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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20518

B-162222

November 20, 1979

The Honorable Charles A. Vanik  
Chairman, Subcommittee on Trade  
Committee on Ways and Means  
House of Representatives

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Dear Mr. Chairman:

In your letter of October 16 on our report, "United States-Japan Trade: Issues and Problems," three questions are raised. Let me respond to them in the order in which they are listed.

You inquire whether price data on Japanese imports is available since December 1978 to show what effect if any the sharp currency realignments of 1979 have had on the prices of Japanese imports. Data is available. BLS is continuing to monitor the prices of Japanese manufactures into the United States. The most recent data covers the second quarter of 1979. These statistics reveal that Japanese prices of exports to the United States started to decrease in the second quarter, reflecting the currency depreciation, but not by as much. Second quarter prices declined 1 percent over the first quarter, while the currency depreciated 5.5 percent. We enclose a copy of the BLS table and the covering letter to Ambassador McDonald.

It is asked if we could elaborate on the statement in the report that "Currently, inflation in Japan is again beginning to be as troublesome as it is in the United States." Wholesale prices are sharply rising, but the scale of the increase depends upon how they are measured. If they are measured by annualizing the most recent monthly changes, then the increase would be about 20 percent per annum. If they are measured by comparing the most recent month to 12 months earlier, then the increase is 10-12 percent.

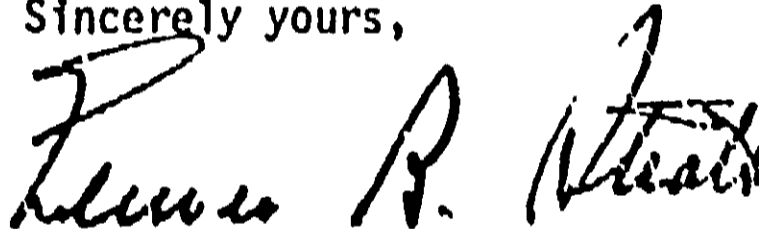
Two points are noteworthy. Japan has pursued a policy of letting oil price increases fully enter the economy. There is no shielding, and, of course, oil prices in 1979 have come near to doubling. Many high-ranking Japanese government economists, however, do not expect that these oil price increases will set off an inflationary wave. They believe they will be one-time affairs. Secondly, as so many times in the past, there is a sharp disparity between the behavior of wholesale and consumer prices. In 1979, the consumer price index has increased only 4-5 percent.

For sources of information on price data, the Bank of Japan is the primary source. Calendar and fiscal annual data is published in the Bank's Price Indexes Annual; monthly data appears in its Economic Statistics Monthly.

You take note of our observation that "Across a broad spectrum of industries, Japanese firms display highly competitive behavior, the sort we find in our more competitive industries, such as semi-conductors, for example." You ask how we put this observation together with reports that Japanese firms are not competitive in bidding on international foreign jobs. In comparing competitiveness within the Japanese economy and the situation, for example, when a foreigner may be seeking quotations on an item from two Japanese trading companies, there does seem to be a difference. In certain situations, behavior does appear to be noncompetitive, but we believe the majority of situations to be characterized by competitiveness. Should you wish, I would be glad to have my staff discuss this more fully with your staff.

You observe that your Subcommittee may hold hearings on Japan-U.S. Trade Issues sometime in the near future. We would be pleased to be of whatever assistance we can to your Subcommittee in this endeavor.

Sincerely yours,



Comptroller General  
of the United States

Enclosure

SEP 07 1979

Ambassador Alonzo L. McDonald  
Special Representative for  
Trade Negotiations  
Room 719  
1000 G Street, N.W.  
Washington, D.C. 20508

Dear Ambassador McDonald:

Price indexes for U.S. imports from Japan are now available for the period ending June 1979, and are enclosed. Import price indexes in dollars, as well as their respective percent changes, are given in the enclosed table for manufactured goods (SITC 6, 7, and 8), machinery and transportation equipment (SITC 7), and the dollar/yen exchange rate. The data indicate that between June 1975 and June 1979, the average price of Japanese manufactured goods imported into the U.S. increased by 29.0 percent, while machinery and transportation equipment increased by 23.5 percent. The dollar/yen exchange rate increased by 24.2 percent during the same period. For the period March 1978 to June 1979, the most recent quarter for which data are available, dollar prices of manufactured goods imported from Japan decreased by 1.0 percent, machinery and transportation equipment decreased 2.1 percent, while the dollar/yen exchange rate decreased by 5.0 percent. Differences between the decreases in U.S. import prices and variations in the exchange rate may be due to any of a variety of factors, as noted in our earlier correspondence with Ambassador Strauss on this subject.

These import price indexes are calculated for research purposes and are not official indexes. They differ in two important respects from those we regularly publish. First, while the sample for our regularly published indexes is designed to obtain representative prices for imports from the world, the indexes calculated here use only that subset of the sample which covers imports from Japan. Second, while the import price indexes which the Bureau of Labor Statistics publishes contain either c.i.f. or f.o.b. prices, the enclosed indexes contain both in order to increase the sample size. The methodology used to develop these indexes is described more fully in our memorandum of April 21, 1979, to Deputy Under Secretary for International Labor Affairs, Howard M. Gravel, which is transmitted to Ambassador Strauss.

If you have any questions concerning these indexes, please contact Mr. Edward M. Murphy of the Division of International Prices on 523-6724.

Sincerely yours,

JOHN L. MURPHY  
Commissioner

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UNPUBLISHED AND UNOFFICIAL

U.S. IMPORTS FROM JAPAN  
PRICE INDICES AND THEIR PERCENT CHANGES  
(JUNE 1975=100)

Period	(1) Manufactured Goods (SITC 6,7,8)	(2) Percent Change in (1) from Prior Period	(3) Machinery and trans- portation Equipment (SITC 7)	(4) Percent Change in (3) from Prior Period	(5) Index of Dollar/Yen Exchange Rate	(6) Percent Change in (5) from Prior Period
June 1975	100.0		100.0		100.0	
Sep. 1975	98.0	-1.4	98.9	-1.1	97.9	-2.1
Dec. 1975	98.7	0.1	99.7	0.8	98.0	-2.0
Mar. 1976	98.5	0.6	99.7	0.0	97.6	1.7
June 1976	100.5	1.0	99.7	0.0	98.1	0.5
Sep. 1976	102.2	2.3	101.0	1.3	102.1	4.1
Dec. 1976	103.7	0.9	102.0	1.0	99.8	-2.5
Mar. 1977	104.9	1.2	102.9	.9	104.7	5.1
June 1977	107.0	2.0	104.5	1.3	107.3	2.8
Sep. 1977	108.4	2.2	105.8	2.2	110.0	2.2
Dec. 1977	114.9	5.0	112.9	5.7	122.0	10.7
Mar. 1978	118.0	3.2	113.0	2.7	126.0	3.9
June 1978	124.0	4.0	121.1	4.4	137.2	9.3
Sep. 1978	132.5	7.7	131.3	2.4	154.5	22.0
Dec. 1978	137.7	3.1	135.1	2.9	148.4	-3.1
Mar. 1979	140.4	2.0	138.8	1.3	148.2	-5.6
June 1979	138.3	-1.0	138.5	-2.1	148.3	-5.7

NOTE: The calculation base period is June 1975. The weights used in the index calculations for (1) and (3) are in proportion to the value of imports from Japan during 1975, which are found in U.S. Department of Commerce, U.S. General Imports, FT155/Annual.

These indices should not be interpreted as official price indexes of U.S. imports from Japan. They are the results of special calculations and are subject to the limitations outlined in the "methodology" section of the memorandum of April 21, 1978, from Julius Shissin, Commissioner of Labor Statistics, to Howard E. Samuel, Deputy Under Secretary of Labor for International Affairs.

Source: Column (1) and (3): Division of International Prices, Office of Prices and Living Conditions, Bureau of Labor Statistics; column (5): calculated from Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

Bureau of Labor Statistics  
U.S. Department of Labor  
Washington, D.C. 20512  
June 1979