

Japan —Facing Economic Maturity

By Edward J. Lincoln

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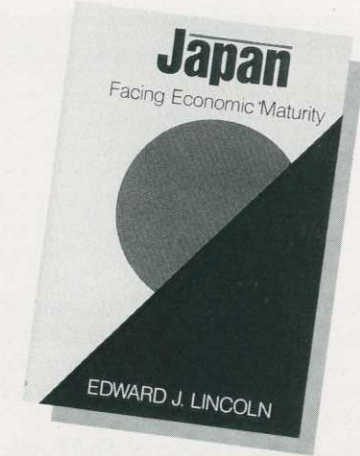
298 pages; \$11.95 (paper)/\$31.95 (cloth)

A very interesting debate has arisen over the long-term outlook for the Japanese economy. At first, it was widely predicted that the yen's appreciation would cause a recession or disindustrialization in Japan, but the strong economic performance over the last two years has blown those theories out of the water and we now see some economists who, awed at the vigor of Japan's private sector, predict a second round of rapid economic growth for Japan. At the same time there are also economists who look at the economic enervation in the United States and the strong challenge being mounted by the newly industrializing economies and forecast slow growth for Japan.

When this book was written in mid-1987, there were few people anywhere who expected the Japanese economy to do as well as it has, and the author was in the majority in assuming that Japan's long-term economic growth would proceed at a sluggish pace. Yet this in no way detracts from the book's persuasive analysis.

Instead, he is right on target with his comments on the government's flexible fiscal policies to achieve domestic-demand-led economic growth (given Japan's savings surplus), the need for tax reform, and the imperative of financial market liberalization to improve Japan-U.S. relations. While a number of factors may be cited as contributing to the Japanese economy's strong performance, including last year's ¥5 trillion supplemental budget and the financial policies adopted after the October crash, the most important factor is the economic restructuring that has taken place as Japanese business leaders and consumers alike decided that the yen's appreciation was no fluke.

One example of this is the lukewarm reception accorded a financing scheme the Ministry of Trade and Industry (MITI), dusted off to help tide small business over the revaluation. Very popular when it



was enacted 10 years ago in the wake of the yen's first dramatic rise, the scheme found very few takers this time after the yen topped the ¥150/\$ mark. Rather than look to the government for temporary expedients, companies resigned themselves to a stronger yen and began desperately searching for ways to survive in this changed context. The results are well known.

The question now before the Japanese economy is how well it can maintain the restructuring momentum without further appreciation to prod it along. As Lincoln points out, it is increasingly all the more imperative that the Japanese government do everything it can to promote further deregulation. Despite this, the five-year economic plan adopted by the Japanese government this May was basically a toothless call for deregulation with no specifics that might upset anybody. Unless this attitude changes it will be impossible to avoid more disputes with the United States over the financial system, distribution and other highly regulated sectors. Is, as Lincoln suggests, *gaiatsu* (foreign pressure) the only way to get anything done on reforming Japanese policies and institutions?

The Japanese have learned much from the yen's appreciation. For one thing, they now realize that they are finally in a position to substantially improve their standard of living. The surge in manufactures imports from East Asia has had a positive impact on the economy in enabling people to enjoy a sustained consumption binge without provoking inflation, and this has in turn made the Japanese even more resentful of residual import restrictions that have outlived their usefulness. Sentiment is building in favor of dismantling import barriers and letting the market work the way it is supposed to. There is, in short, considerable *naiatsu* (domestic pressure) complementing the foreign pressures for reform.

Lincoln has written a valuable book

describing the Japanese economy's problems thus far, and I would very much like to see what he has to say about the solutions Japan has found since he wrote his book.

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The Japanese Negotiator —Subtlety and Strategy Beyond Western Logic

By Robert M. March

Published by Kodansha International Ltd.

1988, Tokyo and New York

197 pages; ¥2,800/\$18.95

This book is highly recommended, and I am confident that it will be a strong seller.

As Japan has grown to be the second-largest free world economy, Japanese companies have inevitably become more international in their dealings and more involved in the global business of business. Consequently, there have inevitably been more consultations and negotiations between Japanese and Westerners—with increasing opportunities for misunderstanding and dispute. It is thus imperative that negotiating patterns be analyzed and ways found to make the negotiations more productive and satisfying for both sides. That is *The Japanese Negotiator's* stated purpose, and March succeeds admirably.

Yet this book is more than a practical guide for Western businesspeople trying to negotiate with Japan. It is also a valuable reference source for Westerners studying the Japanese economy, students of Japanese management and Japanologists in general. It is also a good book for Japanese to read, since it offers insights into the Japanese personality and negotiating style that Japanese themselves are unlikely to have noticed and because it enables Japanese to see how they come across to Westerners.

The Japanese Negotiator is broken down into three parts: part one on effective negotiation with the Japanese, part two on ineffective negotiation with the