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MS-603: Rabbi Marc H. Tanenbaum Collection, 1945-1992.

Series D. International Relations Activities. 1961-1992.

Box 65, Folder 2, Japan, 1985-1989.

Dr. George Gruen

8/13/86

Here's the most recent material on the Japan boycott issue that will be discussed Friday morning.

Note p. 2 of Ministry of Finance letter expressing concern that this not be seen as only an ADL effort.

We should be able to get a prominent AJC's involved in Japanese trade to be invited on any forthcoming delegation to Japan.

any suggestions?

Henry



The American Jewish
Committee

Institute of Human Relations, 165 East 56 Street, New York, NY 10022-2746 • 212 751-4000

a memo from
RABBI ROBERT L. KRAVITZ

To: Rabbi Marc
Tourentbaum

F Y I

I send you my letter
of 1/13 to Mr. Hadlowitz.
Attached is his response

JAN 26 1988

memorandum

FO/SFB

THE AMERICAN JEWISH COMMITTEE

date January 19, 1988

to Eugene DuBow

from Ernest H. Weiner

subject Washington consultation on Japan, February 3

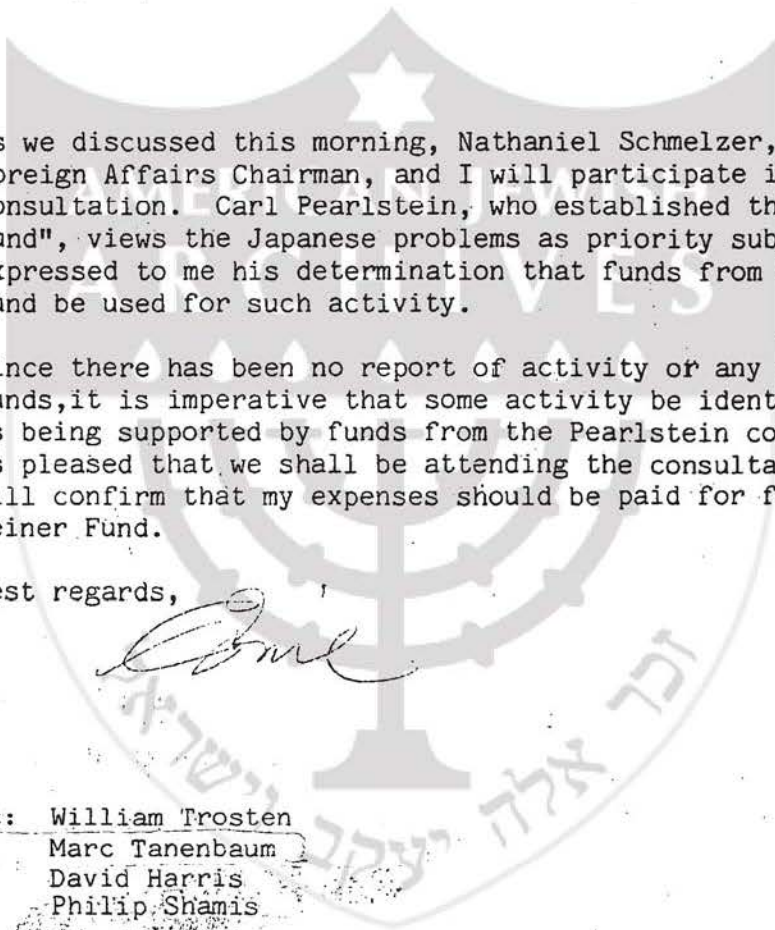
As we discussed this morning, Nathaniel Schmelzer, our chapter's Foreign Affairs Chairman, and I will participate in this one day consultation. Carl Pearlstein, who established the "Ernest Weiner Fund", views the Japanese problems as priority subjects and has expressed to me his determination that funds from the Ernest Weiner Fund be used for such activity.

Since there has been no report of activity or any disbursement of funds, it is imperative that some activity be identified clearly as being supported by funds from the Pearlstein contribution. Carl is pleased that we shall be attending the consultation and this will confirm that my expenses should be paid for from the Ernest Weiner Fund.

Best regards,



cc: William Trosten
 Marc Tanenbaum
 David Harris
 Philip Shamis



TO: Japan Committee DATE: August 8, 1986
FROM: Arlene Behar
RE: MEETING - AUGUST 15, 1986 - 8:30 a.m. @ Walter Stern's Office
280 Park Avenue
38th Fl. West Bldg.
tel: 907-0709

* These materials will be discussed at our next meeting.

PLEASE BRING THEM WITH YOU.

* An agenda, and any other materials received by next week, will be given out at the meeting.

* Please let me know by Thursday, August 14th, if you have have specific agenda items.

Enclosed:

- Davrath Letters (WPS/JH) *ADR-Memos*
- Zim. Letter
- Maslow Letter - Intl. Business-Government Counsellors
- Kobi Letter - Economic Organizations in Japan and their American Counterparts
- Israel-Japan Friendship Society & Chamber of Commerce; Readings
- Investor Contacts for Japan's Leading ADR's; List
- Misc.

מדינת ישראל
STATE OF ISRAEL

Ministry of Finance
Deputy Director General, International Affairs
Jerusalem

משרד האוצר
סמנכ"ל לקשרים בינלאומיים
ירושלים

July 30th, 1986

Mr. Walter P. Stern
Vice Chairman of the Board
Capital Research Company
280 Park Avenue
New York, N.Y. 10017
U.S.A.

Dan Halperin

Thank you for your letter of July 7th, 1986. I greatly regret the great delay of my letter of April 25th. I do not know who is to blame - our secretariat or the Israeli and American post offices. Usually, I am sending my communications through Dani Halperin's office believing that this is a faster way than the regular mail.

I met yesterday with Jacobson and so did my assistant Cobi, who clarified some of the information sent to you previously. Many of the Israeli businessmen are disappointed at the unsatisfactory results of their efforts to trade with Japan in the past and are discouraged from trying again. This is one explanation of the fact that we do not receive more complaints from Israeli businessmen regarding obstacles they meet in trading with Japan.

Another reason seems to be the preference of businessmen to complain directly to the Japanese Embassy, being encouraged by the Embassy to do so. Our efforts to receive information from the Israeli-Japanese Chamber of Commerce were not successful either. We therefore plan to send in the coming month a circular to a number of major exporters, asking them to report us about their Japanese experience.

These days we are working on the organization of two business missions from Israel to Japan. Our Ministry of Industry and Trade, the Export Institute and the Manufacturers' Association cooperate with us on this matter. Under the auspices of the Export Institute, Israeli food manufacturers are planning to send a trade mission in February, 1987. The Manufacturers' Association is looking into the possibility of sending a more comprehensive mission of industrialists, probably headed by Mr. Lautman, President of the Association. (You probably know that Mr. Horwitz resigned from his responsibilities at the Manufacturers' Association, following his appointment as Chairman of Bank Leumi). There is some reluctance to join the missions because of the negative experience of previous missions, due to lack of cooperation of the Japanese authorities and business community.

I met this week with the first Secretary in the Japanese Embassy at his request and discussed with him thoroughly the Japanese-Israeli business relationship, on the background of the Arab boycott. Observing his enthusiasm to concentrate on the organization of a mission, I could not avoid the impression that the Japanese are aiming at an easy gesture to cover the avoidance of Japanese authorities of doing something meaningful to reduce the cooperation of Japanese business with the boycott. I was also somewhat disturbed by the fact, that the man dealing with the boycott issue is the officer in charge of public relations and not the officer in charge of the economic department. I clarified that we are acting on this matter in expectation that the Japanese authorities would actively cooperate with the Israeli Embassy in organizing meetings for the members of the mission with appropriate Japanese manufacturers and importers while clarifying to businessmen that the Japanese Government would like to see practical results from such meetings. I also mentioned that we expect reciprocity and would like to welcome a Japanese business mission in Israel, in due time. I am confident that joint efforts of your Committee, the American authorities, our Embassy in Tokyo and Israeli business and Government, will be effective in our struggle to normalize trade relations between Israel and Japan gradually bringing about industrial cooperation.


Both in the meeting with Mr. Ishida and in a discussion I had previously with the Charge d'Affairs of the Japanese Embassy, a message was conveyed to me that it is wrong to exercise pressure on the Japanese authorities, and that such pressure may be counterproductive. However, in the course of our conversations, we could agree that a subtle diplomatic approach and the use of leverages are both legitimate in international negotiations.

You no doubt noted the sensitivity of the Japanese authorities to the activities of the Committee you are heading. At the same time, they attribute the whole activity to the A.D.L. I clarified that it is not just one organization which is involved, but a whole range of major Jewish organizations in the United States and other countries, among which the A.D.L. plays a leading role.

Regretfully, I could not materialize my plans to visit the United States this month. I plan to do so some time in December. I hope that this time, I am more lucky and you do not leave the States, as soon as you receive information about my arrival. Is there any chance seeing you in Israel before the end of the year ?

With best personal regards

Sincerely yours


Ephraim Davrath
Deputy Director General, Ministry of Finance

c.c.: ✓ Mr. D. Halperin, Washington D.C.
- Mr. A. Foxman, New York
- Mr. W. Maslow, New York
- Mr. J. Hordess, Washington D.C.
Mr. T. Klein, Paris
Mr. M. Drori, Jerusalem
- Mr. H. Wall, Jerusalem
Mr. J. Elizur, Jerusalem
Mr. M. Cobi, Jerusalem

מדינת ישראל
STATE OF ISRAEL

Ministry of Finance
Deputy Director General, International Affairs
Jerusalem

משרד האוצר
סמנכ"ל לקשרים בינלאומיים
ירושלים

July 22, 1980

Mr. Jess N. Hordes
Anti-Defamation League
of Bnai Brith
Washington D.C. Office
U.S.A.

Dear Jess,

Re: Boycott - Japan
Your letter of May 29th

Because of an administrative mistake, I answer your letter with great delay. I believe the subject is still relevant.

I do fully understand your doubts regarding the use of an American organization to encourage the indirect exports to the U.S.A., of Japanese goods through Israeli exports which include Japanese inputs.

Nevertheless, such exports are clearly consistent with the Israeli-American Free Trade Agreement as long as there is, at least, 35 % Israeli value-added. The U.S. Government and business are fully aware of the potentials of such triangular transactions which were one of Israel's major considerations in signing the F.T.A. Agreement with the U.S.A. Of course, it would be wrong to give great publicity to such transactions, but there is no reason whatsoever to refrain from referring to this most important element when discussing with individual Japanese businessmen, the advantages and potentials investing in Israel.

With best personal regards,

Sincerely yours,



Ephraim Davrath
Deputy Director General

c.c.: Mr. Walter Stern, New York
Mr. Dan Halperin, Washington
Mr. Abraham Foxman, New York
Mr. Mordechai Drori, Ministry of Foreign Affairs
Mr. Max Livnat, Ministry of Industry Tel. 558439, 558424, 662579 טל'

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Please revert this message to Mr. Abe Foxman at once.

15/07/86-15:41

MOMERANDUM - CONFIDENTIAL

TO: MR ABRAHAM H. FOXMAN
 FROM: ALBERT TAL
 DATE: JULY THE 10TH, 1986
 SUBJECT: TWO MEETINGS WITH JAPANESE EMBASSY IN ISRAEL.
 FIRST SECRETARY : MR. KUNIO ICHIDA.

ON JULY THE 3RD. I HAD A TELEPHONE CALL FROM ADL JERUSALEM (MR. HARRY WALL) AND WAS TOLD THAT MR. ICHIDA FROM THE JAPANESE EMBASSY WOULD LIKE TO MEET ME. CONSEQUENTLY I CALLED HIM AT THE EMBASSY AND THE NEXT MORNING JULY THE 4TH MR ICHIDA CAME TO MEET ME IN MY HOME FOR NEARLY 3 HOURS.

OUR NEXT MEETING WAS IN JERUSALEM ON JULY THE 7TH. AT THE COCTAIL PARTY GIVEN BY ADL AND THE AMERICAN EMBASSADOR AT THE JERUSALEM THEATER (AGAIN NEARLY 2 HOURS).

I PRESENTED MYSELF AS A LONG-TIME FRIEND OF JAPAN DUE TO MY PAST LONG PERSONAL FRIENDSHIP WITH FORMER EMBASSADOR TO ISRAEL HISAJI HATTORI IN THE YEARS 1962-1966. (ACTUALLY SENIOR CHIEF OF PROTOCOL AT THE FOREIGN MINISTRY IN JAPAN). AND CONSEQUENTLY MY BUSINESS ACTIVITIES IN JAPAN UNTIL TODAY ON ONE SIDE AND MY LONG RELATIONSHIP WITH ADL NEW-YORK AND OUR GENERAL CONCERN BOTH IN ISRAEL AND THE U.S.A ABOUT THE JAPANESE COMPLIANCE WITH THE ARAB BOYCOTT ON THE OTHER SIDE.

MAY I EMPHASIZE THAT FROM THE VERY STARTING POINT OF OUR DISCUSSIONS, IT IS THE FIRST TIME IN MY LONG EXPERIENCE WITH ALL LEVELS OF JAPANESE OFFICIALS OR BUSINESSMEN AND GOVERNMENT OFFICIALS THAT A DIPLOMAT ACCEPTED THE FACT THAT THERE WAS A BOYCOTT OF ISRAEL ORCHESTRATED BY THE GOVERNMENT OF JAPAN DUE TO THE FACT OF ARAB BUSINES AND OIL WEAPON OF THE ARAB STATES IN THE PAST YEARS AND THAT THIS ATTITUDE HAS TO CHANGE AND WILL BE CHANGED. THIS BECAUSE THE JAPANESE GOVERNMENT STARTS TO REALIZE THAT THE JEWISH LOBY BOTH IN CONGRESS AND THE SENATE IS HURTING TREMENDOUSLY THE JAPANESE IMAGE IN THE U.S.A .THIS FACT TODAY (IN MY OPINION) IS MAYBE AS STRONG A LEVERAGE AS THE OIL WEAPON IN 1970-1985 OR THE ARAB BUSINESS AT THE TIME.

TO MY GREAT SURPRISE (OR MAYBE DUE TO THE FACT THAT WE SAT VERY PRIVATELY IN A RELAXED ATMOSPHERE) MR ICHIDA ACTED AND SPOKE VERY CANDIDLY AND OPENLY. THAT I HAD TO ASK HIM IF ALL WHAT HE SAID WAS MAYBE DUE TO THE FACT THAT HE BECAME A FRIEND OF ISRAEL (BECAUSE MR ICHIDA IS SERVING NOW HIS SECOND TERM IN ISRAEL AND SPEAKS FLUENTLY IN HEBREW). HE WAS FOR 4 YEARS (1975-1979 THIRD SECRETARY IN THE JAPANESE EMBASSY IN ISRAEL) AND LATELY SERVED 2 YEARS IN LOS ANGELES.

BUT HE REPLIED THAT INDEED HE CONSIDERS HIMSELF A FRIEND OF ISRAEL BUT IN THIS MEETING WITH ME HE REFLECTS THE OFFICIAL POLICY OF THE FOREIGN MINISTRY AND HE CAME TO SEE ME ON THEIR INSTRUCTIONS.

HE TRIED TO OBTAIN AS MUCH INFORMATION AS POSSIBLE ABOUT MYSELF (ALTHOUGH HE SEEMED TO KNOW QUITE A LOT ABOUT MY PAST ACTIVITIES IN JAPAN), ABOUT ADL, ABOUT MY CONNECTIONS WITH ADL AND THE ISRAELI GOVERNMENT, MY ACTUAL INTERESTS IN JAPAN AS A BUSINESSMAN AND LASTLY HOW I COULD MEDIATE BETWEEN THE JAPANESE ON ONE SIDE, AND ADL AND THE ISRAELI GOVERNMENT ON THE OTHER.

- 2 -

I EXPLAINED TO HIM THAT I HAVE NO OFFICIAL POSITION EITHER IN THE ISRAELI GOVERNMENT OR ADL, AND MY FRIENDSHIP AND INTEREST IN JAPAN ARE IN CONSEQUENCE TO MY BUSINESS ACTIVITIES. ALTHOUGH ACTUALLY MOST OF MY BUSINESS IS CONDUCTED IN SWITZERLAND AND PANAMA MY HEART, MOST OF MY FAMILY AND MY HOME ARE ALL IN ISRAEL AND DUE TO MY PREVIOUS EXPERIENCE WITH JAPAN IN THE AUTOMOTIVE LINE, I FEEL THAT THIS JAPANESE DISCRIMINATION OF ISRAEL IS VERY PAINFUL TO ME. NATURALLY BOTH ADL AND THE ISRAELI GOVERNMENT I THINK WILL ACCEPT MY RECOMENDATIONS SHOULD THERE BE A GOOD REASON TO DO SO.

CONSEQUENTLY HE SAID HE WOULD LIKE TO INFORM ME THAT THERE IS A DEFINITE CHANGE OF ATTITUDE FROM THE JAPANESE GOVERNMENT TOWARDS ISRAEL AND READINESS TO STOP THE BOYCOTT TREND, BUT THAT THIS MAY TAKE SOME TIME TO REACH ALL LEVELS OF BUSINESS AND MOST IMPORTANT THAT ALL THIS SHOULD BE DONE QUIETLY (NOT TO EXPECT ANY POMPOUS DECLARATIONS) AND CERTAINLY NO LEAKAGE TO THE PRESS SPECIALLY IN ISRAEL WHERE THE MEDIA LOVES TO REPORT SCOOPS AND SENSATIONAL NEWS. IN HIS OPINION ANY SUCH PUBLICITY MAY FORCE THEM TO DENY IT AND TURN BACK THEIR ACTUAL POLICY. IF I KNOW JAPANESE MENTALITY THEY NEVER LIKE TO PUBLICISE THE FACT THAT THEY HAVE SUBMITTED TO ANY PRESSURE OR THREAT. YOU CAN TAKE AS A VIVID EXAMPLE THAT THEY NEVER PUBLICISED OR EVEN ACKNOWLEDGED THAT THEY DID SUBMIT TO ARABS TO BOYCOTT ISRAEL. NOW THEY WOULD CERTAINLY NOT LIKE TO SHOW THE WORLD THAT LITTLE ISRAEL THROUGH USA PRESSURE FORCED THEM TO CHANGE THE COURSE OF THEIR POLICY.

THIS IN JAPANESE POINT OF VIEW IS LOOSING FACE AND LOOSING FACE MEANS LOOEING HONOR AND SO ON AND ON.

IN CONCLUSION HE SUGGESTED THAT I INFORM BOTH ADL AND THE ISRAELI GOVERNMENT OF THIS SLOWLY CHANGING ATTITUDE. I SAID I WOULD CERTAINLY DO SO BUT LET ME BE QUITE CLEAR AND FRANK THAT UNLESS I SEE SUBSTANTIAL AND EXPLICIT FACTS ON THE SPOT (THAT MEANS BIG NEW JAPANESE COMPANIES THAT UNTIL NOW REFUSED TO DEAL WITH ISRAEL WILL START COMING) I CANNOT AND WILL NOT RECOMMEND ADL ANY RESPITE ON THEIR ACTIVITIES IN THE USA AND THE SOONER THEY DO IT THE BETTER, FOR THE JAPANESE IMAGE IN THE USA WHICH WILL BE ONLY DETERIORATING UNLESS WE COULD BE IN A POSITION TO ACKNOWLEDGE A REAL CHANGE.

HE SAID THAT IF BOTH THE ISRAELI GOVERNMENT AND ADL AGREE TO HIS SUGGESTIONS OF QUIET DIPLOMACY I WOULD BE THE FIRST TO RECOGNIZE THIS CHANGE DUE TO THE FACT THAT HE HAS BEEN INFORMED OF MY FRUSTRATIONS IN JAPAN WITH THE BIG AUTOMATIVE COMPANIES IN JAPAN TO WHOM HE SUGGESTED I SHOULD RE-APPLY AND HE OFFERED TO PREPARE INVITATIONS FOR A SMALL PARTY TO COME OVER TO JAPAN AND MEET THE KAIN DANRAN, MITI, JETRO AND OTHER GOVERNMENT OFFICIALS AND START MOVING THE TREND.

DURING OUR MEETING AT THE JERUSALEM THEATRE, I INTRODUCED HIM TO MR. YORAM ZIV OF ISRAEL CHEMICALS. HE SEEMED TO BE WELL AWARE OF THEIR POTASH PROBLEMS WITH JAPAN AND HINTED THAT THERE COULD ALSO BE A CHANGE AND SUGGESTED THAT HE SHOULD ALSO BE INVITED.

TELEX TELETYPE

IN MY OPINION I WOULD SUGGEST A PRELIMINARY DELEGATION OF 3 OR 4 PERSONS:

- 1.- MR BURTON LEWINSON OR MR WALTER STERN.
- 2.-MR ABE FOXMAN
- 3.- MR YORAM ZIV
- 4.- MYSELF AND ANYONE ELSE YOU WOULD RECOMMEND.

LATER ON THAT SAME EVENING ON JULY THE 7TH, I INVITED MR YORAM ZIV AND MR EPHRAIM DOVRAT TO HAVE DINNER WITH ME AT THE HILTON AND I GAVE A FULL REPORT OF ALL THESE MEETINGS SO THAT THE GOVERNMENT OF ISRAEL SHOULD BE INFORMED AND THERE WAS NO OBJECTIONS WHATSOEVER TO THESE SCHEMES.

THIS REPORT IS NATURALLY CONFIDENTIAL AND I SHALL BE EXPECTING YOUR REACTION ON HOW TO PROCEED.

BEST REGARDS
ALBERT TAL



MOMERANDUM

TO: ABRAHAM FOXMAN
FROM: ALBERT TAL
DATE: AUGUST THE 3TH 1986
SUBJECT: PROPOSED MISSION TO VISIT JAPAN.

PURSUANT TO MY MOMERANDUM OF JULY THE 10TH 1986, I HAD SEVERAL TELEPHONE CONVERSATIONS WITH MR. KUNIO ICHIDA IN CONNECTION WITH HIS IDEA THAT AN ADL MISSION SHOULD GO TO JAPAN AND THAT AT THE SAME TIME I SHOULD PRIVATELY RECONTACT THE COMPANIES IN THE AUTOMOTIVE LINE THAT HAD FRUSTRATED US UNTIL NOW AND THAT ACCORDING TO HIM WOULD SHOW A POSITIVE ATTITUDE IF I DID APPLY NOW.

I INFORMED MR ICHIDA FIRST THAT MR HARRY WALL WOULD CO-ORDINATE WITH HIM A VISIT BY U.S.A ADL DELEGATION AND HE SUGGESTED THAT THIS SHOULD BE DONE EITHER THROUGH THE ISRAELI EMBASSY IN TOKYO OR THE U.S.A EMBASSY IN TOKYO.

ORIGINALLY I HAD SUGGESTED THAT AN USA ADL DELEGATION INCLUDING MR YORAM ZIV AND MYSELF SHOULD GO TO JAPAN AROUND 20TH OF SEPT 1986.

HOWEVER AFTER DISCUSSING THIS IDEA WITH YOU, YOU SUGGESTED THAT WE AS BUSINESSMEN SHOULD APPLY TO OUR FORMER JAPANESE CONTACTS. FIRST MEET THEM IF POSSIBLE, AND FIND OUT ON THE SPOT IF THIS APPROACH WILL INDEED SHOW ANY PALPABLE RESULT. I HAVE ACCORDINGLY INFORMED MR ICHIDA OF YOUR POINT ALTHOUGH HE WOULD HAVE MAYBE PREFERRED AN IMMEDIATE VISIT BY ADL, HE NEVERTHELESS DID NOT OBJECT YOUR SUGGESTION.

CONSEQUENTLY I HAVE APPLIED TO THE AUTOMOTIVE COMPANIES THAT I HAD PREVIOUS CONTACTS INFORMING THEM OF ACTUAL NEW DEVELOPMENTS AND ASKING THEM FOR A POSSIBLE MEETING IN JAPAN BY MID OCTOBER, DUE TO THE FACT THAT I HAVE TO BE IN JAPAN WITH SOME DIRECTORS OF MY COMPANIES FOR OTHER BUSINESSES AT THAT TIME.

NATURALLY I WILL REPORT TO YOU ON ANY POSSIBLE REACTION TO MY ACTUAL TLXES.

HOPING MY ACTIONS WILL BE FRUITFUL.

I AM LEAVING TOMORROW MORNING FOR SWEDEN AND LATER FRANCE AND SPAIN AND WILL BE BACK IN ZURICH AROUND THE 30TH AUG.

BEST RGDS
ALBERT TAL

*
ANTIDEFAME NYK
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July 3, 1986

7

Letters To The Editor
Forbes Magazine
60 Fifth Avenue
New York, NY 10011

To The Editor:

Forbes Magazine has in the last several weeks carried extensive coverage relating to trade talks between Japan and its trading partners.

During the months leading up to the June economic summit of Western nations in Tokyo, high level American delegations were conducting important trade talks with the Japanese. While protectionist sentiment in Congress may have taken a back seat to attempts to deal with budget deficits and tax reform, Administration representatives and Japanese officials understood well that as long as the trade imbalance remained, the protectionists will be heard.

Throughout this period of rising protectionist sentiment, Japan has proclaimed its commitment to free trade. The Japanese maintain that they should not have to pay a price for higher productivity and efficiency. In order to get that message across to the American public and policymakers, Japanese government agencies and firms spent over \$14 million in 1984 on lobbying activities in the United States, the most of any foreign nation.

Unfortunately, the Japanese do not come to the matter with clean hands. They have violated the principle of free trade in one area more openly than any other major industrial nation, i.e., in their support of the Arab boycott of Israel. In doing so, they subvert the system of international trade that benefits all nations and they put at a disadvantage those nations, like the United States, who by law refuse in any way to abet the Arab boycott.

Japan's attitude towards the boycott of Israel substantially differs from that of other Western industrialized states. Unlike other countries, Japanese business openly gives in to pressures by the Arab boycott authorities to refrain from maintaining economic contacts with Israel. Furthermore, Japanese companies frequently preempt such pressure by voluntarily boycotting Israel. The government of Japan not only persists in refraining from condemning the boycott, but is unwilling to do anything to prevent the application of the Arab boycott in Japan, or to discourage Japanese business from cooperating with it. One cannot avoid the impression that some Japanese companies decide to boycott Israel after consulting official Japanese authorities.

The boycott is exercised mainly by the large Japanese conglomerates. Most of them either refuse to deal with Israel altogether, or are willing to do so only indirectly, through trading companies set up for this purpose, dummy companies or through third countries. Smaller companies, which do little business with the Arab states, are frequently more amenable to doing business with Israel.

As far as imports from Israel are concerned, there is a reluctance among Japanese importers to purchase Israeli-made consumer goods which receive great public exposure. On the other hand, there is a greater willingness to buy Israel-made inputs, such as cut diamonds, chemicals, as well as electronic equipment which are less exposed to the general public's eye. But even here Israeli exporters frequently come across difficulties. For example, the Japanese agricultural cooperatives association, Zennoh, which for 26 years imported potash from the Dead Sea Works, suddenly stopped all purchases in Israel. While there is no proof that Zennoh acted because of boycott pressures, there is no apparent commercial reason to explain the decision.

The boycott is even more evident in Japan's exports to Israel. Several major Japanese exporters, especially of consumer durables, such as the car manufacturers Toyota and Nissan, refuse to sell to Israel altogether. Others, such as Sanyo, Sharp and National trade with Israel only indirectly. It is not uncommon for Japanese firms approached by potential Israeli customers to inform them openly that due to the Arab boycott they are unable to supply the desired items. For example, the Japanese company Mochida refused to supply medical supplies to an Israeli hospital and stated in writing that the boycott was the reason.

It is not only trade in goods which is affected by the boycott, but transportation and finance services as well. Japan Air Lines (JAL) refrains from landing in Israel, and even though ships bearing the Israeli flag do call on Japanese ports, no Japanese ships throw anchor in Israel. Japanese banks generally refuse to grant commercial credit lines for over 180 days or long term financing for exports of investment goods to Israel.

With the decline of OPEC in recent years -- the heavy dependence of Japan on Arab oil and on Arab markets for investment is seen as the chief reason for Japanese submission -- hope grew that Japanese policy would change. The visits by Israeli foreign minister Yitzhak Shamir and finance minister Yitzhak Modai in the fall of 1985, the highest Israeli officials to visit Japan since the oil revolution of 1973, gave rise to further expectations. Japanese companies have begun to show interest in Israeli achievements in the field of research and development and high-tech industries. Seminars on the Israeli economy have been held in Tokyo, Osaka and Naguya in which some 200 top executives of Japanese industry have participated. And in November, 1985, Israel's Minister of Economy and Planning, Gad Ya'acobi, said that a number of Japanese industrialists had expressed interest in setting up joint enterprises


with Israel to take advantage of Israel's favorable trade terms with the U.S. and the Common Market.

Still, the barriers remain. Recently, Prime Minister Nakasone, in conversation with visiting New York Mayor Edward Koch, reiterated Japan's intention to continue to support the boycott. Disturbingly, the Japanese language press gave not even a word of coverage to Koch's public comments critical of Japanese policy in this area.

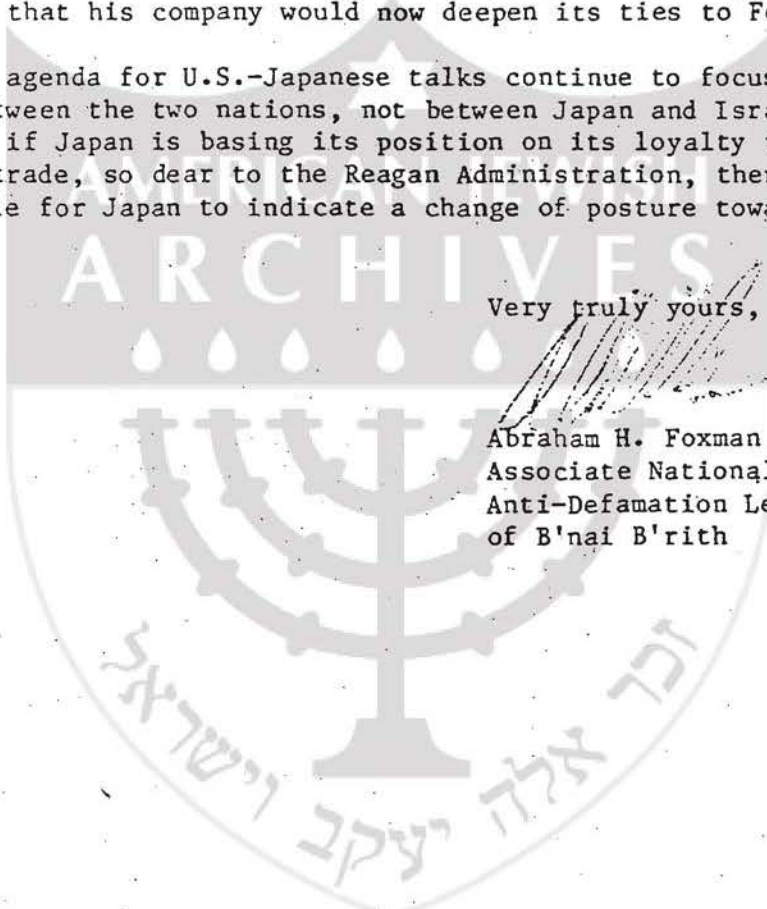
And, when the Ford Motor Company was recently removed from the Arab boycott list, the Chairman of Mazda Corporation was reported to have declared that his company would now deepen its ties to Ford.

The agenda for U.S.-Japanese talks continue to focus on trade relations between the two nations, not between Japan and Israel. Clearly, however, if Japan is basing its position on its loyalty to the principle of free trade, so dear to the Reagan Administration, then it would be worthwhile for Japan to indicate a change of posture toward the Arab boycott.

Very truly yours,


Abraham H. Foxman
Associate National Director
Anti-Defamation League
of B'nai B'rith

AHF:ms



8/15/86

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- Honorary Co-Chair, Gov. Council
MORRIS MICHELSON
- Honorary Treasurer
BENJAMIN M. HALPERN

July 14, 1986

Walter P. Stern
Capital Research Co.
280 Park Avenue
New York, New York 10017

Dear Walter:

Following the publication in the June-July issue of Boycott Report of the little article entitled "Mounting Pressure Against Japanese Boycott," I received a phone call from a group calling itself International Business-Government Counsellors. The caller wanted to know what Jewish organizations were interested in this issue and what they proposed to do. This information, I was told, was desired by their clients. I was guarded in my reply because I did not know the group. Today, however, I received a letter and some descriptive material which I enclose.

I presume this item will be covered in our August 15 meeting.

Cordially,

Will

WM:rb

Enclosure

cc: Jess Hordes
Moshe Yegar

International Business-Government Counsellors, Inc.

1625 Eye Street, N.W., Washington, D.C. 20006 • Telephone (202) 872-8181 • Telex: 440511 IBGC UI • Cable: BUSGOV

July 10, 1986

Mr. Will Maslow
General Counsel
The American Jewish Congress
15 East 84th Street
New York, New York 10028

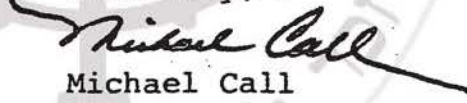
Dear Mr. Maslow:

Thank you for taking time to visit with me on the telephone yesterday regarding Japanese participation in the boycott of Israel. I appreciate the background information.

As promised, I'm enclosing some material about our organization to give you a better idea of who we are. Our companies -- all involved in international trade -- have an on-going interest in this matter. Please let me know if you have any questions.

Again, thank you for your time.

Sincerely,


Michael Call
Vice President

MLC:s
Enclosures

THE COUNCIL

The Washington International Business Council is an organization made up of U.S. corporations which do business on a global basis. Council member companies conduct trade and investment activities on all continents, with operations and sales in almost every country of the world. Executives who participate in the Council are Washington-based representatives of their corporations, and all have major roles in handling their companies' relations with the U.S. government, foreign embassies, and international organizations on international trade and investment policies, programs, and regulations.

Program and management of the Council is directed by International Business-Government Counsellors, Inc. (IBC), an international government relations counselling firm.

PURPOSE The purpose of the Council is to develop among its members a better understanding of government policy issues affecting international business and to provide a valuable communication link between the Washington international business community and those in government who make and influence foreign economic policy.

The Council is not a lobbying organization, and it takes no collective positions on specific issues or legislation.

PROGRAM group's most important function is communication — communication achieved by exchange of views among members and by sharing information and perspectives with U.S. government and international leaders. The Council meets regularly with representatives from the Executive Branch, Congress, embassies, international organizations, and academic institutions. Meetings are held with policymakers at all levels, including Cabinet Officers, Senators, Congressmen, Ambassadors, and key staff members from the Executive Branch and Congress.



Council Chairman William J. Barton, Under Secretary of Commerce for International Trade, S. Bruce Smart, and United States Trade Representative Clayton Yeutter at a Council Reception.



Congressman Jack F. Kemp (R-NY) and Solveig B. Spielmann, Executive Director of the Washington International Business Council, at a Council Luncheon.

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Senator John D. Rockefeller, IV with Ernest Johnston of Phillips Petroleum Company at a Council Breakfast.

Ambassador Kadota on Japanese — Israeli Cooperation

His Excellency the Japanese Ambassador Mr. Shozo Kadota and the fourth President of the State of Israel Professor Ephraim Katzir, Laureate of the Japan Prize, were the guests of honour at the annual luncheon of the Israel — Japan Friendship Society and Chamber of Commerce held on June 3rd at the Hilton Hotel, Tel-Aviv.

Mr. Arthur Low, the Chairman of the Society, welcomed the guests and emphasized his hope that the Association would succeed in fulfilling its task of fostering and developing the relations between Israel and Japan.

Professor Katzir gave a vivid picture of the friendly and warm reception he was accorded during his visit to Japan.

We have the pleasure of presenting our readers with the highlights of the speech delivered by Ambassador Kadota at the gathering.

Time flies indeed. More than one year and a half has passed since my arrival here, although I feel as if I only arrived yesterday. During this period a number of events have taken place. The general election and the formation of a unity government, the decision on and the implementation of the withdrawal of the I.D.F. from Lebanon: these appear to me, among many others, most impressive and at the same time very unique and characteristic of Israel and its people.

Through these events I have witnessed the wisdom, resilience and perseverance which the people of Israel can demonstrate in times of crisis and danger. Before the decision was reached, a thorough examination of the matter and an exchange of candid views had taken place. And sometimes, it was necessary to have recourse to the force of arduous persuasion. But in the end, they somehow managed to arrive at an agreement, though not always unanimous, and the decision proved to be right.

Though small in size, Israel gives us endless pleasures and excitements, thanks to its diversified landscapes and its abundant historic sites, while you admire beautifully cultivated fertile land in the west of Yam Kinneret, you marvel at the stark scene of the vast desert in the Negev. You can enjoy gentle breeze coming across the sea, along the beautiful Mediterranean coast and also at Eilat. Wherever I went, I was always warmly received. And, without exception, I was greatly impressed and inspired by the people whom I met for their strong sense of love and loyalty to their homeland, Israel, and for their zeal and devotion to the work and task they are engaged in.

I consider it my primary duty to see to it that amicable and close relations between our two countries be further promoted, and to this end I have tried to make my humble contribution. In retrospect, it can be said that progress has been made towards this desirable direction, though slow in pace.



Ambassador Shozo Kadota

Dr. Kimche's visit to Japan which coincided with the inauguration of the Japanese Parliamentarian Group for Friendship between Japan and Israel took place in February last year. In May last year, Mr. Nakayama, the Secretary-General of the Japanese Parliamentary Group visited Israel in order to attend the inauguration of the Israeli Parliamentary Group for Friendship between Israel and Japan which was held at the Knesset in Jerusalem.

Earlier this year, the Israeli Ambassador in Tokyo presented the Yad-Vashem prize to Mr. Sugihara, former official of the Ministry of Foreign Affairs of Japan, for his humanitarian act. Before the outbreak of World War II, as Japanese consul in Lithuania, he issued, at the risk of his own career, transit visas to thousands of Jewish people so that they would find new havens in other lands.

More recently, on April 20, in Tokyo, the first Japan Prize for Science and Technology was conferred upon Professor Katzir, the fourth President of the State of Israel, for his outstanding contribution in the field of biotechnology. The Japan Prize is intended to match the Nobel Prize in prestige and substance, and it is conferred upon only two laureates annually in the select field of science and technology.

For Professor Katzir the Japan Prize might be another addition to a galaxy of prizes and awards which he has already earned in the past for his outstanding accomplishments. It seems to me, however, that this good news was not only another brilliant milestone in his scholarly work, but did great service in enhancing the image of Israel in the eyes of the Japanese people.

Albert Einstein is well known to us in Japan as the most outstanding scientist of the century, but not as an Israeli scientist. Now, people in Japan have witnessed that one of the most prestigious prizes in their land has been awarded to an eminent scientist from Israel. Thus, they now know, that Israel, though still young as a nation, is already in the forefront of the science and technology in the world.

I strongly hope that ~~business relations between the two countries will be further developed~~ and increase opportunities for yet closer cooperation between our two countries in the realm of advanced science and technology and also in high technology industries.

Speaking about our economic relations, it appears that there is much room for improvement and progress. Trade volume between Japan and Israel is far too small in the light of the economic structure and the potentiality of the two countries. What are the reasons for this unwelcome situation?

One would immediately say "It's the Arab boycott". There is no use denying that after the oil crisis of 1973, Japanese business came under strong pressures of oil producing countries, and became extremely reluctant in doing business with Israel. But, because of the oil glut in recent years a change has been noticed in the supply and demand situation of oil, resulting in the lessening of the effectiveness of such a boycott. It is still too early to say that Arab pressure is gone forever thanks to the oil glut, for the syndrome of oil shock still lingers in Japanese economic circles. There is good reason to believe, however, that they are now beginning to see in a new light their relations with Israel on the basis of the merit which each business transaction carries, without being fettered and influenced by pressures from the outside. I think, this is a very important phenomenon to be noted carefully.

Let me say a few more words on the "Arab boycott". In my view, the so-called "Arab boycott" would have less adverse effect on the Israeli export to Japan than on Japanese export to Israel, even if it had indeed been as effective as the spokesmen for "Arab boycott" so repeatedly and loudly enunciated. I simply wish to emphasize that so long as they are competitive, Israeli goods and services have a good chance to get into the Japanese market, despite the "Arab boycott".

Another factor which stands in the way of our desirable trade relations is lack of knowledge, information and understanding between our two peoples. Israel has natural ties with Europe and America because of geographical proximity and long historical relations. Whereas Japan is situated far away from Israel. There is no common cultural background between our peoples, and their knowledge of each other is very scanty and far from sufficient. Therefore, in order to develop a new market for Israeli goods and services in Japan, it is essential for Israeli businessmen to undertake marketing research more vigorously. They must find out what kind of goods and services are wanted in Japan and whom they should contact.

I personally feel that with its well developed infrastructures for industries and with its advanced science and technology, Israel has great potentialities to become a highly industrialized country, particularly in the field of high technology industries. Japan seems to have equally promising potentialities in this particular field. I earnestly hope therefore that Japan and Israel would find common grounds of interest in that field and that complementary relations will grow and develop between the two countries for their mutual benefit.

In this connection, I am gratified to learn that one of the leading high technology industries of Israel will shortly establish a joint Japanese-Israeli company in Japan. I welcome this wholeheartedly and strongly hope that this will become a harbinger heralding the coming of a new era of large-scale cooperation between the industries of our two countries.

I pledge that I will spare no effort to make my humble contribution for the progress and development of friendly relations and cooperation between our two countries and our two peoples.

Thank you.

Japanese
Arab Boycott
N. B. Boycott

Jerusalem and Tokyo

Two cities — Jerusalem and Tokyo — on the Western and Eastern borderlines of Asia, have lately shortened the distance of several thousands of kilometres separating them, and have drawn closer to each other.

Though Jerusalem is one of the oldest cities in the world, enshrined in the hearts of Jews throughout the world since the times of King David, while Tokyo has served as the capital of Japan for only over a 100 years, the rapprochement between these cities may lay the foundation for fruitful cooperation between two of the oldest nations of our globe.

The friends of Japan in Israel are now aware of signs showing that a serious endeavour is being made to deepen the ties between the two nations in the political and economic fields. We were glad to receive here a delegation of Japanese Parliamentarians, members of the Parliamentary Friendship Association with Israel. We witnessed lately the visit of Foreign Minister and Deputy Prime Minister Itzhak Shamir in Japan and took note of the fact that he held talks on the highest level with members of the Japanese Government. Soon after that official visit, our Finance Minister travelled to Tokyo for business talks.

Israel, though situated at the other end of Asia, can easily be reached by ships coming from the Far East through Eilat, a town located on the coast of the Red Sea. Eilat enjoys now a privileged position among the cities of Israel, as it has been proclaimed a Free Trade Zone with all the advantages connected therewith — tax reductions being one of the main characteristics of its new status.

In the course of the visit of our Finance Minister, Itzhak Modai, in Tokyo the problem of the extension of the Israeli railway net to Eilat with the assistance of Japanese capital and know-how was raised. Undoubtedly the opportunity to transport goods arriving in Eilat by rail to the centre of Israel, and the further advantage of being able to re-export goods arriving at the Red Sea port without the need for ships to pass the Suez Canal, will enhance the importance of that town as a port of entry for Japanese goods and outlet for Israeli exports to the Far East, once the planned railway line starts functioning.

Japan has acquired enormous knowledge in the field of railway construction, and it would therefore be advantageous for both parties if Japanese know-how and capital is engaged in a joint public venture of that kind.

The pattern of Israeli-Japanese economic cooperation may have been set by the recent establishment of a joint company Nihon Scitex in the field of Electronic Colour Page Make-Up-Systems. We expect further joint Israeli-Japanese ventures to follow in the private as well as in the public sector, for the benefit of the two countries and their peoples.

December 1985

The Editors

**Bulletin of the Israel-Japan
Friendship Society and Chamber of Commerce**
No. 2; December 1985
Editors: E. Halevy, E. Harel
Graphic design: J. Lahav
76, Ibn Gvirol St. Tel-Aviv 64162
Tel. (03)218499

Front — Page: THE WINDMILL built by Sir Moses Montefiore in 1857 to supply cheap bread to the poor, has become the Symbol of the new Jerusalem outside the walls of the Old City

Farewell to an Ambassador

The friends of Japan in Israel regret to learn that H.E. Ambassador Shozo Kadota has completed his term of duty in Israel and is returning to his country.

Mr. Kadota embarked on his diplomatic functions in Israel in November 1983 and since then he has made a valuable contribution to the deepening of relations between the two countries.

It may be noted that during his term of office in Israel the Deputy Prime Minister and Minister for Foreign Affairs, Mr. Itzhak Shamir paid an official visit to Japan.

We of the Israel-Japan Friendship Society and Chamber of Commerce found great interest in the conversations with the Ambassador, and the public at large could enjoy his speeches on different subjects of interest to both countries, including economics, trade, politics and the arts.

In his speech delivered on January 14 at the Hebrew University of Jerusalem, Ambassador Kadota laid stress on the desire for peace of the Japanese nation and quoted Article 9 of the Japanese Constitution under the title "Renunciation of War" which states "Aspiring sincerely to an international peace based on justice and order, the Japanese people for ever renounce war as a sovereign right of the nation and threat or use of force as means of settling international disputes." Israel, so far, has no constitution, but for 2000 years the Jews, who aspired at the re-establishment of statehood in this country were guided by the pronouncement of the Prophet who prophesied "they shall beat their swords into plowshares and their spears into pruninghooks: nation shall not lift up sword against nation, neither shall they learn war any more".

We do hope that in his further career as a diplomat in the service of his country and his people, Mr. Kadota will continue to contribute his share to the task of all public servants of good will – to promote peace and understanding between people, as he has so ably done in Israel.

April 1986

The Editors

**Bulletin of the Israel-Japan
Friendship Society and Chamber of Commerce**

No. 3 – April 1986

Editors: E. Halevy, E. Harel

Graphic design: J. Lahav

76, Ibn Gvirol St. Tel-Aviv 64162

Tel. (03)218499

Front-Page: The Sea of Galilee

drawing by David Roberts

(1796 – 1864)

P.O.
Avt said
Moshe Yegor
Neri Rosene
—
your comments
please
—
Return
R. Harris

AUG 14 1986



The American Jewish
Committee

LOS ANGELES CHAPTER, 6505 Wilshire Boulevard, Suite 315, Los Angeles, CA 90048-4992 (213) 655-7071 Telecopier: (213) 658-5164

DATE: August 11, 1986
TO: Marc Tanenbaum
FROM: Neil C. Sandberg

One of our AJC Board Members in Los Angeles, Valerie Fields, is a personal friend of the foreign minister of Nepal. His name is Bishwa Pradhan.

We heard recently from a representative of Israel that they were having difficulty in their relationships with Nepal. Is there any way we can pursue this personal connection in order to open better lines of communication?

Another thought Valerie has is the use of Mayor Tom Bradley to arrange better connections with Japan. Valerie is a member of Tom's staff and says that he is closely connected to the top leadership in Japan. He might be willing to serve as a middle-man in setting up discussions.

Let me have your thoughts please.

Regards.

Neil

cc: David Gordis

THE AMERICAN JEWISH COMMITTEE

date August 8, 1986
to Marc H. Tanenbaum
from George E. Gruen
subject Japan, Israel and the Arab Boycott

Attached is the full file I have on this subject going back to September of last year when it was decided to set up a "Subcommittee on Japan/Korea and the Arab Boycott" as part of the "International Steering Committee on Freedom of Trade with Israel." Walter Stern is chairman of the group. AJC has been invited to participate from the very beginning.

While the ADL has certainly been active on this matter, this is not because the Israelis have given this to them as their assignment. On the contrary, I am informed by authoritative sources that the Israelis would like other Jewish groups to be more visibly involved, since it does not help their efforts to change Japanese policy if the Japanese conclude that this is simply the pet peeve of the ADL and does not represent a major concern of the broader American Jewish community.

Indeed, as I mentioned to you, on the agenda of the meeting next week will be the idea of compiling a list of American Jewish businessmen who would be willing to participate in a mission to Japan sometime next year. We are specifically being asked to recommend names of AJC members and others who would be suitable for such a delegation. Unless you have some names to suggest before Friday, I plan simply to report that we are placing this on the agenda of our Steering Committee of the IRC meeting on September 15 (and possibly for discussion at the Board of Governors?)

GEG:mr

- Encs. -



Proposed Committee Action

WPS

- * Will send letter to Yuval
- * Follow-up Wallis/MAI (After upcoming Jess meetings in D.C.)
- * ZIM- will ask for a 2 pager on terms of trade
- * DAVRATH - will follow up letter

Jess

- * Upcoming Meetings in D.C. on Trade Mission
- * Will produce monthly report

ADL/

- * Will compile list of people trading with Japan who could write letters to Japanese shipping concerns (Bonds)
- * Will compile list of Jewish Businesspeople who might attend trip to Japan in '87 (AJC and AJCt will also compile list)
- * Will work on hosting Japanese Journalists at ADL office
- * Abe and Yegar will meet with Ha-Levy (Bonds)

Gease -
Will you report on this
next week please
Regards
AC Behar

6/26/82

ANTI-DEFAMATION LEAGUE OF B'NAI B'RITH

1640 Rhode Island Avenue, N. W., Washington, D. C. 20036

memorandum

To: Walter Stern
From: Jess N. Hordes
Date: June 20, 1986
Subject: Arab Boycott/Japan - Update

Israel Trade Mission

The Japanese have moved forward on this proposal. Assistant Secretary of State Richard Murphy informed Israel Justice Minister Modai earlier this week that the Japanese government will take part in helping organize the trade mission. Murphy met in Washington two weeks ago with Mr. Miyake, his counterpart in Japan's foreign ministry. Tim Hauser, who participated in our meeting with Wallis, and works on economic issues in the Department's Israel desk, put the boycott matter on Murphy's agenda. Murphy told Miyake that visible Japanese government participation and support for the trade mission was critical. Miyake said Japan was prepared to receive the mission and indicated would be involved in organizing it. He also reiterated that the government has nothing to do with boycott compliance - that is a matter in which individual companies make their own decisions.

Israel's ambassador to Japan returned to Jerusalem this week apparently for consultations in which the trade mission's terms of reference will be explored.

Congressional Meeting

Reps. Bob Matsui and Mel Levine met with Peter Sato, economic attache at the Japanese embassy. Reps. Ben Gilman and Howard Berman, who were planning to participate, could not attend. The meeting was a follow up to an earlier session between Matsui and Sato. No new ground was broken. The congressmen cautioned Sato that pressure was building on the Hill and urged positive action by Japan. Rejecting for the time being Sato's request for specific compliance examples, the congressmen

emphasized the perception problem and the need for visible Japanese measures. Sato said he would get back to them and a follow up meeting has been set. Somewhat surprisingly, Sato, who is a fairly senior official at the embassy, professed to be unaware of the trade mission plan which we are hoping is in the works.

JNH:sc

cc: K. Bialkin
A. Foxman
K. Jacobson
H. Wall
E. Dovrath
D. Halperin
P. Dror
D. Matnai
Y. Elizur



BCC
Henderson
Halperin

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WALTER P. STERN
Vice Chairman of the Board

May 14, 1986

Dear Allen,

I am writing to keep you posted on developments re: the Arab boycott and Japan. Our committee has met and discussed the matter; in addition, I have had discussions with Economic Minister Dan Halperin and the Israeli Consul General in New York -- Moshe Yegar.

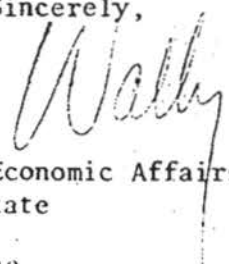
The Israeli Government is ready to organize a trade mission to Japan. I believe they will start working on this immediately.

Following up Ambassador Matsunaga's positive statement to you, we believe it would be most helpful if both the Japanese Government and the Keidanran co-hosted such a mission. We are -- as I indicated -- anxious to follow-up on the Ambassador's suggestion.

In addition, we are developing a series of actual cases where one or more Japanese companies appears to have been co-operating with the Arab boycott and will make these available to you.

I want to again thank you for your help and interest and will continue to try to keep you informed.

Sincerely,



The Honorable
Allen W. Wallis
Under Secretary for Economic Affairs
U.S. Department of State
Room 7256
Washington, D.C. 20520

AGENDA

June 26, 1986

8:30 a.m.

WPS

- 10 minutes to read Yuval's report

AMERICAN JEWISH
ARCHIVES

- Meeting with A. Primor
- Discussion with Yuval
- Israel Manufacturers Association
- ZIM

AF/JH

- Report on Meetings in Israel

- Congress/Administration

- Koby's Memo on Compliance Cases

- Other

MY

- Update

KJ

- Meeting with Japanese Diplomats

- Discussion/Summary

- Future Action

- Future Meetings

Expected Attendance:

J. Hordes G. Gruen M. Yegar W. Stern
A. Foxman W. Maslow A. Behar
K. Jacobson

Restricted

Jerusalem, June 15th, 1986

To: Walter P. Stern, Chairman,
American Steering Committee on Freedom of Trade
with Israel

From: Yuval Elizur, Jerusalem

REPORT ON A VISIT TO JAPAN, MAY 30th-JUNE 9th, 1986

1. Conclusions

In the course of my visit I had a chance to lecture to four research institutes dealing with Middle East affairs, meet with senior officials of the Foreign Ministry (Gaimuchū), the Ministry of Trade and Industry (MITI), the Federation of Economic Organizations (Keidanren) as well as with several Japanese, American and Israeli businessmen. As a result of these talks I came to the following conclusions:

a. The impact of the Arab boycott on Japanese-Israeli business relations is as strong as ever. Trade between Israel and Japan (less than \$ 200 million per annum in each direction) is negligible in terms of the foreign trade of both countries. In fact, no economic contacts exist between any of the major Japanese industrial and trading concerns and Israel or with foreign firms known to them to be on the Arab blacklist. All reports made in recent months concerning a so-called "breakthrough" were either based on wishful thinking or, worse, on a desire to point to "achievements" that in fact were imaginary.

b. The only hope for a change in the situation is to bring the Japanese business interests to realize that there is a price to pay for this attitude towards Israel. They must be made to realize that they may have to weigh the danger of the loss of Arab markets or perhaps even a cut off of vital oil supplies (if and when there is a reversal in the oil market) against the danger of further embarrassments in their trade relations with the U.S.

This need not necessarily take the form of a noisy "counter-boycott" whose results may be questionable, but of systematic action, involving public and U.S. government steps, that make it clear to the Japanese decision makers that the present situation is unsatisfactory to the American public as well as to the U.S. Government.

c. Under the present circumstance I have very serious doubts whether a mission of Israeli industrialists to Japan would be useful. Keidanren is opposed to the mission and would do everything within its power to play it down. MITI considers the mission a small price to pay to let off steam and ward off the pressure applied by Under-Secretary Wallis.

2. What Israel needs from Japan

In the course of my mission to Japan I often asked

myself what would happen if we do achieve our goal and Japan-Israel economic relations no longer suffer from artificial political barriers that have nothing to do with the real interests of the two countries.

It has been argued that what Israel has to offer to Japan in finished products and even in know-how can always find outlets in the margins of the mainstream of the Japanese economy. These margins have not yet been sufficiently explored by Israeli businessmen. Similarly Israel can obtain most of its needs from Japan by doing business with relatively small manufacturers (such as purchasing Subarus, Suzukis and Daihatsus) or by trading through intermediaries.

Japan successfully resists pressures to import from the rest of the world, the argument goes on, why should we expect that they will start buying Israeli goods once they decide to overlook the Arab boycott? Why would the Japanese electronics industry, for example, buy Israeli components or software, if they do not buy any foreign components because of language difficulties, quality control and the peculiar Japanese system of vertical integration?

What makes it particularly difficult to refute these arguments is that it is impossible to quantify any positive development of Japan-Israel relations once the political barriers are removed. It can only be said that because of the ever growing importance of Japan not only as a manufacturing power but also as a trading and financial empire, Israel, without having access to Japan, will have to fight for its position in the world economy with one hand tied behind its back.

Perhaps very few changes would take place in Japan - Israeli relations in the first years after the boycott were lifted. But one may also see gradual changes that may be of crucial importance to the Israeli economy. Here are some of these changes:

a. If Zim, Israeli Navigation Company, can obtain cargoes, at competitive rates, not only from the small companies but also from the large firms like C. Itoh, Marubeni and others this may make all the difference in the world for the profitability of its shipping line between Japan and the U.S.

b. Tadiran and other Israeli electronic firms would like to reach agreements with Japanese companies for integrating their production in certain lines such as communications equipment. Israel would buy from Japan some components and sell the finished product or vice versa.

c. By having a better choice in its car imports Israel would be able to save tens of millions of dollars a year.

d. Joint ventures between Israeli and Japan could prove to be an important instrument to overcome U.S. import restrictions (since imports to the U.S. benefit from the Free Trade Area Agreement when the Israel added value is at least 35%).

But perhaps the most convincing argument for the need to make attempts to remove the obstacle imposed by the Arab

boycott on Japan-Israel are the high stakes involved : a relatively small effort is required but so very much can be gained.

c. The visit to Japan

The idea of my visit to Japan came after a short talk I had in Jerusalem with Dr. Yaakov Cohen, Israel's Ambassador in Tokyo who was in Israel for short personal visit. I told him that we, in the Institute of Economic Co-existence in Israel, would like to get first hand impressions of the reality of Israeli-Japanese relations and perhaps even use our independent position to tell our Japanese counterparts things that cannot be said by diplomats.

Later, after meeting with Maxwell Greenberg and Abraham Foxman of the ADL and with representatives of other American Jewish organizations, it became clear to us that our mission could have an additional purpose: that of fact finding. A number of questions had remained as a result of conflicting reports of the changes in the attitude of Japan to the Arab Boycott. ADL found itself unable to proceed with a plan of action in the U.S. until all the facts were clear.

Dr. Cohen and members of his staff did an excellent job in preparing a most intensive program that kept me going for five days of all-day schedule of appointments in Tokyo. If one takes into consideration the reluctance of some of the government and business institutions to set up the appointments, the appreciation for the embassy's efforts becomes even more apparent. Some events, like the lecture to the National Defence Institute of Japan, where the audience was constituted of about 20 representatives of the various military branches and security agencies (all in civilian clothes), my appearance constituted a "first" for any Israeli representative.

In some cases, such as in the Keidanren, a lively discussion developed on ways to promote Japanese-Israeli business relations. In the research institutions the debate was mostly on the future of oil supplies. At all times the exchanges were polite and did not get out of hand, although, as I learned from the Embassy personnel who accompanied me to all the meetings, at no time in the past was there such a "frank" discussion of the Arab boycott as in some of those meetings.

I did not "win points" and have no illusions that I convinced anybody. Yet, my audiences took notes feverishly and I am convinced the messages were received by the decision making levels. The Japanese staff members of the Israel Embassy, who did not hesitate to tell me when arguments were not too convincing, felt that some of the meetings were "very good" or "most successful".

I did not just argue but also listened, collected facts, arguments and even suggestions, made by my Japanese hosts, how to change the present situation. Some of these suggestions I have incorporated in the recommendations

included in this report. At no time was I given information "off the record". The Japanese do not hide the fact that their reluctance to do business with Israel is because of their fear of the Arab boycott. Yet, both in government offices and in the Keidanren the argument is that they have no policy of their own with regards to the Arab boycott and "the decisions are made by the firms themselves on the basis of their own business interests."

4. Why the Japanese Firms Boycott Israel

Ever since OPEC began to lose its grip on the international oil market and especially since oil prices collapsed in January 1986 it looked as if a change Japan's capitulation to the Arab boycott was inevitable. The reports that followed the visit of Israel's Foreign Minister, Yitzhak Shamir, gave the impression that the ice had indeed been broken. This was clearly not the case. It now looks as if at the time of the visit of Foreign Minister Yitzhak Shamir to Japan, in September 1985, an effort was made (perhaps even with the help of the Japanese officials themselves or by wishful thinking of some of the Israeli diplomats) to create the impression that there had been a "breakthrough" that in fact did not take place.

One of the unfortunate results of this mistaken impression were statements that appeared in the world press during the visit to Japan by the Minister without Portfolio, Moshe Arens to Japan early in May 1986 expressing in hopes for cooperation with Japan on the development of the Lavi, when in fact no such possibilities exist. This does not mean that the relations between Israel and Japan, especially on the political and cultural level, are not improving gradually. These relations reached a low point after the Yom Kippur war in 1973 when Japan almost gave in to Arab demands to break diplomatic relations with Israel. The visit of Shamir may have indicated a change but definitely not a "breakthrough". It should also be pointed out that most Japanese, especially the Japanese businessmen, have no anti-Israel emotions. On the contrary, they are friendly towards Israelis on a personal basis.

The following reasons are given in Japan to the continued acquiescence to the Arab Boycott:

a. The Japanese experts give credence to the predictions that a new oil shortage will develop in the 1990's. Although by that time Japan will acquire a good part of its oil from China (which has no other way to pay for imports from Japan) the MITI funded research institutes advocate caution in what they consider a clearcut danger to Japan's lifeline.

b. Although hopes of large scales sales to the Arabs markets did not materialize, the Japanese firms still consider the potential of these markets to be more important than that of Israel. The present economic difficulties of some of the oil states only exacerbate matters since firms in those countries are in debt to Japanese banks and

exporters. The Japanese fear that if they violate the Arab boycott regulations this may serve as an excuse not to repay the debts.

c. The revaluation of the Yen and the difficulties which the Japanese economy now faces have already sharpened their competition between Japan's large corporations. Part of this competition is the tendency of one company to "squeal" on another accusing it, among other "sins" of violating the Arab boycott of Israel. The firms are therefore careful not to become "guilty" of such "sins".

d. The decision-making process in Japan is slow and requires a consensus. Thus, even if the change in the oil supply situation will bring about a rethinking of the Middle East policy, no conclusions can be expected before one or two more years.

5. What can be done?

Despite the peculiar Japanese method of decision-making and despite the reluctance to give in to direct pressure, I am convinced that Japanese firms must be made aware of American displeasure. The forthcoming talks between the American diplomat Dr. Gator Sigur and the Japanese government, and the change in Japan's attitude on microchips imports are a good example of the way the boycott of Israel should be handled.

Japanese firms are at present more sensitive than ever before to market pressures. Those firms who have already had to raise their export prices because of the revaluation of the Yen have expressed the fear that a drop in prices may bring about a crisis, especially since the large firms have difficulties in reducing their labor force.

While I do not recommend a counter boycott of Japanese goods, limited action against a single firm (Hitachi for example that does not even allow Israelis to visit their offices) could cause the necessary shock.

A detailed program could be worked out by the various agencies and co-ordinated by your committee.

This plan should suggest to the Israeli government that Israel should, on its part, also make it clear that it is unsatisfied with the present state of affairs. The minimum it could do is to refuse to issue import licences for Japanese consumer goods unless accompanied by the original manufacturers' invoices, thus eliminating "indirect" sales to Israel.

I do not believe that any plan of action, successful as it may be, can bring about an immediate change in Japan's position vis-a-vis the Arab boycott, but it will certainly give impetus to a process which no doubt has begun but cannot, as yet, be noticed on the surface.

Serious consideration should be given to the question of the Israeli delegation which has been suggested by Japan's Ambassador to Washington. On the one hand if the Israeli manufacturers visit, and their visit is downplayed by their hosts, the Japanese will be able to tell the Americans

that "we have done something" although in effect they have done nothing.

On the other hand, if it is decided not to send the delegation, the Japanese will not be sorry. Under present conditions the Israeli industrialists should go to Japan but it should be made quite clear to the participants not to expect too much. It should also be made clear to the Japanese government that neither Israel nor the U.S. Administration consider the delegation as the end but only as a beginning of an intensive plan of action that should be laid down, hopefully with Japanese co-operation.

Keidanren leaders told Arens that they had sent a circular to their members suggesting to them that they join a mission to Israel but none of them responded favorably. The idea can be brought up again. Perhaps it can be made clear to Keidanren officials that the U.S. would favor such a mission and that they should try harder.

The fight against the Arab boycott in Japan is one that Israel cannot afford to lose. In fact, it is a fight that Israel can win if there is determination and a good plan of action.

6. Appendix

Some of the activities during my visit:

a. Meetings

1. Ministry of Foreign Affairs
(Director of Economic Affairs Bureau)
2. Keidanren (Federation of Economic Organizations)
3. Ministry of International Trade and Industry

b. Lectures and Discussions

1. The Middle East Institute (membership organization, supported by the Foreign Ministry).
2. Institute of Developing Economy (branch of MITI, deals mostly with LDC's but has an Israel department).
3. Economic Research Institute of the Middle East (also MITI supported, mostly oil orientated).
4. The National Defence Institute (formerly Defence College) a research and study center of the various military branches, including intelligence).

c. Interviews with me

1. Nihon Keizai (economic daily)
2. Sankei (economic daily)



manufacturers association of israel

THE DIRECTOR GENERAL

16 June, 1986

Mr. Walter P. Stern
Vice Chairman of the Board
Capital Research Company
280 Park Avenue
New York 10017 - U.S.A.

Dear Mr. Stern,

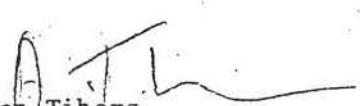
Thank you for your letter dated May 22 addressed to Mr. Eli Hurvitz,
President of the Manufacturers Association of Israel (M A I).

Please be advised that Mr. Dov Lautman has been elected the new President
of the Manufacturers Association of Israel instead of Mr. Eli Hurvitz.

Concerning economic cooperation between Israel and Japan, let me call your
attention to the fact that a few months ago, Mr. Shamir, Minister of Foreign
Affairs, accompanied by a delegation of Israeli businessmen, visit Japan and
met with the Leaders of the Economic Organizations.
At this meeting it was decided to organize further meetings between Israel
and Japan. Therefore, we would like very much to receive an official invitation
for our new President, Mr. Dov Lautman to head a delegation of Israeli
manufacturers. Your help in this matter would be appreciated. I would like
to know who will be the responsible in Japan in that matter.

May I take this opportunity of thanking you for your activities in protest
against the Arab Boycott, which have led to positive results.

Yours Sincerely,


Arnon Tiberg
Director General

TODAY'S NEWS AS OF JUNE 19, 1986

8. SNOW BRAND MILK (2262) AND AN ISRAELI GOV'T BIOCHEMICAL RESEARCH INSTITUTE HAVE SUCCEEDED IN SYNTHESIZING A NEW COMPOUND EFFECTIVE IN TREATING ALZHEIMER'S DISEASE (SENILE DEMENTIA). A JOINT RESEARCH TEAM WILL BEGIN CLINICAL TESTING THIS FALL, AND R'D EFFORTS WILL CONTINUE WITH THE AIM OF MARKETING IT IN 5-6 YRS. (NIKKEI SANGYO)

166-Foods

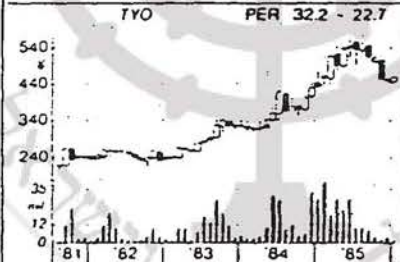
Snow Brand Milk Products

2262
 雪印乳業

Largest manufacturer of dairy products (butter and cheese). Ranks top in drinking milk. Advancing into frozen foods and moving toward integrated food maker. Has tieup with dairy farm co-operatives of Finland for exchange of technical information. Advancing into biochemicals, incl pharmaceuticals.

Outlook: Fresh milk, milk drinks, juice and other beverages firm, and chilled foods moving upward. But ice creams in doldrums, while butter and cheese slowing down. Heavy ad and sales promotion costs forcing current profit down. Set up health & nutrition institute to supply health-related information and advice to consumers. Lactic acid drink sub Snow Brand Rolly under stiff competition. Another sub Snow Brand Seed may record sales drop due to declining feedstuff prices.

Income (\$mil)	Sales Operating Profit	Current Profit	Net Earnings Profit	Dividend per sh	Equity per sh		
Mar '83	435,566	7,710	6,540	2,502	¥9.9	¥6	¥154.9
Mar '84	429,182	8,934	7,694	2,638	10.4	6	159.3
Mar '85	443,285	9,829	9,258	2,916	11.5	6	164.7
Mar '86	450,000	8,600	8,000	2,900	11.5	6	
Mar '87	460,000	9,600	9,000	3,300	13.0	6	
Sep '84	234,177	6,289	5,497	1,871	7.4	-	160.6
Sep '85	235,238	4,575	4,051	1,462	5.8	-	164.4
Mar '84	786,229	13,734	9,706	2,928	11.5	-	185.9
Mar '85	821,665	15,208	12,072	4,306	17.0	-	196.9
Mar '86	845,000	13,500	10,500	3,300	13.0	-	



Sales Breakdown (Sep '85, %)

Drinking Milk	44
Dairy Products	28
Ice Cream	13
Others	14
Export Ratio	0

Prices High Low G/L (%)

'81	358 ('77)	44 ('57)	
'82	279 (Apr)	212 (Oct)	6.5
'83	355 (Oct)	230 (Jan)	41.0
'84	453 (Dec)	309 (Feb)	31.1
'85	580 (Jun)	429 (Jan)	3.5

Stocks (¥50 par value, 1000 per unit)

Shares Out. (Nov 30 '85, 000shs) 253,000

No. of Shareholders (Sep 30 '85) 27,078

Major Holders (%)

Norinchukin Bank	10.0
Yasuda Trust	3.6
Sanwa Bank	2.7
Fuji Bank	2.7
Chiyoda Mutual Life	2.6
Ins.	2.6

Employee

Stockholding	6.2
Takugin	4.9

Financial Data (\$mil)

	Sep '85	Mar '85
Total Assets	205,586	328,485
Fixed Assets	102,256	128,198
Current Assets	103,329	200,287
Current Liabilities	105,552	206,598
Working Capital	-2,223	-6,311
Bank Borrowings	15,973	58,700
Capital Stock	12,650	12,650
Capital Surplus	4,892	5,396
Shareholders' Equity	41,583	49,819
Equity Ratio (%)	20.2	15.2
Interest & Dividend Net	-1,089	-

Finance (000shs)

Dec '63	2:1 (¥50)	100,000
Pub 1	(¥75)	
Mar '68	2:1 (¥50)	150,000
Apr '75	4:1 (¥50)	200,000
Pub 12.5	(¥167)	
Apr '76	20:1 Gratis	210,000
Apr '79	Pub 20 (¥253)	230,000
Oct '79	10:1 Gratis	253,000

Facility Investment (\$mil)

Mar '86	18,500
'85	14,100

R&D Expenditure (\$mil)

Mar '86	-
'85	-

Highest in Current Profit (\$mil)

Mar '77	11,489
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References: Norinchukin, Takugin, Sanwa, Fuji, IBJ, LTCB

Exchanges: TYO, OSA

Underwriters: Daiwa

Est: Jun 1950 **Listed:** Aug 1950

Employees (Ago) 8,746 (42)

Chairman: -

President: Yoichi Yamamoto

Overseas Offices: See P. 1159

Principal Office Tel: 03-358 2111
 13, Honshocho, Shinjuku, Tokyo 160
 Telex: 2322224 Fax: 03-356 9891

2262 Snow Brand Milk Products Co., Ltd.
 Liaison Office: Fort Lee Executive Park, One Executive Drive, Fort Lee, N.J. 07024, U.S.A. (Tel. 592-9299)
 European Office: Gerhofstrasse 2, 2000 Hamburg 36, West Germany (Tel. 34-51591)
 Southeast Asia Office: 2nd FL, JETRO Bldg., 159 Rajadamri Rd., Bangkok, Thailand (Tel. 251-5858)

Foreign Envoys Keep Their Distance

Perhaps it as it should be: With all of the influence sought, wielded and peddled by lawyers, lobbyists, consultants and other hangers-on, foreign diplomats remain a respectable distance from the centers of power.

Few are obvious candidates for Washington's "most-influential" list. Most become well-known in Washington more for the quality of their parties than the substance of their diplomacy.

Exceptions prove the rule. Until he resigned to return to his business pursuits, Ernesto Rivas-Gallont, El Salvador's ambassador, was considered extremely effective at a difficult time. He understood the way the American system worked, and he possessed the skills to explain his country and its problems to American politicians.

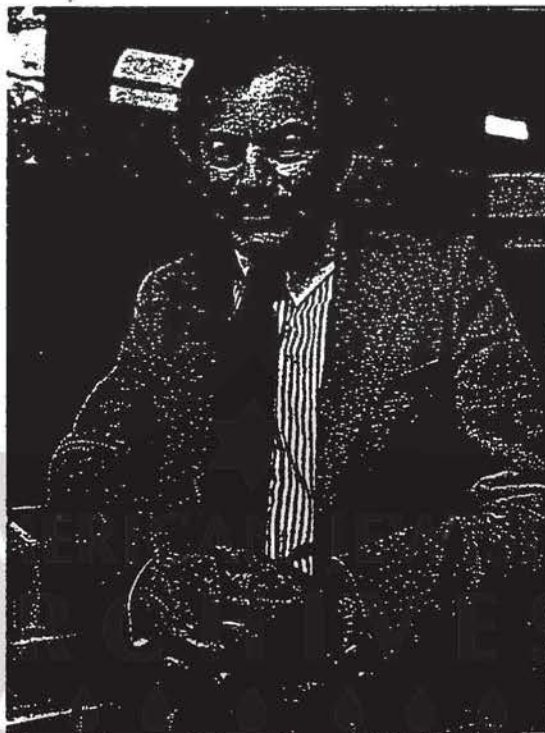
The result was that Congress approved economic and military aid for El Salvador in 1984 at the crucial time, when Jose Napoleon Duarte was taking over as president.

Dan Halperin is another exception. As economic counselor in Israel's Embassy here, he is almost an honorary American. His English is flawless and idiomatic. His understanding of the political system—not just the legislative process, but the budget game—is equally impressive. And his contacts in the Reagan Administration, Congress and the news media are impeccable. As a result, he can gather information from formal and informal sources and quickly give his government an up-to-date picture of U.S. economic aid and military prospects.

Despite the fact that he is an effective spokesman for his government, Halperin said, "I don't call myself a diplomat." Diplomats traditionally go no further than representing their government's point of view. Halperin believes in going further, in playing the system like any other lobbyist. "In Washington, you have to be what I call an operator," he said. "Once you realize the system is open, once you realize the rules here are not the rules you learned from home, you can be an operator."

Halperin argues that both Congress and the executive branch are relatively open to foreign diplomats and that influence in the executive branch is often related to influence in Congress.

Takis Theodoracopoulos, first secretary for the Embassy of Greece, also earned a reputation as an expert on how the foreign aid system works. He was a familiar sight in hearing rooms and in Members' offices. Partially through his efforts, and despite recent disputes between Athens and Washington, Greece was able to fight off efforts in



Richard A. Bloom

Israeli Embassy's Dan Halperin
He understands the political system.

recent years to reduce U.S. aid levels.

Unfortunately for their governments, Theodoracopoulos has been reassigned elsewhere in the Greek foreign service and Halperin is returning to Israel this summer, probably to go into business.

An ambassador from a much larger and closer country, Canada's Allan E. Gottlieb, also gets high marks, despite recent controversies surrounding his tenure. "He knew how to develop his connections on the Hill," said a colleague in the diplomatic corps.

A congressional aide said of the Canadians: "They do treat the Congress as an important part of policy." This source added that generally, the diplomatic efforts of large countries with friendly ties to the United States—Britain, France and Germany, for example—tend to be more effective, while the performance of smaller countries is erratic.

Sometimes diplomats deliberately choose a low profile. Saudi Arabia's current ambassador, Prince Bandar Ibn Sultan, played a prominent role during the Senate debate in 1981—before he became ambassador to the United States—over the sale of Airborne Warning and Control System aircraft but was back in Saudi Arabia this spring, when the Senate approved a resolution disapproving the sale of additional weapons to the Saudis. Diplomatic sources said his absence reflected a Saudi feeling that it was up to the Administration to push through the weapons sale.

Although an ambassador or other embassy officials can provide a personal touch to lobbying—no one is more effective than an ambassador who is savvy about American politics—a paid U.S. lobbyist may be more productive if only because he usually is more familiar with how the system works.

Washington lobbyists, for example, don't hesitate to take key congressional staffers to lunch; an embassy official may consider it a step down to deal with anyone lower than a Member of Congress.

An influential congressional aide suggested that there is nothing mysterious about diplomats dealing with Congress—those who work hardest at cultivating staff are the most effective, he said—and he singled out a surprising delegation for their effective work: tiny Tunisia.

Their secret? Because the Tunisians don't have an American constituency and don't use paid agents, they have to work harder to further their country's interests in Washington. And hard work pays off.—Christopher Madison

TO: A. Foxman/K. Jacobson/J. Hordes
W. Maslow
G. Gruen

M. Yegar

WPS

FROM: A. Behar

DATE: July 25, 1986

RE: J A P A N

I have attached some very interesting marketing-related pieces on Japan from the Israel Economist.

Although it is outdated, I've also attached a speech given by H. Rosovsky on Japan/Israel.

Comments?

REMINDER: NEXT COMMITTEE MEETING - August 15th - ~~ADL-NY~~
8:30 a.m.

switched to W. Stern Office



EXPORT MARKETING FOR EXPORT MARKETING FOR

"EXPORTISE" — GATHERING THE FACTS AT THE CENTER FOR MARKET RESEARCH

Do-it-yourself market research is cheaper but more time-consuming than using professional firms. However, sometimes a company may want to track down information on its own.

Knowing what information you need and finding it is elementary "exportise". Aside from basic reference works — such as *Export Management*, which provides comprehensive information — two libraries offer a wealth of data. One such facility is the US Embassy's Foreign Commercial Service, which is the major source of information on the American market. But one of the best and most reasonably priced sources of international information is the government-sponsored Center for Market Research, in the Ministry of Industry and Trade.

The Center is under the guidance of Dr. Michael Rom, who was chief of the unit when it was founded in 1959. It receives more than 500 different dailies, weeklies, and monthlies each year. A wide-ranging list of publications covers such topics as food, agriculture, metals, electronics, chemicals, and textiles.

The operation also serves as the prime information source for projects, tenders, and business opportunities offered by foreign government agencies and private firms. Israel's commercial attachés abroad are important providers of this information. The Center also receives their reports on the economic conditions of the countries in which they serve.

Up-to-date government import and export statistics provide data on which items are imported and from which countries, which helps Israeli manufacturers determine who their competitors are. Comprehensive schedules of international customs duties are used frequently at the Center. Background material and economic information about countries throughout the world are available in files, monographs, reports, and books in

the Center's collection. In addition, a multilingual staff, including specialists in food and textiles, can guide the exporter.

Booklets on potential markets

The Center also publishes its own booklets (in Hebrew). Last year, it produced a booklet on Singapore, which includes background on Singapore's economic development and structure, industry, and trade with Israel.

The US Market (Agriculture and Food), published last March, offers general and detailed information on US customs duties for specific items over the next 10 years. In his introduction to the pamphlet, Max Livnat, deputy general of export in the Ministry of Industry and Trade, states that Israel's exports to the US totalled 34%, or \$2.1 billion, in 1985, and are expected to increase in the near future. The ministry feels that the more information Israelis have, the greater their chances to widen their markets.

The newest booklet published by the Center is *Japan: An Important Market for Quality Products*. The booklet provides timely information on Japanese industry, foreign trade, Israel-Japan trade, and import policies, and it includes brief descriptions of specific markets and useful addresses.

Computer-aided research

In the past few years, the Center has set up direct connections with the Dialog network and with other systems, which provide access to over 200 data bases. Prices for this service vary, depending on the source, the time it takes to locate the data, and the vendor. Obviously, the usefulness of the information depends on how well it is interpreted.

The Center for Market Research is located on the seventh floor of the Industry House, Tel Aviv. Its services — except for the booklets, which are available for a nominal fee, and computer-accessed data — are free. Use them.

DIRECT-MAIL MARKETING ABROAD

The recent export emphasis in Israel has led many manufacturers to seek cost-effective methods to determine overseas markets and generate sales. The typical small or medium-sized Israeli manufacturer is hesitant to pay for extensive — and expensive — marketing studies by Israeli or American marketing companies.

One of the best avenues for such a company is "direct marketing". This term, often used in the context of selling directly from manufacturer to consumer, can also be applied to the Israeli manufacturer selling directly to a foreign distributor, with the initial contact usually made by mail.

The direct-mail advantage

Direct marketing has several advantages. First, it allows the manufacturer to zero in on the desired market. Most other advertising (newspaper, magazine, television, or radio) is wasteful because many receivers of the advertising message have no interest in the product. In direct marketing, the mailing list is very carefully selected so that every recipient of the sales offer has a potential interest in purchasing the item. Second, direct marketing is more flexible than any other advertising. One can include a variety of informational materials, including catalogs,

product samples, price lists, and testimonial letters, in a direct-marketing package. Doing so in other advertising is either impossible or prohibitively expensive. Direct marketing also allows the advertiser to test various marketing strategies by sending different letters to segments of the mailing list.

While often thought to be expensive, direct marketing is actually very cost-effective. The manufacturer determines his own cost by choosing the contents of the package, the quality and size of the catalog, and the number of pieces mailed. This method is far less expensive than travelling overseas to meet individual distributors. It also reaches many more customers than a salesman could reach in a limited period of time — and at a fraction of the cost.

This method has been used successfully by several Israeli manufacturers. One agricultural-parts producer received a 10% response, far greater than the average of 0.2-2%. Significant export sales are now being generated through an American distributor that was contacted through this mailing. Via direct mail, a consumer-products manufacturer found several independent sales agents, who are now sending orders to the Israeli concern.

It should be pointed out that face-to-face negotiation is necessary at some point in the marketing process. However, a trip abroad is a better investment when potential customers have already expressed serious interest.

EXPORT — THAT'S HIS BUSINESS

With more than 15 years' experience in marketing Israeli products abroad, Chaim Shachak has earned his reputation as a trade "maven". Among the wide range of products — primarily consumer goods — Shachak Foreign Trade Services Ltd. has successfully marketed are: plastics, cosmetics, furniture, wine, adhesives, clothing, blankets, foodstuffs, and toys — to the tune of \$13 million a year in exports.

"The key to international business is knowing the local markets," he says. "Bed sizes, bathroom accessories, tastes, and even color preferences vary from country to country." Exporters must also know the details of import laws, like the percentage of sugar a product can contain and still be subject to minimal import tax.

Through the years, Shachak has established close ties in Europe. His relatively new Protex showroom in Holland, for instance, is an Israeli-Dutch venture. According to Jan de Ruiter, director of Protex in Holland, 80% of the goods in the showroom are Israeli. An Israeli flag flies alongside the Dutch one outside the entrance. De Ruiter believes that Israeli products have a positive pull in some markets, and he has even promoted his showroom through ads bordered with the Star of David.

His field salesmen travel through Holland and Central Europe, and 300 employees run "home sales". Protex also sells directly to large department stores and retail chains, and offers mail-order service as well. Goods are stored on consignment in two warehouses to ensure the quick availability of products displayed in the showroom. "It's not enough to attract the buyer. In many cases, a buyer will lose interest if he has to wait two months for delivery," says de Ruiter. The showroom and the warehouses are centrally located to minimize shipping expenses.

On-the-spot market research

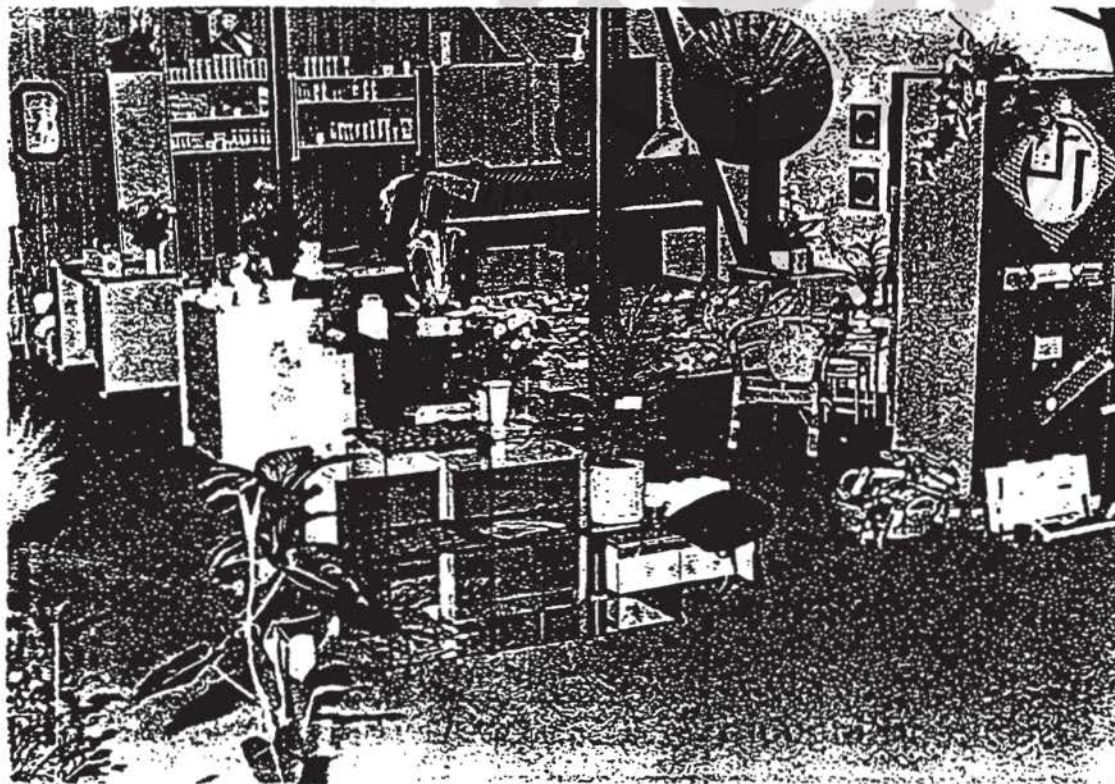
"On-the-spot market research is the best way to determine the saleability of a product," maintains Shachak. "I can tell by the response to three advertisements whether or not there's a market for a product. Any problems in pricing, packaging, and general appeal are picked up by our salespeople within a few weeks after a product is put on display in the showroom. We can also spot trends and evaluate the marketability of a product area by the response to items on display," he observes.

Market-research magazine

Trade Channel Magazine, an international publication with a circulation of over 500,000, also serves as a market-research tool. Wares as varied as computer and electronic devices, farming machinery, textiles, pharmaceutical know-how, and the Japanese "Yellow Pages" are offered within its covers. Israeli businessmen who want to use the magazine to test a market or find a buyer or an agent should contact Shachak, who represents the organization in Israel.

Full customs and shipping service

Shachak has just signed a contract with Michael Rosenfeld of MR Customs, who will add a new link to the company. Rosenfeld is joining the organization to provide full technical services for shipping, forwarding, and customs clearance, including packaging and insurance. "We have saved clients up to 20% on freight costs, particularly on freight to and from Korea, Taiwan, Hong Kong, Japan, and the US," states Rosenfeld. "As Israel steps up efforts to export goods, we continue to increase the services of our organization," sums up Shachak.



The Protex Showroom in Holland.

MARKETING IS THE MESSAGE

In Israel marketing is definitely on its way in. At the first International Exhibition and Conference of Export Marketing Services, exhibitors gave convincing proof that marketing know-how is inseparable from the export quotient. Sharon Kanon visited the fair and talked to participants.

Media, communications, advertising, promotion, packaging firms and international trade-fair organizers exhibited glossy brochures, video presentations, and other eye-catching displays at "EXPORT 85" — the first major Israeli international event of its kind. Documentation, banking, on-line computer data-retrieval systems, and transportation services were also out to attract Israeli firms gearing up for export.

Aside from the sophistication of the displays, one of the most notable aspects of the event was the emergence of new Israeli firms specializing in marketing.

Dun & Bradstreet (Israel), the international business-information specialists, reported more interest in the past year than in the 10 previous years. Requests for export information were up 50% in 1985, compared to the previous year.

"Shooting from the hip" is out

According to Gallup Israel's international marketing manager, Richard Arnheim, market research is increasingly acceptable in Israel. "The 'shooting from the hip' approach doesn't work," he says. "Though market research is not a visible revenue spinner, local companies are realizing that they must get information if they want to sell."

"Maverick luck in selling is only good for the short run," adds Jacob Levy, Gallup's director in Israel. Systematic and objective information gathering is crucial for marketing. Marketing concepts must be developed even before business concepts (such as financial backing). The determining factors are sufficiently large demand and favorable marketing conditions. The concept development of a product includes its positioning in the market, pricing, and packaging.

Levy cites a case in which the product's concept was altered in response to feedback obtained during research. A concept demonstrated in a video that was used in the market research had no buyers, but there was definite interest in another concept offered by the product.

The Japanese connection

Israeli firms hoping to get a crack at the elusive Japanese market had a chance to talk to Simon Nakamura, Gallup's man in Japan. In fluent Hebrew, Nakamura spoke of cultural and business standards in Japan that cannot be ignored. Consistently high quality control, reliable time schedules, and delivery when promised — all are *sine qua non* in dealing with the Japanese.

Japan's main commercial vehicle is the trading company. In Japan, success generally depends on the right contacts. By the time a foreign businessman sits down with his Japanese counterpart, the Japanese host has already acquired all the information about the vendor's product. Any hard sell or soft sell is done behind the scenes, so tea-drinking can be enjoyed without pressure.

"Window to the Japanese Market" is a new Gallup service which provides insights into the competitive Japanese market.

Israeli trading companies

Israeli companies lacking international marketing arms have found trading companies to be excellent for extending sales. Israel has various versions of the trading company, all of which have marketing know-how and the right connections. Chaim Shachak is known for his launching of Israeli products — mainly consumer goods — in Europe, and for building sales. The ISAM Trading Company has vigorously advanced the Israeli-American trade connection with a wide range of industrial products. And two new trading companies, Avtrade and Just Natural, are already enjoying good export sales. As more and more companies are discovering, marketing is the key to economic survival.



Marketing has always been a remote concept in Israel. However, judging by the response to "Export 85", the first International Exhibition and Conference of Export Marketing Services in Israel, its day has finally come.

The conference, sponsored by the Israel Export Institute, was held December 2-5, 1985, having taken over a year to prepare. Planning, organization, and perfect timing made for its success. Major credit goes to Adin and Asa Talbar and Yitzhak Shalev for masterfully implementing the idea.

Adin Talbar's familiarity with international marketing organizations was acquired while serving in various Israeli government positions. Before establishing his present business, he served as the trade commissioner to Canada, an economic counselor in Washington, DC, and the deputy director-general of foreign trade in the Ministry of Industry and Trade, Jerusalem. He has also represented Israel in various international foreign-trade forums.

Asa, the younger Talbar, generated the idea for the marketing-services exhibition and conference. A graduate of Amherst, Asa's background in economics and his international-trade experience with the L. Raphaely Co. and the senior Talbar gave him the drive to make the show happen. I. Shalev sparked the publicity campaign and managed the logistics.

The event was distinctly international. Exhibitors from abroad included marketing and exhibition firms like the Cahners Exposition Group (CEG), the French-Israeli, British-Israeli, and Canadian-Israeli chambers of commerce, French import and maritime companies, the Liverpool Freeport, the Sydport International Trade Zone in Nova Scotia, and fair organizers from Germany, including Frankfurt Messe.

Almost 100 exhibitors and more than 3,000 buyers and exporters attended. In a follow-up survey, 92% of the exhibitors expressed satisfaction, 68% said the exhibition led to business contacts with exporters, 78% of the visitors said the exhibition met their expectations, and 85% expressed a desire to attend the next one.

Notes Adin Talbar, "The exhibitors knew how to sell themselves." Talbar is planning the next exhibition for December 8-10, 1987.

EXPORT MARKETING FOR EXPORT MARKETING FOR

COUNTERTRADE: AN ESSENTIAL FINANCING AND MARKETING TOOL

The world's oldest form of commerce has also become its newest. Over the past decade, international business has revived and updated countertrade, or international barter. Ranging from simple goods-to-goods exchanges to complex multi-party transactions, countertrade today constitutes at least one-third of world business. Even in the US, which favors monetary transactions (despite its "Yankee trader" traditions), countertrade now accounts for more than 10% of all manufacturing revenues.

Countertrade's growth in the last decade or two gained impetus from the foreign-exchange shortages in many developing countries. These nations are typically rich in raw materials but short of hard currency. Israel lacks both, yet it abounds in advanced products, know-how, and technology, which are in great demand in developing countries. Countertrade is thus becoming essential for Israeli companies seeking footholds in the potentially vast markets of the developing world. China is one such market.

China

Almost one-quarter of the world's population lives in China, making it a particularly attractive market. Until recently, China's large, annual balance-of-trade surpluses facilitated major imports of consumer goods and other products, for which the Chinese paid hard currency. These purchases were part of a massive economic-development campaign that has changed China's financial, legal, and trade policies, and has opened the door to enormous business opportunities for Israeli and other companies offering the products and the technology that the Chinese need. The campaign has also replaced the surpluses with deficits, however; thus, an increasingly currency-strapped China has turned to countertrade. Indeed, the country's vast agricultural commodities, raw-material reserves, and pool of cheap labor are ideal for barter. For example, China is currently exchanging coal, oil, and silk for 30,000 Apple computers, and it is trading rice, cottonseed oil, and other commodities for video-projection devices.

Buyback and technology transfer

Buyback, a common form of countertrade, is especially important with regard to China. In buyback, one party sells or licenses manufacturing equipment or technology to a second party, in return for a percentage of the resulting product. Often third parties also contribute financing or marketing services in exchange for the product.

Transfers of manufacturing, advanced equipment, and technology receive China's fastest and most favorable consideration. For instance, the Chinese are now constructing a large polyester-production plant using know-how, engineering, and equipment supplied by a West German company, and they are exploiting Dutch technology, manufacturing, and financing to produce audio-visual laser-disk systems.

Although there are no diplomatic relations between Israel and China, Israeli firms have much to offer the Chinese, as the latter are well-aware. Several transfers of advanced Israeli agricultural and medical technology and equipment are currently being negotiated with China, with financing and marketing to be provided by American companies.

China's latest five-year economic plan calls for increased acquisition of advanced technology, equipment, and software. The plan also emphasizes the need to upgrade China's communications and transportation infrastructure as well as its production of energy and raw materials. With discretion and flexibility, Israel could parlay its expertise in these areas into tremendous countertrade activity with China and other countries.

Fear of competition

Yet Israel's government and industry are reluctant to share the country's know-how and technology, for fear that they may be creating a competitor. After all, a Chinese factory may one day manufacture a product more cheaply than an Israeli plant. This concern is somewhat shortsighted, however, and it is costing Israel some potentially very lucrative opportunities; meanwhile, interested parties can always turn elsewhere for information and still become competitors.

Accordingly, Israel should continue and even expand its development, production, and marketing of technology. Countertrade in particular can enable Israel to market such technology profitably, where it is most needed and wanted and where trade would otherwise be impossible.

Daniel Benson, author of this article, is vice-president of Ariel International Trading Company, Inc., a New York-based, full-service consulting firm. Prior to his association with Ariel, Benson practiced international and corporate law with a major New York law firm. He holds an A.B. in engineering and applied mathematics from Harvard, a master's degree in international relations from Northwestern University, and a law degree from Harvard Law School.

Ariel International's president, Roger W. Davis, is an experienced and successful financial consultant. He is the director of the Countertrade Roundtable, the leading US countertrade business association, and a member of the Asia Society's Committee on Trade with China.

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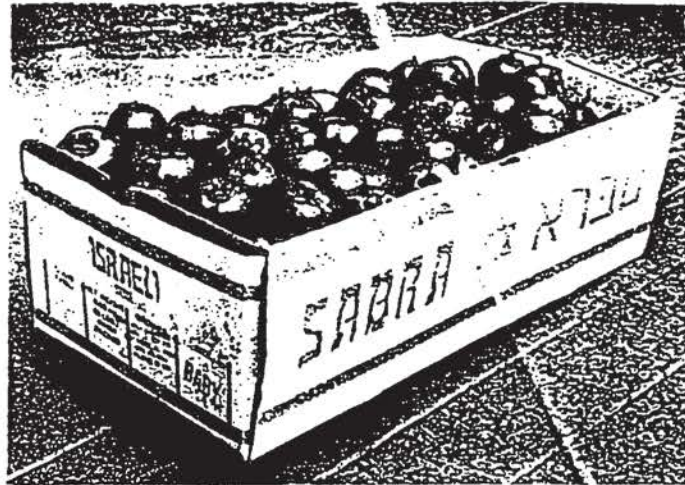
EXPORT MARKETING FOR EXPORT MARKETING FO

Of late, Agrexco has definitely benefited from the strengthening of European currencies. Another factor that will undoubtedly boost Israeli agricultural exports is the Chernobyl disaster and the resulting fear of radioactive fruit and vegetables in Europe. Unfortunately the season has ended, however, so Israel does not have that much surplus produce to offer.

Koortrade

Koortrade is a relative newcomer to food marketing. About a year and a half ago, the company - Israel's largest marketing board - established a special food center to meet the growing need for professional marketing among Israel's processed-food companies. The center has begun marketing both fresh and processed food in the Far East, but it will stick to processed food in Europe and in North America.

The new center has already chalked up successes. At the recent Foodex exhibition in Japan this past March, Koortrade represented Aviv Spring, Carmel, Decco, Galfrost, Gat Champion, Golden Medal, Gold Frost, Jaffa Mor, Noon-Pri Hagalil, Shahaf, Telma, and Yarden. Prior to the event, Koortrade pinpointed five product groups that would sell well in Japan, and indeed they have. Yossi Zafrir, head of Koortrade's food center, defines the company's marketing strategy this way: "We go from the market to the producer rather than the other way around." In his view, Israeli companies tend to rely on their established marketing networks in nearby Europe - where currencies are stronger at the moment - rather than develop new markets, especially in the Far East, where tariff as well as cultural barriers are generally perceived as major obstacles.



American-grown "Sabra" tomatoes.

Koortrade eschews ordinary commodities, which are extremely competitive and not really worthwhile. Instead, like Agrexco it seeks to promote specialty items for very specific markets.

The company's marketing manager, Murray Grant, sums up the advantages of organized marketing: "In today's complicated and often cut-throat marketplace, it is important to present a broad range of products as possible, to reduce the high costs of marketing, and to provide sophisticated buyers with a comprehensive basket of products. It's far more difficult to resist a broad range than it is to reject one or two specific products."

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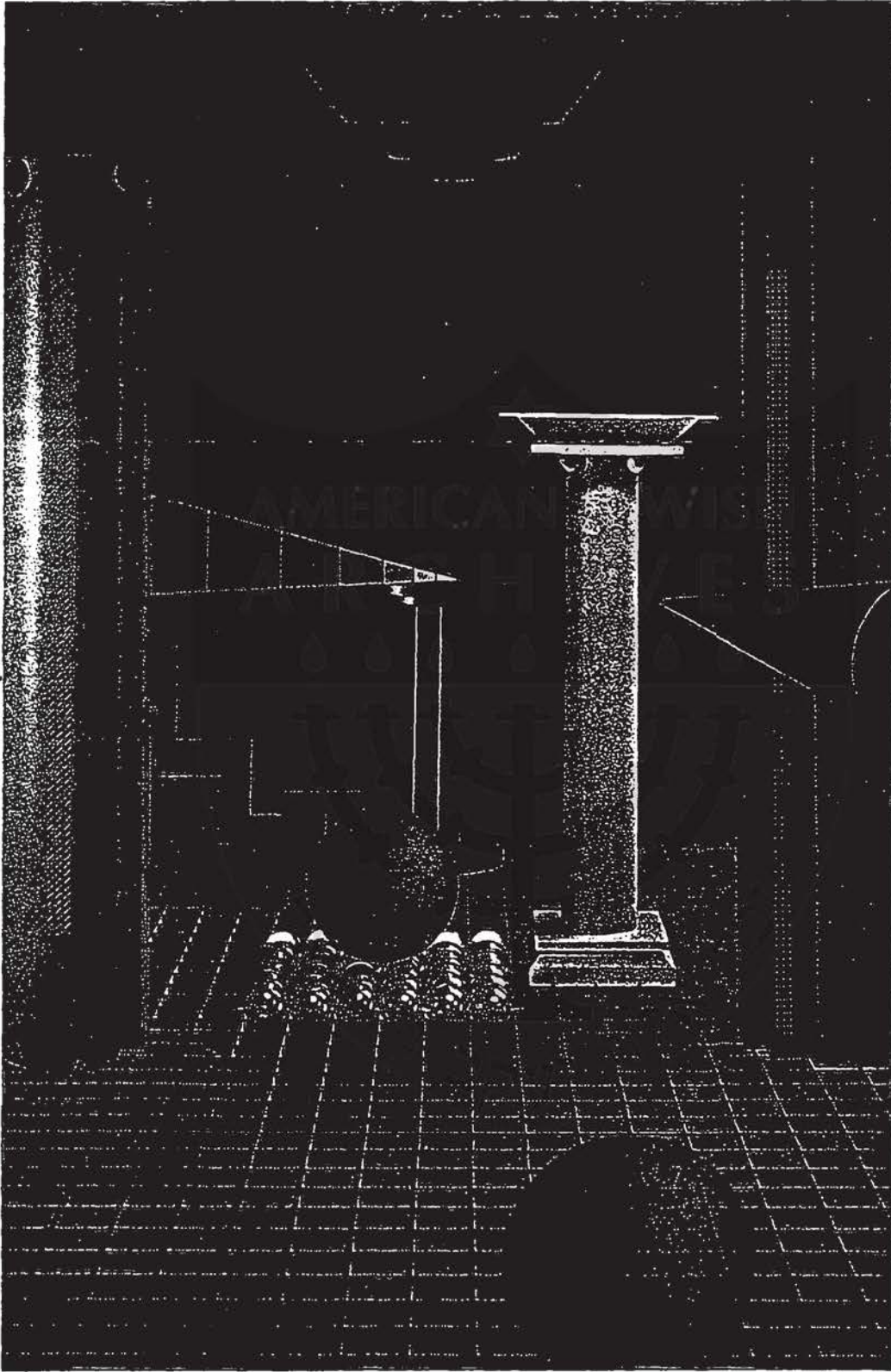
To: Committee



Beautiful, Isn't it!

Arlene
Arlene

18222



Sinter

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Annual Report 1985

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Zvi Zur***
Vice President
Clal (Israel) Ltd.

* Resigned as Director and
Officer of the Company as of
March 31, 1986.

** Appointed to the Board of
Directors effective March 3, 1986.

*** Resigned from the Board of
Directors effective December 31,
1985.

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Chairman and Chief Executive
Officer

Arthur H. Low
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Moshe Shenker*
Vice President
Manufacturing

* Appointed effective March 3,
1986

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Tel Aviv, Israel

Special Counsel
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New York, New York

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Nihon Scitex Ltd.
Tokyo, Japan
Toshiharu Kitano, President

Annual Meeting

The annual meeting of share-
holders will be held at 10:00 A.M.
on Wednesday, June 25, 1986,
in College Hall at the University
Club, 1 West 54th Street,
New York City. All shareholders
are invited to attend.

Shares

The Company's shares are traded
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85	\$ 16,965
84	\$ 12,754
83	\$ 10,624
82	\$ 6,651

R&D Total Expenditures
(in thousands)

Scitex entered into a joint venture with Toyo Ink to form Nihon Scitex. The new company will market and service Scitex products in Japan.

In 1985, Scitex continued developing its organization, to build a strong basis for the future. The Company entered into joint ventures in Japan and the United States, acquired an American text-processing firm, continued ongoing product development, and expanded manufacturing facilities. These programs are expected to contribute to the Company's performance in 1986 and beyond.

Scitex established a joint venture in Japan with Toyo Ink Manufacturing Co., Inc., the Company's chief distributor of graphic arts products in that country over the past five years. The jointly owned company, Nihon Scitex Ltd., was the first such venture between a Japanese and an Israeli company. Nihon Scitex has begun marketing and servicing the Company's products in this important market. As part of this effort, some Scitex products are being modified to meet the specialized needs of Japanese industry.

Another joint venture company, Contex Graphic Systems, Inc., was created in the United States. Contex is a 50-percent partnership between Scitex and Continental Can Co., Inc., the leading full-service supplier of containers and packaging for the consumer goods industry. This venture was established to develop and market computer graphics systems for package design. These systems will be based on existing Scitex products and technologies and will also include the development of a workstation for three-dimensional design of packaging and containers.

ME/ARAB Boycott
(JAPAN)



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March 25, 1986

to Richard Mei, Jr., Assistant to the Mayor
from George E. Gruen, Director, Israel & Middle East Affairs
subject: Arab boycott and Japan

I spoke with Ms. Arlene Behar of Walter Stern's office. He would be able to see you for half an hour today at 1:30 PM. Please call 599-4490 to confirm, or if that is inconvenient to set another time. His address is Capital Research, 280 Park Avenue.

Jess Hordes, who is professionally following the Arab boycott, is at (202) 857-6668. He is awaiting your call. His address is 1640 Rhode Island Avenue, NW, Washington, DC 20036.

Don't hesitate to call me if I can be of any further assistance.

Sincerely,



RICHARD MEI, JR.
ASSISTANT TO THE MAYOR

52 CHAMBERS ST., Rm. 253
NEW YORK, N.Y. 10007

(212) 566-4010

He accompanied Koch to Japan



MAR 13 1986

March 6, 1986

Dear Mr. Stern:

Thank you for your letter regarding Japanese compliance with the Arab boycott.

I understand that Under Secretary Wallis of the State Department raised your concerns with Deputy Foreign Minister Teshima on February 27 in a private meeting. Under Secretary Wallis explained our belief that the Japanese should be more aware of our displeasure on this matter. In particular, Under Secretary Wallis pointed out that Japan's compliance with the Arab boycott added to the protectionist sentiments directed at Japan. The issue was also raised with our embassy in Tokyo.

We will continue to support these efforts at other meetings with Japanese officials and businessmen.

Sincerely,

Bruce Smart

Mr. Walter P. Stern
280 Park Avenue
New York, New York 10017



MEETING OF THE INTERNATIONAL STEERING COMMITTEE ON THE FREEDOM OF TRADE WITH ISRAEL
SUBCOMMITTEE ON JAPAN/KOREA AND THE ARAB BOYCOTT

2/21/86

A G E N D A

Expected Attendance:

Ken Bialkin	Walter Stern	- Chairman
Abe Foxman	Jess Hordes	- Organizer
George Gruen	Arlene Behar	- Organizer/Recorder
Ken Jacobson		
Donald Krueger		
Will Maslow		
Moshe Yaegar		

I REVIEW/REFINE OBJECTIVES OF THIS GROUP

II STEPS TAKEN TO ACHIEVE OBJECTIVES

- Measures taken to date

- Possible measures to be taken

a. Political Action/Congressional Contacts

b. Contacts with U.S. Lobbyists

c. Contacts with Japanese Business Community

d. Contacts with Japanese Embassy/Consulates

e. Contacts with U.S. Press

f. Development of Japanese Compliance Cases

III ROLE OF THE ISRAELI GOVERNMENT

IV ORGANIZATIONAL/OPERATIONAL PROCEDURES FOR THE SUBCOMMITTEE

V DISCUSSION

VI NEXT MEETING (target date?)

There are three things worth bearing in mind when negotiating with the Japanese:

1. Japanese society embraces the concept of shame and rejects the notion of guilt.
2. Your Japanese interlocutor will not submit to your position without perceiving a greater or at least equal benefit.
3. Think about and remember the first two rules.

I do not believe it will be possible to obtain, and I am persuaded it would be counterproductive to attempt to obtain, a Japanese government commitment to resist openly the Arab boycott of Israel: they would have far too much to lose and no clear advantage to be gained.

-- Japanese trading companies ("Sogo shosha"), supported financially and otherwise by government agencies, have done a superb job of achieving substantial market positions throughout the Arab world for a wide variety of Japanese goods and services. They have dramatically displaced both U.S. and European producers because their terms of trade have been better, the products are first-rate and they have marketed aggressively. (An American observer noted with a mixture of dismay and envy that sales representatives of U.S. companies in Arab countries spent much of their time arguing with the hotel clerk about the quality of their room and the service, never venturing out of the capital cities, and possessed with limited authority from corporate headquarters; their Japanese counterparts worked tirelessly and came prepared to "cut a deal" because they were authorized to do whatever it takes.)

-- Even though Japan has reduced its dependency on Middle East oil, it still views as essential to its economic vitality a steady flow of petroleum from the Persian Gulf (the impact on demand and price of a supply disruption should the Straits be closed is assessed by Japanese planners as enormously damaging).

An incident revealing of Japan's essential nature ("businesslike approach," if you prefer!) is seen in its periodic efforts to mediate an end to the Iran-Iraq war. Trips to the

region by foreign ministers and quasi-public officials representing the government and industry have been undertaken entirely as Japanese initiatives...this from a country which is often (and justifiably) criticized for failing to assume the responsibilities expected of the free world's second-largest economy.

The intensity of Japan's concern regarding the strategic posture in the Middle East, the Gulf especially, provides you with an excellent opportunity to tell both government and industry leaders things about which they are desperately concerned and appreciate your unique competence for knowing. Don't trade it lightly!

Israel will not itself be adequate to the task of "shaming" the Japanese government into resisting the Arab boycott even covertly. If it can be done at all, it will require some indication of official American support that Japan do something, as for example, "we would be disappointed if you didn't..."

Defining what might be done is critically important; do not be overly ambitious.

Apart from the geopolitics of the Middle East region, there are other things Israel is uniquely suited to offer which the Japanese would find very attractive:

-- Access to the European community (or U.S.) markets for goods on which high tariffs or quotas are imposed when exported from countries not enjoying free trade status. For example, the EC imposes a 17 percent tariff on imports of semiconductors (the duty between the United States and Japan is 0%). An assembly plant in Israel designed to perform the minimum amount of value added necessary to have the product categorized as of Israeli origin might be attractive. There are other Japanese products restricted in the EC where the same opportunity might be applicable (video cassette recorders --VCRs--come quickly to mind, although this product may be too sensitive a trade issue between the EC and Japan).

-- Japan is driving rapidly towards technological pre-eminence in the entire field of information and biotechnology. They are acutely aware of their serious limitations in computer software development (the key to artificial intelligence machines) and of how the purchase of technology from others can accelerate their own objectives. Israel is performing pioneering work in several areas of semiconductor research

(Josephson junction gallium arsenide and three-dimensional VLSI technology are three areas which the Japanese are extremely interested in). Offer the Japanese incentives for the establishment of small, joint ventures in research and development in particular areas. This could be done between universities, or between companies to avoid the appearance of government involvement.

-- Propose a technical seminar in Israel which the Japanese government would quietly work to sponsor, recruit people from government laboratories and encourage attendance by appropriate people from industry. Pick a date (June 1986?), ask for someone to be designated on the Japanese side to work with a named Israeli and offer the availability of key people who are working on the areas they are most keenly interested in.

-- Japanese companies are inching their way into the production of military hardware; or at least, military support systems (a euphemism perhaps necessary to placate the sensitivities of those who argue that the Japanese constitution precludes such activity). Key industry people, who could be easily identified, would be intrigued by the possibility of a briefing and tour of selected Israeli defense electronic facilities.

I'm attaching a book, "The Japanese and the Jews," ostensibly written by a Jew who was born and grew up in Japan. He's never submitted to an interview despite the enormous popularity of the book when it was first published in Japan in 1970. Some have said he doesn't exist! The book is a little obscure in parts, but it's a long flight to Tokyo.

I. Japan's Middle East Policy

NOT for publication

Essentially, Japan's Middle East policy was established after the 1973 oil crisis, and hasn't changed since. At that time, captains of industry pressed to make basic changes in Japan's Mideast policy, even if it went against U.S. policy.

Japan didn't accept most of the Arab demands: breaking diplomatic and economic ties with Israel; selling arms to Arabs; and pressing the U.S. to change its policy on the Palestinians, but did follow a policy harsher than that set up by the EEC through the Brussels and Venice declarations.

Japan allowed the PLO to open an information office in Tokyo in 2/77, but without diplomatic status, and has never agreed to accord diplomatic status. Arafat was invited to Japan by the "parliamentary" Japanese-Palestinian Friendship League, and met with the Prime Minister and Foreign Minister in 1981. The PLO rep. was invited to the Emperor's birthday party 4/30/83 - a gesture to the PLO. On 11/29/85, - Palestine Day - the Foreign Minister paid a visit to the PLO, apparently to balance the visit (by Araft) to the Prime Minister and Foreign Minister.

Japan tried to get the U.S. rep. to the U.N. (during Carter administration) to have contact with the U.N. PLO rep., saying that it wanted the U.S. to have a dialogue with the PLO.

Japan's viewpoint on the Mideast today is that it is possible to have policy opposed to that of the U.S. without arousing sharp criticism from the U.S. government, Congress or U.S. public opinion.

Japan adopted in 1973 and has continued to adopt until today a policy of step-by-step recognition of the PLO by creating a gap between its political stance and that of the U.S. toward the Mideast conflict without criticism from the U.S.

Its "ideological" justification is based on the idea that foreign policy should serve Japan's economic interests. This was expressed during the oil crisis by the Minister for Commerce and Industry who today is Prime Minister; he argued that energy and the marketplace were as important as defense. He also argued at the time that eventually Japan's exports to the U.S. and Europe would wane, and the only market that would potentially increase will be the oil-producing Arabs, specifically Saudi Arabia. The stance has been since 1973 that the oil-producing Arab marketplace will increase constantly, and will become an important destination for many of Japan's exports.

Since the 60s Japan has preferred to buy oil from Saudi Arabia, through passing a law that refiners had to buy oil with lowest sulphur content. The official who established this policy later became an officer in the Japanese Arabian Oil Co.

"Justification" then and today for the pro-Saudi policy is that Japan need not be dependent on oil from multi-national corps. The result of this policy was that Japan increased its dependency on Saudi oil during the 60s and 70s, and this policy continues today.

Those sent by Japan in 1973 to the Middle East to negotiate conditions for the nations to become "friend of the Arabs" later became involved with Arab oil companies. They met with Saudis on all levels, and their representations resulted in the change in Japan's Mideast foreign policy. This was expressed by a government spokesman in 11/73: Japan was opposed to territorial conquest by force; and Japan supported the rights of self-determination for the Palestinians according to U.N. resolutions - specifically Resolution 2628, since Resolution 242 didn't deal with self-determination for the Palestinians.

Following the policy change, parliamentary Friendship Leagues were established with various Arab states and with "Palestine." The chairmen were former parliament members. They established institutes for the study of the Mideast conflict, whose budgets were paid for by the Japanese government, and staffed by parliament and oil company officials. In other words, Japan established an internal pro-Arab lobby made up of former officials; this lobby works today to justify Japan's pro-Arab policy and puts out position papers to convince the Japanese public of correctness of policy. One reason for the existence of this pro-Arab lobby is the lack of serious discussions (with Japan) for consideration of changes in its policy that would reflect changes on the international scene since 1973.

Reasons for the need to change are not lacking, e.g. Japan's energy needs fell from 7% GNP in 1973 to less than 5% GNP today. Parallel to this there has been a drop in the prices of raw materials; in 1973 these were 3% GNP and today 1% GNP. Since 1983, also, the Arab market for Japanese viewpoint as to the importance of the Arabs as a source of energy and a potential market for Japanese goods has not changed. There has been no serious attempt by Japan to copy other nations - those that have economic and trade relations with both the Arabs and Israel. This stems a lot from the lack of external pressure on Japan for change.

It should be pointed out that in 1984-85 there was a change - dialogue was opened with Israel. An Israeli statesman visited Japan, resulting in establishment of a parliamentary Japan-Israel Friendship League, members of which visited Israel in 7/85. Also the Japanese Foreign Minister invited the Israeli Prime Minister and Foreign Minister for an official visit 9/85. Despite this opening of dialogue, there has been no qualitative change in Japan's economic relations with Israel.

It's obvious that without U.S. influence there will be no change in Japan's economic relations with Israel. It should be pointed out that the U.S. trade deficit with Japan will remain at at least \$50 billion per year. Thus Japan needs to worry about maintaining friendly relations with the U.S., especially in economy and security. In 1985, Japanese diplomats did consider some U.S. concerns vis-a-vis foreign and economic policy. It doesn't mean that the U.S. got what it wanted. One can even say that the Japanese turned down some U.S. requests. But it was clear that only the U.S. can have influence on the policy makers. Japanese politicians did everything they could last year to prevent the differences with the U.S. Congress from endangering Japanese exporters, the same exporters who were boycotting Israel.

We should be able to convince Israel's friends in the U.S. to bring up the Arab boycott and Japanese policy of discrimination against Israel in economic matters as part of general discussions. American trade policy should be a guiding light to bring about a change in Japan's depressing policy towards Israel.

If the point raised by NY City Mayor Ed Koch during a visit to Japan in 11/85 - that Japan talks to the U.S. with dirty hands - would surface during discussions with Japan by the U.S. government or Congress, there's a chance that the Japanese fear of public opinion pressure on them would bring about a change in the official stand on policy toward Israel, and it could force Japan to press its companies to improve relations with Israel.

II. The Japanese Press

The Israeli Embassy doesn't have journalists through whom to bring the Israeli point of view to the Japanese readers. The Japanese press is fed chiefly by the recognized news agencies and the Foreign Office which is pro-Arab, and Israel has no influence or means of approach to the press on crucial subjects of

Mideast policy. The Japanese Foreign Office has even been successful in censoring statements in Japan by U.S. visitors, like NY City Mayor Ed Koch, who attacked Japan's policy on the Arab boycott before hundreds of Japanese journalists, and on several opportunities. The Japanese press has created a kind of conspiracy of silence, and all of Koch's statements which were published widely abroad were not published at all in Japanese newspapers.

III. The Arab Boycott - Possible Action In the U.S.

It is agreed that Japan is influenced by the U.S. viewpoint on all levels of its foreign and trade policy. There are many examples of this.

Since Israel can't change Japan's policy on the boycott, and since without a change in support for the boycott by Japanese corporations there would be no change of increasing Japanese-Israeli economic ties, and since the U.S. in general and American Jews in particular have aversion to all forms of discrimination, and since it is clear that there is a conflict between the Arab boycott and the ideals of free trade, Israel should consider asking its friends in the U.S. to try to change Japan's attitude to the boycott.

The approach should be positive. Japan and Israel should be interested in the ideals of free trade, and Japan should do away with the discrimination inherent in the boycott. Japan and Israel should join interest in cooperating to fight the boycott.

One should remember that the U.S. law has dealt with the specific problem of the boycott, and thus support for the boycott by Japanese firms gives them an edge vis-a-vis U.S. firms who are hobbled by the law. Some way should be found to end Japanese corporate support for the boycott, since Japanese firms do have an edge over U.S. firms.

In 2/86 relevant statistics as to Japanese-U.S. trade will be made public, as well as the trade deficit of \$50 billion. Many U.S. legislators will put the blame on unfair labor practices among the Japanese. These legislators (Senators et. al.) are natural allies for Israel to point out that the ideals of free trade are being ignored by Japanese firms supporting the boycott. A positive approach is needed. We are not fighting Japan, only against the policy of discrimination against Israel, a policy opposed to the ideals of free trade.

Another important date is 5/86. A summit meeting of developed nations will take place in Tokyo. All Japanese political forces have called a "cease fire" in internal fights so as not to endanger the conference. The most important Japanese politicians will attend; this summit is the pinnacle of their political achievements, and they will do anything to avoid endangering the summit, and will consider carefully all U.S. demands. Thus, if the U.S. brings up the subject of the boycott during the next few months (leading up to the summit) it is the ideal way to bring Japan about on the boycott.

There are 3 targets in the U.S.:

1. Jewish organizations
2. The Congress and Senate
3. The U.S. Government

1. Jewish organizations should try to influence those legislators interested in trade to talk to Japan concerning the boycott, and show the Japanese that the boycott conflicts with the ideals of free trade. Also the Jewish organizations should use the press to show the conflict between the boycott and ideals of free trade.
2. Congress and Senate: Be careful, so that it should not appear that action is being taken against Japan. The need is to do away with political and economic discrimination by Japan against Israel. The

fight is not against Japan or its corporations, but against discrimination.

3. The U.S. Government: In its daily dealings with Japan, it should raise the question of the boycott, and the fact that Japan has full trade relations with other countries.

Finally, Jewish leaders in contact with the White House and the State and Commerce Departments should persuade officials to bring up the boycott with their opposites in Japan. Not that the boycott should be on the agenda of the upcoming summit, but that Japanese officials should get hints from their U.S. counterparts that it is worthwhile for Japan to end its support for the boycott, it conflicting with the ideals of free trade. The Japanese Premier himself has said that Japan's protectionist policy could be a danger to Japan itself.

III. Japan and Libya

Japan is apparently not prepared to accept U.S. pressure to stop its dealings with Libya. Japan is prepared however to ask its corporations not to take on those contracts abandoned by American firms.

ms



S. Con. Res. ____

CONCURRENT RESOLUTION

Expressing the sense of the Congress that Japanese participation and cooperation in the Arab League Boycott of Israel and in recognition of the blacklist maintained by League and its member states is inconsistent with fundamental principles of free trade and internationally recognized principles of human rights and should be discontinued.

Whereas the Export Administration Act has repeatedly declared the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries friendly to the United States or against any United States person; and

Whereas such boycotts and such blacklists have been used to discriminate against American citizens because of their religion or national origin or because of their support for the state of Israel; and

Whereas Japanese companies have repeatedly refused to do business in Israel or with Israeli companies or with American companies named in the Arab League blacklist;

Now, therefore be it

Resolved by the Senate (the House of Representatives concurring),

That it is the sense of Congress that—

(1) it deplores the participation and cooperation of Japanese companies and citizens in the Arab League Boycott of Israel and in the recognition of the blacklists imposed by the League and its member states.

(2) it ~~urges~~^{requests} the government of Japan to urge its companies and citizens to cease such participation and cooperation in the boycott of Israel and to follow commercial principles in developing trade and commerce with Israel and Israeli companies and citizens.

Sec. 2. The Secretary of State shall transmit a copy of this resolution to the President with the request that he transmit such copy to the Prime Minister of the Kingdom of Japan.

THE ARAB BOYCOTT:

A Violation of the Principle of Free International Trade
and the Principle of Non-Discrimination;
A Direct Threat to the Free Trade System

There are two important principles which are enshrined in the laws and regulations of democratic and sovereign states, namely:

- The principle of free international trade
- The principle of non-discrimination in whatever form

The Arab Boycott violates the above-mentioned norms. Its implementation is a direct threat to the free trade system.

The Arab Boycott

The Arab Boycott is, in fact, unique among boycotts. It operates in two levels:

- a. The direct or primary boycott, aimed at Israel and its citizens, and is a direct result of Arab hostility against Israel with the unique exception of Egypt.
- b. The indirect, or the secondary and tertiary boycott, is directed against companies, personalities, institutions of other parties in third countries because of doing business with Israel.

The Arab Boycott forces companies, and even governmental and public bodies which are outside the Arab-Israel dispute,

to boycott the State of Israel and its citizens despite the fact that their country has normal relations with Israel.

JAPAN AND THE ARAB BOYCOTT

Japan's attitude towards the Arab economic boycott of Israel substantially differs from that of other Western industrialized states. Unlike other countries, Japanese business openly gives in to pressures by the boycott authorities to refrain from maintaining economic contacts with Israel. Furthermore, Japanese companies frequently preempt such pressure by voluntarily boycotting Israel.

In Japan the boycott is exercised mainly by the large Japanese conglomerates. Most of them refuse to deal with Israel

altogether, directly or indirectly. In Israel's efforts to develop trade and establish closer economic cooperation with Japan, the Arab Boycott emerges as a significant obstacle which limits the scope of business in both directions to a level much below its potential.

The Government of Japan and its agencies relate to the problem arising from the Arab Boycott by reiterating its position that the companies in question are private and therefore act on their own accord. It should be noted that the Government of Japan not only persists in its refraining from condemning the boycott, but is supplying its companies with information about Arab Boycott and is unwilling to do anything to prevent the application of the Arab Boycott in Japan, or discourage Japanese business from cooperating with it.

It is our view that in order to overcome the problem which arises from the Japanese companies adherence to the Arab Boycott, the Government of Japan should take the lead and make known to the Japanese business community its view that the Arab Boycott contradicts its declared policy of international free trade and therefore, should not be complied with. Japan's interest should be in maintaining free trade system in its entirety. Japan cannot bend free trade principles to seek advantages by supporting boycott practices against Israel.

Israeli-Japanese Economic Relations

The frequent submission of Japanese companies to the Arab Boycott, apparently with the government's tacit submission, resulted in the volume of Israeli-Japanese trade remaining well below its potential.

In 1985 Israel's exports to Japan amounted to only 200 million dollars. 70 percent of Israel's exports to Japan consisted of cut diamonds which have an 80 percent import component, so that the balance in terms of value added is heavily in Japan's favour. Only 1.7 percent of all Israeli exports of goods was directed to Japan and 1.2 percent of its imports came directly from it. Israel's share in Japan's exports and imports is around 0.1 percent only.

At the same time other forms of economic cooperation, such as direct investment, joint industrial projects, R & D and exchange of know-how have been extremely limited or virtually non-existent.

As far as imports from Israel are concerned, there is a reluctance amongst Japanese importers to purchase Israeli-made consumer goods which receive public exposure. Even in the field of imports of Israeli raw materials into Japan, Israel exporters frequently come across difficulties. For example, the Japanese agricultural cooperative association, Zennoh, which for 26 years imported potash from the Dead Sea Works, stopped all purchases in Israel out of pure boycott considerations.

Strangely enough the boycott is also evident in Japan's exports to Israel. Several major Japanese exporters, especially of consumer durables, such as the car manufacturers, Toyota and Nissan, refuse to sell to Israel altogether. Others, such as Sony, Sanyo, Sharp and National trade with Israel only indirectly, and do not have direct agencies in it. It is not uncommon for Japanese firms approached by potential Israeli customers to inform them openly that due to the Arab Boycott they are unable to supply the desired items. For example, the Japanese Toshiba company refused to sell mail sorting equipment to the Israeli Ministry of Communications. Amongst the items which Japanese companies have refused to sell to Israel, one may find photographic equipment, pocket computers and even barber chairs - hardly items which one would consider of strategic value to the Israeli economy and thus objectionable from the boycott authorities' point of view.

Recently the Chairman of Mazda Corporation declared at a press conference that Mazda will enhance joint production with Ford because Ford was deleted from the Arab Boycott list. In other words, one of the main car exporters to the United States, who is using free trade system applied by the United States to its advantage, is openly supporting Arab Boycott in violation of the free trade principles.

In some cases Japanese press refrained from publishing U.S. politicians' criticism against Japan's official support of boycott practices. As a result, New York Mayor Koch's critical remarks that Japan's attitude towards free trade is insincere, before 200 Japanese journalists, was not mentioned, not even in a single sentence in Japanese language, in the Japanese newspapers.

It is not only trade in goods which is affected by the boycott, but transportation and finance services as well. Japan Air Lines (JAL) refrains from landing in Israel, and even though ships bearing the Israeli flag do call on Japanese ports, no Japanese ships throw anchor in Israel. Japanese banks refuse to grant commercial credit lines for over 180 days or long term financing for exports of investment goods to Israel.

GATT AND THE ARAB BOYCOTT

The basic aim of GATT is to liberalize world trade, and place it on a secure basis. The General Agreement is the only multilateral instrument that lays down agreed rules for international trade. These rules govern the trade of all the organization's members and the conduct of their trade relations

with each other. Within this context various articles are relevant to the issue of the boycott.

Basic Principles

The first principle of the GATT embodied in the famous "Most Favored Nation" clause, is that trade must be conducted on the basis of non-discrimination.

All contracting parties are bound to grant each other treatment as favorable as that which they give to any other country with regard to the application and administration of import and export duties and charges.

This keystone principle prohibits the application of an embargo, or primary boycott, which is the prohibition of trade with the country in question.

It should be pointed out that already in 1946 the United States, in its suggested charter for an international trade organization of the UN, had included the following article specifically dealing with secondary boycotts:

"No member shall encourage, support or participate in boycotts or other campaigns which are designed to discourage, directly or indirectly, the consumption within its territory of products of other member countries on grounds of origin, or the sale of products for consumption within other member countries on grounds of destination. Moreover, each member shall discourage, by such means as may be available to it, such campaigns by political entities within its jurisdiction."

Consequently, since 1946 the U.S. delegation to GATT repeatedly expressed U.S. Government opposition to secondary boycott practices.

Ministerial Declaration of 1982

We should add that following the Falkland crisis the Argentine Government requested the contracting parties to make a formal interpretation of Article XXI. This was done in a general manner in November 1982. In its declaration of the GATT ministerial session of November 1982, the contracting parties undertook, individually and jointly, (7.3), to abstain from taking restrictive trade measures for reasons of a non-economic character, not consistent with the General Agreement. This undertaking constitutes the most recent decision of the GATT concerning embargo and boycott. The implications for Israel are obvious.

It is clear that politics should not interfere with trade, but the means to avoid such interference are in reality almost

non-existent. The ability to counter an embargo depends on a given country's capability to take effective reprisal measures.

Israel, GATT and the Boycott

In 1970, Israel challenged the Egyptian practices of blacklisting as being contradictory to Article XI. The request for negative certificates of origin was contrary to this article, and was likely to act as a barrier to trade. Consequently, following the Camp David Agreement, Egypt decided to apply the GATT rules to Israel.

Although boycotts are directed at states, secondary boycotts being directed against firms and persons, it should be borne in mind that the bulk of world commerce is carried out by individual firms and traders.

Israel, therefore, maintained that it was the responsibility of governments to create conditions in which the trading community could function freely and efficiently.

The major international instrument for this purpose is the GATT. Maintenance of the secondary boycott was therefore, incompatible with the obligations of a contracting party.

KOPEA-ISRAEL

Since 1980 Israel has been trying to receive the Government of the Republic of Korea's consent to reopen its Embassy in Seoul. Its various demarches, up to now, were declined. The reason, given by officials of the Republic of Korea, was that "reopening Israel's Embassy in Seoul might endanger Korean economic interests in the Arab countries."

It is regretful to note that the economic exchanges between Israel and Korea are, at present, at a very low ebb. This is due to the lack of on-the-spot representation and to the Government of the Republic of Korea reservation - in spite of its declared policy in support of international free trade - to promote bilateral trade with Israel. Korean companies refrain from doing business with Israel following the pattern of Japanese companies as described above.

The Government of Israel sincerely believes that the reopening of its Embassy in Seoul and the promotion of bilateral economic activity are in the best interest of both countries and therefore, will appreciate any aid which will be directed towards attaining the above-mentioned goals.

MEETING OF THE INTERNATIONAL STEERING COMMITTEE

JAPAN/KOREA AND THE ARAB BOYCOTT


October 2, 1985 - 2:30 p.m.

AGENDA

Expected Attendance:

Ken Bialkin
Yossi Ben-Aharon
Yuval Elizur
Abraham Foxman
Dan Halperin
David Harris
Yehuda Hellman
Jess Hordes
Will Maslow
Walter Stern

Chairman, Walter Stern
Organizer, Jess Hordes
Recorder, Arlene Behar

- 
1. INTRODUCTORY REMARKS Jess Hordes
Walter Stern
 2. BRIEFING ON SHAMIR VISIT TO JAPAN Yossi Ben-Aharon
 3. WASHINGTON PERSPECTIVE Dan Halperin
 4. OVER-VIEW -- ISRAELI PERSPECTIVE Yuval Elizur
 5. FUTURE PROCEDURES - VARIOUS OPTIONS Walter Stern

* * *

ANTI-DEFAMATION LEAGUE OF B'NAI B'RITH

1640 Rhode Island Avenue, N.W., Washington, D.C. 20036

ME/ARAB BOYCOTT
Japan

memorandum

To: Members, International Steering Subcommittee on Japan
and the Arab Boycott
From: Walter Stern, Chairman
Date: September 23, 1985
Subject:

The first meeting of the International Steering Subcommittee on Japan and the Arab Boycott will convene Wednesday, October 2, 1985, 2:30 P.M. at 280 Park Avenue, 38th floor, West Building, New York City, in the offices of Capital Research Company.

This meeting will provide an opportunity to discuss strategy on overcoming Japan's compliance with the boycott. Yitchak Shamir's trip to Japan included discussions on expanding commercial and economic ties. Yossi Ben Aharon, Dan Halperin and Yuval Elizur will brief us. I am enclosing a background paper on Japan and the Arab Boycott recently prepared by Israel's Finance Ministry.

If you have not already done so, please RSVP to my office 212-599-4490, or to Jess Hordes in Washington, D. C. 202-857-6668.

JNH:dlc
encl.

JAPAN AND THE ARAB BOYCOTT

In Israel's efforts to develop trade and establish closer economic cooperation with Japan, the Arab boycott emerges as a significant obstacle which limits the scope of business in both directions to a level much below its potential.

Japan's attitude towards the Arab economic boycott of Israel substantially differs from that of other western industrialized states. Unlike other countries, Japanese business openly gives in to pressures by the boycott authorities to refrain from maintaining economic contacts with Israel. Furthermore, Japanese companies frequently preempt such pressure by voluntarily boycotting Israel. The Japanese Government not only persists in its refraining from condemning the boycott, but is unwilling to do anything to prevent the application of the Arab boycott in Japan, or discourage Japanese business from cooperating with it. One cannot avoid the impression that some Japanese companies decide to boycott Israel after consulting official Japanese authorities.

The common Japanese argument is that this peculiarly Japanese attitude is dictated by Japan's heavy dependence on Arab oil. However, this argument on its own cannot fully explain the difference between the Japanese attitude and that of other states which are equally dependent on Arab oil. Furthermore, since Japan's dependence on Arab oil has declined in recent years as a result of diversification of supply sources and growing purchases of oil from non-Arab suppliers (such as the People's Republic of China, Indonesia and Malaysia), this explanation becomes increasingly unsatisfactory.

The main reasons for the Japanese going out of their way to please the boycott authorities are as follows:

- The heavy dependence of Japan on oil from Arab sources.
- The importance of the Arab oil producing countries as major markets for Japanese goods. In addition Japanese firms are involved in the execution of large projects in industry and construction in several Arab oil producing countries, and by 1983 Japanese investments in these countries amounted to 3 billion dollars.

- Japan's hard-nosed business approach and protectionist inclinations. This results in all other considerations being subordinated to commercial interests, frequently disregarding the principles of free trade.
- The partial ignorance of Japanese business regarding the actual operation of the Arab boycott. This includes ignorance of the fact that in accordance with boycott rules and implementation sanctions are not applied against companies which do regular non-military export-import business with Israel.
- The non-existence of a Jewish lobby in Japan which could promote an anti-boycott policy.
- The affinity of the Japanese with the Arab states ^{as} are being "Oriental". *non-Western*

Arab Pressure on Japan

The Arab boycotting states and the central boycott authorities are clearly aware of Japan's extreme susceptibility to economic pressure, which in a way invites the intensification of such pressure.

Already in 1972 the Arab states tried to convince the Japanese government to break off its diplomatic relations with Israel, which were established in 1952, and to close its Tel Aviv Embassy which was opened in 1963. Japan refused to give in and go to the extreme of breaking off relations with Israel, to some extent due to fear of negative repercussions in the American market. However, in 1973 the policy of the Japanese Government shifted from one of neutrality in the Arab-Israeli conflict to one reflecting a clear pro-Arab bias. The reward for this policy change was that Japan was granted the status of "friendly state" by the Arab countries, and the threat of an oil embargo was lifted.

The shift in policy resulted in a demonstrative coolness towards Israel. Until very recently official visitors from Israel have not been welcome in Tokyo, while political, economic and cultural relations were kept low key.

Israeli-Japanese Economic Relations

The frequent submission of Japanese companies to the Arab boycott, apparently with the government's tacit approval, resulted in the volume of Israeli-Japanese trade remaining well below its potential, even though in recent years it has grown at a somewhat higher rate than Israel's total trade. In 1984 Israel's direct trade with Japan was balanced, with both exports and imports amounting to only 190 million dollars. However 70% of Israel's exports to Japan consisted of cut diamonds which have an 80% import component, so that the balance in terms of value added is in Japan's favor. Only 1.7% of all Israeli exports of goods was directed to Japan and 1.2% of its imports came directly from it. Israel's share in Japan's exports and imports is around 0.1% only. (See tables A and D).

At the same time other forms of economic cooperation, such as direct investments, joint industrial projects, R & D and exchange know-how have been extremely limited or virtually non-existent.

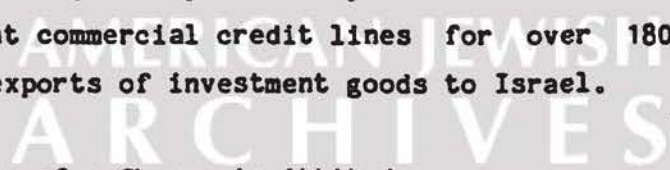
The boycott is exercised mainly by the large Japanese conglomerates. Most of them either refusing to deal with Israel altogether, or willing to do so only indirectly, through trading companies set up for this purpose, dummy companies or through third countries. Smaller companies, which do little business with the Arab states, are frequently more amenable to doing business with Israel.

As far as imports from Israel are concerned there is a reluctance amongst Japanese importers to purchase Israeli made consumer goods which receive great public exposure. On the other hand, there is greater willingness to buy Israeli made inputs, such as cut diamonds, chemicals, as well as electronic equipment which are less exposed to the general public's eye. But even here Israeli exporters frequently come across difficulties. For example, the Japanese agricultural cooperatives association Zennoh which for 26 years imported Potash from the Dead Sea Works, stopped all purchases in Israel out of pure boycott considerations.

car manufacturers
Strangely enough the boycott is even more evident in Japan's exports to Israel. Several major Japanese exporters, especially of consumer durables, such as the car manufacturers Toyota and Nissan, refuse to sell to Israel altogether. Others, -such as Sanyo, Sharp and National trade with Israel only indirectly, and do not have direct agencies in it. It is not uncommon for Japanese firms approached by potential Israeli customers to inform them openly

that due to the Arab boycott they are unable to supply the desired items. For example, the Japanese Mochida company refused to supply medical supplies to an Israeli hospital, and the Japanese Toshiba company refused to sell mail sorting equipment to the Israeli Ministry of Communications. Amongst the items which Japanese companies have refused to sell to Israel one may find photographic equipment, pocket computers and even barber chairs - hardly items which one would consider of strategic value to the Israeli economy and thus objectionable from the boycott authorities' point of view.

It is not only trade in goods which is affected by the boycott, but transportation and finance services as well. Japan Air-Lines (JAL) refrains from landing in Israel, and even though ships bearing the Israeli flag do call on Japanese ports, no Japanese ships throw anchor in Israel. Japanese banks refuse to grant commercial credit lines for over 180 days or long term financing for exports of investment goods to Israel.



Some Indications of a Change in Attitude

Recently some indications which might be interpreted as manifesting the beginning of a more positive attitude of the Japanese Government and business towards doing business with Israel. After many years of practically no Japanese investment in Israel a joint investment venture - the first of its kind - was undertaken by a Japanese and an Israeli firm. An agreement on R & D in the field of biotechnology was signed between an Israeli and a Japanese company. A delegation of the Israeli Chambers of Commerce was well received in Japan, while last year two Japanese business missions visited Israel, to participate in Isratech (an exhibition of Israeli made machines, electronics and metal products) and in the Economic Conference which took place in Israel last year.

biotechnology
joint
R&D

Ex-Minister of Finance Yoram Aridor and Minister of Communications Amnon Rubinstein, as well as high ranking government officials visited Japan officially and met with their Japanese counterparts. A visit to Japan by the Israeli Deputy Prime Minister and Minister of Foreign Affairs, Yitzhak Shamir, is scheduled for September 1985. The granting of the Japanese Science and Technology Foundation prize to Professor Ephraim Katzir, ex-President of Israel, for his scientific work in the field of biotechnology, though belonging to the realm of science, undoubtedly has some political connotations.

4

In the last two years, Israel's economic mission in Tokyo has been able to increase its information activities. These include the holding, in cooperation with local chambers of commerce, of seminars on the Israeli economy in Tokyo, Osaka and Naguya, in which some 200 top executives of Japanese industry participated; the promotion of Israeli products in several Japanese department stores; assistance to the Japanese Industrialists' Association (Kadenren) and the Osaka Chamber of Commerce in the publication of information about Israel in their journals; and the publication, in Japanese, of a pamphlet on the operation of the Arab boycott. It is to be assumed that none of this could have been done without the tacit approval of the authorities.

Reasons for change

The change in the Japanese attitude may be attributed to the following developments:

- The decline in the economic power of the oil producing countries as a result of the far reaching change in the oil market, which has turned into a buyer's market. Official prices of petroleum decreased by 18% from their peak price in 1982 while the "spot" price fell by 34%. This has resulted in the decline of the income and purchasing power of the oil producing states. In recent years there has been a sharp decline in both the exports and imports of the Arab oil producing countries. Since the decrease in imports has not kept up with the decrease in exports their foreign exchange reserves declined from 53.7 billion dollars in 1981 to 37.8 billion in 1984, a trend which has continued in 1985. As a result, the importance of the Arab market to the Japanese, though still substantial, has declined in recent years. Japanese exports to the Arab oil producing countries have fallen from their 1982 peak of 14.4 billion dollars to 9.5 billion in 1984 (a 34% decline), while the share of these exports in total Japanese exports decreased in these years from 10.4% to 5.6%. (See table D).
- The decline in the share of oil imported by Japan from Arab and other Middle Eastern sources from around 90% in the early 1970s to 70% in 1984, of which 10% are from Iran (See table E). A further substantial decline is expected in the coming decade.
- The decline in Japan's balance of trade deficit with the Arab oil producing countries from its peak of 28.8 billion dollars in 1980 to 14.7 billion in 1984 (a 51% decline - See table D).

- Japanese companies have started to show interest in Israeli achievements in the fields of R & D and high-tech industries.
- The new Free Trade Area Agreement between Israel and the United States, together with Israel's free trade agreement with the European Community, have drawn the attention of Japanese companies which have started to show interest in exploring the opportunities for reaching the U.S. and European markets through Israel.
- There are indications that some Japanese enterprises have started to grasp that there is no necessary contradiction between trading with Israel and the Arab states at the same time, and that the threats of the boycott authorities are frequently barren.

The Future

Even though there are first indications for a change in the Japanese attitude towards the Arab boycott, the continued cooperation of the Japanese authorities and business with both real and imaginary requirements of the boycott authorities, remain a major barrier to trade and economic cooperation between the two countries.

The immediate target of those combatting the boycott remains to convince the Japanese Government and business that their policy is both morally and politically mistaken and uncalled for in terms of Japan's economic interests. The arguments against the boycott are well known:

- The secondary and tertiary boycotts* are contrary to the principles of free trade and non-discrimination which Japan adheres to and upon which GATT and other international organizations and agreements are based.

(*) The secondary boycott involves the blacklisting by the Arab boycott authorities of companies which maintain "prohibited" economic contacts with Israel. The tertiary boycott involves non-Arab companies refraining from doing business with blacklisted firms under pressure by the Arab boycott authorities.

- While a primary boycott between states which are in a state of war or conflict might be considered as legitimate, there can be no justification for condoning the secondary and tertiary boycotts which constitute blackmail against companies in third countries which are not sides to the conflict. Such blackmail interferes with the free decision making process of businesses and prevents them from basing their decisions on purely economic considerations free of illegitimate external political pressures.
- Due to fear of frequently imaginary losses of business with the Arab states, Japanese companies lose real business opportunities with Israel.
- Japan's considerable political and economic power is undoubtedly great enough to stand up to the boycott's diktats, as is done by several smaller and weaker state's with considerable success.

Although the expectation that the Japanese will introduce anti-boycott legislation, such as that which exists in several major industrial states, may seem premature, this does remain a goal for the future. The immediate target of the anti-boycott policy within the Japanese context is to convince the Japanese business and government to reduce their far-reaching cooperation with the boycott, and to take positive steps to encourage the development of free economic relations on all levels between Japan and Israel.

It is hoped that the Japanese Government, like several other enlightened governments, will publicly express its objection in principle to the imposition of the secondary and tertiary boycotts which constitute interference in Japan's internal affairs. In addition, the Japanese government might be convinced to cooperate in advising Japanese business of the potential of business relations with Israel.

In March 1985 the International Steering Committee on Freedom of Trade with Israel, under the chairmanship of Mr. Kenneth Bialkin, National Chairman of the Anti-Defamation League of B'nai B'rith and Chairman of the Conference of Presidents of Major American Jewish Organizations, was set up, with a special sub-committee to deal with the Japanese question. This sub-committee is to work out a strategy to encourage trade and industrial cooperation between Japan and Israel and remove barriers to their development. As such the Committee may play a central role in the campaign to assure free trade and economic cooperation between Japan and Israel.



August, 1985

Table A**Israel's Trade with Japan 1960-1984**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
a) Total Israeli Exports of Goods	211	734	10,104	10,770	10,452	10,268	10,858
b) Exports to Japan	2	32	230	206	193	189	190
c) The Share of Exports to Japan in Total Exports (percent)	0.9	4.4	2.3	1.9	1.8	1.8	1.7
d) Total Israeli Imports of Goods	503	1,462	13,889	15,751	15,445	15,255	15,158
e) Imports from Japan %	9	62	120	128	186	274	190
f) The Share of Imports from Japan in Total Imports (percent)	1.8	4.2	0.8	0.8	1.2	1.8	1.3
g) Israel's Trade Balance with Japan	-7	-30	+110	+78	+7	-85	0

Based on: Central Bureau of Statistics

Table B

Israel's Exports to Japan 1982-1984

	<u>1982</u>		<u>1983</u>		<u>1984</u>	
	<u>Million Dollars</u>	<u>Percent</u>	<u>Million Dollars</u>	<u>Percent</u>	<u>Million Dollars</u>	<u>Percent</u>
<u>Total Exports of Goods</u>	<u>193</u>	<u>100</u>	<u>189</u>	<u>100</u>	<u>190</u>	<u>100</u>
a) Agricultural Goods	5	3	4	2	3	2
of which: citrus	(3)		(2)		(1)	
other	(2)		(2)		(2)	
b) Industrial Goods	188	97	185	98	187	98
of which:						
cut diamonds	(149)	(77)	(143)	(76)	(56)	(70)
chemicals and pharmaceuticals	(13)		(17)		(26)	
equipment	(7)		(11)		(13)	
processed food	(16)		(12)		(12)	
c) Total Exports Excl. Diamonds	44	23	46	24	56	30

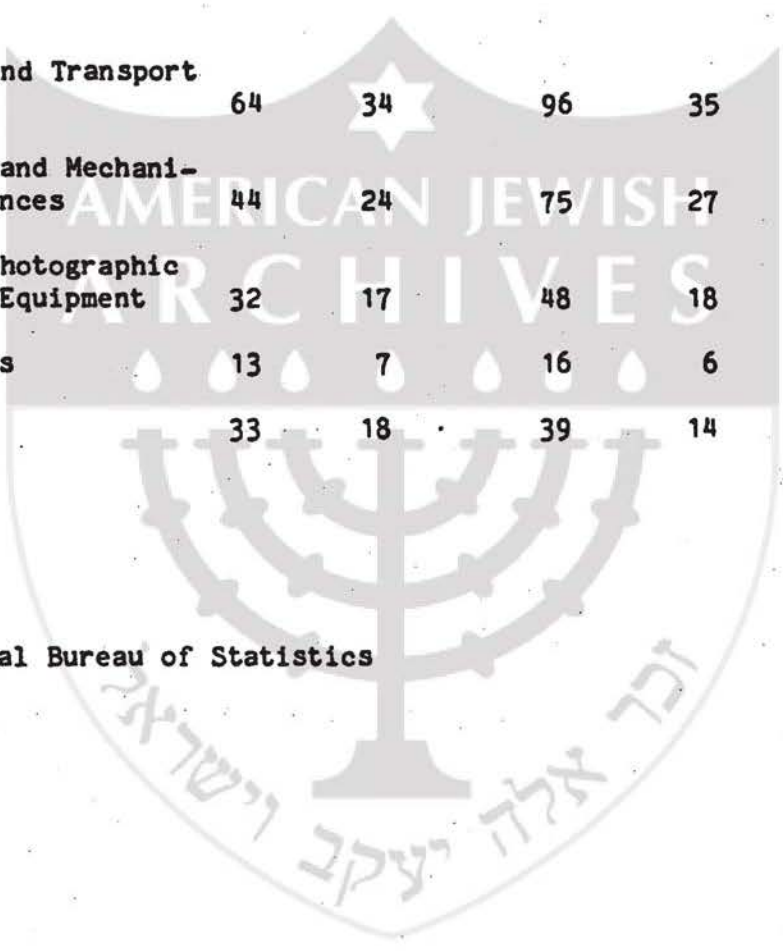
Source: Central Bureau of Statistics

Table C

Israel's Imports from Japan 1982-1984

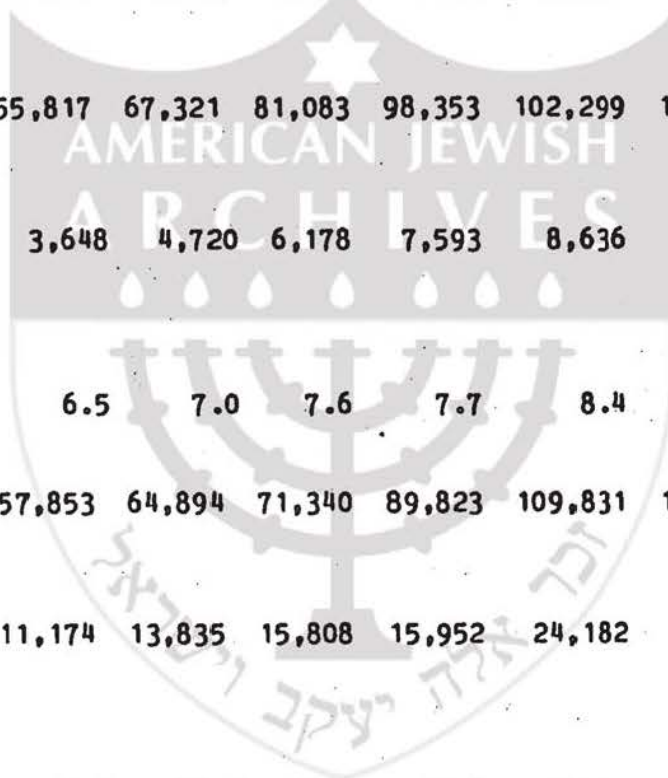
	<u>1982</u>		<u>1983</u>		<u>1984</u>	
	<u>Million Dollars</u>	<u>Percent</u>	<u>Million Dollars</u>	<u>Percent</u>	<u>Million Dollars</u>	<u>Percent</u>
<u>Total Imports of Goods</u>	<u>186</u>	<u>100</u>	<u>274</u>	<u>100</u>	<u>190</u>	<u>100</u>
Of which:						
a) Vehicles and Transport Equipment	64	34	96	35	55	25
b) Machinery and Mechanical Appliances	44	24	75	27	57	30
c) Optical, Photographic and other Equipment	32	17	48	18	23	12
d) Metal Goods	13	7	16	6	11	6
e) Others	33	18	39	14	44	23

Source: Central Bureau of Statistics



Japan's Trade with the Arab Oil Producing Countries 1972-84
Millions of Dollars

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
1 Japanese Exports	29,095	37,081	55,554	55,817	67,321	81,083	98,353	102,299	130,441	551,495	138,403	146,958	169,719
Exports to the Arab Producers	595	963	2,217	3,648	4,720	6,178	7,593	8,636	11,224	14,264	14,395	12,121	9,540
Share of Exports to Arab Oil Producers in Total Exports (percent)	2.0	2.6	4.0	6.5	7.0	7.6	7.7	8.4	8.6	9.4	10.4	8.2	5.6
1 Japanese Imports	23,868	38,449	62,108	57,853	64,894	71,340	89,823	109,831	132,295	142,866	131,516	126,434	136,132
Imports from the Arab Oil Producers	1,851	2,735	10,484	11,174	13,835	15,808	15,952	24,182	40,055	38,352	34,853	28,928	24,246
Share of Imports from Arab Oil Producers in Total Imports (percent)	7.8	7.1	16.9	19.3	21.3	22.1	17.8	22.0	30.3	26.8	26.5	22.9	17.8
Japan's Trade Balance with the Arab Oil Producers	-1,256	-1,772	-8,267	-7,527	-9,115	-9,630	-8,359	-15,546	-28,831	-24,088	-20,488	-16,807	-14,706



Based on: IMF Direction of Trade

Table EJapanese Crude Oil Imports 1983-1984

	<u>1983</u>		<u>1984</u>	
	<u>1,000 Kl</u>	<u>Percent</u>	<u>1,000 Kl</u>	<u>Percent</u>
<u>TOTAL</u>	<u>207,793</u>	<u>100.0</u>	<u>214,602</u>	<u>100.0</u>
<u>Far East and South East Asia</u>	<u>48,499</u>	<u>23.5</u>	<u>51,940</u>	<u>24.2</u>
<u>Middle East and Other Arab</u>	<u>149,087</u>	<u>72.0</u>	<u>152,039</u>	<u>70.8</u>
Of which: Iran	22,910	10.8	14,976	7.0
Iraq	549	0.3	843	0.4
Saudi Arabia	58,449	28.3	58,258	2.7
Kuwait	3,376	1.6	4,744	2.2
Neutral Zone	11,903	6.3	12,786	6.0
Qatar	7,642	4.5	12,808	6.0
V.A.E.	31,445	14.6	32,719	15.2
Oman	10,268	4.9	13,471	6.3
Egypt	911	0.3	911	0.4
Algeria	1,634	0.5	522	0.2
<u>Latin America</u>	<u>9,707</u>	<u>4.3</u>	<u>10,271</u>	<u>4.8</u>
<u>Other</u>	<u>500</u>	<u>0.2</u>	<u>292</u>	<u>0.1</u>

Based on: The Economic Research Institute for the Middle East (Japan)



**THE JACOB LEVINSON CENTER
OF THE ISRAEL-DIASPORA INSTITUTE**

AMERICAN JEWISH
**The Edited Proceedings of
The First International
Jacob Levinson Seminar:
"Start-Up Companies as a
Vehicle for Economic Growth"**

Held in Tel Aviv on June 26-27, 1985

December, 1985

In six weeks' time, seven working groups will be meeting in Israel, a total of 110 people of whom 65 or 70 are from outside Israel: about 40 or 43 from the U.S. and Canada and the remainder from England, France, South America, South Africa, and Australia, and one or two from Germany. The intention is that these seven groups will each deal with different areas like those I mentioned earlier, in an effort to initiate a process that will directly involve many thousands of people in a common effort.

CONCLUDING REMARKS

The economic potential that could be materialized for the involvement of world Jewry in the Israeli economy dictates certain obligations from our side as well. We must view ourselves critically and learn from the experience of people who have succeeded in managing vast enterprises employing tens of thousands of people. For years we have taken their charity; the time has come to take their advice and to rationalize our bureaucracy, our tax laws, and our management processes.

In this context, the initiative in establishing the Jacob Levinson Center is of great importance for our future. I wish the Center every success and thank you for inviting me to put forward my ideas at its inauguration.

Henry Rosovsky:

WHAT ISRAEL CAN LEARN FROM THE JAPANESE EXPERIENCE IN HIGH-TECH ECONOMIC GROWTH

GENERAL

WESTERN UNFAMILIARITY WITH THE CHINESE CULTURAL AREA

I have been asked to speak about what Israel may learn from the Japanese experience, particularly with reference to "high tech" and more specifically to leading-edge technology.

Very few people in the Western world really know very much about Japan, despite the fact that Japan is the world's leading industrial country. That doesn't mean that Japan is the richest country in the world, but nevertheless, there is no country that comes close to matching its performance in industry: the Japanese are Number One in industrial output per capita, in their share of world trade of manufactured products, and in the rate at which that share is growing. In these areas, they have overtaken the United States and all other competitors.

Although Japan is such a major force in the world economy, people in Israel know very little about it. Israel's interest in and knowledge of other countries seems largely related to such factors as the proportion of Jews in the population, the country's political importance and its potential as a source of aid. Trade relations are important too. And if a country is sufficiently hostile to Israel, then people will also pay attention to it. But Japan unfortunately does not figure in any of these categories. It is not particularly hostile, has very few Jews, does not provide aid to Israel, and its trade with Israel is unfortunately not nearly as significant as it might be. So people in Israel generally do not pay too much attention to Japan.

People in Israel, as elsewhere in the western world, are concerned primarily with the familiar and look at the world from an American or Western perspective. This perspective is rapidly becoming less relevant as the fastest-growing parts of the world are all located in east Asia, in what may be termed the Chinese cultural area.

Because of Israel's ties with the United States and with the Western world in general, there is a tendency for Israelis to disregard the Asian experience. This attitude engenders a rather distorted world view; I would argue that such countries as the United States and Britain are not representative of the world as a whole in terms of either politics or practices, and that much of what we see in the Chinese culture area -- and that includes in Japan -- is as typical. And we have to remember that within the lifetime of some of the younger generation alive today, the balance of economic power might tilt considerably toward this area. So what I shall try to do is to provide some perspectives on the area that may enable you to draw some lessons of relevance to Israel.

Similarities and differences between Japan and Israel Economy. As a matter of fact, there are some superficial similarities between Japan and Israel. Both countries are resource-poor, both countries are relatively open in an economic sense, and both countries have highly educated populations. Both countries were greatly shocked economically by the oil crisis of 1973. Both countries have an aversion to unemployment and place a very high emphasis on job security. In both countries economic policy is constrained by political considerations; and in both countries hopes for the future are based on the expansion of the economy, particularly on exports based on educated manpower and a strong, science-based infrastructure.

Of course, the differences between Japan and Israel are much more obvious. Japan has a population of 130 million people. It does not depend on foreign assistance. It does not have a vast import surplus, on the contrary, it has an enormous export surplus, running to \$35 billion dollars a year with the United States alone at the moment. Japan sends abroad about \$50 billion dollars a year in foreign investment. Japan has no defense burden to speak of, under 1% of GNP, whereas for Israel estimates range from 25% to 50%. The only similarity with regard to the defense burden is that in both cases the United States also make a substantial contribution -- in Japan's case indirectly, by providing the nuclear umbrella on which the Japanese rely.

More differences: The Japanese do not live in a hostile environment. They do not encourage immigration, in fact they oppose it: when the Vietnamese boat people were on the high seas the Japanese took in only thirty to forty, and that was considered a major concession. So there is no ethnic gap, Japan is a homogeneous country.

Japan has not experienced a public-sector squeeze so there has not been what an Israeli economist has called "premature de-industrialization". Japan has very low inflation and its GNP per capita is now twice that of Israel's. Japan is also a thoroughly capitalist country with some strange Oriental habits. I would not know how to describe the Israeli economy from this point of view, whether to call it a socialist economy with some strange habits or a capitalist economy with strange habits -- certainly it has strange habits -- but it is less "capitalistic" than the Japanese economy.

Many other differences could be cited but the main one that I might point out is that Japan exports five times as many manufactured products as it imports. In other words, it imports practically no manufactured products at all.

Historical context of Japan's economic development. To understand how such a situation evolved, the country has to be understood in its historical context. So what I would like to do is to briefly review this historical context, emphasizing those things that may be considered contributory factors.

The first point I would like to make is that Japan's great economic success is not of recent origin. Many people think that the so-called "Japanese miracle" is all a post-war phenomenon but that is simply not true. Japan was the first non-Western country to industrialize. Japan has been growing more rapidly than virtually any other country in the world. Not only has it grown more rapidly, but over time its rate of growth has for the last 100 years accelerated. It has been a major competitor in the industrial field for the entire 20th century. It was a

major competitor with Britain, with the continent of Europe and with the United States, well before World War II. If you have any doubts about that, you might ask yourself how it was possible for Japan to fight a war with the United States for four years, and for much of that time to fight the United States to a standstill. It could not have done that on the basis of a small or underdeveloped economy. So Japan has a long and very successful economic history.

What were the key factors of this success? To my mind, a key factor is that Japan is part of the Chinese culture area -- that part of the world that goes from Japan in the east to Vietnam in the west -- and that gave Japan a very strong and effective sociocultural base. It was the combination of the strong sociocultural basis and the opportunities that the industrial revolution eventually presented in terms of technology -- imported technology -- that led to this success.

Another point that I think has to be particularly stressed in Israel is that the Japanese were very good at postponing immediate gratification. As I said, Japan has grown rapidly for the past hundred years (except for during World War II, when of course it suffered a great disaster). The Japanese did very well economically, but the standard of living rose very, very slowly. The Japanese also saved a lot, and welfare expenditures were also very low until quite recently. So, combined with a rapidly growing economy, there was the postponement of gratification. This was done not by Stalinist methods but largely through the market. I think that this is an important point, and I will come back to it a little bit later when I speak about Israel.

Japan also had some very important assets -- what might be called inherited assets. First, as early as a hundred years ago, Japan had literacy rates that were higher than in any European country with the possible exception of Prussia. Second, Japan is one of the oldest countries in the world. (In fact the three countries with the longest uninterrupted existence are Japan, China and Korea, all located in east Asia.) And in the 18th century, the city that is now called Tokyo was already the largest city in the world.

JAPAN'S POSTWAR ECONOMY: "THE JAPANESE MIRACLE"

Having called attention to some historical factors, let us now turn to the period of extraordinary events after World War II, frequently referred to as "a miracle". Of course, it was no miracle; there are no miracles in economics. If there were, Israel would probably be in much better shape. What happened in Japan is subject to very rational explanation.

Between the 1950s and the 1970s -- the period that is usually called the economic miracle -- Japan experienced double-digit growth of GNP. The Japanese economy grew at over 10% per year. (That was of course a period when Israel was growing very rapidly too.) Overall, Japan has grown three times more rapidly than the rest of the world. Japan started out in 1955 with income per capita at 21% of the American level and in roughly thirty years has achieved parity. Another statistic: if the Japanese continue to grow 2% more rapidly than the United States for one generation, that is until about the year 2020, Japanese income per capita will be 60% above the U.S. level. I am not saying that this will necessarily happen, but the notion of Japan growing 2% more rapidly than the United States is not at all unreasonable.

THE INGREDIENTS OF THE JAPANESE MIRACLE

Cheap Labor. Let us now turn to the principal ingredients of this so-called Japanese miracle. A major ingredient was cheap labor. In Japan in the immediate postwar period, when there was still an enormous reservoir of workers in agriculture, labor was very cheap indeed. In general, labor peace also prevailed. Even now in the absence of labor unions, the typical Japanese strike might last from 5:00 in the morning until 8:30 in the morning, and then everybody goes to work.

Permanent Employment. A second ingredient might be called "permanent employment for some". Like the Israelis, the Japanese have a great attachment to tenure, but the fact of the matter is that few people in Japan have permanent employment. My guess is that no more than 30% of the entire labor force are permanently employed, but for those people and for their employers it is really a very advantageous situation. From the bosses' point of view it means that workers can be trained on the job; if they are permanently employed you know that they will not usually leave, so the training won't be wasted. Second, workers who have tenure will not oppose technological progress; once they have achieved the status of permanent employment, they have no need to be afraid of technological unemployment. This has been quite a problem in large-scale industry in other countries. So in Japan labor relations were a very positive factor.

Know-how. Another thing that of course helped the Japanese enormously, was the enlarged technology gap created as a result of the war. The Japanese had fallen way behind technologically but after the war they found they were able to acquire the know-how very quickly from somewhat naive Americans who were so willing to sell that frequently they almost gave it away for free. As a result the Japanese had to carry very little in terms of R&D expenses.

Improvement Engineering. In acquiring the technology in the way they did, the Japanese became tremendously good at something that is called "improvement engineering". Very often they succeeded in bringing in American technology and improving it, in fact doing much more with it than the originator of the technology ever intended. Take the somewhat apocryphal story of a man by the name of Mr Ibuka who came to the States in 1952 at the invitation of the U.S State Department. He went to Westinghouse (or it may have been General Electric), where they said to him we have this thing called a transistor. It does the same thing as a vacuum tube, it lasts longer, it's much smaller and we don't know what to do with it. Here it is. Mr Ibuka put the transistor into radios, founded the Sony company and the rest is history. That is a marvellous example of improvement engineering.

Take another case: the rotary engine for automobiles invented by Dr Wankel in Germany. The Germans were never able to make it work because of sealing problems with the engine. The Japanese perfected the engine and if it had not been for the gasoline crisis it would have been a major economic feat. Or again, the Swiss watch industry. The Swiss invented quartz technology, but they never took advantage of it. Today you can buy a watch for \$10 that keeps better time than the most expensive \$10,000 Swiss timepieces. Most of these cheap watches are made in Japan, and increasingly in the rest of Asia.

This tremendous penchant for improvement engineering was combined with rates of capital formation of 30-40%. This is a rate similar to that of Israel, but in Japan much of it was embedded in the new technology.

Productivity and welfare. Most important, and here I come back again to the question of the postponement of gratification, was a government policy dedicated from the 1950s to the 1970s to maximizing the rate of output. These were the years when the Japanese were called "economic animals", when de Gaulle referred to the Japanese prime minister as a "transistor salesman". But the fact is, the Japanese managed to move ahead.

Japan dedicated itself in this period to maximizing the rate of growth in the economy. So taxation was very low, about 20% of GNP. Welfare in the broader sense of the term was almost non-existent. Out of spite, the OECD called the Japanese "workaholics living in rabbit hutches". That may have been unkind, but it is true that they worked very hard and they lived under rather poor circumstances.

Promoting civilian industries. This was also the period in which Japan developed an industrial policy. The United States has an industrial policy that gives us the best and biggest defense industry in the world; Japan's industrial policy was geared toward the development of civilian industry, particularly to industry having strong export potential. Infant industry protection was a very important element of this. (Don't let economists tell you that infant industry protection doesn't make any sense -- it's their economic theories that don't make sense.) So the Japanese gave subsidies to certain industries, attempted to pick winners, organized mergers.

It is true that they made mistakes, that at least some of these government policies did not work out. It is not generally known, but Japan's Ministry of International Trade and Industry opposed the development of the automobile industry: they didn't think that the Japanese could do it. But overall the economic policies were more right than wrong, and the government policy of maximizing the rate of growth of output with everything else falling into a secondary position was very important at this time.

External environmental effects. Last but not least in this so-called "miracle" -- which by now you see is no miracle at all because it can be decomposed into its rational parts -- was the external environment: an undervalued currency, free trade, and most of all the fact that Japan was a small country to which nobody paid very much attention. Its population was large but still relatively poor, and the rest of the world didn't take much notice of Japan's peculiar practices. These peculiar practices meant for example that foreign competition was kept out, that they had their own way of doing things that in many ways took advantage of foreigners rather than co-operated with them. Japan was not really perceived as a significant factor in the world economy and these peculiar practices didn't seem to matter very much.

THE CURRENT STATE OF JAPAN'S ECONOMY

Now of course this period has come to an end. The description just given is no longer true of Japan since the oil crisis and since the end of catching up with the West. Japan is still a very powerful economy but since 1976 they have been running deficits. The Japanese deficits are now larger than the American deficits, though you hear less about them because they are financed by Japanese savings. Private investment has slackened and there has been a very significant shift to welfare and concern for the environment.

Japan is now becoming a modern welfare country. But note the point at which that shift took place: not before World War II, not in the early postwar period but only now, when the income level is approximately the same as that in the United States. Social expenditures in Japan are now outrunning the ability to raise taxes, and industrial policy in Japan is just as much concerned with losers (that is, helping those industries that need to be phased out) as it is with picking winners.

Japan is now an economy that is formally open to the world, formally more open than the United States, but in 1982 the Japanese exported manufactured products worth \$135 billion and they imported manufactured products worth \$29 billion. So there you have the Number One industrial power in the world, still growing twice as rapidly as the West. Similar developments are occurring in Korea, Taiwan and Singapore.

Now economic development strategies. Compared to most other countries, and certainly to Israel and the United States, the Japanese have a relatively well-developed and consensual view of their own industrial future. They see themselves moving into the information, high-technology age -- the representative industries are computers, robotics, telecommunications, medical equipment and so forth. So they have adopted various strategies that might be of greater or lesser interest to other countries. I think their most important strategy is to prevent entry by leading-edge competitors, by fair means or foul, frequently foul, until such a time as a local producer is so powerful that the foreign entry no longer makes any sense. You won't read that in any Japanese publication, but that is my view of what their policy is.

What they are essentially trying to do is to deny the profits of innovation to foreigners; a special form of infant-industry policy argument for advanced countries. There are many examples. For instance, there is an American firm called Baxter Travenol that has invented a new method of kidney dialysis, cheaper than its predecessors and already in use all over the world. The Japanese let these machines come into Japan entirely freely, without barriers of any kind. There is only one slight wrinkle: the Japanese national health insurance system will not pay any reimbursements on this particular technology. So obviously Baxter Travenol cannot sell in Japan. You know that there must be some Japanese firm working on a similar technology: when it has developed its technology then the markets will open up, at which point it will clearly be too late for Baxter Travenol. Now that is a rather attractive strategy, if the rest of the world lets you get away with it. I think it

is an intolerable strategy from the point of view of the United States and I think we should not let the Japanese get away with it any longer because it hurts us very deeply. Obviously, it is not a strategy that Israel can engage in: the domestic market isn't really large enough to make it work.

Increasing expenditure on R&D with a strongly applied base. The Ministry of International Trade and Industry is at the moment financing major research projects in the area of new materials, high-performance ceramics, synthetic membranes, synthetic metals, high-performance plastics, embryo technology and bio-reactors, large-scale cell cultivation, genetic engineering, electron devices, super-atom devices, three-dimensional ICs and fortified ICs for extreme conditions. Public and private investment in R&D in these fields currently runs to about \$23 billion a year, of which about \$13 billion is in private hands. There are also many cooperative programs between government and industry; the Fifth-Generation Computer project is financed almost in equal shares, slightly more by the private sector than by the government. Another point is that despite the very strong competition between Japanese companies, there has also been a demonstrated capacity to join forces cooperatively, especially under a government umbrella.

Government support of strong companies. The Japanese aren't scared of success; the IBM antitrust case would have been inconceivable in Japan. It is typical of the United States to take what is probably its most progressive and leading company and to drag it through an antitrust case that lasted some twelve years at the taxpayers' expense. From the beginning it was a purely political affair with very little merit. It achieved nothing except harassing IBM to some degree. In Japan it would never have happened; the strong company would get a certain amount of friendly support from the government.

The educational climate. Another key factor has been Japan's educational climate. The educational system produces many well-trained engineers and puts them on the shop floor. The fact that the Japanese produces far more engineers per capita than the United States is important in ensuring their dominance.

ADAPTATION TO THE TECHNOLOGICAL FRONTIER

In considering all these factors there is an additional point that cannot be ignored: the technological frontier will never again be located in any one country. The time is gone when the United States or Britain or Japan for that matter can represent the technological frontier. The technological frontier is worldwide and therefore all countries that wish to be up-to-date and take advantage of innovation will have to survey the world all the time. We Americans are quite poor at that, because we are quite provincial and rather inward-looking; the Japanese are better at it than any other country in the world. The Japanese are better organized to survey the world, to know what is going on, and to adapt whatever is best in different parts of the world.

This point could well have relevance in the Israeli context: it is interesting to think of the Diaspora as playing that kind of role perhaps vis-a-vis Israel. There is a certain parallel with the origins of banking, in which Jews of course played a great role. One reason was that the Jews were scattered all over the world and were able to trade information, and they trusted the sources of that information. Such flows of information, particularly of a technological nature, are going to become more and more important.

Innovative ventures. One final point: large companies can also engage in innovative ventures. One must not think in terms of venture capital as coming exclusively from small, specially designed companies. It may have been done that way in the United States, but not in Japan. Japan has very few of these small, specifically venture-oriented companies. Much of the innovation has taken place within the more-established, larger companies.

SIGNIFICANCE TO THE ISRAELI ECONOMY

I would conclude with this: I have said very little of any direct relevance to Israel but perhaps some of what I have said you can in your own minds translate into some lessons. In my opinion, high tech is just another branch of industry. It is the leading edge, but it cannot prosper when all else is in disarray. If the future of Israel depends upon high tech, as I believe it does, the basic foundation of the economy has to be made stronger. That means a smaller degree of dependence, it means control of inflation, it may mean the rearrangements of certain labor situations. It may mean that social expenditures have to stay in line with income, in other words the postponement of immediate gratification. And I am certain that the best possible thing that could happen would be some kind of peace settlement, so that the enormous burden of defense expenditures could be reduced.

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Nihon Scitex — a Joint Israeli-Japanese venture

Source: "Israel-Japan
Friendship Society &
Chamber of Commerce's
Bulletin No. 2-1985"

by a Special Correspondent

Those present at the inauguration party of the new Israeli-Japanese venture "Nihon Scitex" in Tokyo may have been aware of the fact that they were witnessing a first and presumably important step in the cooperation between two nations located at both ends of the Asian continent. The foundation of the new company "Nihon Scitex", both parties contributing one million Dollars each to the capital of the enterprise, is the result of a lengthy cooperation between the Israeli company "Scitex" and the Japanese firm "Toyo Ink", one of the leading bodies in the Japanese printing industry.

"Scitex", whose headquarters is situated in Herzlia, Israel, has become the leading single firm in the world in the field of Electronic Colour Page-Make-Up Systems, and has so far marketed throughout the world about 450 systems of the kind, out of a total of about 1,200 systems.

The Japanese partners, who represented Scitex in Japan for several years, have finally come to the conclusion that the know-how of the Israeli firm, producers of the Response Systems, combined with integrated research and development efforts for the Specific Japanese market needs, could provide the Japanese and other markets with new products to make the printing industry an even more graphically advanced and colourful part of the effort to bring knowledge in an understandable manner to the homes of consumers throughout the world.

The new venture will be beneficial to the Industry as a whole, as the two companies — Scitex and Nihon Scitex — have decided to develop their products in a manner that will make possible an easy connection between the Scitex equipment and that of any firm active in the branch; the aim being achieved, the capability of the electronic colour make-up industry in the world may be greatly enhanced through cooperation between the different producers.

Why did Scitex opt for a joint venture in Japan? One of several answers to that question, by Mr. Chanoch Biran of Scitex, shows Japan at its best, at least from the point of view of a nation who has boasted in the past of being the "People of the Book". "The Japanese are great readers, they love colour, and this is clearly shown in the highly developed sense of art in Japan. In Japan you can find many publications in colour, and the tendency is becoming more and more widespread to use colour in publications and catalogues."

New equipment to benefit newspapers

Though the Joint Company began its activity only on July 1, 1985, equipment developed in Japan includes already an "interface" that links Scitex systems with video equipment. The new equipment may be very useful to newspapers, who are interested in the immediate reproduction of colour television pictures.

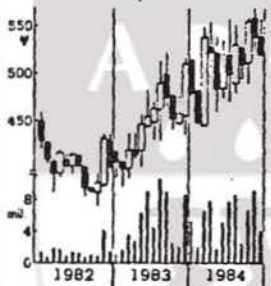
Lately there has been a growing awareness of the many advantages both Israel and Japan could enjoy from cooperation between the two countries. The recent visit of the Israeli Ministers of Finance and Foreign Affairs in Japan have created a friendly atmosphere and a better understanding between Jerusalem and Tokyo. Nihon-Scitex may become a pattern for economic cooperation between the industries of both countries in many fields.



r. H. Low, President and Ffraitim Arazi, Chairman of the Board of Directors of Scitex, with Toshiharu
p. President of Nihon Scitex and Mitsuo Nishikubo

366—Chemicals

TOYO INK MFG.			4634 Con. 11 東洋インキ製造				
Est.: January, 1907			Listing Date: October, 1960				
Head Office: 2-3-13, Kyobashi, Chuoku, Tokyo 104							
Tel.: 03-272-5711 Telex: 02222348							
Branch(es): Tokyo, Osaka, Nagoya, Kyushu, Shizuoka & others							
Factory(ies): Aoto, Jujo, Kawagoe, Fuji, Neyagawa, Moriyama, Tenma, Saitama							
Chairman: Toyojiro Nagashima			President: Mutsuo Nagashima				
References: Dai-ichi Kangyo, Sanwa, Mitsubishi, Toyo Trust, Sumitomo Trust							
Listed: Tokyo							
Underwriters: Nikko, Nomura							
Capital Change	Allotment Ratio	Capital (¥ mil.)	Capital: (¥50 par value) (¥ mil.)	10,028			
July '74	PO10¥220	6,000	• Sep.'84	• Sep.'83			
Sep. '74	1:10G	6,600	Total Assets:	119,979 105,827			
June '76	PO12¥326	7,200	Stockholders' Equity:	59,940 56,589			
Sep. '76	1:10G	7,920	Equity Ratio (%):	50.0 53.5			
Mar. '78	PO16¥568	8,720	Capital Surplus:	14,411 14,411			
Sep. '78	3:20G	10,028	Debts:	7,596 4,251			
Dec. '84	PO20¥516	15,188	Interest & Dividend Net:	(-359) (-311)			
Mar. '85	1:10G	15,188	Employees (Age): (Sep.'84)	2,902(38)			
• Sep. '86	1:10G		No. of Stockholders: (Sep.'84)	10,850			
			No. of Shares Out.: (1000 shares)	200,560			
			Major Stockholders: (1000 shares) (%)				
			Toppan Printing	39,878(19.9)			
			INMONT Corp.	11,473 (5.7)			
			Sanwa Bank	7,597 (3.8)			
			Dai-ichi Kangyo Bank	7,427 (3.7)			
			Mitsubishi Bank	7,418 (3.7)			
			Sumitomo Trust & Banking	6,009 (3.0)			
			Toyo Trust & Banking	5,557 (2.8)			
			Tokyo Shoseki	4,898 (2.4)			
			Foreign Ownership	23,522(11.7)			
			Sales Breakdown (%: Sep.)	•'84 •'83 •'82			
			Printing ink	41 42 44			
			Plastic color agents	18 16 16			
			Chemicals	13 13 13			
			Others	27 29 27			
			Export Ratio	8 8 7			
			Highest in CP (¥ mil.)	Mar.'80 9,270			
Business Results: (¥ mil.; ¥)							
	Sales	Operating Profit	Current Profit	Net Profit	Earnings P.S.	Dividend P.S.	Equity P.S.
Mar. 1981	120,061	8,045	7,221	4,074	20.3	7	246.8
Mar. 1982	132,055	8,621	8,477	4,142	20.7	7	260.2
Mar. 1983	140,048	8,391	8,526	4,368	21.8	7	274.7
Mar. 1984	154,689	9,259	9,253	4,539	22.6	7	290.1
Mar. 1985*	168,000	10,200	10,400	4,800	23.7	7	
Mar. 1986*	180,000	11,300	11,500	5,300	23.8	7	
• Sep. 1982	69,842	4,527	4,423	2,414	12.0	3.5	268.4
• Sep. 1983	76,361	4,612	4,529	2,253	11.2	3.5	282.2
• Sep. 1984	81,272	5,180	5,323	2,534	12.6	3.5	298.9
Characteristics: Major manufacturer of printing ink noted for stable financial standing. Diversifying on basis of printing-related lines. Enjoying high share in painting agents for soft drink cans. Developing electronic materials.							
Remarks: Printing ink slack as result of slowdown in commercial printing, but exports of dyestuffs and pigments to US on increase. Coloring agents for home electric appliances and autos also growing. Profit to rise, and minimum dividend payout ratio of 24% to be maintained. New products, such as electronic materials and adhesive agents, to reach ¥8 bil (¥5.5 bil in preceding term); plans to expand sales to 10% of entire Mar '83 term sales.							



[end]

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faded and/or illegible



ASSISTANT MAJORITY WHIP

COMMITTEES
AGRICULTURE
JUDICIARYCHAIRMAN, SUBCOMMITTEE ON
ADMINISTRATIVE LAW AND
GOVERNMENTAL RELATIONS

SCIENCE AND TECHNOLOGY

SCOTT FLEMING
ADMINISTRATIVE ASSISTANT
PATRICK GARCIA
DISTRICT ADMINISTRATOR

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

(202) 225-6216

U.S. COURT HOUSE
BOX 403—ROOM 224
WICHITA, KS 67201
(316) 262-8396

302 WOLCOTT BUILDING
201 NORTH MAIN
MUTCHINSON, KS 67501
(316) 669-9011

January 27, 1986

Mr. Kiichi Miyazawa
Chairman, Executive Director
of LDP
Liberal Democratic Party Headquarters
Kambara Bldg. - Fifth Floor
Ichiban-Cho, Chiyoda-ku
Tokyo, Japan


Dear Mr. Miyazawa:

It was very thoughtful of you to meet last week with the congressional delegation headed by Congressman Tom Foley of Washington. I was pleased to be included in the meeting and in the entire visit to Japan, which was most productive.

During our visit, I mentioned my concerns about a recent news release by the Mazda Motor Corp. Chairman Moriyuki Watanabe. In his release, Mr. Watanabe states that "Mazda has been hesitant about strengthening ties with the Ford Motor Co. because Ford was on the Arab League's boycott until recently, but Ford was removed from the list in September enabling Mazda to cooperate on a worldwide scale." As you are well aware, Israel like Japan, is a very close ally and partner of the U.S. Both countries are thriving democracies and it is disheartening to see that a major Japanese corporation is being influenced by a boycott of Israel by certain Arab countries. I know that Israel and Japan have strengthened their relationship recently by reason of a visit by a high level Israeli delegation to Japan, but I wanted to again express my concern to you, as a former Foreign Minister of your country and a man of great influence within your Party, that Japan pursue a strong and independent relationship with the Government of Israel, uninfluenced and unincumbered by any boycott. I know that a clear bipartisan majority of my colleagues in both the House and the Senate share my views.

Thank you so much again for your courtesies during my visit. My best to you.

With best regards,


Dan Glickman
Member of Congress

JAPAN TARGET OF UNFAIR
TRADE PRACTICES

HON. ROBERT K. DORNAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, December 19, 1985

Mr. DORNAN of California. Mr. Speaker, we are all concerned about the unfair trade practices of other countries that rob American manufacturers of overseas markets. But I was recently reminded of one particular case of unfair trade being practiced by one of our closest allies, Japan, against another of our closest allies, Israel. It has very little to do with trade and everything to do with blackmail, cowardice, and anti-Semitism.

Our former colleague, Mayor Ed Koch of New York City, for whom I have strong admiration and respect for his guts and plain talk, recently wrote me a letter outlining what surely is Arab blackmail of Japan, which imports all its oil, is engaging in a boycott of Israeli made products at the request—read “demand”—of Arab oil countries. That this also adversely affects American companies put on an Arab boycott list for doing business with Israel is reason enough for American anger and action. But that Japan, our close friend and ally, remains content to submit to this blackmail—as it did during the Arab oil embargo of our country—is a source of great disappointment and frustration. It is my fervent hope that our Japanese friends will soon realize that Israel is our most reliable ally

in the Middle East and have the guts to end their embargo against Israel.

Mr. Speaker, I urge all my colleagues to read the following remarks by Mayor Koch and the transcript of his conversation with Norishige Hasegawa, vice chairman of the Keidanren, the Japanese equivalent of the Chamber of Commerce.

THE CITY OF NEW YORK,
OFFICE OF THE MAYOR,
New York, NY, December 6, 1985.

HON. ROBERT K. DORNAN,
U.S. House of Representatives,
The Capitol,
Washington, DC.

DEAR BOB: I just returned from eight days in Japan. While there I met with a number of government officials, from Yasuhiro Nakasone, the Prime Minister of Japan, to Shunichi Suzuki, the Governor of Tokyo. I also met with a number of businessmen including members of the economic business council known as Keidanren.

On every occasion there was a discussion about free trade and Japan's fear that the United States might in some way restrict access to its markets through protectionist legislation. In each instance I was asked for my opinion on the subject. In sum, I responded as I think many other Americans would with the opinion that I do not believe Japan practices what it preaches. Japan, itself, does not engage in free trade. I pointed out the following three illustrations to underscore that point, although I am sure there are others.

First, Japan engages in cartel operations where businesses receive substantial government support. Indeed, government/bank financing is arranged in a way that would not only be unacceptable practice in the United States but indeed would be an illegal restraint of trade. This support structure gives Japanese companies inordinate advantage in their competition with United States firms.

Second, there is an inbred predisposition among the Japanese to buy Japanese made goods, in preference to foreign made goods whenever they are available. Culturally, the Japanese aren't moved by the concept of free trade and open markets when it comes to their own buying decisions. This is not meant to be a criticism of the Japanese, in fact to the contrary, I wish more Americans felt the same way about our own products.

Third, the Japanese government allows, and I believe engages in, a boycott of Israel at the request of Arab oil countries. The boycott has been extremely effective in limiting purchases by Japanese firms of Israeli-made merchandise to minimal proportions. It has also had the effect of severely limiting the sale of high-technology products produced by Japanese firms, which are available for sale to other countries of the world.

I raised these three illustrations with Norishige Hasegawa, who is the Vice Chairman of the Keidanren, which is the counterpart of the National Association of Manufacturers here in the United States. It is perceived as the most important business group in Japan. Mr. Hasegawa conceded that all three of my accusations had substance. He personally believed that these circumstances should be addressed and corrected. The actual conversation that I had was recorded, and I'm attaching a transcript which I believe you will find of interest.

I raised the subject the next day with Prime Minister Nakasone. While he was willing to concede the need to address the first two issues, he was adamant in his refusal to take any action to eliminate Japan's

support of the Arab boycott against Israeli firms.

The brazenness of the Japanese companies was recently demonstrated when Mazda, a major Japanese automobile company, announced that since the Ford Motor Company had been removed from the Arab boycott list, it would now work with Ford in some collaborative effort.

What we are now seeing by Japanese companies, and I believe it is with the full support of the Japanese government, is not only a boycott of Israeli manufacturers, but a boycott of American companies complying with American law prohibiting submission to such Arab blackmail. Such a circumstance must enter into any consideration of our trade relations with Japan. American companies should be protected against unfair competition and it is hypocritical for the Japanese to hide behind the principles of free trade in opposing such legislation, when their business practices are quite the opposite.

If to date you have been guided by your beliefs in free trade or were undecided on the issue of protectionism vis-a-vis the Japanese, I urge you to consider what I have said.

All the best,
Sincerely,

EDWARD L. KOCH,
Mayor.

E 5765

December 19, 1985

CONGRESSIONAL RECORD

Japan does not sell junk—but when he buys a piece of junk that has the name of a foreign country on it, he shows it off with pride. So you have to condition Japanese citizens not to buy American junk but to buy American good things and show them off with pride.

The third thing that is on the minds of a number of people in the Congress and elsewhere, mine included, is the lack of rationality in the argument that the Japanese use to support free trade. They say free trade is good for the world and you in America should not be protectionists.

We say that the argument of the Japanese is flawed because they don't engage in free trade yet some people will say—look at the boycott they have of Israel. They don't buy Israeli products in any large amount nor do they sell the top line technology to Israel because of the Arab boycott. That's unacceptable to Americans who believe that you may not, if you believe in free trade, engage in anti-free trade with a friendly country like Israel with which you have diplomatic relations and with which we have diplomatic relations.

I would urge you to ask your government to address all of those issues because I think it is important to the good relations between Japan and the United States from an economic point of view.

One last word by way of invitation coming from the City of New York and then if you have questions I will be delighted to respond.

I, as Mayor of the City of New York, have established a climate in that City that is helpful to business.

Alair Townsend, who is the deputy mayor on economic development, each and every day does what she can with my support to cut business taxes, to reduce the price of energy and to make it easy for you to acquire large plots of land cheaply where you can build factories.

Let me give you one industry that if you could get people to come to New York City to create you have no competitors in a lot of businesses.

We have in New York City a vacancy rate for residential buildings of less than 2 percent. We need private, one or two family homes to be built and apartment houses, not necessarily skyscrapers, but 6-8 stories high and to be built cheaply.

We do not have in New York City a factory that creates prefabricated housing. We need one. If you came there and built such a factory, it's unlimited the number of apartment units that we would be able to buy if you sold them cheaply.

Why don't I stop there and take questions:

Firstly, we have in the City of New York foreign trade zones where you can build a factory, and you're not taxed on what you create there unless you bring it in to the country for sale. But if it's for sale in other countries—there's no tax—and the benefit we get out of it is that you use our workers.

If you want to build a real factory not in a foreign trade zone for transmission to some other country, but because you want to sell in our country it's not just simply in the north part of the city that you referred to that land is available. The most attractive property in the City of New York today was formerly the Brooklyn army base which is right along the water, has wharves that your ships can come to and has 5 million sq. ft. of vacant space that is available today, and she has got the lease to it. Four dollars a square foot.

In the same Brooklyn army base you can get 5 million sq. ft. or any part you want at \$4.00 a ft. The energy costs have been reduced for the first 5 years by 48 percent of

what anybody else pays in Manhattan and then after 5 years it's 30 percent. That's a real bargain, and I don't know how long I'm going to be able to offer it.

Now I want to turn to the subject of the boycott of Israel which you can see is in effect here in Japan, and I know it to be so. It is unacceptable from an American point of view that the great country of Japan would knuckle under. The western European countries have not knuckled under. They do not permit the boycott. In addition, there may have been a time when Japan worried about the purchase of Arab oil. Today the Arab countries beg you to buy their oil, because there is a world surplus of oil. So today is the day when you should say to the Arabs—we have the same courage—we have the same philosophy as our allies in America and as our allies in Europe. They did not submit to your blackmail. We will not any longer.

HASEGAWA. We feel that the requests that you mentioned are very correct and that you wisely mentioned the oil situation has been changed so I think this gives a good chance at present to make that sort of assertion which you mentioned.

So we will work on our part to talk to our colleagues and also work on the Japanese government. I am embarrassed to confess that we were not aware of some of the points that you have mentioned so we would like to relay the points that you mentioned to our colleagues and like to give it serious thought.

When are you next coming to New York? I want to take you to a nice Japanese restaurant.

PROFILE: GERALD GIDWITZ

HON. HENRY J. HYDE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, December 19, 1985

Mr. HYDE. Mr. Speaker, one of America's most patriotic and energetic citizens is Gerald Gidwitz of Chicago, IL.

I am proud to know him and count him as a good friend and to provide for my colleagues a profile of his career that appeared in the Chicago Tribune of December 16, 1985:

GIDWITZ CLAN GENERATES GOOD BUSINESS (By Sally Saville Hodge)

Gerald Gidwitz speaks with mock self-pity. He has started various businesses—most notably Helene Curtis Industries Inc. and Continental Materials Corp.—and brought his family into them, as any good father would.

"I let them run the companies," he said of his sons Ronald, 40, chief executive of Helene Curtis, and James, 39, who, along with his uncle Joseph, 80, runs Continental Materials. "And they took my jobs away."

But he shrugs it off with a grin: "So I just start something else."

At 79, when most men have long since given up the grind for a life of leisure in the Sun Belt, the patriarch of these old-line Chicago businesses is actively pursuing business and civic interests.

On the business end, he has bought several small, ailing farm equipment companies, consolidating them in one plant for better operating margins or greater productive efficiencies.

On the civic side, his interests range from fighting Communism—through pamphlets he writes and his involvement in the James-

ED KOCH AND KEIDANREN

First let me say to you Mr. Hasegawa, and the members of the various firms who are here: I appreciate the opportunity to talk to you and answer a few questions. Let me also say at the outset that most people of America by virtue of Japan's economy believe that Japan won the war.

Secondly, let me say about the strength of the dollar when I'm in New York City, I get so upset that the dollar is so strong and so adversely affects our exports—but when I am in Japan as a tourist I am so upset that the dollar is so weak.

Just a word on the relationship that affects the United States from my vantage point. Obviously I am not a member of the federal government, but I think I know the thinking of a lot of people in the United States just by being mayor of the largest city in the United States.

People are upset, rightly or wrongly, that the United States has such an adverse balance of trade with Japan and what they see is that unlike the U.S. where we have true free economy that the economy we believe that Japan is so organized with the government—with the banks and with the industry, that you are able to use business methods, cartels, dumping of products, subsidizing of products that we are not able to do under our law. We may be wrong about it but that's the general feeling.

That may be totally wrong and probably the true answer is that the Japanese businessman happen to be the best businessman in the world. But you're going to have to get us a little handicap. If in fact it is only attributable to your business ability even though you would believe that that's simply an asset we have to deal with vis-a-vis you, the perception is that it is not the reason—perceptions are the prior reasons I gave you, and you have to deal with that.

Two other things that affect the Congress as it now discusses taking measures that relate to our export/import relations with Japan are: One, the perception that in Japan the Japanese citizen is conditioned to just buy Japanese whereas in America the American citizen is conditioned to buy foreign. The American citizen when he buys a piece of junk (never from Japan because

THE AMERICAN JEWISH COMMITTEE
165 E. 56 St., New York, NY 10022

DATE: 8/13/86

FROM: DAVID A. HARRIS

TO: _____ KENNETH BANDLER
_____ DAVID GELLER
_____ GEORGE GRUEN
_____ ALLAN KAGEDAN
_____ JACOB KOVADLOFF
_____ SIDNEY LISKOFKY
 _____ MARC TANENBAUM

For approval
 For your information
 Please handle
 Read and return
 Returned as requested
 Please telephone me
 Your comments, please.

REMARKS:

None -
You had requested more information about the L.A. Chapter's meeting on Asia and the Pacific. Attached you will find Dabbi Hirsch's minutes. Please note that the speaker, David Matnai, is based at the Israel Embassy in Washington. It may well be worth meeting him. *David*

THE AMERICAN JEWISH COMMITTEE

date July 23, 1986
to Marc Tannenbaum
David Harris
from Debbi Hirsch
subject Los Angeles Chapter
Asian-Pacific Task Force

David Matnai, who is political counselor at the Israeli Embassy in Washington D.C. met with the Los Angeles Chapter's Asian-Pacific Task Force on July 15. Mr. Matnai specializes in Asian Pacific-Israeli relations and has served for many years in diplomatic posts in the Asian Pacific region. (His biography is attached).

Matnai gave an overview of the Asian Pacific area by first dividing the region into three categories: 1) Moslem countries; 2) Communist countries; 3) others. Concerning the Moslem countries, Matnai noted: a) Israel has had relations with Indonesia; it has sold surplus planes to Indonesia; while Indonesia has received Yassir Arafat, it has not permitted the opening of a PLO Office; b) In the Maldive Islands, the PLO is in charge of the duty-free shops; c) Israel has had relations with Malaysia in the past but now it does not; d) Afghanistan has never had relations with Israel; while there had been a Jewish community there, most have left. c) Israel has never had diplomatic relations with Pakistan.

Concerning the Communist countries, Matnai said:

- a) Israel was the seventh country in the world to recognize China, well before the U.S. China now has "unofficial" relations with Israel. China and Israel recently opened a telephone link. There is some arms trade between Israel and China.
- b) Israel had a diplomatic office in Saigon from 1973-1975.
- c) Israel had had a non-resident Ambassador in Cambodia and then opened an official embassy which closed with the fall of Cambodia.
- d) There have not been any relations between Israel and North Korea.

And with regard to the "others" category:

a) India - recognized Israel in 1950 on a de facto basis. There is no Israeli embassy in India; there is a consulate in Bombay, not in the capitol, Delhi; the reasoning for this is that there is a Jewish community in Bombay. Since 1982 Israel does not have a full consul in India; there is a vice-consul and Israel now hopes to be able to place a consul in India in the near future. There is a fear that the Arab nations will change their attitude toward India if India establishes too close a relationship with Israel.

b) Nepal - the only South Asian country with full diplomatic relations with Israel. There are cultural and technological exchanges between Israel and Nepal. Because Nepal takes part in international peacekeeping forces, continued relations with Nepal are important. There is a possibility of a visit of the Israeli president to Nepal.

c) Burma - Israel's relations with Burma have existed since the 1950's even when Burma cut off relations with many other countries. Israel is installing a telephone system in Rangoon.

d) Thailand - a strong relationship with Israel in the area of development.

e) Singapore - Israel and Singapore have a very healthy trade relationship. They are in similar positions, both being surrounded by Moslem countries. Singapore is in a sensitive position in that it receives its water supply from one of these countries, Malaysia.

f) Hong Kong - Israel just opened a Consulate General; these had been for many years an honorary consul who was a Jewish man from Russia.

g) Philippines - there is an Israeli Embassy in Manila. There had been some joint agricultural projects with the Marcos government that were almost stopped because of corruption. Since Aquino's presidency, such relations have been resumed. The Philippines are like outsiders in Asia given their Catholic, Latino orientation. Their attitude toward Israel in part stems from their Catholic belief.

h) South Korea - Israel and South Korea have diplomatic relations but the embassy was closed because of budgetary reasons. South Korea now doesn't want to allow Israel to re-open its embassy and has boycotted Israel in the manner that Japan has. There are limited trade relations.

i) Japan - there are long standing diplomatic relations with Japan. Yet, relations between Israel and Japan are not excellent. They are not worse because of the U.S. positive relations with Israel and Japan's desire to maintain a good relationship with U.S. Japan is new to modern international relations and has suffered because of its lack of sophistication in Japanese-Arab relations. The Japanese have been more pro-Arab and less pro-Israel.

j) Taiwan - by recognizing the People's Republic of China, Israel does not ~~have~~ diplomatic relations with Taiwan. But communications between Israel and Taiwan do exist.

Matnai mentioned some papers that were put together by the ADL on Japan's boycott of Israel which he says are excellent. He suggested that it was a very appropriate role for the AJC to play in encouraging bridge-building between Israel and the Asian nations. He mentioned in particular that with Japan it was important to stress the good relations Japan has had with Jews historically.

I would suggest that the New York and/or Washington D.C. office(s) develop a relationship with Mr. Matnai as he may be very helpful if we continue to pursue outreach to the Asian Pacific region. His phone number at the Israeli Embassy is (202) 364-5581.

Warm regards.

DH:es



DAVID MATNAI

- 1956 - 1958 Military Service, Israel Defense Forces
- 1958 - 1963 Studies at the Hebrew University of Jerusalem
M.A. in Arabic Literature and History of the Middle East
- 1963 - 1965 Joined the Ministry of Foreign Affairs in Research Division
- 1965 - 1969 Second Secretary, Legation of Israel, Colombo, Sri Lanka
- 1969 - 1973 First Secretary, Embassy of Israel, Phnom-Penh, Cambodia
- 1973 - 1977 Senior Assistant, Middle East and Eastern Mediterranean
Division, Ministry of Foreign Affairs, Jerusalem
- 1977 - 1982 Counselor for Information, Press and Cultural Affairs,
Embassy of Israel, Tokyo, Japan
- 1982 - 1985 Assistant Director, Asia and Oceania Division, Ministry
of Foreign Affairs, Jerusalem
- 1984 (April-Sept.) Opened and headed the Israel Interest Section at the
Embassy of the United States of America in Colombo,
Sri Lanka
- 1985 Counselor (Political Affairs) at the Embassy of Israel,
Washington, D.C.



The American Jewish
Committee

LOS ANGELES CHAPTER, 6505 Wilshire Boulevard, Suite 315, Los Angeles, CA 90048-4992 (213) 655-7071 Telecopier: (213) 658-5164

Mr. David Matnai, Counselor
Israeli Embassy
3514 International Drive, N.W.
Washington, D.C. 20008

Dear David:

I want to thank you on behalf of the Los Angeles Chapter of the AJC for addressing its Asian-Pacific Task Force last week. Your overview of Israel's relations with the Asian-Pacific region was most helpful and we look forward to drawing on your expertise in the future as we develop our outreach program to this area. I have given your name to our national staff they may contact you as well.

I hope that you found the meetings with Asian leadership useful. In Los Angeles, it was a good beginning for the establishment of local contacts and for developing a deeper understanding of the Asian communities and their concerns.

I look forward to seeing you in the near future and hope that my new schedule as a law student will allow me to come to Washington sometime soon.

Warm regards,

Debra Hirsch
Director of Community Relations

cc: Minto Keaton
Cathy Mendelson
Neil Sandberg
Robert Dasteel
Carla Singer



The American Jewish
Committee

ATLANTA CHAPTER, 3355 Lenox Road, Ste. 880, Atlanta, GA 30326 (404) 233-5501


August 2, 1988

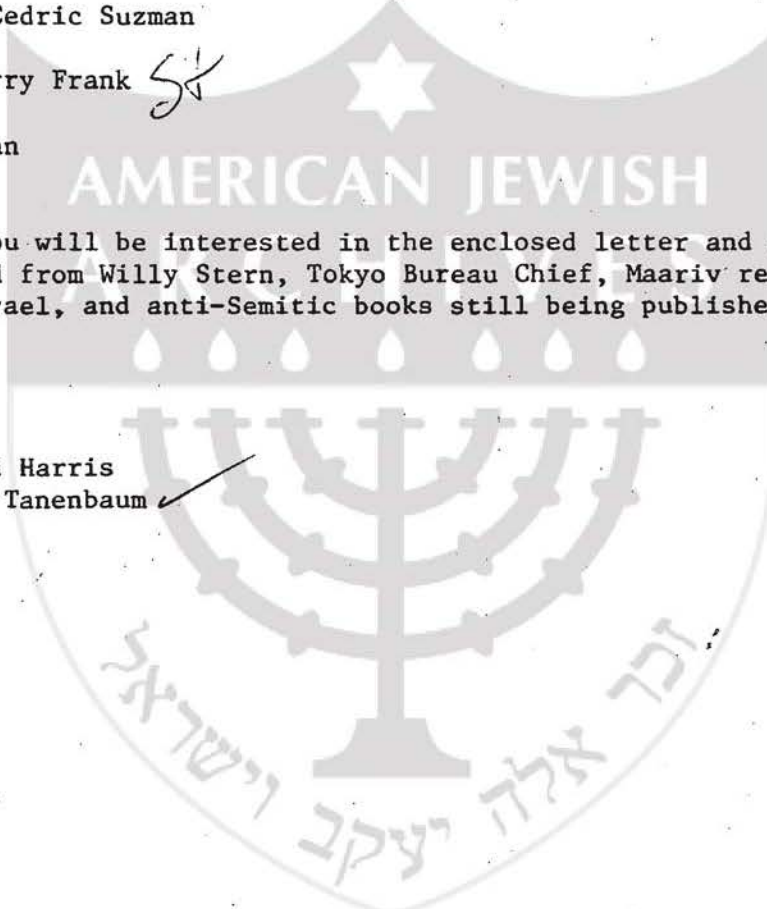
TO: Charlotte Garson - Steve Selig - William B. Schwartz, III,
Dr. Cedric Suzman

FROM: Sherry Frank *SK*

RE: Japan

I think you will be interested in the enclosed letter and articles
I received from Willy Stern, Tokyo Bureau Chief, Maariv regarding
Japan, Israel, and anti-Semitic books still being published.

cc: David Harris
Mark Tanenbaum 



Hokuto Hills #403
4-2-5 Tabata
Kita-ku, Tokyo 114
JAPAN
(03) 822-3204
JAPAN

July 7, 1988

Ms. Sherry Z. Frank
Executive Director, Southeast Area
American Jewish Congress
3355 Lennox Road, Ste. 880
Atlanta, GA 30326
USA

Dear Ms. Frank:

I read with great interest a recent exchange of letters between you and Tadayuki Kimura of the Japanese consulate.

I am an American journalist based in Tokyo, and work as the Far East correspondent for the Tel Aviv daily newspaper Maariv.

Kimura's letter of June 17 and your response of June 24 are indicative of other dialogues now taking place between the Japanese government and US Jewish leaders. Such communications are natural, but perhaps from my vantage point here, it might be possible to put these matters into a wider perspective. You are in a unique position to influence the Japanese government because of your obvious interest in these matters.

The Japanese government is extremely worried about alienating the US Jewish community, and wants to ensure that the pro-Israel lobby does not join forces with the "Japan-bashers." Hence, Kimura's interest in the AJC in Atlanta.

The Japanese are carrying out a public relations campaign with the US Jewish community that is as effective as it is insincere.

Returning to Kimura's letter and the recent visit of Foreign Minister Uno to Israel, Kimura indicates that he is expecting "longterm and fruitful results from this epoch-making occasion."

In fact, the Japanese government, as you can see from my enclosed article from The Asian Wall Street Journal, has gone to great lengths to ensure all involved (except the US Jewish community) that the trip is in no way a sign of friendliness to Israel.

Kimura indicates that Japanese anti-Semitism is a one-time phenomenon with no historical precedent. In fact, Japan has a long history of anti-Semitic literature. A particularly vicious cycle of anti-Semitic books hit Japan in the late 1930s, as fascism rose to prominence in the years before Pearl Harbor.

The publication of anti-Jewish books here has not died down, as

Kimura indicates. A book released last month by the most prolific of Japan's anti-Semitic authors, Masami Uno, is already a best-seller. Such books are still so popular that one major publishing house here just compiled a "Reader's Guide to Jewish-oriented Literature" now available in Japan. Contrary to Kimura's claim, Japanese bookstores still have "Jewish corners," and sales remain high.

To the very limited extent that Japan has reached out to Israel and Jewish concerns, they have done so because of pressure from the US Jewish community. As such pressure wanes, so will the willingness of the Japanese to respond to our overtures. The Japanese look to Jewish leaders like yourself for guidance. Let us acknowledge the limited progress that has been made, but continue to take them to task where they fall short.

By way of background, I have enclosed a few other recent articles. If I can be of further help, please let me know.

Sincerely,



A handwritten signature in black ink, appearing to read "Willy Stern". The signature is fluid and cursive, with a large, stylized "S" and "T" at the end. A small circled mark is visible at the end of the signature.

Willy Stern, Tokyo Bureau Chief
Maariv

encl.



TOKYO, WEDNESDAY, JUNE 22, 1988

Japan's Middle Eastern (P.R.) Campaign

By WILLY STERN

TOKYO — Japanese Foreign Minister Sosuke Uno leaves today on a Middle Eastern trip that will include a stop in Israel, less a gesture of friendliness toward Israel than an effort to establish a political identity independent of America. Japan's emergence as an economic superpower and its perception that America's stature has suffered a decline has led Japanese officials to start venturing forth, somewhat timidly and at times clumsily, into the international political realm. The Middle East, according to one Tokyo correspondent, is "useful as a kindergarten for Japanese diplomacy." Like a little boy with a new baseball glove, Foreign Minister Uno is hanging around the field, hoping that the big boys finally will ask him to play.

Japan has invited the Americans to view Mr. Uno's visit as proof that relations with Israel are improving. But recent events in Tokyo show clearly that Japan's intentions of moving closer to Israel are at best halfhearted, more likely just an exercise in public relations.

Thus far, Japan has walked a tightrope, cleverly using Mr. Uno's trip to win praise from Arabs and Jews alike. Japanese Foreign Ministry officials, worried about pressure from the pro-Israel lobby in the U.S., originally implied that the visit is part of Japan's efforts to improve relations with Israel. (The Jerusalem Post, falling for the bait, reported May 11 that the trip is a "dramatic breakthrough.") Yet Foreign Minister Uno assured Syrian Foreign Minister Farouk al-Shara at a May 31 dinner in Tokyo that "there has been no change in Japan's pro-Arab Middle East policy." Mr. Uno told Mr. Shara that he was visiting Israel to

enhance Japan's diplomatic stature in the Middle East.

Of course, Mr. Uno's 24-hour visit—the first ever by a Japanese minister to Israel—breaks a major psychological barrier, and in that sense has to be a plus for Israeli-Japanese relations. But little else can be expected in the way of improving bilateral ties. Mideast analysts in Japan expect Mr. Uno to use the trip as a forum to grandstand for Palestinian and Arab causes. Mr. Uno himself told the Japan National Press Club June 10 in Tokyo that the historic trip does not mean "even a slight change" in Japan's Mideastern policies, which, he added, in principle support the Arab side.

Now, critics have long scored Japanese foreign policy for reacting to world events rather than trying to shape them. Japan's initial foray onto the Middle Eastern stage has been no different. After Arab embassies here responded negatively to the announcement of Mr. Uno's Israel visit, a spokesman for the Japanese Foreign Ministry quickly "clarified" Mr. Uno's sentiments: "Foreign Minister Uno's trip to Israel must not be viewed in terms of bilateral Japanese-Israeli issues. We already have full diplomatic relations with Israel and have no reason to improve ties."

A better indication of Japan's attitude toward Israel came last year after the recently appointed minister of posts and telecommunications, Masaaki Nakayama, began making plans to visit Israel. Mr. Nakayama, a friend of Israel, finally called off the trip after receiving strong advice from top Liberal Democratic Party aides. As for Mr. Uno's trip, efforts are underway to set up a meeting between the Japanese foreign minister and the leader of the Palestine Liberation Organization, Yasser Arafat. Mr. Uno also has expressed his hope of meeting with Pales-

tinians in the Gaza Strip and West Bank.

Policy seems to be no different. Foreign Minister Uno recently was asked why Japan remains one of the few industrialized countries in the world that refuses to condemn the Arab boycott of Israel. He replied, "Japan believes that trade and other commercial activities are most effectively conducted by the autonomous decisions of the private sector." Anyone even remotely familiar with the intimate links between government and business in Japan will find Mr. Uno's response almost farcical for its inaccuracy.

On the business side, too, although there has been some tentative movement toward Israel in the last 18 months, most major Japanese companies continue to refuse to trade directly or openly with Israel today. Also, there is the issue of anti-Semitic literature currently popular in Japan, something that Mr. Uno will likely be asked about during his time in Israel.

Curiously enough, the Israeli government has been a willing player in Japan's efforts to publicize improving relations between the two countries. Why? First, Israeli officials in Tokyo are intentionally overstating the supposed "breakthrough" in trade relations so that Israeli businessmen will at least look at the Japanese market. Second, some Israeli officials with career interests in mind are trying to grab credit for a "breakthrough" that has, in fact, yet to occur.

The decision to include Israel on Mr. Uno's six-day Middle Eastern trip was taken specifically so that Japan would be seen as touching base with all interested parties in the Mideastern peace process. Thus Mr. Uno also will visit Syria, Jordan and Egypt in the following week. The main goal, as far as anyone can see,

is to help ensure access to both energy resources—70% of Japan's oil imports come from the Gulf—and an export market that brought Japan \$20.2 billion last year.

As for business with Israel, even though virtually every major Japanese firm continues to boycott Israel, some small- and medium-sized companies recently have opened trade links. Japanese officials are only too happy to point out that in the first three months of 1988 Israel's two-way trade with Japan rose to \$266 million, up 63% from \$168 million for the same period last year. But these officials usually fail to add that booming imports of diamonds by the cash-rich Japanese account for much of the increase.

If Japan is truly interested in improving relations with Israel, there are some obvious steps to take. For example, Japan could:

- condemn the Arab boycott of Israel as an impediment to free trade;
- stop advising large Japanese firms to "be cautious" in dealings with Israel;
- sign an economic agreement with Israel;
- allow a minister to visit Israel, and only Israel;
- encourage Japanese firms to trade with Israel as they would with any other country in a free market.

All of these steps have been rejected by the Japanese government. And Japan has somehow failed to realize that it will never be taken seriously as a player in world politics until it develops a foreign policy that rises above halfhearted responses to the latest economic pressure.

Mr. Stern is the Tokyo correspondent for Maariv, a daily newspaper in Tel Aviv.

The New York Times

THE NEW YORK TIMES, TUESDAY, OCTOBER 13, 1987

Japan's Free-Trade Charade

By William M. Stern

TOKYO — The Toshiba Machine Company gave new meaning to the term "free trade" when it was disclosed that it had shipped sophisticated submarine propeller parts illegally to the Soviet Union.

Lobbyists from the parent company, Toshiba Corporation, have descended on Washington to try to remove from the omnibus trade bill a retaliatory clause that would ban the sale of all Toshiba products in the United States. But before we are overwhelmed with sympathy for the parent company — which apparently had no knowledge of the furtive trading activities of its subsidiary — let us keep in mind that Toshiba has flatly refused to trade with Israel.

One of Japan's best kept secrets is that virtually none of its major trading houses nor large commercial firms will do business openly with Israel. These are the same companies that have launched a large-scale lobbying effort in the United States against protectionist legislation, posing as the champions of free trade.

The reason for isolating Israel is simple. Most Japanese trading companies adhere to the Arab boycott, which states that any company that trades with Israel cannot sell to an Arab company. The United States and most European countries have passed laws making it illegal to comply with the boycott.

No so in Japan, and Toshiba has been one of the worst offenders. Early in 1986, the Israeli Ministry of Communications approached Toshiba to buy mail-sorting equipment. Toshiba officials told the Israel Government it did not trade with Israel. Israel eventually bought the

same machines through a third party in the United States. Toshiba even warned its worldwide distributors that their franchises would be canceled if they were found shipping products to Israel.

Toshiba is not alone. Other Japanese firms that openly discriminate against Israel include Nissan, Toyota, Mazda, Mitsui, Mochida, C. Itoh, Nippon Steel, Hitachi and Sumitomo. Tokyo publicly claims it does not exercise any influence over the trading activities of the private sector, which supposedly acts independently of Government dictates. In fact, the opposite is true.

Unofficially, the Government discourages Japanese firms from trad-

It honors the
anti-Israel
boycott.

ing with Israel, and in so doing it subverts the system of free trade that benefits all nations and puts other countries that refuse to abet the Arab boycott, like the United States, at a competitive disadvantage.

Japanese trade officials admit that Japan's strict compliance with the boycott stems from a fear of a cut-off in Middle East oil supplies and a desire to increase business with Arab nations. A striking feature of Japan's policy has been the forthright explanations of why the Japanese say they cannot trade with Israel. Such admissions are rare outside Japan since the excuses for compliance with the boycott are usually lame and deceitful.

Trade between Israel and Japan thus remains negligible in proportion

to the total foreign trade of each country. Last year, Japan imported about \$300 million worth of Israeli goods, mostly uncut diamonds. Israel imported slightly less than that from Japan. Japanese exporters, when approached by potential Israeli customers, frequently say they cannot supply the desired goods. Moreover, Japanese-registered ships do not call at Israeli ports, Japan Airlines does not land in Israel and Japanese banks refuse to finance trade with Israel.

Long ago, major American firms like Coca-Cola, Hilton, Ford and I.B.M. called the Arabs' bluff. Today the boycott is ignored by Pacific Rim countries, including Hong Kong, Taiwan and Singapore. Only Japan and South Korea follow the Arab line.

The publicity given to the recent spate of anti-Semitic books and anti-Semitism in general in Japan has raised fears here of a backlash against Japanese products in the United States. Ironically, a common theme in the literature warns against the economic prowess and political power of the worldwide Jewish community. If the Japanese are worried about the influence of the American Jews, they may be more willing to make concessions on the boycott, but only as a public-relations ploy.

The trade bill before Congress is a perfect opportunity for American lawmakers to test the Japanese attitude toward free trade, toward economic morality and toward Israel. The Japanese Government should be asked first to issue a public statement condemning the boycott and then to begin encouraging Japanese firms to open trade links with Israel.

If the Japanese refuse, their claims to be free traders will ring hollow. As Japan takes its seat at the table of world economic powers, it must also take moral responsibility for its actions and see that fairness and decency are applied to trade. □

William M. Stern writes frequently on international economic issues.

THE JEWS AND

By Willy Stern

The Western press outdid itself last year churning out articles with Tokyo datelines outlining the "widespread anti-Semitism" in Japan. But a closer look at the Jewish issue in Japan reveals a society with 120 million people and only about 150 Jewish families. Mideast scholar and literary critic Takeshi Muramatsu points out "most Japanese don't know what a Jew is, would not know if they met one and don't know what the 'Jewish problem' is." In fact, Japan actually enjoys a long history of goodwill toward Jews.

In the period leading up to World War II, Japan assisted European Jews in escaping from the Nazis. That the Japanese only paid lip-service to the Nazis's anti-Semitic policies became apparent at the end of the war when newspaper editorials in Japan openly rejected the failed ideas of Adolph Hitler, anti-Semitism among them.

A pre-war project to establish a Jewish community in Manchuria, called the "Fugu Plan," resulted in 20-30,000 Jews finding haven in Japan. During the summer of 1940, the head of the Japanese consulate in Kovno, Lithuania, Senpo Sugihara, at great personal risk, issued transit visas to thousands of Jews, mostly Poles, enabling them to escape the Nazis for the Far East.

Jews as Scapegoat

So why anti-Semitism now? In a recent study on the Japanese attitude toward Jews in the modern world, Debbie Krisher concludes that, throughout history, anti-Semitism has emerged whenever Japan faced some anxiety over an outside threat which it could not adequately explain. She points out that the Jewish conspiracy theory seen in the book boom actually



symbolizes "the mixture of admiration and fear the Japanese have held toward the Jews since the Taisho Era (1912-25)."

Historically, whenever Japan has felt threatened from the outside, the Jews have emerged as a convenient scapegoat. Krisher explains that anti-Semitism in Japan is actually a veiled attack on the U.S. or the West. It has just been more convenient - and served the same purpose - to place the blame on a smaller, less threatening group.

The current anti-Semitism is in many ways a reflection of Japanese anxieties over the West's reaction to Japan's phenomenal economic achievements. Krisher explains: "It is also ironic that whenever anti-Semitism reared its head in Japan (and then subsided), its cause was invariably tied to the same irrational suspicion, fear and

hatred that the Japanese themselves have been subjected to in the wake of their postwar economic success."

A similar wave of anti-Semitism swept over Japan before World War II, when the Jews were blamed not for Japan's economic ills but for the introduction of dangerous ideas that threatened to dilute Japan's pre-war spiritual ideals. Masanori Miyazawa, professor of history at Doshisha Women's College in Kyoto, says the verbal war against the Jews in Japan in the 1930s was violent. "For some intellectuals, anti-Semitism held a fascination as an ideology capable of mobilizing a nation in danger," he explained.

The great irony surrounding the Jewish "problem" in Japan is how similar the two cultures actually are. When Japanese view Jews and vice-versa, respect has often been confused with envy; admiration has been mistaken for disdain. Both groups place great emphasis on education, the family, hard work, and

THE JAPANESE

Is anti-Semitism surfacing in Japan?

tangible success. The proverbial Jewish mother has been equated with the *kyoiku mama*, a Japanese mother who constantly pushes her children to study.

An insightful analysis of the anti-Jewish literature boom was filed by *Newsweek* magazine's Tokyo correspondent: "Ironically, the very same terms are currently being used against the Japanese around the world; that they are shrewd economic animals. But if the Japanese could fall for one of the oldest canards in Western culture, perhaps they're not as shrewd as the rest of the world thinks."

The great tragedy of the two cultures is that despite their tremendous achievements, they have both remained outsiders in the Western world. A prominent scholar of both Japanese and Jewish history, Ben-Ami Shillony, points out they both "...evoked admiration but more often generated suspicion, fear and hatred. Anti-Semitism and anti-Japanism have derived from the same irrational fear of the successful stranger."

Case of Misunderstanding?

At the heart of the confusion over whether the Japanese are anti-Semitic by nature or not is that actions not considered anti-Jewish by Japanese people are clearly interpreted as such by Jews. The best known of the anti-Semitic authors is Masami Uno, who, capitalizing on Japanese xenophobia, claims in numerous best-sellers that the world is dominated by anti-Japanese Jews who are conspiring to control the world. Yet, according to Matsuo Yamahira, chief editor at Tokuma Shoten (which has published four of Uno's works), Uno is not an anti-



BOLITHO.

Store circulated an article on places of interest in New York. It stated, "There are many Jews in New York, so many that New York is sometimes called 'Jew York.'" The authors of the circular were apparently ignorant of the inappropriate and offensive tone of their comments.

So, what is to be done? Many Japanese scholars claim that the Jews, and Western press, have over-reacted to the anti-Jewish book surge. They say that the books are read out of curiosity, much like novels, and are not taken seriously. One Japanese Middle East scholar was sure the fad would fizzle out soon. There is clearly an interest in the Jews, he says, but this should not be taken as anti-Semitism.

Others disagree. Another Japanese Mideast scholar, Akifumi Ikeda, of the Tokyo Institute of Developing Economies, warns that the phenomenon of anti-Jewish literature is too ominous to be dismissed as a mere "fad." He has urged academ-

Semite. "Uno himself recognizes the intelligence and intellectual advancement of the Jewish people and respects them. He has many friends in Israel," Yamahira says.

To a Jew even remotely familiar with Uno's work, it is preposterous to think of Uno as a friend of the Jewish people. An unfortunate lack of understanding of the Jewish people by the Japanese is responsible for the confusion, explains Rabbi Michael J. Schudrich, the spiritual leader of the Tokyo Jewish community. He says the anti-Semitic books are nothing but lies, but they have been pressed upon a culture without the appropriate background or information to recognize them as such. Rabbi Schudrich calls the anti-Jewish books a kind of "mind-rape." Another poignant example of the misunderstanding of the two cultures occurred in November 1982, when the Seibu Department

ics in Japan and elsewhere to speak out against what he terms "venal racism." But few have done so.

Others believe that, as anti-Americanism becomes more acceptable in Japan, it will no longer be necessary for some Japanese to vent their anxiety on the Jews as a symbol of the West. This theory predicts that henceforth the attacks will leveled directly.

Professor Muramatsu says the books do not necessarily reflect Japanese attitudes towards the Jews but that traces of Nazism have survived. This also worries

Anti-Semitic Evidence and Incidents

- Anti-Semitic literature has proliferated and an "international Jewish conspiracy" has been blamed for Japan's current economic problems. Eighty-six such books are now in circulation. Over one million copies have been sold (1% of Japanese book sales in the last 12 months), mostly

companies not to do business openly with Israel.

- The Japanese media, with the "unofficial" complicity of the government, does not publish articles that could damage Japanese-Arab relations or embarrass Arab interests. (When then-Foreign Minister Tadashi Kuranari issued a statement condemning anti-Semitic books in Japan, his comments were hand-delivered to Jewish leaders in the U.S. but failed to appear in a single Japanese-language newspaper.)

- More subtle forms of anti-Semitism, have crept into common usage in Japan. Japanese businessmen have a custom of quietly identifying someone as a "Jew" in a trade negotiation, which is a warning to beware. The whispered comment is "He must be a *kyu to ichi*." (*Kyu* means 9 and *ichi* means 1, so 9+1=10. Ten is pronounced *Jyu* (like Jew).)

- Although the Emperor's younger son Prince Mikasa, is a Hebraic scholar who for years studied secretly with a Tokyo rabbi, this fact was successfully covered up by the Imperial Household Agency and Foreign Ministry. They were concerned its disclosure might alienate Arab leaders on whom Japan depends for oil supplies.

- Dr. Machiro Kiyoshigo, professor of the Old Testament at the Japan Lutheran Theological College, notes many Japanese businessmen return from dealings abroad with Jewish businessmen with their pre-conceived notions confirmed. He explains other factors have contributed to anti-Jewish attitudes in Japan, including stereotypes in literature such as Shakespeare's *Merchant of Venice*, and negative ideas and attitudes in textbooks and the mass media.

- A conference of the world's ancient cities was held in Kyoto late last year but Jerusalem was not invited. After Jerusalem's exclusion was queried, it became apparent that it was a political decision by the Mayor of Kyoto, who was receiving his instructions from the Japanese Foreign Ministry. ■

to middle and high-ranking company employees.

- It has become accepted in some financial circles in Japan that the recent stock market crash was engineered by the Jews.

- The Kobe synagogue was desecrated with anti-Semitic graffiti early last year.

- An ultra-right wing group began hanging red posters with black swastikas in subway stations in central Tokyo this past summer. Repeating chauvinistic themes often found in the anti-Semitic books, the poster message held Jews responsible for

the soaring land prices in Tokyo and warned that "Japan must be protected from outside races." Japanese police have refused to take action against the group.

- Academic definitions of "Jew in Japanese dictionaries reveal few "neutral" definitions, while the majority range from mildly offensive to extremely anti-Semitic. "An example of anti-Semitic definitions describe Jews as 'misers,' 'pawnbrokers,' 'stingy,' etc., without bothering to note that these are extremely offensive," writes Eve Kaplan, who led a project making a comprehensive analysis.

- It was not until over a year after the anti-Semitic books became best-sellers - and great pressure was applied by the U.S. Jewish community - that the Japanese government issued a statement condemning the book boom. Meanwhile, the Japanese government continues "unofficially" to advise major Japanese



Plethora of polemics

the Jewish community. Rabbi Schudrich agrees that the current anti-Semitic trend may just be another passing wave, but he wonders if each wave doesn't further distort the image of Jews in the minds of many Japanese. He says a constant flow of information is necessary to bridge the information gap between the Japanese and the Jews. Then, maybe next time, the Japanese can put the Jewish issue in proper perspective.

One long-time Jewish resident in Tokyo recalls this lesson from traditional Jewish law: "Crime starts out like a lamb but if left unchecked grows into a lion." ■



Toshiba worried about its pro-Arab image

U.S. trade bill fears lead firm to seek Jewish support

By Willy Stern

SPECIAL TO THE JAPAN ECONOMIC JOURNAL

The decision by major Japanese electronics manufacturer Toshiba Corp. to close its Kuwait office effective last October was made in large part because of the firm's "increased sensitivity" to the American Jewish community, according to a high-level Toshiba consultant.

The history behind the decision demonstrates how one Japanese company begrudgingly acknowledged it can no longer blindly follow the dictates of the Arab boycott of Israel with impunity.

(The Arab boycott states that any company that does business with Israel cannot also trade with an Arab company. The U.S. and most European countries have passed laws making it illegal to comply with the boycott, but this is not so in Japan.)

Toshiba Corp. has been looking for goodwill in Washington D.C. because the present U.S. trade bill — which President Reagan has vetoed — contains measures that would punish Toshiba for the actions of its subsidiary, Toshiba Machine Co., which last year was caught illegally selling to the Soviet Union machines that are used to make submarine propeller parts. The Japanese government has also been seeking to improve relations with Israel, culminating with a visit by Foreign Minister

Sosuke Uno to Israel in late June.

Toshiba Corp.'s history of compliance with the boycott has been well publicized in the U.S. Toshiba has been worried that Capitol Hill's "Japan-bashers" might join hands with the pro-Israel lobby, reports Professor Yoshihiro Tsurumi, a Japanese political commentator now living in New York, who acts as an unpaid consultant to the Japanese government and many Japanese firms including Toshiba. Tsurumi told The Japan Economic Journal that political considerations in the U.S. were the "overriding factor" in Toshiba's decision to close the Kuwait office.

A Toshiba spokesman in Tokyo, however, claimed that because of the firm's dropping volume of business in Kuwait, an office there was no longer warranted. In truth, sources at Toshiba say that the fall in oil revenues has been responsible for a 50% drop in Toshiba's 1987 sales volume in Kuwait from 1986.

Toshiba's denial is a revealing manifestation of the dilemma Japanese companies are just starting to face in the Middle East. If Toshiba is perceived to be shunning the Arab market in response to pressure from the American Jewish community, the firm believes its massive trade with the Arab world could be jeopardized. But Toshiba also knows that its

pro-Arab policy in the Middle East now may have wider implications.

(In 1986, Toshiba flatly refused to sell mail sorting machines to the Israeli Ministry of Communications, although Israel eventually bought the same machines through a third party in the U.S. Toshiba even warned its worldwide distributors that their franchises would be cancelled if they were found shipping products to Israel.)

The leverage that the American Jewish community has over Toshiba is considerably larger than that with the other large Japanese companies, because of the punitive measures versus Toshiba in the trade bill. Except for Mitsubishi Motors, which last autumn agreed to begin selling cars in Israel, most other large Japanese firms continue to adhere to the Arab boycott.

Toshiba officials have one eye on the Arab market when they explain: "We have in no way ceased to do business in Kuwait and Kuwait will now be serviced through our Dubai office." But with the other eye on the pro-Israel lobby in the U.S., Toshiba's top-level management was "only too happy to close the Kuwait office at this time," according to Tsurumi.

Toshiba's two-faced policy has only led to confusion in the U.S. The company has retained a prestigious New York law firm, Mudge, Rose, Guthrie, Alexander & Feldon, to coordinate its lobbying effort in the U.S., but the law

firm was unaware that the Kuwait office had been closed until contacted by The Japan Economic Journal.

Against this background comes the announcement that Foreign Minister Uno will visit Israel in late June. This visit is being interpreted by Middle East analysts as a sign of Japan's political maturity, and not necessarily as a sign of friendliness toward Israel.

On a positive note for Israel-Japanese trade relations, Uno's 24-hour visit — the first ever by a Japanese minister to Israel — breaks a major psychological barrier. But little else is expected from the visit in terms of improving relations between the two countries.

The decision to include Israel on Uno's six-day trip was taken specifically so that Japan would be seen as touching base with all interested parties in the Middle East peace process. Uno's decision to visit Israel came at Japan's initiative, so that Japan could become a "player" in the peace process.

Uno will also visit Syria, Jordan and Egypt between June 22-27. Although Israeli officials are publicly hoping that Uno will make a constructive contribution to peace in the region, they remain worried that Uno might use the visit as an excuse to grandstand for the Palestinian cause. Efforts are already underway to set up a meeting between Uno and P.L.O. leader Yasser Arafat.

Israeli Ambassador to Japan, Dr. Yaacov Cohen, termed Uno's visit a "significant move." Like-

wise, a spokesman for the Japanese Foreign Ministry said that the trip is part of the recent improvement in relations between Israel and Japan, a country that has recently come under fire from the U.S. for practicing diplomatic and trade discrimination against Israel. (In the last 12-18 months, the Japanese government has made a concerted effort to improve ties to Israel, in part because of pressure from Washington D.C.) But the Japanese official said it was unlikely that Uno would discuss bilateral Japanese-Israeli issues, like compliance by major Japanese firms with the Arab boycott.

JAN 26 1988

HONORARY CONSUL GENERAL OF JAPAN

Thomas Kadomoto
7635 North 46 Avenue
Glendale, Arizona 85301

Telephone
(602) 272-2112

January 16, 1988

Rabbi Robert L. Kravits, Director
The American Jewish Committee
4710 N 16 Street #117
Phoenix, AZ 85016

Dear Rabbi Kravitz:

Thank you very much for your letter of the 13th and your kind and sincere concern over what the Governor said. Thank you also for supporting the claims of those incarcerated in camps during WW II.

Fortunately, I was already in the Army before the War and later in Gen. MacArthur's HQ, so I did not experience the hardship others endured here at home, including my wife. I am a native Arizonan, representing the Japanese Government on an honorary capacity.

While Japanese Americans of 2nd, 3rd & 4th generation in U.S., are for the most part unaware but, ironically the expression "big round eyes" is used in Japan about a youngster (even adults) for being pleasantly surprised.

Again thank you very much for your concern and moral support.

Sincerely,



TK:kk

a memo from
RABBI ROBERT L. KRAVITZ

To: Rabbi Marc
Touretzky

F Y I

I send you my letter
of 1/13 to Mr. Hadlowitz.
Attached is his response

JAN 26 1988

memorandum

FO/SFB

THE AMERICAN JEWISH COMMITTEE

date January 19, 1988

to Eugene DuBow

from Ernest H. Weiner

subject Washington consultation on Japan, February 3

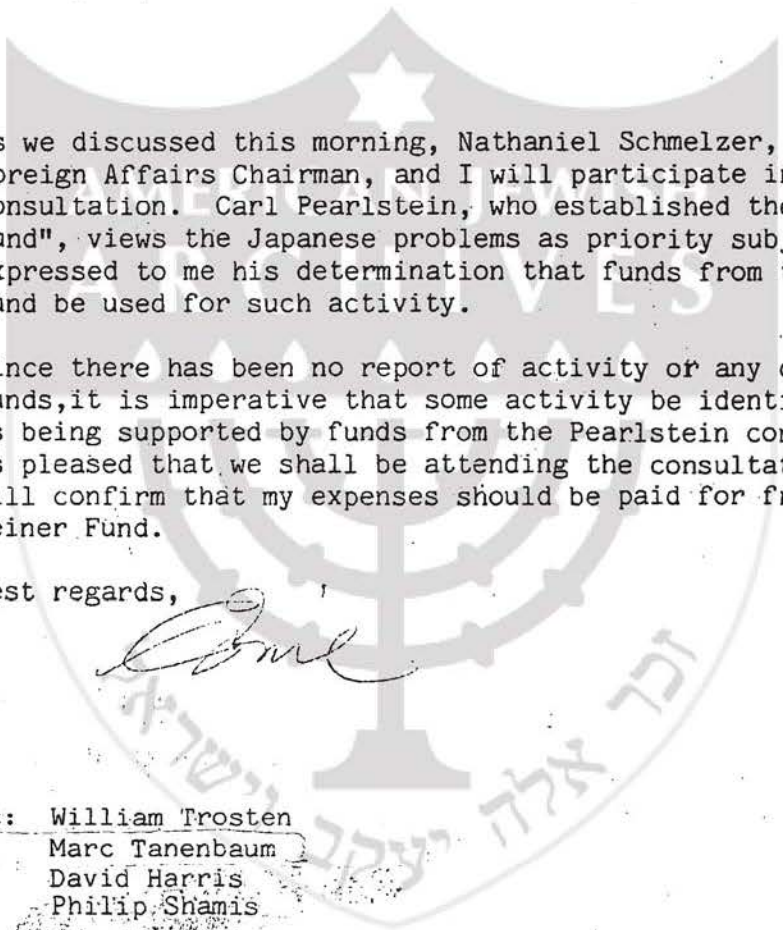
As we discussed this morning, Nathaniel Schmelzer, our chapter's Foreign Affairs Chairman, and I will participate in this one day consultation. Carl Pearlstein, who established the "Ernest Weiner Fund", views the Japanese problems as priority subjects and has expressed to me his determination that funds from the Ernest Weiner Fund be used for such activity.

Since there has been no report of activity or any disbursement of funds, it is imperative that some activity be identified clearly as being supported by funds from the Pearlstein contribution. Carl is pleased that we shall be attending the consultation and this will confirm that my expenses should be paid for from the Ernest Weiner Fund.

Best regards,



cc: William Trosten
 Marc Tanenbaum
 David Harris
 Philip Shamis



JAN 26 1988



**The American Jewish
Committee**

San Francisco Bay Area Chapter, 121 Steuart Street, Suite 405, San Francisco, CA 94105 (415) 777-3820

January 19, 1988

Akio Morita
Chairman and Chief Executive Officer
Sony Corporation
607035 Kitashinagawa
Shinagawa-Ku
Tokyo 141, Japan

Dear Mr. Morita,

Please accept our most sincere appreciation for your letter of November 13. As I have been traveling extensively since late November, I must ask you to indulge the delay in my response.

The very positive meetings which you described were also brought to my attention by members of the Israeli delegation and American Jewish business leaders who are active with the American Jewish Committee and who are informed by their associates in Israel.

We have also learned from Ambassador Cohen that the Keidanren hosted dinner and reception were indeed productive and informative sessions. I am not aware of specific business arrangements which were developed as a result of the Israeli delegation's meetings in Japan. However, all the signals seem to suggest that such business activity can indeed be anticipated.

As of this date, I have not heard of any specific concerns which should be shared with you and your colleagues at Keidanren. However, in all candor, there is a genuine feeling that movement to establish a strong and continuing business relationship between Japan and Israel will be of significant mutual benefit.

Be assured that I shall keep you alerted to developments and suggestions which I believe can be productive to strengthen the relationship. And again, let me express our appreciation for your thoughtful help.

Cordially,

Ernest H. Weiner
Executive Director

cc: Marc Janesbaum

cc: Nathaniel Schmelzer
Steven L. Swig

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