \$1.3 billion in 1964. Specifically, the only alternatives to trade are either austerity or recession. Neither one will permit Japan to continue her purchase in the U.S. at current rates. Consequently, Japan and the U.S. have a mutual interest in steering their commercial transactions along a two-way street.

Japan has taken special precautions to insure orderly distribution of Japanese products in the U.S., just as she has sought to liberalize her own import restrictions. Indeed, Japan now "rations" the exports of some 50 products to the United States.



CONCLUSION

Japan today is a technologically sophisticated nation whose economy rests on a foundation of continuing trade. Her private enterprise managers are allocating increasingly larger sums for quality control, scientific research and new product development. Her labor force is among the world's most industrious.

As a result of these investments, American businesses are finding Japan's product list particularly well designed and engineered to meet the needs and desires of the American and world market place.

JAPAN EXTERNAL TRADE ORGANIZATION (JETRO)

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DO 2-0915

LOS ANGELES
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Roosevelt Bldg.
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Los Angeles 17, Calif.
MA 5-7691

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JAPAN TRADE CENTER
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THE JAPAN PAVILION
New York World's Fair 1964-1965