

the "possibility" of adopting Feng's idea, because the government of China has already begun introducing some parts of the "Japan model," notably so-called "strategic industrial policy," as early as the middle of the 1980s. In addition, the recent move to reorganize economic ministries is a reflection of the Chinese government's intent to follow the "Japan model."

**EIR:** What sectors of the Chinese economy should China focus on, if they want to move to a "Japan model"?

**Imai:** The government started to adopt Japan-style strategic industrial policy in the 1980s. However, achievement of the policy has been rather poor to date. One reason, as many Chinese economists and bureaucrats argue, is the fact that the central government's grip on financial resources is too weak and has been attenuating further as a result of economic reform. In this context, it seems that the Chinese government is now focusing on transplanting Japan's financial system, which is highly regulated in comparison with the United States, and where semi-official financial intermediaries play significant roles in supplying long-term capital. It was reported recently that the Chinese government is planning to establish two official banks specialized in development finance and external trade by the end of this year. As you can easily see, they are imitations of the Japan Development Bank and the Export-Import Bank of Japan.

**EIR:** Will the Japanese government help China follow a Japanese model?

**Imai:** The Japanese government has been advocating a Japan-style development strategy approach in the international aid community. In this context, the Japanese government is implementing some kind of "technical cooperation" in the field of economic policy to some of Japan's aid-recipient countries. As for China, there are periodic exchanges between China's Economic and Trade Commission and MITI, and China's Economic Planning Commission and Japan's Economic Planning Agency. And, as you can see from the Chinese government's recent move to imitate Japan's framework of economic policy, it seems the exchange with MITI has been influencing the Chinese government to an unignorable extent.

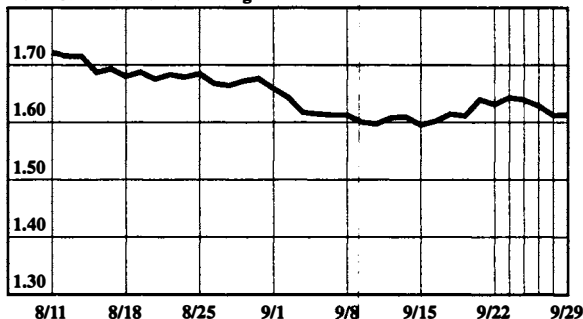
**EIR:** What will Japanese business do to help?

**Imai:** So far, the majority of Japan's direct investment to China consists of comparatively small-scale and labor-intensive industries. However, as China's orientation to a market economy becomes decisive and the Chinese market expands, more and more large-scale industries, for example, auto industries, will be willing to invest in the country. The Chinese government will welcome and encourage this trend, as it is in accord with the government's intent to promote domestic production of technology-intensive goods like automobile or electronic products.

## Currency Rates

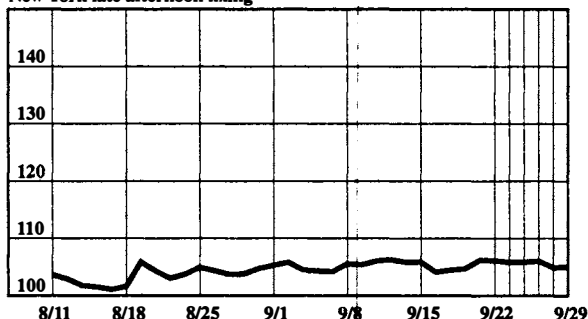
### The dollar in deutschemarks

New York late afternoon fixing



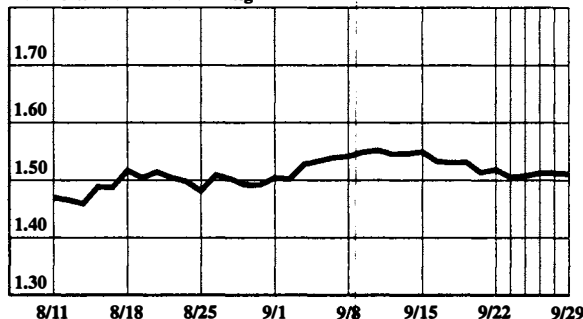
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

