

Japan's trade surplus plummets

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Japan's Ministry of Finance announced last week that the country had recorded the largest fall in its trade surplus for more than 20 years, highlighting the increasing decline of the world's second largest economy.

Between April and September 2001, Japan's trade surplus fell by 43.1 percent, the largest half-year drop since 1979. Exports to the United States, which had already been falling before the events of September 11, decreased 11.9 percent on a year-on-year basis. In total, Japan's trade surplus has fallen 18.3 percent from the previous September figures.

These figures, along with a number of other economic indicators, prompted the Japanese government to revise its outlook for the economy from a forecast 1.7 percent growth to a contraction of 1 percent for the year ending March 2002.

The statistics also emphasise that Japan will officially slide into its fourth recession in the last decade after the announcement of a 0.8 percent contraction for the previous April-June quarter.

Japan's Economic Minister, Heizo Takenaka told reporters last week: "The economic situation is very severe. There are expectations that the US economy will show negative growth in the third and fourth quarters. In light of that, it is regrettable but inevitable that Japan will post negative growth given its already weak foundation."

Teikoku Databank, a corporate research firm, is predicting worse to come, as the latest statistics do not yet take into account any of the impact of the September 11 attacks and the associated slowdown in the US economy.

Corporate bankruptcies are on the rise. Teikoku Databank announced that bankruptcy cases rose 4.4 percent during September while corporate debt surged to 3.13 trillion yen (\$26 billion), four times the amount recorded last year.

The most notable corporate collapse was that of Mycal, one of Japan's largest supermarket chains, which filed for bankruptcy with debts of almost \$15 billion.

Retail sales figures have also fallen for a sixth consecutive month. A drop of 2.9 percent was recorded for September. Stagnant domestic consumption has impacted on consumer prices with Japan's core consumer price index falling 0.8 percent in September from a year earlier.

These deflationary conditions are creating further economic problems including: reduced corporate revenue and profits, cuts in capital investment and increased corporate debt burdens, exacerbating the bad loans problems in the banking sector. Company bankruptcies are leading to rising unemployment, and the spread of wage cuts and freezes by an increasing number of firms, resulting in the further reduction of consumer demand and increased deflationary pressures.

Fujitsu Ltd, one of Japan's largest computer and electronics manufacturers, has recorded a net loss of over \$1 billion for the six months to September 30 and will axe another 4,600 jobs by March 31, following the cut of 16,400 jobs in July.

A host of other corporate giants have announced wage cuts and freezes to cope with falling global demand. Kobe Steel, Japan's fifth largest steelmaker, has plans to cut salaries for all employees by 5 percent for the next two years. According to a report in the *Asahi Shimbun* newspaper, one major oil distributor, Idemitsu Kosan, has already cut the salaries of its 7,000 employees by 10 percent, implementing the cuts in April 1999.

Textile manufacturers Unitika and Kanebo have also implemented 10 percent wage cuts.

Other companies are now discussing similar measures with the unions, including retailing company Daiei, Sanyo Electric, Sumitomo Metal Industries and

Mitsubishi Materials.

These agreements have yet to be ratified by the unions involved. However, Nikkeiren (Japan Federation of Employer's Associations) and the Japanese Trade Union Confederation recently released a joint declaration stating that unions should be flexible about pay-related issues and focus on preserving jobs.

According to a recent survey by the Ministry of Health, Labor and Welfare, average monthly salaries have fallen on a year-on-year basis every month since January, with the 1.1 percent decline recorded in August the biggest on record since the survey began in 1990.

Falling exports, contracting economic growth and rising unemployment has not just been confined to the crisis ridden Japanese economy.

Hong Kong recorded a 9 percent slump in exports in August. Economic growth is minimal and official unemployment is expected to rise to 6 percent—conditions now rivaling the height of the Asian economic crisis of 1997-98. The forecast for economic growth in Hong Kong for the year is a 0.6 percent contraction compared to a 10.5 percent increase last fiscal year. Some 50 percent of companies in Hong Kong are implementing staff and salary freezes.

The Taiwanese economy, which is highly dependent on exports of technology and electronic products to the United States, Japan and the European Union, recorded its worst-ever fall in export orders—a decline of 26.8 percent in September. Exports to the United States, Europe, Hong Kong and Japan fell by at least 20 percent. The unemployment rate is expected to rise to 5 percent with analysts predicting a recession for Asia's fifth largest economy.

In South Korea the impact of the global economic slowdown is expressing itself in mass layoffs in a number of industries. According to the *Korean Times*: “Job cuts that began only in the information technology industry are now spreading to the entire economy. Triggered by the airlines industry's mass layoff announcement, the layoff jitters have now spread to electronics, construction, heavy industry and shipping.”

Korean Air is planning to announce mass sackings in November. Up to 30 percent of its employees are facing the axe. Asiana Airline will cut its workforce by 10 percent representing around 700 workers. Hanjin Heavy Industries and Construction will axe 100

managerial level staff from its shipbuilding unit. Samsung Electromechanics has cut 150 jobs.

Textile manufacturers Taekwang Industry and Dae Han Synthetic Fiber are planning combined job cuts of 500 before the end of the year. In the banking sector Kookmin Bank has laid off 380 workers whilst the Housing and Commercial Bank has sacked 150 employees as part of restructuring measures pending a merger between the two banks.

The job cuts are set to intensify as corporate restructuring goes ahead in South Korea.

As one Korean chaebol (conglomerate) executive commented to the *Korea Times*: “As [the] chaebol believe that the economic slowdown will grow even worse next year, they are arranging measures to save costs. Mass layoffs will become inevitable as the New Year approaches.”



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