

Document 1037

[21037001]

Japan is going on a capital-spending binge that could make its trade surpluses even harder to shrink .

[21037002]

Its capital spending is growing at double-digit rates for the second year in a row , and its superfluous producers of everything from cars to computer chips are rushing to expand capacity , modernize factories and develop new products .

[21037003]

" The boom 's so huge , " says Mitsuru Saito , an economist at Sanwa Research Institute . " It makes you think of the Golden '60s , " when Japan developed rapidly .

[21037005]

At Canon Inc . , for example , sales are up nearly 20 % this year ; so , the maker of cameras and computer printers is doing what any Japanese company would do under the circumstances : It is increasing capital spending - by 60 % .

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It is building , among other things , a new laser-beam-printer factory in western Japan that can produce up to 150,000 printers next year .

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Even companies in smokestack industries wrestling with world-wide overcapacity are joining the boom .

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Japan 's steelmakers are raising capital spending 22 % this year to \$ 4.8 billion .

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Hitachi Zosen Corp . , a shipbuilder buried in debt just a few years ago , will build a machinery plant , its first expansion in 14 years .

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From a financial standpoint , the boom could n't come at a better time .

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But some economists and government officials here are n't applauding .

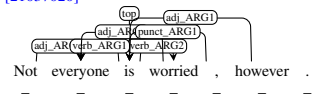
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" It 's an explosive cocktail " thrown at the world , says Kenneth Courtis , senior economist at the Tokyo unit of Deutsche Bank Group .

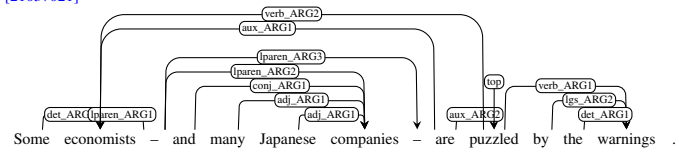
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The Ministry of International Trade and Industry is so concerned that it recently took the unusual step of urging Japanese auto companies to exercise caution in capital spending .

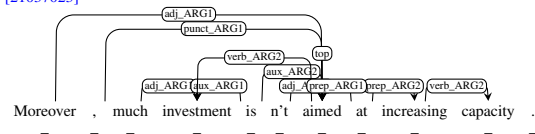
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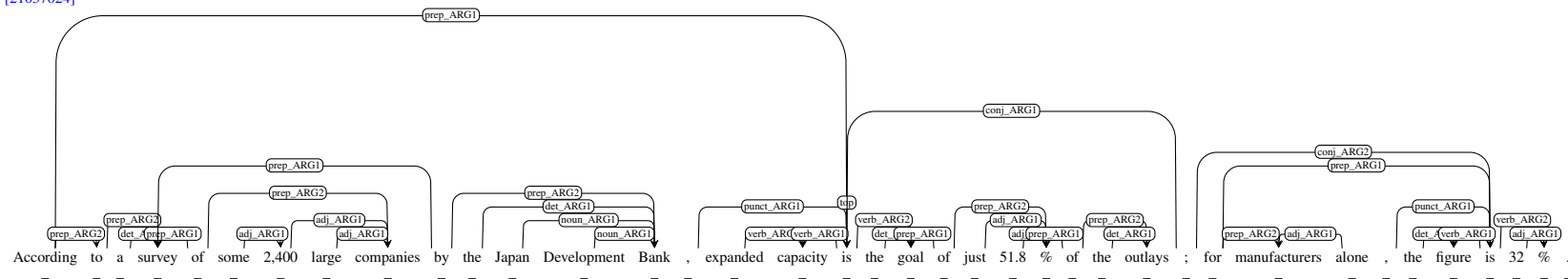
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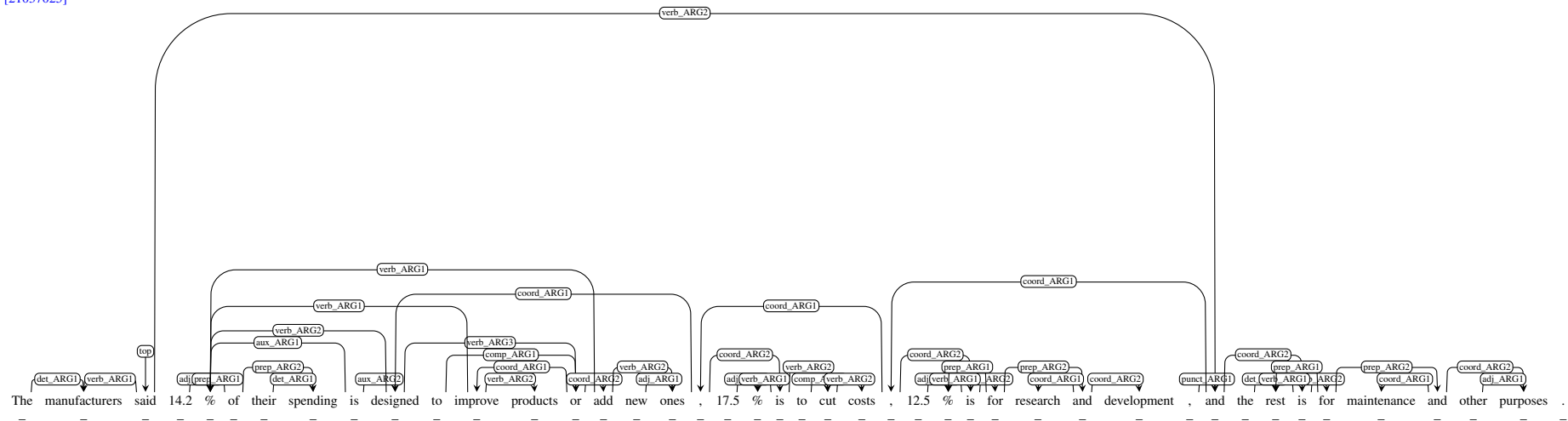
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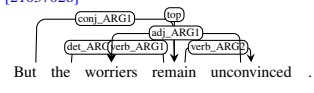
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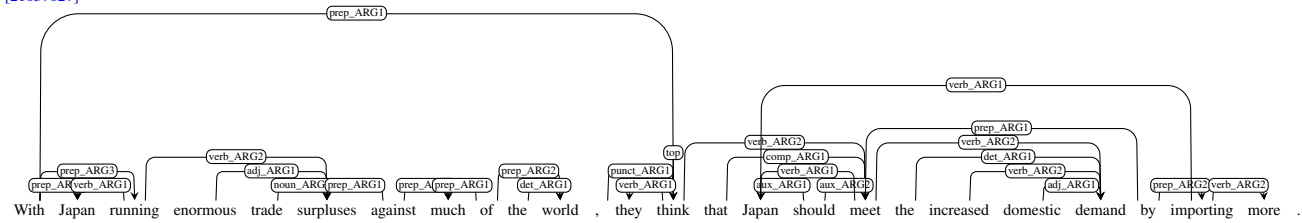
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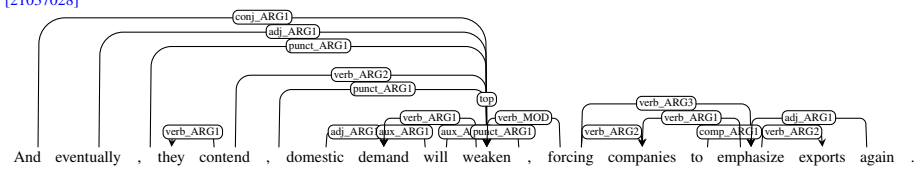
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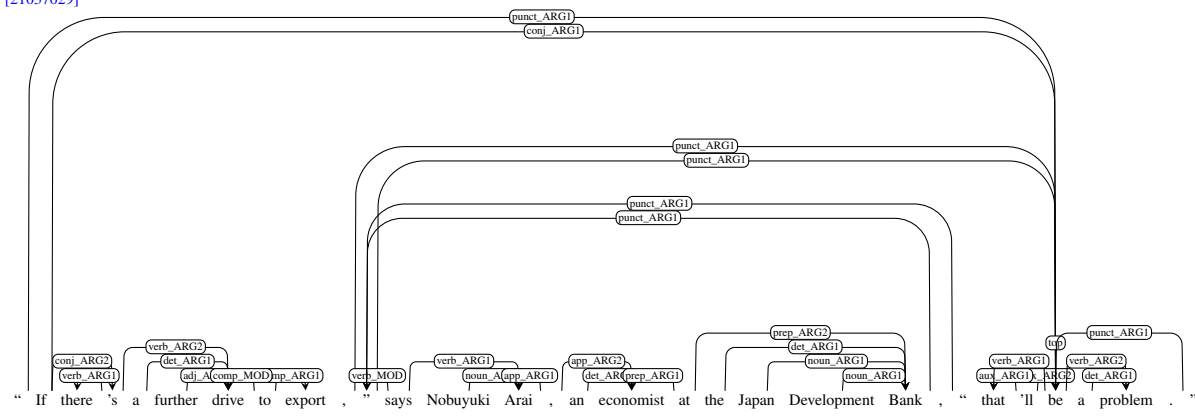
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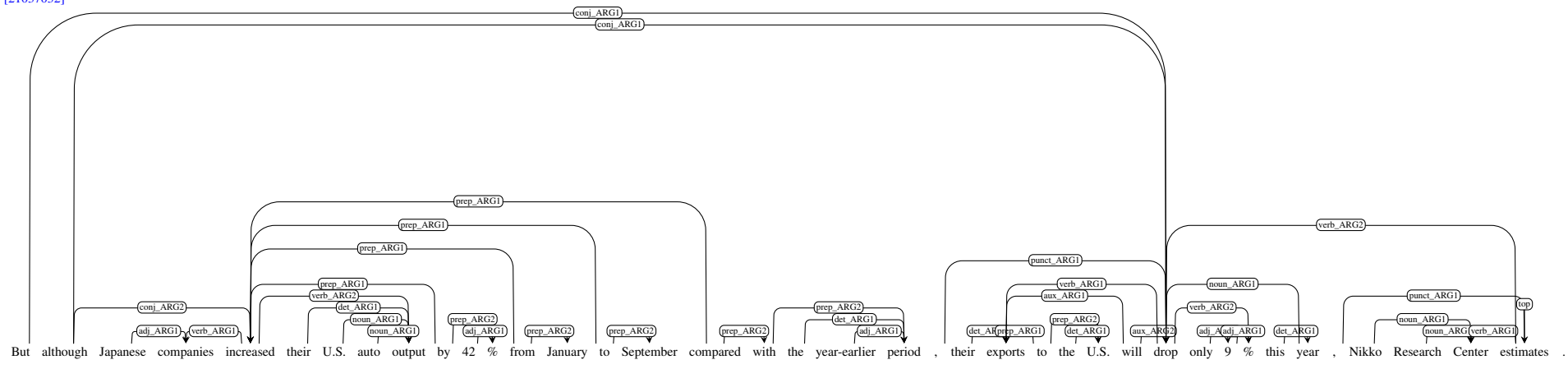
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Among them are the shipbuilders , which had halved their shipyard work forces to cut costs during a prolonged slump in demand but now are capturing an increased share of the strengthening global market .

[21037047]

Sasebo Heavy Industries Co. , a medium-sized shipbuilder , expects its sales to increase 30 % this year , largely because of rising demand for oil tankers .

[21037048]

Once one Japanese company steps up its investments , the whole industry follows .

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Because most businesses put market share above profitability , to let a competitor 's addition to capacity go unmatched is to concede defeat .

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The emphasis on market share is evident at Daikin Industries Ltd. , Japan 's biggest maker of industrial air conditioners .

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Seeing new office buildings sprout up and its sales soar , Daikin is building another plant , which will lift its production capacity 50 % .

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The expansion is aimed not just at meeting demand but also at expanding the company 's market share to 30 % from 27 % currently .

[21037053]

Besides , Daikin 's major competitors , Hitachi Ltd. and Mitsubishi Heavy Industries Ltd. , " are all adding production lines , " a Daikin spokesman says .

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" Until now , we were trying to increase productivity with the facilities we already had .

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But we ca n't produce enough anymore . "

[21037056]

The competition is even more heated in the auto industry , where companies are racing one another in a world-wide market .

[21037057]

Nissan aims to expand its 25 % share of the market to 30 % by spending \$ 141 million on a plant in southern Japan that could make as many as 240,000 cars a year .

[21037058]

Meanwhile , Toyota Motor Corp. 's \$ 247 million buildup is increasing its annual capacity by 180,000 cars , and Honda is spending \$ 317 million on expansion .

[21037059]

Mazda Motor Corp. is still considering its options , but it boldly aims to double its annual domestic sales to 800,000 cars in the next four years .

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Those who are n't worried about how Japanese manufacturers ' investments will affect trade note that many new products are n't replacements for imports .

[21037063]

Moreover , much of the investment boom is in high-tech fields in which Japanese companies have only limited foreign competition ; so , more investment practically assures more exports .

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Toshiba Corp. , for example , is spending \$ 986 million on two new plants to build four-megabit dynamic random access memories , the next generation of computer chips .

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The product is n't widely used yet , but Toshiba , which has already beaten everyone else in producing the current-generation one-megabit DRAMs , believes that its early investment will heighten its chances of beating its competitors again .

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Meanwhile , Toshiba 's Japanese rivals , Hitachi , Fujitsu Ltd. and NEC Corp. , are n't sitting still .

[21037068]

After doubling production in one plant , NEC is spending \$ 275 million to build another plant that , in two years , will be able to make a million four-megabit DRAMs a year .

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The new chip plants " wo n't be excessive investment , " says Hajime Sasaki , an NEC vice president .

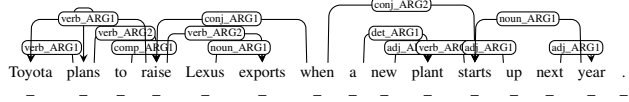
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" We have enough products to make and the markets to sell these products . "

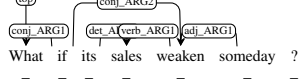
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Some of Japan 's goods being produced as a result of the investment boom are already successful overseas .

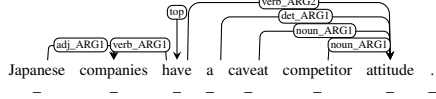
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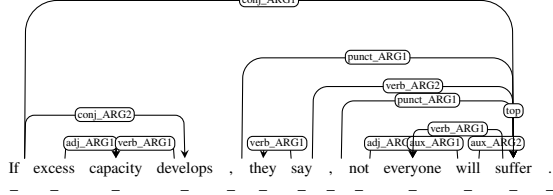
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