

Letters

What Secret? What Creativity?

It was with great consternation that I read Dr. Kikuchi's "The Secret of Japanese Creativity" (Sep./Oct. 1984). I find this kind of analysis most annoying, particularly when Japanese "logic" is applied.

For example, to "prove" that Japan has closed the technology gap, Kikuchi showed a linear curve with a white dot (Japan) and a black dot (advanced Western countries) coming closer and closer together. The X axis represented the decades of the 1950s, 1960s, and 1970s and the Y axis nothing. The author shows Japan closing the technology gap with no evidence at all—a convenient way to prove anything.

To "prove" that the Japanese are creative, he cites Sony's "inventing" the transistor radio, yet fails to mention that Sony invented neither the transistor nor the radio but simply improved the technology for miniaturization. The author is even so bold as to state that in coming up with a new form of transistor, Sony's research "surpassed that of Bell Laboratories." That is like saying that a student who masters his teacher's lesson has surpassed his teacher.

Kikuchi then suggests that the Japanese

possess a special "learnability." Consensus is at the base of this "learnability." Popycock! Any foreigner working in a Japanese company knows that "consensus" is when time runs out and everybody throws up their hands in despair at the same time.

He concludes: "I am optimistic that Japan will eventually realize her dream of mastering Western-style creativity. I have the evidence to endorse my optimism." Where is that evidence? It is certainly not in his article. I saw no facts about the number of Nobel Prize winners, the numbers of patents filed, the ratio of inventions to total patent applications or any other viable statistics which might or might not prove the author's point. Japanese technology was once called "midwife technology," meaning that someone else conceives it and the Japanese deliver it. Dr. Kikuchi would no doubt make a good midwife.

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It is true that the words "Made in Japan" now mean high quality at low prices. But this is the result of the latest manufacturing techniques and computerized factories, as well as long hours put in by Japanese labor at com-

paratively low wages. No creativity is involved.

Research and development can be a life-long work involving a lot of money without any guarantees. So far the Japanese have been relying on ideas from abroad. They wait for an idea to develop, buy it, reshape it, and then flood the market. So they bypass that painful creative process.

As Kikuchi admitted, the "inventive" work of opening up new fields has been undertaken by individuals in the U.S., Britain, and West Germany. Only when Japanese researchers are able to pursue their dreams without being bound by "consensus" can we hope to see something original from Japan. Until then, Japanese will continue to buy and in some cases "steal" industrial secrets from other advanced countries.

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Publisher's Note

Solar Systems

By Naohiro Amaya

The solar system has the sun at its center and the various planets revolving around the sun. Why is it this way? The answer is to be found in the sun's overwhelming mass and the equilibrium that has been established between the sun's gravitational attraction and the planets' centrifugal force. It is inconceivable that a less-massive body, the earth for example, should become the center with the sun and the other planets revolving around it.

There are a large number of currencies in use in the international community, including the dollar, the pound, the yen, and the German mark. Yet not all currencies are equal. There are major differences between the various currencies' "masses." Just as with the solar system, an international currency order has been established with the most weighty currency the key currency and the other currencies revolving around it.

In international politics too, there are clear differences in mass between central countries and peripheral countries. The United

Nations, which operates on the egalitarian principle of one vote for every country whether its population is 1 million or 100 million, is the exception that proves the rule. The United Nations makes a conscious effort to ignore member countries' masses, yet as a result, and in striking contrast to the lofty ideals of its founders, the United Nations is seldom able to make decisions of consequence.

The international community does not, in reality, operate by United Nations rules. Rather, it operates in a solar-like system of central countries and peripheral countries. For such a system to remain stable requires (1) that the central countries have sufficient mass to dominate their systems, (2) that the central countries be sufficiently virtuous to justify their leadership position, and (3) that the peripheral countries cooperate with their central countries.

The reason that the international situation is so unstable today is that one central country, the United States, has suffered a loss of mass. The fact that the United States has become one of the largest net importers of capital anywhere is symbolic of this

deterioration in American mass. The United States must act to promptly eliminate its massive federal deficit and to reduce its dependence upon foreign capital. This is America's responsibility as the Free World's central country.

Likewise, America must not give in to the vice of protectionism. When America refused to recognize its leadership responsibilities and enacted the Hawley-Smoot Tariff Bill of 1930, the result was disaster for the world economy. History must not be allowed to repeat itself.

On the other side of the balance, Japan must also recognize and fulfill its responsibilities as a peripheral country. This means accepting a part in the defense of the Free World, allowing improved access to Japanese markets, providing enhanced economic cooperation to the developing countries, and promoting greater industrial cooperation with the other industrialized countries. Unfortunately, however, the political situation within Japan is hobbling efforts to implement these policies, and there is a need for greater efforts in this direction by the government.

CURRENT TOPICS

President Chun's Visit To Japan

Republic of Korea President Chun Doo Hwan visited Japan September 6-8 for a historic round of meetings with Emperor Hirohito and Japanese government leaders. The first official visit to Japan by a Republic of Korea head of state marked a turning point in the sometimes acrimonious relations between the two close neighbors, and set the stage for future co-operation in technology, economic exchange and a host of other fields.

At a press conference for Japanese journalists after his talks with Japanese Prime Minister Yasuhiro Nakasone, Chun declared he was satisfied that his goal of opening a new chapter in the history of ties between the two nations had been fully achieved.

The governments further issued a 12-point joint communique emphasizing the significance of the visit. The occasion produced an agreement that the two countries should work together as mature allies to build lasting friendly and cooperative relations, founded on the principles of mutual respect, benefit, understanding and equality.

Chun and Nakasone agreed that Japan and Republic of Korea should do their utmost to maintain peace and stability on the Korean peninsula, based on a common recognition that the situation there remains "severe."

Emperor Hirohito, in his first ever comments on Japan's former colonial rule on the peninsula, expressed regret during an Imperial Palace banquet in Chun's honor that there existed "an unfortunate past" between the two countries earlier in this century. He said this must never be repeated.

In his response, Chun said the past will provide a foundation for building new relations between his country and Japan.

According to Republic of Korean officials, not all Koreans were fully satisfied with the Emperor's words. Now that Nakasone has repeatedly apologized in unequivocal terms for Japan's colonial rule, however, they said it would be too much to demand a clearer statement from Japan's symbolic head of state.

Besides the summit sessions, individual ministerial meetings were held between Republic of Korean cabinet ministers accompanying Chun and their Japanese counterparts to discuss bilateral issues.

Japanese Minister of International Trade and Industry Hikosaburo Okonogi and Republic of Korea Trade and Industry Minister Kum Jin Ho agreed to cooperate in starting a new round of talks on free trade in order to further develop the

world economy.

Okonogi promised that the Japanese government would strive to pave the way for further industrial-technological exchange and cooperation between the two countries at the private level as he said the issue is basically a commercial one.

On rectification of the trade balance between the two countries, now heavily weighted in Japan's favor, both sides agreed on the need to discuss the matter frankly. But the Japanese side pointed out that it is a difficult matter for which there will be no easy solutions.

FY1985 General Budget Requests Up Only 0.85%

—Defense Spending, ODA Rise Sharply—

Japanese government departments have sought budgetary appropriations totaling ¥54,753.9 billion (approx. \$228 billion) for fiscal 1985, up 8.2% over fiscal 1984. Budget requests for general expenditure—the total minus debt-servicing costs and tax subsidies to local governments—showed a negligible increase of 0.85%. Most of the solid 8.2% gain was due to swelling debt-servicing expenses—up 35.2% at ¥12,370 billion (\$51.5 billion). But defense spending and official development assistance (ODA) were allowed



Korean President Chun Doo Hwan and First Lady Lee Sun Ja talk with Emperor Hirohito during a farewell audience.

to increase exceptionally sharply. The Finance Ministry intends to maintain an austerity policy for the next fiscal year, beginning April 1. Ministry officials indicate the total budget requests will be slashed to around ¥53 trillion (\$221 billion). With some government and ruling party leaders calling for vigorous budget spending including greater public works expenditure, annual budget negotiations are probably in for unusually rough sailing toward the end of this year when the fiscal 1985 budget is expected to be finalized.

While budget requests for general expenditure were held down to ¥32,860 billion (\$137 billion), debt-servicing costs such as interest payments on government bonds broke through the ¥10 trillion (\$41.7 billion) mark for the first time. The balance of government borrowing through bond issues is estimated to reach a whopping ¥120 trillion (\$500 billion) at the end of fiscal 1984, entailing a sharp rise in interest payments. The fiscal 1985 debt-servicing program will account for 22.6% of the total general expenditure budget, replacing social security expenditure as the largest single budget item for the first time. And it even exceeds new government borrowing of ¥11.6 trillion (\$48.3 billion) expected in fiscal 1985 and is nearly four times the defense budget, which totals ¥3.14 trillion (\$13.1 billion).

The defense budget features reinforcement of front-line equipment such as introduction of the new "Patriot" surface-to-air missiles and purchase of F15 fighters and P3C antisubmarine patrol aircraft. In the area of economic cooperation, the Foreign Ministry sought an 11.4% rise in ODA, the sharpest increase of all fiscal 1985 budget programs. The Ministry of International Trade and Industry (MITI) requested appropriations to establish a special organization designed to step up research and development of new materials, microelectronics and other high technology. Under MITI's plan, the organization will finance risky

high-tech projects, with unsuccessful borrowers allowed to repay only the principal of loans and successful ones required to pay low interest as well. The Agriculture, Forestry and Fisheries Ministry asked for creation of a "gene bank" to collect genes of species useful for primary industry.

Some ministries sought tax cuts, including ¥90 billion (\$375 million) for new media investments requested by the Posts and Telecommunications Ministry, and ¥30 billion (\$125 million) for high-tech investments asked for by MITI.

Japan-China 21st Century Committee Holds First Meeting

The first meeting of the Japan-China 21st Century Committee, held in Tokyo and the mountain resort of Hakone, west of Tokyo, September 10-13, agreed to strive to enhance the relationship between Japan and China into the 21st century and recommended to the two governments various measures toward this goal.

The recommendation was submitted to Japanese Prime Minister Yasuhiro Nakasone by Tadao Ishikawa, Japanese chairman of the committee, and Wang Zhaoguo, his Chinese counterpart, at the end of the three-day meeting. Ishikawa is president of Keio University in Tokyo and Wang is the first secretary of the Chinese Communist Youth League.

Measures recommended include setting up a Japan-China Youth Exchange Center in Beijing and inaugurating three subcommittees to discuss long-term Japan-China relations; economic, scientific and technical cooperation; and youth and cultural exchanges.

Detailed plans, including budget, for the establishment of the Center will be drawn up by the Japanese and Chinese governments as soon as possible.

The three subcommittees, to comprise members of the 21st Century Committee

as well as specialists in various fields, will be formed before the next meeting of the committee, to be held in the fall of 1985.

Meanwhile, youth exchange programs have already started.

A group of 3,000 Japanese youths from different walks of life and from all parts of the country visited China from late September to early October. The group included members of political parties, trade unionists, sportsmen, actors and actresses, writers, singers as well as representatives of women's organizations, regional youth groups and local governments.

The Japan-China 21st Century Committee was established in line with an agreement reached between Japan and China when Japanese Prime Minister Nakasone visited China in March.

It was prompted by the fact that Japan and China have different social systems and tend to lack communications.

Japan has various channels, both governmental and private, to the United States, its closest ally, which help assure understanding between the two countries whenever problems arise.

Both the Japanese and Chinese sides hope that the 21st Century Committee will help maintain good communications between the two countries just as the Tokyo-Washington channels help settle conflicts between them and put Japan-China relations on a firm basis and contribute toward world peace and stability.

In fact, one of the three subcommittees will study overall relations between Japan and China. It aims at establishing a system to deal with misunderstandings and conflicts whenever they arise.

The 21st Century Committee will meet every year, alternately in Japan and China. The next meeting will be held in China in October 1985.

Unitary Tax in California Discourages Investment

The worldwide unitary tax system practiced by 12 U.S. states has been under fire from Japanese and European businesses. At the strong urging of Keidanren (the Federation of Economic Organizations), which represents Japan's business community, and other opponents, some states are moving to abolish the system. But in California, where the tax originated and where the largest number of Japanese companies is operating in the U.S., the state legislature failed during the latest session that ended Aug. 31 to pass a bill exempting corporate operations outside the state from unitary taxation. This disappointed the Japanese business community, which had expected California's removal of the unitary tax to give momentum to similar moves in other states.

Under the system, corporations are



Japanese Prime Minister Yasuhiro Nakasone addresses the first meeting of the Japan-China 21st Century Committee.



Kyocera Corp. plans to relocate its California operations to states with no unitary taxation.

taxed on earnings not only from operations in the state involved but from their global business. Japanese and European companies claim it is tantamount to double taxation, with some firms, including Kyocera Corp. of Japan, moving to relocate to states which have no unitary tax. Companies planning to invest in the U.S. also tend to avoid states imposing it.

As a result, U.S. Treasury Secretary Donald Regan submitted a report to President Ronald Reagan Aug. 31 calling for a review of the unitary taxation. The report advocated that:

—Overseas operations be excluded from unitary tax;

—The federal government offer state governments tax information on multinational corporations made available by foreign authorities; and

—Consideration be given to ensure a "competitive balance" among foreign affiliates, U.S. multinational companies and American firms with no overseas operations.

The report recommended that a federal law be passed to force abolition of unitary taxation unless the states moved to review it by the end of July 1985.

In Oregon, the state assembly voted late in July to end unitary taxation, the first state to do so. Indiana is expected to pass a similar bill next year, Illinois has decided to exempt foreign companies, and Florida is expected to decide on abolition soon.

In California, the Senate passed a bill calling for abolition of unitary tax but the Assembly let a similar bill die due to a shortage of time. A major reason for the failure was stiff objection by U.S. businesses against a provision in the bill that dividends from overseas subsidiaries of American multinational corporations be taxed as part of income.

But California Governor George Deukmejian has not changed his policy of seeking abolition of the unitary taxation. And the Japanese business community expects to continue pressing the state for abolition. The Japanese government is ex-

pected to urge the U.S. side to help abrogate the unitary tax system at a series of bilateral talks.

In August, Keidanren published a report that Japanese businesses would consider new investments totaling \$1.4 billion in California if the state abolished unitary tax. The report, announced by Sony Chairman Akio Morita who heads Keidanren's international investment committee, claimed that the projected investments would create more than 11,000 jobs. Keidanren is concerned that California's failure to scrap the system might chill Japanese companies' investment enthusiasm.

International Convention For Small Enterprises

A total of 341 foreign delegates from 19 countries and territories as well as 800 Japanese participated in the second International Trade and Investment Convention held in Osaka and Kyoto last month.

The convention, an international forum for small enterprises, was sponsored by the chambers of commerce and industry of Osaka, Kyoto and Kobe, and the Small Business Corporation. The Small and

Medium Enterprise Agency of the Ministry of International Trade and Industry gave a subsidy of ¥15 million (\$62,500) to the convention.

The convention surpassed in scale the first one held in Osaka in January last year with 210 foreign delegates from 12 countries and territories as well as 400 Japanese participating.

The convention comprised plenary sessions held at the Osaka Chamber of Commerce and Industry and at the Kyoto International Conference Hall October 1-4; private talks between participants, panel discussions on Japanese management methods and their adaptability to foreign countries, the economic dynamism of the pan-Pacific region, lecture meetings and tours of Japanese factories.

The foreign delegates to the latest convention included 96 from the Republic of Korea, 45 from Taiwan, 37 each from Malaysia and Singapore, 27 each from China and the United States and 15 from Canada.

According to the Osaka Chamber of Commerce and Industry, most foreign delegates were interested in export and import of textiles, chemical products, medical equipment and electronic devices.

The chamber added that more foreign participants than last year wished to conclude capital and technical tie-ups with their Japanese counterparts and to introduce Japanese management methods.

One South Korean delegate was interested in Japan's tourist bus system, while an American was seeking a Japanese partner for joint development of computer software.

The convention is designed to help small enterprises in Japan and abroad to find partners for trade, overseas investment as well as technical and business link ups.

Last year's convention was so successful in promoting mutual understanding between Japanese and foreign enterprises that the sponsors decided to hold such events regularly.



Participants at the International Trade and Investment Convention

Import Promotion Month

The Japanese government sponsored various events to promote Japan's goods imports throughout October, which it designated "Import Promotion Month."

This was designed to meet growing overseas pressure for Japan to expand imports, in view of its growing trade surplus, and to increase Japanese public interest in foreign products. It was conceived as part of market-opening measures announced by the Japanese government in April.

In organizing the events, the Japanese government obtained the cooperation of the Japan External Trade Organization (JETRO), Manufactured Imports Promotion Organization as well as the United Nations and embassies of the countries concerned.

The government is expected to designate every October as Import Promotion Month and conduct nationwide campaigns.

Among the events held this year were:

—Six import promotion missions visited Europe, the United States and Republic of Korea. One to the United States October 9-24 comprised women only. Headed by Ms. Ichiko Ishihara, executive director of the Takashimaya department store and one of the leading businesswomen in Japan, it was to search for American household goods, furniture and clothing suitable for the Japanese market.

—A French trade and tourist exhibition in the Sunshine City trade center in Ikebukuro, Tokyo, October 16-20 to publicize French wine, food, beverages, cosmetics, clothes and accessories. French External Trade Minister Edith Cresson attended in the exhibition as the head of a delegation comprising leaders of some 400 French companies which had not yet exported to Japan.

—Imported products fairs at some 400 department stores and supermarkets throughout Japan.

—Exchange of visits by specialists of member countries of the Association of Southeast Asian Nations (ASEAN), including Japanese gift product specialists to Thailand and the visit to Japan of leaders of small Filipino wooden furniture enterprises.

—Governmental trade promotion agencies of African countries were invited to

Japan to attend a seminar on ways to promote exports to Japan.

—A group of 12 journalists from leading newspapers and magazines in European Communities (EC) countries toured Japan.

—Eleven exhibitions of 400 European household goods recommended by Japanese living in Britain, West Germany, France and Italy and other European countries. Some exhibits were put on sale.

—A seminar to promote imports was held in Tokyo with commercial attachés of foreign embassies and foreign businessmen participating.

Brighter Job Prospects For College Graduates

Major Japanese companies plan to employ more new graduates of four-year colleges next year, against a backdrop of continuing economic recovery and rapid technological innovation, according to a Kyodo News Service survey.

The survey, covering 100 leading firms across industry, shows that emphasis is on hiring graduates with a technical background in an effort to keep up with progress in high technology. Leading the trend are sectors like electronics and biotechnology.

In electronics, Hitachi Ltd. and NEC Corp. each plan to employ around 700 new college graduates on the technical side. In contrast, the distribution industry is in retreat, after years of massive recruitment. The deficit-ridden department store chain Daimaru Inc. has decided to take on no male college leavers when the academic year ends next March. Although on the way to recovery, Mitsukoshi Ltd., another major department store operator, plans a sharp cut in new hirings. Major supermarket chains have adopted restrictive recruitment programs.

Main reasons for employing more technical graduates are the fast pace of technical innovation in the electronics industry, the advance into electronics-related operations by the precision machinery, chemical and nonferrous metal industries, accelerating development of new materials by the steel and synthetic fiber industries, and trading firms' greater involvement in high-tech products. Progress in office automation in the banking and securities industries is also spurring the trend.

Further, many companies plan to employ more new college graduates as clerical staff, an area of recruitment held down in recent years to help cut costs. On the other hand, graduates of two-year junior colleges and senior high schools other than those with technical qualifications will bear the brunt of labor-saving efforts through the spread of office automation.

One reason for the planned rise in em-



Inaugural ceremonies for new employees.

ployment of clerical college graduates is that in some cases, the economic recovery has restored enough corporate profitability to permit extra non-production workers to be employed. Another reason is that many firms believe a regular influx of young workers is necessary to ensure corporate vitality.

For many years, the employment of new college graduates for clerical positions has taken second place to technical staff, in order to reduce personnel costs. But this has led to a lopsided workforce in terms of age groups, an imbalance companies seek to rectify in the interests of efficiency.

Recruitment of female college graduates is also on the rise. More companies plan to hire women, until now treated as temporary staff because of their tendency to leave the workforce when they marry. The change stems from women's growing desire for job security and employers' desire for greater work efficiency. The trend is particularly marked among major department store and supermarket operators.

Meanwhile, the employment picture remains bleak for junior college and senior high school leavers. Some companies intend to recruit more male high school graduates to boost production. But most remain cautious toward hiring. In view of the increase in factory automation through the introduction of robots and office automation through microcomputers, word processors and facsimiles, junior college and high school graduates are likely to find job hunting a particularly tough proposition in the years ahead.



Ms. Ichiko Ishihara (second from left) headed an import promotion mission to the U.S.