Letters

In Defense of Japanese Creativity

In late October 1983, Kenjiro Takayanagi established the Takayanagi Memorial Foundation for the Promotion of Electrical Engineering to contribute to the encouragement of the sciences and the betterment of society. Who is Takayanagi? None other than the father of Japanese television—the first person in the world to achieve commercially feasible television pictures using electronic means and a cathode ray tube. This he did in December 1924, well before J.L. Baird demonstrated his mechanical television in England.

This is just one of the many creative technologies which has come out of the creative talents underlying Japan's current prosperity. Of the approximately one million patent applications field worldwide every year, 40% are Japanese. This is far more than for either the United States or the Soviet Union. While Japan's technical transfer balance is still in the red on a cumulative basis ($1,711 million out and $537 million in fiscal 1981), the balance for new payments has been in the black on an annual basis since 1972. Japan's thirst for technical invention is well known, but most of this is being slaked from the domestic well.

To be sure, Japan did achieve much of its postwar economic recovery with the help of technology licensed from the advanced industrial countries, but Japan is now repaying the favor by actively developing new technologies and making them available to other countries. In 1983, Japan sent a high-technology mission to the EC, and in 1984 similar missions were sent to the United States and Canada, to explore the possibilities for such cooperation in science and technology.

It is thus most discouraging to see people such as Mike Swanson ("Letters" November-December 1984) who, apparently ignorant of the role Japan is playing in promoting creative technology and revitalizing the world economy, believe that Japan has to resort to "stealing" technology. Nothing could be further from the truth.

Tsuneo Asai
Science & Technology Editor
Nihon Keizai Shimbun

Useful Reading

"Investing in Japan" (September/October 1984) offered an interesting look not only at investment possibilities, but also at the current state of foreign direct investment in Japan. I especially enjoyed reading the "Prefectural Perspectives," which described some regions of Japan from both an economic point of view and a geographical and cultural view.

Working for a Japanese company, where newspapers and periodicals written in Japanese are plentiful, I was glad to find a magazine focusing on Japan, but written in English. The *Journal* is a useful magazine for those of us desiring a broader understanding and more in-depth view of current events in Japan. I particularly appreciate the inclusion of articles and perspectives of both Japanese and non-Japanese individuals; this method seems to allow a stronger and more substantive understanding of the forces at play in Japan today.

As a final note, I found the interview with Mr. Kosaka extremely thought-provoking, especially in regards to his view on the world power structure. Although I would tend to agree that U.S. politicians do not spend enough time or energy on world issues, I am afraid that this deficiency is not caused by any preoccupation with solving domestic issues.

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Publisher's Note

Leadership for World Stability

By Naohiro Amaya

There are two approaches to maintaining the international order. The first is to have a democratically elected world government. This is the ideal, but at present it is hardly within the reach of possibility. The second is to make the most of international leadership capabilities in building and maintaining a stable global order. This seems far more feasible, yet it requires strong leadership.

In looking for that leadership, there are two principal requirements any country or power bloc must meet if it is to be a world leader. The first is to be strong across the full spectrum of power. The second is adherence to a universal political ideology. Who meets these requirements today?

The Soviet Union is a powerful nation indeed, yet its strength is conspicuously skewed toward the military. Economically, the Soviet Union is very weak, particularly in its consumer sector. Ideologically, while Marxist-Leninist politics used to have a significant following in the West, the number of its admirers has shrunk steadily in recent years. On both counts, the Soviet Union appears unqualified for world leadership.

What about Western Europe? Europe used to be the dominant military, economic, political, and cultural force in the world. But this is clearly a "used to be."

What of Japan? Second only to the United States in GNP, Japan is a mighty economic power. However, this power is uneven—concentrated in a few industries and lacking in others such as the services, and, most conspicuously, agriculture and mining. Militarily, Japanese defense spending is only slightly more than, for example, Italy's, and it has much less military, political, and diplomatic influence than economic clout. Japan also fails to measure up to the requirements of a world leader.

Finally is the United States. While the United States has slipped in relative terms from its former dominance, American GNP is still 23% of the world total—the highest for any one country. The United States still towers over everyone else in agricultural output, and its mining and service sectors are also very strong. America's declining international competitiveness in certain industries and the resultant record balance of payments deficit of over $100 billion, however, are serious problems. Yet despite these economic ailments, the United States possesses formidable military power and its philosophy of freedom and democracy has proven to have universal appeal. Although America cannot be said to completely meet both requirements for world leadership, it obviously comes closest. The only problem is this nagging issue of industrial competitiveness.

Accordingly, the surest and swiftest way to reduce international confusion and restore order is for the United States to revitalize its industry. If America succeeds in this, local protectionist pressures will lose steam and the government will again be able to turn its full attention to maintaining the free trade system.

Although deeply committed to supporting the free trade system, Japan is not strong enough to keep the Free Trade ship afloat single-handedly. Japan must cooperate with the United States to uphold free trade.

This means that Japan must do everything it can to remove any remaining non-tariff barriers (NTBs). The Japanese government has done its best to remove institutional trade barriers, but there remain a number of non-institutional NTBs that stem from deeply embedded historical and cultural roots. If Japan is to contribute effectively to the maintenance of the free trade system, the Japanese government's efforts must be complemented by private-business and even citizen efforts to sweep away these non-institutional trade barriers and facilitate foreign access to Japanese markets.

CURRENT TOPICS

"Department Store War" In the Ginza

Two department stores opened side by side on October 6, 1984, in front of the Yurakucho railway station, the gateway to Tokyo's prestigious Ginza shopping center. One was Yurakucho Seibu, with about 12,850 square meters, and the other Yurakucho Hankyu, with a sales space of about 14,700 square meters. In April the same year, Printemps Ginza, a department store affiliate of Daiei, Inc., set up shop a mere 100 meters away. The addition of these three leaves the Ginza-Yurakucho area packed with eight department stores, the highest concentration anywhere in Japan. There is even talk of a Ginza "department store war."

The long-established stores in the area have publicly welcomed the opening of Yurakucho Seibu and Yurakucho Hankyu. They hope the new outlets will attract new shoppers to the area in much the same way that Printemps Ginza drew young women back to Tokyo's most famous shopping district which, in recent years, has been losing younger consumers to new fashionable parts of town.

There is no doubt, however, that below the surface, at least, the battle has begun. Seibu has made much of its departure from the conventional concept of a department store. Hankyu is appealing to consumers' desire for "genuine and authentic" goods. To meet this offensive, established department and specialty stores are renovating their premises and changing their layout.

Seibu and Hankyu occupy the Siamese-twin style Yurakucho Center Building on the former site of the Nichigeki Theater and the *Asahi Shimbun* daily newspaper next to the Yurakucho station. Seibu occupies 14 floors of one of the twin buildings and Hankyu 13 floors of the other. The combined sales floor space of both stores is only about the same as the total of the well-entrenched Matsuya Ginza department store. Nonetheless, Seibu has set an initial year's sales target of ¥18 billion ($75 million) and is targeting people in their 30s and 40s who are "particular about their lifestyle." Hankyu's slogan is "for those who seek new authenticity," and its first year sales target ¥20 billion ($83 million).

In a 1982 survey of sales by district conducted by the Tokyo metropolitan government, the Shinjuku sub-center came first, followed by Ikebukuro and Ginza-Yurakucho. Ikebukuro outpaced Ginza-Yurakucho by a full ¥60 billion ($250 million).

At first, many worried that the sudden appearance of three new department stores in the area would trigger a wild scramble for customers. But, say most department stores and local shopkeepers, the department store war has served to attract young women and a new generation of young families back to the Ginza.

The addition of three new department stores in Ginza-Yurakucho area is intensifying the sales competition in Tokyo's shopping center.

Optimism may be unwarranted, however, after what happened in Umeda, the biggest shopping and amusement center in Osaka. Daimaru opened a "metropolitan-type" department store in the Osaka station terminal building in April 1983, and Osaka newspapers headlined an "Umeda Department Store War." Daimaru made a fine start at co-existing with the old entrenched stores, just as people are now saying about the Ginza. But after public curiosity wore off, Daimaru's sales began to dwindle. Of course, this was partly because the opening coincided with a period of sluggish consumer demand. Nonetheless, first-year sales barely reached 80% of target. As a result, Daimaru posted its first deficit since World War II, resulting in the ouster of its president.

Although consumer demand has improved considerably, there is no guarantee that history might not repeat itself in the Ginza. If anyone is to win the new department store war, it will be the company that best answers the needs of Japan's notoriously fickle consumers.

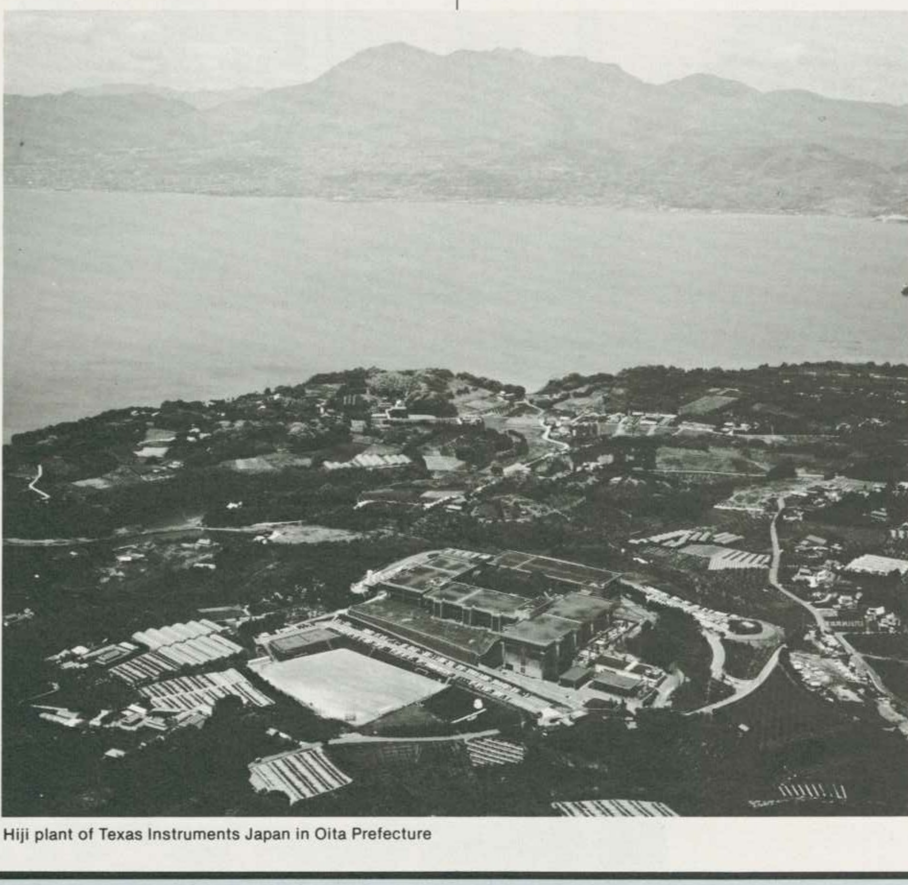
Japan at Bloomingdale's

A sales fair entitled "Japan," featuring Japanese products and cultural heritage was staged from September 13 to October 31, 1984 at the Bloomingdale's department store chain, 15 outlets in and around New York and in Boston, Washington, Miami and Dallas. Although this was not the first time a major U.S. department store had featured Japan, it was the first time on such a wide scale.

According to the store chain, it "endeavored to present a view of Japan that never forgets the rich heritage of design and quality that spans the centuries but that shows the influence of that history in the intense energy of Japan's extraordinary technological advances and the subtlety and harmony of fine design and graphics." From cosmetics to cuisine, fashion to furniture, in every category, many of the products were seen in America for the first time. Bloomingdale's stock reached well over $17.5 million.

At its main store on New York's fashionable Lexington Avenue, for instance, more than a dozen Rising Sun flags added color to the storefront. Inside, *shimada*-coiffured, kimono-clad geisha models astride Honda scooters and huge posters with "Nippon" written in *kanji* (Japanese ideograph) were everywhere. From the first to the seventh floor, it was Japan at Bloomingdale's, with the designs of the fashion giants, such as Hanae Mori and Issey Miyake, as well as a *furoshiki* corner and folkcraft shops.

But commercialism was by no means the sole objective. Bloomingdale's says it sought to "create a cultural environment that informs and educates the customer about the country of origin." In a tie-up with five major U.S. daily newspapers in the areas served by the chain outlets, including the *New York Times,* 2 million copies of a special pamphlet on Japan were printed for distribution to readers. In fact, several million dollars were invested in media advertising, window and shop displays, and cultural exhibits focusing on contemporary Japan.


Hiji plant of Texas Instruments Japan in Oita Prefecture

Among the cultural exhibits in the New York store were "The 21st Century Kimono" by Itchiku Kubota, Japan's master craftsman of dyeing. Silk screens by the celebrated architect, Arata Isozaki, portrayed the strong international influence of Japanese design. *Mingei* folk art and Hiroshige woodblock prints saluted the arts and crafts heritage, as did the displays of gifts, china, ceramics and crystal. And the skills of Japanese packaging, which intrigue the Western eye, were part of the presentation of many products in the food, lacquerware and gift sections. Likewise, the high technology and the driving graphic energy of Japan were seen on the TV screens and in the electronics centers. In fact, the famous industrial and corporate names of Japan appeared throughout the exhibit.

On Bloomingdale's ambitious "Japan" project, U.S. Ambassador to Japan Mike Mansfield said: "Such efforts encourage a greater awareness of other countries through their products and are thus bridges of international understanding and mutual goodwill."

Japanese, American Firms Step Up Microchip Production

Japanese and American semiconductor makers are investing heavily in new capacity, against a backdrop of rising demand. Japanese chip makers have manufacturing plants in the United States and American producers have similar facilities in Japan.

According to a survey by the Electronic Industries Association of Japan, Texas Instruments (TI), Motorola and Fairchild, all of them semiconductor makers, are currently operating plants in Japan. IBM is also producing chips in Japan and Intel has a design center. Industry sources say National Semiconductor is studying plans to build a plant in Japan.

The Japanese companies producing semiconductors in the United States are NEC, Toshiba, Hitachi, Fujitsu, Mitsubishi and ROHM.

Some of the U.S. companies with manufacturing operations in Japan are planning to expand their capacity. For example, Motorola is preparing to construct a second plant. TI, which already has three semiconductor plants, may build a fourth.

The reason behind these moves is that local production makes it easier to expand

Meisei Staffing Service stands ready to provide skilled word-processor operators.

market shares. When chips are imported, it is difficult to deliver on schedule and efforts to expand sales are hampered.

According to industry sources, the plant National Semiconductor is planning is expected to be an integrated facility with processes ranging from wafers fabrication to assembly and inspection.

U.S. semiconductor plants are currently located at five or six sites. The number is expected to reach about 10 in the next one year or two.

Meanwhile, Japanese chip makers are stepping up investment at home. Six major producers plan to spend a total of ¥680 billion ($2.83 billion) on new plant and equipment in fiscal 1984. That represents an 84.3% increase over fiscal 1983. Total investment by all Japanese semiconductor makers is projected at close to ¥1 trillion ($4.17 billion).

The supply and demand balance of semiconductors tightened from mid-1983 to the summer of 1984, causing a global shortage. The supply-demand gap began to ease in the autumn, however, with the result that prices started softening.

Further investment is expected to accelerate this trend, touching off a sales war between Japanese and American chip makers on the Japanese market.

The focus of the competition is the 256 kilobit dynamic random access memory (K DRAM) chips. Three major Japanese producers—NEC, Hitachi and Fujitsu—are each expected to set up million-unit-a-month production systems between the end of 1984 and spring 1985. The mainstay product now on the market—the 64K DRAM—sells for more than ¥500 ($2.1) apiece, while 256K DRAM chips are priced at about ¥4,000 ($16.7). However, the price difference is expected to narrow as production of the latter rises. The age of the 256K DRAM is about to begin.

Rough Going for Legislation on Private Manpower Banks

Large Japanese corporations, especially banks and other financial institutions, have begun establishing subsidiaries to operate manpower banks. Their aim is to unify personnel administration and slash labor costs by eliminating dependence on outside manpower banks for temporary help such as wordprocessor operators.

Among the big corporate groups, Mitsubishi is the most enthusiastic about setting up its own manpower service. Meiji Mutual Life Insurance Co. in the Mitsubishi group established Meisei Staffing Service Co., a wholly-owned subsidiary, last spring. With 300 key-punchers and wordprocessor operators on its list, the subsidiary dispatches staff to Meiji Life on call. Another Mitsubishi company, Tokio Marine & Fire Insurance Co., established "Tokyo Career Service" last summer with capital from seven group firms, including Mitsubishi Bank and Mitsubishi Corp.

Many city banks and leasing companies are studying the feasibility of entering the manpower bank business. The Japanese market for temporaries is only ¥40 billion ($167 million) today, but is projected to grow to ¥100 billion ($417 million) within three years.

As temporary help services have found wider acceptance, there have been growing numbers of cases in which staff are forced to accept unreasonable working conditions by their temporary employers. Late last November the Ministry of Labor began drafting legislation aimed at protecting people registered with private manpower banks. The ministry hopes to submit the bill to the current session of the Diet, but it has not had smooth sailing. Difficulty has arisen in determining the scope of work to be covered by the bill. Moreover, employers using temporary help are balking at the demand of labor unions for "extended responsibility of employers," under which they will be required to be responsible for safety, health and other working conditions.

The new legislation will be based on the "Bill for Legalization of Manpower Bank Business (a draft)" compiled by the Manpower Bank Business Subcommittee of the Central Employment Security Council, an advisory body to the Minister of Labor. In the draft bill, the subcommittee recommended that temporary help agencies be required to conclude a contract with the company requesting temporary staff, while the staff themselves should conclude employment contracts with the agency and working contracts with the company to which they are assigned.

The proposed legislation contains provisions governing wages and other conditions, and defines the responsibilities of manpower bank clients toward their temporary staff. It further classifies manpower banks into two types, "registration" and "permanent employment."

However, the bill fails to specify the scope of jobs to be covered, instead simply indicating a general standard.

Labor unions insist that working contracts should give temporary staff the right to organize a labor union. There are many other unsolved problems, including regulations on sending temporary personnel overseas, and how to deal with new and still unanticipated work categories which might appear in the future.

The opposing views of labor and management have yet to be adjusted, although it is already five years since the Ministry first initiated its studies on the legislation.

Merit Overtakes Seniority in Wage Structure

Merit or competence was given greater consideration than seniority for the first time in the 1984 wage increases for employees of Japan's large companies. Previously, seniority dominated the wage system, in sharp contrast to practices in other industrialized nations.

The growing emphasis on merit pay is more pronounced in larger companies than in smaller ones, indicating that it is becoming an important trend in the nation's big businesses.

According to a survey by the Institute of Labor Policy, the ratio of seniority to merit wagerises was reversed to 49% to 51%. The poll involved 381 major firms —those listed on the stock exchanges and comparable non-listed ones, all of them capitalized at ¥500 million ($2.1 million) or more and with a work force of 500 or more. The first survey of this kind was conducted in 1967.

In the 1974 survey, seniority pay accounted for 62.6% of total pay raises. Six years ago, in 1979, the share dropped to 55.8% and in 1983 it declined further to 52.2%.

The latest poll finds that the importance of merit pay goes up in proportion to the size of company. In corporations with a work force of 3,000 or more, it accounted for 55.1% of the pay hike. By contrast, the share was 49.3% in corporations with 1,000–2,999 employees and 49.7% in companies with fewer than 1,000 workers.

The weight of merit pay in regular wages has also increased, particularly among older employees and those with a strong academic background. For example, in a typical salary of a male university graduate, the ratio of seniority to merit pay is 7 to 3 for employees aged 22–25. It is 6 to 4 for 35-year-olds and equal for middle-aged employees (45–50). In the case of 55-year-olds, the ratio is reversed to 52.3% for merit and 47.7% for seniority. Among junior high school graduates, however, the ratio is constant at nearly 2 for seniority to 1 for merit.

Another notable finding of the poll is that the typical monthly wage of a 50-year-old employee has reached the ¥500,000 ($2,083) mark for the first time. Typical wages in 1984 were ¥158,700 ($661) for 25-year-olds, ¥281,200 ($1,172) for 35-year-olds, ¥414,000 ($1,725) for 45-year-olds and ¥508,500 ($2,119) for 55-year-olds. However, wage differences are smaller among older employees than younger ones. This attests to a growing tendency for employers to curb the growth of wages for employees in higher age groups.

The differences in wage levels are more pronounced between employees who have been through higher education and those who have not. For example, a 30-year-old university graduate makes about ¥10,000 ($42.0) more than a senior high school graduate of the same age and about ¥25,000 ($104) more than a junior high school graduate. At age 55, the gap widens to about ¥55,000 ($229) and ¥170,000 ($708), respectively.

JEF-Aspen U.S.-Japan Council Meets for First Time

The JEF-Aspen Council met for five days (Oct. 15-19) in Maryland.

A group of Japanese and U.S. political, business and academic leaders met recently in a bid to help promote understanding between the two countries. It was the first meeting of the JEF-Aspen U.S.-Japan Council, organized jointly by the Japan Economic Foundation (JEF), the publisher of this bimonthly magazine, and the globally renowned Aspen Institute for Humanistic Studies.

The five-day meeting opened October 15 at Wye Plantation, Maryland—where Aspen is located—and included a luncheon session in Washington, where participants conferred with U.S. government officials including Lionel Olmer, Undersecretary of Commerce, and Paul Nitze, U.S. representative to the intermediate-range nuclear force (INF) talks with the Soviet Union.

A dinner held October 15 was attended by Representative Stephen J. Solarz (D-N.Y.) and Maryland Governor Harry R. Hughes among others.

Among 10 Japanese delegates were JEF President Naohiro Amaya, Yoshiro Hayashi and Takeshi Noda, both Liberal Democratic Party members of the Diet, Isamu Yamashita, chairman of Mitsui Engineering & Shipbuilding Co., Hideo Sugiura, chairman of Honda Motor Co., Chusuke Takahashi, vice chairman of Sumitomo Bank, and Shinji Fukukawa, director-general of the Industrial Policy Bureau of the Ministry of International Trade and Industry (MITI). There were 10 participants from the U.S. side, including Aspen Chief Robert O. Anderson (chairman of Atlantic Richfield Co.), former ambassador to Japan Robert S. Ingersoll and Columbia University Professor Hugh Patrick.

As Japan and the U.S. cement ties in the economic, political and other fields, conflicts of interest and perception gaps are popping up repeatedly on various fronts, including trade, defense and high technology. The U.S.-Japan Council meeting was held in the belief that solutions to these problems are indispensable for sustained development of the world economy at a time when both countries form one of the world's most important partnerships. The meeting saw a candid exchange of views not only on pending issues but prospects for bilateral relations—including their desired profile—from a long-term, broad standpoint.

Discussions were presided over by Amaya and Ingersoll. Most of the debate was devoted to the present world situation and the roles Japan and the U.S. should play in consequence. It was generally agreed that the world today is shifting from an oil-based civilization to an information society supported by progress in high-tech development.

Given the view that the U.S. is taking the lead in the high-tech area and Japan is closely on its heels, the roles to be played by the two countries should be important. In this connection, some participants pointed to the need for examining a right direction of civilization amid rapid technical innovation. Others cautioned that international frictions such as North-South problems could escalate without utilizing technical achievements for expansion of the world economy.

Both sides agreed in principle that Japan and the U.S. should explore ways of cooperation to prevent these risky problems and contribute to the international community. The debate also covered U.S. economic problems such as federal budget deficits, high interest rates and trade shortfall, swollen foreign debts in developing countries and security issues centering on Japan's defense efforts. After the meeting, the delegates attended a luncheon in Washington on the fifth day. Both sides stressed the need to improve bilateral ties. The Japanese called for reduction of the federal deficit and high interest rates, while the Americans sought further opening of the Japanese market.

The five days of discussions helped both sides understand each other's problems better from a long-range and global standpoint. Both sides rated highly the frank exchange of views at the meeting and agreed that the council should meet frequently to maintain its dialogue.