

## Japan —Facing Economic Maturity

By Edward J. Lincoln

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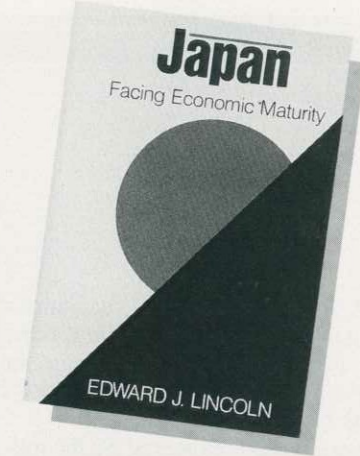
298 pages; \$11.95 (paper)/\$31.95 (cloth)

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

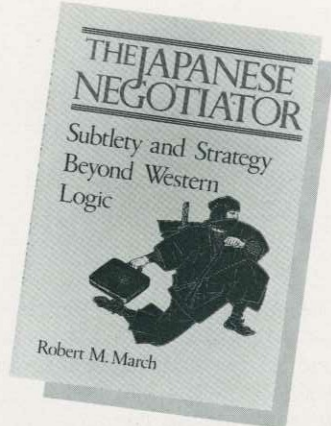
197 pages; ¥2,800/\$18.95

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



Japanese, and part three building on these case studies and analyses to derive the principles of successful negotiation.

March states that there are four main strategies that the Japanese typically employ. These he calls normative strategies, rational strategies, assertive strategies and avoidance strategies. As might be expected, normative strategies are "ways of behaving that are in accordance with the norms or 'rules' of the society." In Japan, these rules include politeness, mutual cooperation and compromise, obligation and pre-giving, appeals through changed circumstances, feelings of rightness and priorities for their own goals, persistence, and waiting for the other party to make the first offer.

Rational strategies he defines as "those pursued to achieve economic or pragmatic results, or to promote greater efficiency in communicating and negotiating." Japanese rational strategies are built around team organization, building trust, the use of *amae* (dependency), information gathering, the lack of padded offers, the use of middlemen and concealing the top man.

Under assertive strategies, March says that "assertion and aggression are not pronounced features of the Japanese national image, but...there is more than image to the Japanese." What he calls bulldozing and tactical questioning are definitely used.

Finally, under avoidance strategies, which he characterizes as the most culturally comfortable for the Japanese, March cites the use of silence and the familiar "wait and see" attitude. There is, he says, a feeling in Japanese culture that words are the root of all trouble, and this in turn leads to a reluctance to speak out and an unwillingness to get too far out on any limb by taking the initiative.

In his assessment of the Japanese negotiator, March sums up the Japanese negotiator's strengths and weaknesses and delves into the human dimensions of the negotiating process. Among the Japanese strengths, he highly rates team cohesion and support for the leader, also noting that Japanese are not inclined to compromise once the initial position is set. There is, he says, a lack of hurry

about Japanese negotiations. Yet these strengths are offset by weaknesses that he identifies as poor communication skills, the difficulty of revising consensus-based agreements, and the fact that many Japanese are easily offended and intimidated.

The final chapter, on improving Japanese-Western negotiations, succeeds by analyzing the different stages in the negotiating process and the way the skills of interpersonal communication skills, analytical ability, insight, strategic ability, effective teamwork, and continuing awareness of and reflection on the ongoing negotiation experience are important to each stage.

Most books about negotiating with the Japanese written by Westerners end up being offensive to Japanese because, grounded in ethnocentric misunderstanding of Japanese style, they assign all manner of base motives to Japanese negotiators. By contrast, March is much more balanced and much closer to the truth. March clearly knows his subject.

This said, however, there are three points that need to be qualified. The first is that he starts off by quoting Sun-tzu's classic dictum that "deception is the way of the warrior" and assigning it a central place in the Japanese mindset. Modern Japanese do, it is true, read and appreciate Sun-tzu, but that does not justify the impression given by this quotation that all Japanese routinely practice deception. It is, in fact, the United States that practices deception today.

There was, for example, a celebrated case not too long ago when IBM and the FBI joined together in a scam to entrap Hitachi. Likewise witness the outcry over Toshiba. Pentagon officials have admitted that there was no causal connection between a Toshiba subsidiary's selling advanced milling equipment to the Soviet Union and the fact that Soviet submarines became harder to detect. Yet the outcry raged on in the typical American frame-up.

The second point that deserves mention is his comment that Westerners are irritated by the rock-solid commitment of the Japanese. The implication is that the Japanese are not willing to compromise. Yet it should be noted in this connection that the Japanese are usually starting out from a position that they may well see as a reasonable compromise already—and it should thus come as no surprise that they are reluctant to compromise further.

Finally, there is the use of middlemen. Here March makes two points: one that "cold contacts without a proper introduction and out of the blue are not effective with the Japanese." This point is easily explained and is not something that applies only to Japanese. Yet referring to the middleman, March says that "the idea of using a middleman may merely block a creative search for solutions to the problems." It is clear from the American literature on middlemen, however, that in any situation where you have agents and principals, the agent often acts as a shield for the principal. This is not a distinctly Japanese notion.

Given the way these supposedly Japanese characteristics have ready counterparts elsewhere, I believe that much of the Japanese negotiating style can be explained with Western logic—and March's effort is admirable even with these qualifications. This is definitely a worthwhile book, and it would certainly make a better ice-breaking gift and do more for the cause of intercultural understanding than the fans and other trinkets that people are so prone to pass out.

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### Correction

In the Bookshelf item on page 56 of the September/October issue of the *Journal*, the reviewer of *Inside the Robot Kingdom* was Eiji Ogawa, not Eiji Kobayashi as printed. We sincerely apologize to Professor Ogawa for this error, and regret any inconvenience it may have caused our readers.