

Plugged in to the World

The Japanese market is today as open as any other market in the world, yet the massive trade surpluses persist and protectionist pressures loom. Much of the problem lies in exporters' inability or unwillingness to adapt to the Japanese market the way Japanese exporters have adapted their practices and products to foreign markets. What can Japan do? In this broad-ranging discussion, former Ambassador to the United States Yoshio Okawara and MITI Vice-Minister for International Affairs Kazuo Wakasugi point out some of the problems and urge Japan to take the lead in establishing uniform international standards to strengthen free trade.



Dialogue between Yoshio Okawara (right) and Kazuo Wakasugi

Okawara: Trade friction appears to be a cyclic phenomenon, something that crops up every few years but differs by nature each time. The specific issues are constantly changing, and it would be a mistake to try to apply yesterday's solutions to today's problems.

Wakasugi: At the same time, international criticism of Japan is much more intense now than it was ten or fifteen years ago. As Japan has become a larger and more important player in the world economy, its very size and weight make it a lightning rod for criticism.

The last OECD Ministerial Meeting was critical of Japan and the United States, and the fact that these two countries were the subject of so much attention is indi-

cative of the considerable economic impact they have on the rest of the world. Many fear that Japan's massive trade imbalances are triggering protectionist pressures worldwide, particularly in the United States, because protectionism is a plague that can only have disastrous results for everyone. I think this feeling of wanting to avert a protectionist crisis was also present at the OECD Ministerial Meeting.

Okawara: As you say, Japan's economic might is second only to the United States', and every move that Japan makes is closely watched by the rest of the world. That is all the more reason that more is demanded of us and more is expected of us. Having the power, we have

to use it responsibly in the common interest. Japan's actions—or non-actions—will be one decisive factor in determining the world's economic future.

Unfortunately, Japan has yet to respond satisfactorily to the issues, and this is one of the reasons we have come to the present impasse. The Japanese people find it hard to think of Japan as a major economic power when they still have to work so hard and endure what is, by the standards of other industrialized nations, substandard housing. There is a major disparity between the image that Japan projects to the outside world and the feelings that we have about ourselves, and this discrepancy itself is the source of new misunderstanding and confusion.

Partly in order to resolve this schizophrenia, Prime Minister Nakasone has said that Japan must become a truly international nation—not just in terms of opening our markets more to imports and so on, but at every level of Japanese culture and society. We need to adopt more international standards in all spheres, including import structures, if we are ever to hope to think and act properly as an economic power in the international community, particularly in promoting our relations with the United States, the ASEAN countries, and the European Community.

Wakasugi: As an economic power comparable to the United States, we have an obligation to protect and promote the free trade system. It is not enough to play follow the leader here. I think we have to go one step beyond that and take the lead in establishing uniform international standards.

Taking standards and certification for example, local circumstances impose special considerations in every country, but there is still ample room to revise our standards and certification systems to make them compatible internationally. Even when there are no accepted international standards, we should take the lead in encouraging their development, especially in electrical products, chemicals, and pharmaceuticals.

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Okawara: In the forty years since the end of World War II, Japan has gone through several stages of economic development from postwar recovery to rapid growth to the current stage of stable economic growth. Times have changed, but we have yet to slough off the old systems and institutions which are inappropriate to our present international standing.

This is true in our standards and certification systems. The United States has gotten suspicious about our constant promises to be revising, improving, and simplifying our standards and certification systems, and this cynicism has blinded many people to the real progress that has been made. I had the feeling, when I was Ambassador to the United States, that this "We've heard it all before. We don't want to hear about it. If you've seen one market-opening program, you've seen them all" mood has infected Congress and poisoned the way Congress looks at Japan. And that kind of atmosphere makes Congress very prone to lashing out at Japan.

Wakasugi: In most countries, standards and certification are limited to those critical factors directly affecting an individual's life and property or the public welfare, and the rest is left to individual choice.

Okawara: Every system of standards and certification depends, in the final analysis, on the extent to which the people hold the government responsible for events. In Japan's case, the government is answerable for every injury or loss suffered by the consumer. Whenever there is a problem, the media are quick to focus on the government's role, and government officials are pressed for answers and explanations in the Diet. That is why Japanese government ministries and agencies are so much on the defensive and so concerned with risk-aversion. The standards and certification systems are a defense mechanism meant to define the government's responsibility.

Several years ago, there was a *cause célèbre* in the United States when some deranged sadist put poison in bottles of a popular aspirin substitute on drug store shelves. A number of people took the stuff and died as a result. There was quite a furor in the press about this kind of random killing, but no one blamed the government. Instead, the American people were up in arms at the manufacturer for not selling it in tamper-proof containers, and it was quickly withdrawn from the market.

A similar incident in Japan would immediately have people complaining that the government was not doing enough to protect them. The various Japanese government ministries are expected to safeguard the welfare of the Japanese people, and the best way to do that is by imposing very strict certification standards.

Wakasugi: The government will have to redefine its responsibilities if Japan is to be a truly open member of the international community. But the government cannot do this alone. Individuals also have to approve this redefined role, and companies have to be ready to play by different rules.

Okawara: Japanese companies tend to view the American market as an extension of the Japanese market. Their assumption is that products that do well in Japan will do well in the United States. Of course, they modify the products and adapt them to the American market, but the basic assumption is there—and their

products do sell well in the United States because they are satisfying American consumer needs.

On the other side of the coin, however, the Japanese market is not seen as that open to American and European goods, and this is what makes trade with Japan seem like a one-way street to them. The individual corporation cannot be expected to import and export in equal parts, but Japanese industry as a whole does have a responsibility to respect the rule of two-way trade and work toward a better balance between imports and exports.

Wakasugi: At the risk of using an over-worked phrase, there seems to be another perception gap here—the gap between American and Japanese consumption patterns and the way they perceive product quality. The American consumer is much more casual in his consumption patterns. He does not automatically look for designer goods, and he does not necessarily assume that more expensive is better. The Japanese consumer, on the other hand, has very set ideas about consumption patterns. It is assumed, for example, that rich people will consume accordingly and buy expensive brand-name products.

There is an almost-obsessive attention to product quality, standards, and follow-up service.

The Japanese consumer is also much more critical about product quality, which makes the Japanese manufacturer equally exacting in its quality standards. This critical appraisal extends even to a product's packaging, and in extreme cases a store may refuse to display products with sloppy or damaged packaging, regardless of the quality of the product itself.

The Japanese market is highly competitive, and there is an almost-obsessive attention to product quality, standards, and follow-up service.

Okawara: It is perfectionism carried to an extreme. I remember the case of an Australian cheese company—the wholly owned subsidiary of a Japanese corporation—that made cheese for shipping to Japan to be made into processed cheese. Since this cheese was going to be processed anyway, you would not think that it would make much difference how it looked when it was shipped. But the manager of the subsidiary told me that a block of cheese that was even slightly out-of-shape would be rejected by the parent company. It is this kind of fastidiousness on the part of Japanese industry and Japanese consumers which makes the market so demanding.

Wakasugi: It is clear that the problem goes well beyond tariff rates and institutional issues. It is the

whole attitude of society.

Okawara: It is imperative that we adopt a more cosmopolitan and international outlook if Japan is to retain its present position of world leadership. We need to do far more than we are doing now. We need to make a much greater effort to fulfill our responsibilities within the international community.

Wakasugi: It is a matter of adopting a more rational approach. The old systems were rational in the old situation, but we need to analyze our attitudes and actions to see if they are really rational today. And when they do make sense, they should be defended and other countries urged to recognize their validity.

Secondly, we must learn to confront issues head on. On the individual level this begins by acquiring greater language proficiency and a broader knowledge of the world in general. We need to be more assertive. We need to know ourselves better and be more confident about ourselves, because otherwise it will be impossible to clarify the differences among individuals, companies, and countries. This has to start, however, with a greater individual willingness to accept the fact that there are differences. Even when we disagree, we have to define the disagreement before we can agree to disagree.

We cannot waste time vacillating; we need to get on with this business of internationalization. The world's economic mechanisms are becoming increasingly complex as multilateral trade expands and transportation and communication technologies get more sophisticated. Japanese business has no choice but to look to outside markets for expansion, and with the rapid technological advances being made today, not only Japan, but all countries need to acknowledge the responsibilities that accompany our mutual dependence in the world economy.

The world is getting smaller every day, and things have gotten to the point where global strategies are required. As a major economic power, it is only natural that Japan should take the lead in this.

Okawara: Like it or not, technology is bringing us closer and closer together. With word processors and data banks, information can be sent back and forth without regard to restrictions of time and place. We even have computers now that can translate between Japanese and English. Information from Japan can be ready and waiting when the business day starts in America. And the American side can take care of the business and send a response that night that will be waiting on someone's desk in Tokyo the next morning. We can take advantage of the time differences rather than being inconvenienced by them, and this kind of communication means that events evolve at a dizzying pace. The corporation—or the nation—that cannot keep pace with this kind of instantaneous communication will be forced to drop out of the competition. For better or worse, Japan is very much a part of the world network. ●