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JAPAN ANTI-APARTHEID NEWSLETTER No 5

MAY 1988

As we predicted in our last Newsletter (December 1987), Japan has now become South Africa's biggest trading partner in dollar terms. Even in yen terms, (whereby the effect of the massive yen appreciation is discounted), trade grew by 2 per cent in 1987. In a delayed and embarrassed action the Japanese government have finally begun calling upon Japanese firms voluntarily to control their South African trade; but as you can read in the enclosed articles it first had to overcome the opposition of the powerful Miti, which argued that the growth in trade with South Africa is a "natural phenomenon for which Japan cannot be held responsible." It is hardly natural when the government itself has been providing trade credits. (Refer article of 16/4/88.). Indeed the number of Japanese businessmen in South Africa doubled between 1982 and 1987.

In any case the expected decline in the volume of trade in 1988 is only because of the pressure of world opinion and because the major companies are worried about their image in the world market. Therefore your pressure and activities in countries outside Japan are having an impact on Japanese companies engaged in trade with South Africa. We would be glad to hear of and support any action that you are taking against such Japanese companies.

We are also considering activities concerning the presence of JETRO in South Africa. (Refer article of 26/2/88). JETRO is a governmental trade promotion organisation with an office in South Africa. After questions in the Diet, the government denied that JETRO was engaged in trade promotion, but certainly up to a few years ago there is evidence of active trade promotion. Now that the government is trying to persuade the business sector to decrease trade, it is very odd that there should continue to be a JETRO office. Since JETRO has offices in other developed countries, it would have a great impact if there were protests elsewhere.

Concerning our activities here, the boycott of South African goods is spreading. And one month ago the anti-apartheid movement initiated a full page opinion advertisement for insertion in a South Africa's Sunday Star newspaper. More than 250 citizens, 133 MPs and 30 organisations contributed funds and their signatures. The ad not only called for justice for Sharpeville Six and the improvement of working conditions for black employees of Japanese companies, but also the signatories asserted that their actions demonstrated their rejection of the dishonourable title of "Honourary White".

At the end of August we will be holding the first Asia-Oceania regional workshop on anti-apartheid and the deepening relations between countries in the Far East and South Africa. Any information, therefore, which you have found on South Africa relations with Asia would be of great help to us so please keep us informed.

Japan Anti-Apartheid Committee / Rm 306, EBISU 4-5-23, SHIBUYA-KU, TOKYO, JAPAN.  
PHONE TOKYO 443-9775



# PRESS FREEDOM PROTECTS HUMAN FREEDOM

報道の自由は、人間の自由の守護者である。

## FREE THE SOUTH AFRICAN PRESS!

南アフリカの報道機関に自由を！

Halt the detention of journalists, such as The New Nation editor Zwelakhe Sisulu, and free all those who suffer in the silence of censorship.

ズウェラケ・シスルをはじめとする

ジャーナリスト、子供たち、

そして、報道規制のもたらす不合理的な沈黙の中で苦悩を強いられているすべての人々に自由を。

*The following Japanese organisations and individuals endorse this message, and express their support and admiration for the South African people who are struggling for their freedom:*

Japan Federation of Newspaper Workers' Union; Japan Journalists League; National Christian Council In Japan; the Asahi Shimbun Labour Union Executive Committee; Committee on Social Concern of the United Church of Christ in Japan; Japan Telecommunications Workers' Union; Japan Socialist Special Committee Against Apartheid; Japan Anti-Apartheid Committee, Kimati; Japan Anti-Apartheid Committee, SAPPORO; Japan Anti-Apartheid Committee, Matsudo; Japan Anti-Apartheid Committee, Shizuoka; Japan Anti-Apartheid Committee, Nagoya; Japan Anti-Apartheid Committee, Tokyo; Japan Anti-Apartheid Committee, Hiroshima; Japan Anti-Apartheid Committee, Osaka; Japan Anti-Apartheid Committee, Kumamoto; Kyoto South African Solidarity Committee; Anti-Apartheid Group, Napmo.

*Individuals:* Eda Satsuki, MP; Ohno Kaori; Fukushima Makoto; Yoshimatsu Shigeru; Saitoh Satoshi; Egashira Junji; Fujie Chizuko; Ushioda Junko; Toshimi Tsu Asako; Machida Noriko; Uekusa Takako; Kubonuma Reiko; Komano Yuuko; Matsumoto Katsuyo; Mukai Kumiko; Jim Junko; Itoh Yuki; Yushino Nobuko; Sasano Koji; Kaga Akihito; Miyashiro Hajime; Terada Seiko; Takano Toshihiro; Watanabe Kazuo; Ada Chi Keiko; Onizuko Atsuko; Takanami Ikuko; Ishido Yoshito; Ohde Atsuo; Kanayama Asami; Kusuvara Akira; Menju Minoru; Torisugarino Hito-Ameyoko-Shibu; Kambayashi Yoji; Fujiki Shousaku; Yamaguchi Mitsuo; Azusawa Kazuyuki; Suzuki Toshihiro; Kawamura Kazumasa; Sakamoto Masayuki; Murakawa Fumio; Kobayashi Sunao; Katsura Funiaki; Yamamoto Akihiko; Sasagawa Toshiharu; Fujiwara Toshiro; Ishigaki Akira; Nakano Akio; Sugimoto Norio; Gotoh Yoshiki; Sakimoto Nobuhiko; Shimonishi Sayako; Kuwabara Takako; Ohira Takahiko; Yamana Takanori; H S; M K S; Yamana Cizuko; Hasegawa Kenzaburo; C L S; Miyake Hiroshi; Koita Masatoshi.

*C/O Institute for the South African Studies, Ebisu 4-5-23-306, Shibuya-ku Tokyo, Japan.*



# Ad in S. African Press Creates a Stir

By Go Kawasaki

Asahi Shimbun Reporter

An anti-apartheid advertisement put in two South African newspapers by groups of Japanese citizens to appeal for the release of detained journalists has drawn tremendous response in the troubled republic.

Titled "Press Freedom Protects Human Freedom, Free the South African Press," the ad carries the message both in English and in Japanese: "Halt the detention of journalists, such as The New Nation editor Zwelakhe Sisulu, and free all those who suffer in the silence of censorship."

Sisulu is the editor-in-chief of a weekly newspaper, The New Nation, who has been detained for over a year without appearing before a court. The paper is renowned for its accurate reporting and anti-governmental attitude. Now it is liable to government censorship or a three-month suspension.

In South Africa, already five or six papers have received similar government warnings.

The Japan Anti-Apartheid Committee, knowing that newspapers are under strict government control and that journalists are detained one after another in South Africa,

decided to run the ad and asked for public endorsement.

A total of 17 organizations, including the Japan Federation of Press Workers' Unions and 65 individuals consented to the plan and donated ¥162,000.

The full-page ad appeared in The New Nation (circulation of 40,000) on Dec. 10. And a one-sixth page ad was carried three days later in a Sunday paper Sunday Star (circulation of 210,000), the nation's largest English paper which has been criticizing the government's apartheid policy from a neutral standpoint.

However, both papers asked the committee to change certain English expressions before carrying the ad. This is because more than 100 press regulations can ban their publication only for the use of one inadequate word.

In the ad in The New Nation, the initial "Stop the detention" was compelled to be changed to "Halt the detention."

However, the first ad by the Japanese citizens' groups drew strong public reaction.

Acting editor of The New Nation Gabu Tuguana said that he thought it was a miracle to receive a message of solidarity from Japan.



Reporters of the Johannesburg-based Weekly Mail show blanks in the paper after government censorship. Photo was taken in June 1986.

Reuter-Sun

He said that many of its readers have talked about the ad on various occasions. "We used to have a strong image that the Japanese people are eager to remain on good terms with the South African government rather than its people. But the message this time gave us large support," Tuguana said.

Dr. Max Coleman, 61, representative of Detainee Parents Supporting Committee, said that the ad was an encouraging sign. He also said he hopes both the Japanese government and the people will publicly denounce apart-

heid.

Cassim Salwerjee, executive member of United Democratic Front, South Africa's largest anti-apartheid organization, said he felt the need to unite with citizens' groups in Japan, South Korea and Taiwan which are expanding trade with South Africa.

Associate professor of human geography at South Africa's University of the Witwatersrand said he would like to support the action of the committee, while a citizens' group in the Netherlands is preparing to contact ad supporters.

Asahi Evening News 15.3.88

Japan Times 26.2.88

Japan Times 6.4.88



# Tokyo citizens group calls for boycott of S. African imports

A local citizens' group campaigning against South Africa's racial discrimination policy has launched a nationwide drive to boycott imported goods from South Africa.

The Japan Anti-Apartheid Committee based in Tokyo's Shibuya Ward has started the boycott campaign on the streets following the de facto rejections by import dealers of its repeated request to stop buying products from South Africa, a group spokesman said.

The items subject to the boycott campaign are "Appletizer" apple juice, "Cape Wine Nederburg," canned peaches sold under the brand-name of Haboromo Foods Corp. and diamonds produced by De Beers Consolidated Mines Ltd., according to the spokesman.

The citizens' group will call on local retailers not to sell these four products of South Africa, and plans to put up some 2,000 wall posters in public places calling on the public to refrain from buying these South African products. The poster features illustrations of these four products, together with a message which reads: "These consumer goods have been poisoned by apartheid."

According to the spokesman, several department stores and supermarkets in the Kansai region have already stopped selling these products, but no similar step has been taken by retailers in Tokyo and its neighboring cities.

The annual sales of Appletizer juice amounts to more than ¥400 million in Japan. This particular product has been chiefly sold in the Kanto

region, boasting the largest share of the imported fruit juice market, according to the group's study.

Commercials for De Beers' diamonds have been aired on local television networks, and the brand name has become a household name in Japan, he said.

The group's campaign is inspired by similar drives in the U.S. and West European countries, which proved to be "quite successful." Since 1984, more than 100 U.S. business corporations, including Eastman Kodak Co., have severed ties with South Africa and closed their offices in that

country as a result of growing public criticism of apartheid.

On the other hand, the Japanese public is hardly aware of the racial problem in South Africa, the group's spokesman said.

The Japanese Foreign Ministry's special request to a number of private firms to curb their business relationships with South Africa has yielded few positive results, he added.

For further information on the boycott drive, call the Japan Anti-Apartheid Committee at (03)443-9775.

Japan Times 25. 2. 88

## MITI asks JETRO to control S. African activities

A top official of the Ministry of International Trade and Industry said Thursday he asked the head of the Japan External Trade Organization (JETRO) to restrain its activities in South Africa to counter growing international criticism of Japan's alleged indirect economic support of that nation's apartheid regime.

The official, who asked for anonymity, said the presence of a JETRO office in Johannesburg is regarded as helping to promote bilateral trade

and could fuel further criticism in the future.

JETRO, affiliated with MITI, plays an important role in promoting trade and investment between Japan and other countries, MITI officials said.

The office, opened in May 1961, gathers information on economic affairs in South Africa and its four neighboring nations and has one Japanese representative and three local employees, the officials said.

Japan Times 26. 2. 88



# Trade rites vs. truths

## Japan talks sanctions, boosts profits in S. Africa

By CLYDE V. PRESTOWITZ  
and PAULINE H. BAKER

Los Angeles Times

In a rare public admission, Foreign Ministry officials acknowledged that they were "embarrassed" that Tokyo is now South Africa's leading trading partner. Japan conducted \$4.27 billion worth of business with Pretoria in 1987, a 20 percent increase from the previous year. These figures do not take into account indirect trade and licensing arrangements, which could double the value of the business ties.

The Ministry of Trade and Industry was infuriated with the Foreign Ministry for speaking to the U.S. press, exposing dissent within the government and fueling international anger. The government had been trying to polish its anti-apartheid image — primarily by wining and dining African diplomats and leading South African blacks — but without much success. Asia has become a gateway for South African sanctions-busters and Japan is regarded as a principal gatekeeper with an open-door

policy.

Initially, it appeared that Japanese — who were first regarded by South Africa as "non-whites," then upgraded, in the late 1960s, to "honorary whites" — were in the forefront of international efforts to impose sanctions against South Africa. As far back as 1965, Japan banned direct investment. In 1985, following action taken by the United States and Western Europe, Japan banned krugerrands and the sale of computers to South Africa's military and police. In 1986, after the U.S. Congress passed the Comprehensive Anti-Apartheid Act, imports of South African iron and steel products were prohibited. South African tourist visas were denied and, in 1987, visas for businessmen dealing in banned items were disallowed.

But other developments now lead critics to conclude these measures may be more *tatemaie* (window dressing) than *honne* (the real thing). Areas of trade that really matter are not affected. Coal, for example, is excluded from the list of banned items on the

grounds that it is essential for Japan's national security. Yet U.S. negotiators have been pressing Japan for years to buy more U.S. coal — of which there is an abundant supply — to reduce the bulging trade deficit. Tokyo prefers to rely on Pretoria, whose supplies are mined by cheap black labor.

In 1985, as U.S. negotiators pleaded with Japan to buy an extra million tons of coal, Tokyo bought one-fifth of South Africa's coal exports. Last year, Japan acceded to South Africa's request that it continue the purchases.

The ban on direct investment also has not prevented Japanese products from flooding the South African market. Licensing and franchising agreements permit the Japanese to export kits for local assembly by South African-owned companies — often with Japanese engineers as supervisors. Five years ago, Japanese goods began to compete strongly with U.S. products due to the dollar's strength against the yen.

But even as the dollar fell, American sales did not rebound. Instead, U.S. companies began withdrawing in response to disinvestment pressures and the growing South African violence, creating an opportunity that Japan exploited.

Japan moved into sectors the United States traditionally dominated — mainframe computers, automated office equipment such as photocopiers and facsimile machines, chemicals and automobiles. Credit restrictions, visa limitations and other similar gestures have not impeded a flourishing business-as-usual relationship that has expanded as political repression in South Africa increased. Japan even flouted the ban on krugerrands by increases of South African gold imports in 1986 for the minting of the Emperor gold coin — with purchases channeled through third countries to minimize publicity.

Japan's South Africa policy is not intentionally racist, but is a product of traditional insularity and an outgrowth of a one-dimensional preoccupation with trade.

The nation's disregard of South Africa's explosive racial conflict, therefore, should not be surprising. As Kazuo Nukazawa, a director of Keidanren, said, "The moral consciousness is not that keen."

Japan's insensitivity to an issue that is of increasing concern to world opinion could be costly, however. African states nearly succeeded in preventing Japan from obtaining its coveted seat on the U.N. Security Council and they are certain to press Tokyo more in the future.

But the real price that Tokyo may have to pay stems from its worsening image in the United States. To the many Americans who already feel that Japan is commercially unfair, Tokyo's South Africa policy tends to confirm the stereotype of a country that places profit above all.

Existing congressional legislation empowers the president to limit imports into the United States from any country that allows its businesses to take commercial advantage of U.S. sanctions. Congress could go further by requiring automatic sanctions against such offenders.

For years, supporters of Japan and free trade advocates have successfully withstood pressure for broad restrictions on Japan's access to U.S. markets. Now it appears that Tokyo's inability to transcend trade imperatives and to be more responsive to international opinion may bring down on Japan the kind of response these supporters may no longer be able to forestall.

Clyde V. Prestowitz, previously counselor at the U.S. Commerce Department, is author of a forthcoming book, "Trading Places: How We Allowed Japan to Take the Lead." Pauline H. Baker is author of a work on U.S. policy toward South Africa due out this year. Both are senior associates at the Carnegie Endowment for International Peace.

Japan Times 6. 4. 88



# Japan's attitude toward apartheid highlights policy conflict between Foreign Ministry, MITI

By MITSUO KATOH  
STAFF WRITER

Japanese apathy toward the issue of apartheid has emerged again in the tug of war between the diplomatic-minded Foreign Ministry and the Ministry of International Trade and Industry (MITI), which has traditionally represented the interests of trade.

In various sessions during the past two months, government officials and business leaders alike were sensitive enough to show sympathy, or even anger, to South Africa's notorious racial segregation policy.

Yet, as usual, it appears that those debates will not culminate in any stable formal Japanese policy on trade with the apartheid-practicing country.

After twists and turns, the two ministries agreed, for the moment, to reduce Japan's 1988 trade with Pretoria to below the 1987 level in dollar terms. But there is no target figure for the cuts.

Apartheid is "still not an issue" of moral responsibility in Japan, one senior Foreign Ministry official commented.

Trade figures, released in January, showed Japan's 1987 trade with South Africa totaled ¥4.12 billion, 15 percent higher than a year earlier, placing Japan ahead of the United States as South Africa's largest trading partner.

The government officials ascribed the rise in trade volume to the yen's sharp appreciation against the dollar during the past year. (In yen terms, Japan's trade figures with South Africa have been declining since 1981. Last year's figure was the lowest with ¥597.6 billion.)

Alarmed by mounting international criticism of Japan's new ranking, the Foreign Ministry started an anti-apartheid campaign.

Foreign Minister Sosuke Uno spearheaded the campaign, asking leading Japanese business organizations, including the most powerful economic federation, Keidanren, to show self-restraint in trade with South Africa.

To play up this campaign drive, the ministry showed the anti-apartheid movie, "Cry Freedom," inside the ministry, and for good measure, held a special preview of

the film for lawmakers in the Diet.

In parallel, the ministry conducted a series of senior-level consultations with MITI, which has the mandate to give directives to industries, in the hope that the government would hammer out concrete measures aimed at tangibly checking trade with Pretoria.

However, they are now locked in a controversy over the need for further action.

While the Foreign Ministry stressed the need to adopt a self-imposed restraint on trade with South Africa, MITI vehemently opposed this strategy.

MITI's reluctance was partly because of its espousal of free trade and partly because of the constant conflict with the Foreign Ministry when handling such politico-economic issues, observers explained.

The bickering peaked in early March when outspoken Foreign Minister Uno proposed a "guideline," under which Japanese businesses make efforts to voluntarily curb dealings with Pretoria.

Uno's remark was regarded as criticism against the government's unwillingness to take a stand in its trade policy with South Africa, which has often been termed by observers as weak and inconsistent.

Yet, it was working-level bureaucracy of the Foreign Ministry, not MITI, who were dismayed most by Uno's sudden proposal. The foreign minister's remark turned out to be a casual idea with little chance of success right now.

Against such a backdrop, Uno retracted the word "guideline," saying the important thing is to "decrease this year's trade figures with South Africa from the 1987 level."

Details of the agreement between the Foreign Ministry and MITI were not clarified, but the government will closely "monitor" preliminary trade figures each month until this summer.

Officials explained this was the best option the government could adopt for now. However, the view exists that the diplomats' policy campaign against apartheid was overwhelmed again by the so-

called "realistic position" of MITI.

Japan's major imports from South Africa are coal, platinum, gold and other metals, and its exports are cars and machinery. Japanese car exports to Pretoria increased by more than 25 percent last year.

Possibly due to behind-the-scenes pressure from MITI, Japan's leading car makers, including Toyota Motor Corp., expressed their readiness to limit exports to South Africa.

Also, Takashi Ishihara, chairman of the Japanese Association of Corporate Executives (Keizai Doyukai), declared the association would make utmost efforts to reduce transactions with Pretoria "so as to make Japan

become the No. 2 or No. 3 trading partner" this year.

A decline in official trade figures with South Africa for this year should be seen by the summer, according to business sources.

One senior Foreign Ministry official said, however, the agreement between the two ministries should be taken as "a step forward" for improving Japan's trade policy with South Africa "because this was the first time that MITI committed itself to lower trade figures from the previous year."

The official maintained the ministry will not be willing to become a "Don Quixote," calling further for "any formal trade policy with particular moral scruples" at this stage.

Japan Times 5. 4. 88

## Uno asks power company to stop buying coal from South Africa

Foreign Minister Sosuke Uno said Wednesday he is urging the semigovernmental Electric Power Development Co. to cease buying coal from South Africa.

Uno, replying to Japan Socialist Party questioner Sukio Iwatare at a session of the House of Representatives Foreign Affairs Committee, said he deplored the fact that

the semigovernmental company was engaged in trade with South Africa, which is under international pressure to abandon its policy of apartheid or racial segregation.

The Electric Power Development Co., which is over 70 percent government owned imported 720,000 tons of coal in 1986 under a long-term contract.

Japan Times 14. 4. 88



# Japan accused of double standards on apartheid

Sunday Times (Br.)

10.4.88

JAPAN'S double standard in dealing with South Africa is under challenge from Japanese political and commercial interests, and pressures have begun to mount for a firm official rejection of apartheid.

The new attitude is reflected in an advertisement in today's Johannesburg Sunday Star, signed by 133 members of the Japanese parliament and 235 prominent individuals. It calls for justice for the Sharpeville Six and freedom for political prisoners, banned organisations and trade unions.

It also urges Japanese companies in South Africa to try harder to protect the rights of their black employees.

Even more strikingly, it takes issue with the "honorary white" racial classification accorded by the Pretoria authorities to Japanese residents in South Africa. It calls this classification, which was formulated by the South Africans 20 years ago, "dishonourable".

Japan has long had an ambivalent attitude towards apartheid and relations with South Africa. The government in Tokyo has complied with international bans on trade with the apartheid state — except that it maintains the right

by Kevin Sullivan  
Tokyo

to import essential raw materials. Even where imports are not essential, they can be countenanced.

Unlike American companies, Japanese firms operating in South Africa are not bound by a code of conduct requiring minimum working condition standards for black workers. In effect, they are able to take advantage of the apartheid labour system.

The anti-apartheid movement in Japan, which has been conspicuously unsuccessful in drumming up mass support, has recently gained momentum, partly because of the popularity of the film Cry Freedom, but mainly because figures announced at the beginning of this year revealed that Japan had overtaken the United States as South Africa's leading trading partner.

The foreign ministry has launched its own mini anti-apartheid campaign, including private showings of Cry Freedom for its own officials and for members of parliament. Sosuke Uno, the foreign minister, proposed drawing up

guidelines to reduce Japan's heavy trading involvement with South Africa.

But this raised the hackles of the trade ministry, which can see no reason for letting moral considerations cut across commercial relations.

Satsuki Eda, who has led the drive to enlist parliamentary support for the anti-apartheid movement, believes that in the long run a groundswell of opinion will oblige companies to disinvest.

"Japanese companies can be moved by economic reasoning and I think some Japanese businessmen can be influenced by moral arguments," he said.

Members of the ruling Liberal Democratic party have tended towards an approach of constructive engagement to South Africa.

In 1984, a Japan-South Africa Parliamentarians Friendship League was established, attracting about 50 LDP members. Shintaro Ishihara, the then secretary-general of the league, suggested that by virtue of their technological sophistication Japanese companies could demonstrate to South Africa the capabilities of non-white people.

## Gov't big S. Africa trade backer: report

The Japanese government was a leading supporter of trade with South Africa in 1986, guaranteeing trade credits worth \$580 million, a report by a private U.S. research group says.

According to the report, titled Financing South Africa's Foreign Trade, Japan was the single largest non-bank financier of trade with South Africa as of the end of 1986, accounting for 43 percent of the outstanding \$1.36 billion worth of insured credits from foreign businesses and official lending agencies.

Most of those trade credits were supplied by the official Export-Import Bank of Japan, and two-thirds were for transactions with public corporations, according to the analysis by CANICCOR Research Institute, a church-supported economic and social justice research group in San Francisco.

The report, which was re-

ceived here earlier this week, calls on countries to cut off trade credits to pressure South Africa to end its policy of apartheid, or racial segregation.

An official from the Japan Export-Import Bank told Kyodo News Service that the \$580 million sum is too high for outstanding credits at the end of 1986, but he declined to disclose the actual amount. He said that since July 1985 the bank has voluntarily refrained from providing suppliers' credits to Japanese businesses for the purpose of exporting to South Africa, and that the figure should be gradually declining.

In a conflicting statement an official at the Ministry of International Trade and Industry said the government continued guaranteeing credits for exports to South Africa until January 1987.

The MITI guarantee and Export-Import Bank credits

are treated as a package.

The two officials said they did not know how the \$580 million debt in yen currency, which the report cited from South African Reserve Bank statistics, was calculated.

Japan bans direct loans and investments to South Africa, but has no official policy on trade-related finance, according to officials responsible for trade finance.

Britain was the largest provider of guaranteed bank loans, which were worth \$830 million as of the end of 1986, the report said.

The analysis also said Japanese private banks had extended about \$1.56 billion to South Africa as of 1986, despite government restrictions on direct loans and investment.

The sum was reduced from an estimated \$2 billion to \$3 billion suggested in a 1986 report by the same organization.

Japan Times

16.4.88



Billions expected to  
seek bullion shelter

Financial Mail (SA) 10. 4. 88

# Gold boost in new Japanese tax

## Finance Staff

GOLD is in line for a strong boost when Japanese tax reforms come into effect tomorrow.

An income tax on small savings has been imposed by the Japanese Government. It represents a landmark in the liberalisation of the Japanese financial markets that could divert vast sums of money into other markets and areas of the economy.

With the introduction of the new tax Japan has ended a 67-year-old system of tax-free savings for small investors known as *maruyu*.

A potential 300 000 billion yen (about R5 172 billion) could now start looking for a new investment home — and a significant proportion could find its way into gold.

To put this into perspective, Japan's per capita gross national product reached \$19 500 in 1987. These accumulated savings in tax-free deposits represent \$20 000 a head.

The world has pressured Japan to save less and spend more. The abolition of the tax-free system, which attracted the savings to fund Japan's economic growth, is a major concession to this demand.

Under current tax laws profits earned in gold-trading are exempt

from tax if the trading volume of an individual investor is below 500 000 yen (about R8 500) a year. Given these circumstances, many small Japanese investors could turn to gold as a tax-free haven for their funds.

Japanese gold imports, excluding gold coins, fell to 240 tons last year from an unusually high 610 tons in 1986, but this year imports will probably be much higher. In February alone imports amounted to 40 tons after only 11 tons in January, and in the wake of the withdrawal of the tax-free investments imports should be buoyant in coming months.

The volume of savings which could be switched into gold are mind-boggling. Even if only one percent of the estimated 300 000 billion yen in savings deposits now subject to income tax are shifted into gold, the impact on the price of the metal is bound to be positive.

In anticipation of this the Tokyo Commodity Exchange (Tocom), which already operates futures contracts in gold, is to launch a physical gold market by June with the aim of boosting gold purchases among individual Japanese investors.

Tocom has indicated that it

hopes to increase individual ownership of gold to a total of 5 000 tons in the next few years from the present level of 1 000 tons.

This optimism is based partly on the view that the new tax will gradually lead to a shift in traditional attitudes. Japanese interest in gold has not been strong for decades, but in recent years it has begun to revive. It is believed that investors will now slowly become more aware of gold as a means of protecting the value of their investments.

Volumes on Tocom have increased rapidly already this year. Gold deliveries hit 4 279 one-kilogram contracts in February, up from the previous record of 4 026 contracts in December 1987.

Adding to the confidence are the signs that even before the introduction of the new tax, savings have been switched into physical gold. Retail shops which sell gold have been reporting a large increase in recent months in the number of new customers expressing an interest in gold.

Brokerage firms and trading houses express the same view. Four brokerage houses dealing in gold, and four other houses recently formed an organisation to promote sales of gold coins, partly as a result of the new tax system.