

Japan's Example for the Future

I have found the *Journal* to be very good at cutting through the fog and explaining how Japan has managed its success. From a variety of sources and personal observations, I have identified four basic historical factors which may or may not be applicable elsewhere: Japan is 1) a small country, 2) with many people, 3) of great ethnic homogeneity, yet 4) with few natural resources.

Being a small population-rich, resource-poor country, Japan is heavily dependent on trade. Of necessity, Japanese trading skills have been honed for hundreds of years. Intense trading is part of the Japanese life-style.

A large population with the same needs, behavior patterns, and values requires mass production; and mass production implies an ability to duplicate technological and managerial concepts. While the Japanese have been accused of copying, adaptive learning from others is only smart business.

The combination of many people and few natural resources has also mandated high-productivity use of people—this productivity-consciousness extending to all collar colors in all sectors.

Japan's isolationist experience during the Tokugawa period forged a hierarchical society with people loyal to their groups. Rank is very important in Japan,

and striving to be number one has pre-occupied Japanese workers, managers, bureaucrats, and politicians for decades.

Combined with this is long-term thinking, said to have its roots in the system of seniority-based rewards. Yet long-term decisions inevitably contain an element of luck, and there are other skills that impress me more. One is the ability to integrate the two dimensions of time and space. The past is always integrated in thinking about the future, and Japanese leaders emphasize the continuity of excellence. Likewise with the ability to think in parts and wholes simultaneously, Japanese management is global and local at the same time. A worker's performance is related to the company's goals and the company's goals to national goals.

What of the future? To many Japanese, the future is already here. Huge amounts of capital are being invested in such areas as microelectronics, telecommunications, biotechnology, and new materials. Great emphasis is placed on winning public acceptance of this high-tech future. So far, it seems to have worked.

The strategic question is how long this social structure and behavioral value-set will last. There is a growing women's movement in Japan, a new generation with self- and family-oriented values, and an emphasis on ability over seniority.

All these trends are the logical consequences of industrialization and social

caring, but they pose particularly difficult questions in the Japanese context. Responding to these long-term social problems will be far more important and difficult than handling such "short-term" problems as trade friction and budget deficits. Still, the Japanese are well aware of the problems their society faces, and I look forward to seeing how they will solve them.

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Editor-in-Chief
Liber Förlag
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Education for an International Future

I am a high school teacher teaching commerce and accountancy. I feel your *Journal of Japanese Trade & Industry* provides much useful background information that will be helpful to the students. Especially given Papua New Guinea's good trade relationship with your country, such reading is well worthwhile.

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Letters to the editor, with the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.

Editorial Note

Behind-the-Scenes Economic Actors

In past Feature articles, the *Journal* has focused on industry-related, governmental, or trade-related issues. Our goal is always to inform our readers about Japan's industrial and economic structures and their contributions to national and international prosperity.

In this issue we are taking a look at one of the lesser known behind-the-scenes movers of the Japanese economy, the *zaikai*. The *zaikai*'s network of personal connections runs in and out of the offices of LDP (Liberal-Democratic Party) leaders and the boardrooms of industrial giants. Its ample funding finances trade fairs, international economic missions, as well as study groups. It has power.

The various organizations which make

up the *zaikai* have been formed not along industrial lines but by functional breakdown. Thus, they represent the views and interests of Japan's business community as a whole.

In compiling this issue's Feature, we asked leading Tokyo journalists to express their views on these powerful "Big Four" bodies that make up the *zaikai*, including the Federation of Economic Organizations (Keidanren), the Japan Chamber of Commerce and Industry (Nissho), the Japan Federation of Employers' Associations (Nikkeiren), and the Japan Committee for Economic Development (Keizai Doyukai) and besides, the Central Union of Agricultural Cooperatives (Zenchu), a national organization which steers Japan's nearly 7,000 agricultural cooperatives.

These writers' knowledge of Japan's

economic, financial, and industrial circles gives them a broad perspective on *zaikai* activities. Understanding the *zaikai* and the range of its influence is prerequisite to understanding the Japanese economy.

Japan is facing various difficulties right now, including trade friction with both industrialized and developing nations. Many decisions, many changes await.

Settling these problems and promoting the development of the world economy is Japan's chief immediate objective. Achieving these twin goals will require a joint effort by government and industry. *Zaikai*'s influence and perspective is a major force here.

We hope this issue's Feature will give our readers an insider's view and understanding of *zaikai* in Japan—as part of understanding and settling a lot of important issues.

CURRENT TOPICS

Japan, U.S. Agree on Steel Export Curb

Japan and the United States have agreed on details of restraint on Japanese steel exports to the American market after rounds of hard bargaining between December and March. Under this agreement, Japan will restrict exports to 5.8% of the U.S. market for five years, retroactive to October 1, 1984. It has also been agreed to limit exports of fabricated structurals such as bridges, excluding oil-drilling platforms, under a separate quota.

The agreement covers six categories of steel products; some of these six are divided further into a total of seven sub-categories. A maximum export share is set for each category and sub-category. Japan has also agreed to designate 26 products (including seven sub-categorized products), some of which would be added to the list of restricted exports if they show substantial increases. The U.S. side has expressed strong concern that product shifts may occur within a category.

Net exports of fabricated structurals will be limited to 100,000 net tons annually for five years, of which welded H-beams will be subject to an annual quota of 48,000 net tons.

"The restrictions for some products do not match recent realities of demand," said Yutaka Takeda, president of the Japan Iron & Steel Federation. "And we feel dissatisfied that fabricated structurals have come under control contrary to our expectations." But Takeda, president of Nippon Steel Corp., indicated Japanese manufacturers should cooperate in revitalizing the U.S. steel industry, urging them to prepare quickly for the proposed export restraint.

SDI, New Trade Round Seen among Summit Topics

The United States' strategic defense initiative (SDI)—the so-called "Star Wars" program—and a new round of multilateral negotiations for freer world trade are expected to be high on the agenda at the 11th summit meeting of seven leading industrial democracies to be held in Bonn, West Germany, on May 2-4. Prime Minister Yasuhiro Nakasone will join the heads of state and government of the other six—the United States, Canada, West Germany, Britain, France and Italy—at the annual summit at a time

when Japan faces mounting calls from the rest of the world to play a greater role in the international community commensurate with its role as second largest economic power in the non-communist bloc. The Japanese government is going to meet the calls in a positive manner as a member of the Western World.

Among political issues to be given top priority at the summit will be the SDI, for which the United States is seeking the cooperation of its allies. A Japanese government leader said late in March that it is still uncertain whether Tokyo will decide on its position toward the controversial plan by the time the summit begins. Washington has asked Japan and West European allies for their participation in research projects for the SDI. Jacques Delors, president of the European Community (EC) Commission, said in March that the commission is prepared to cooperate in financing such projects. Prime Minister Nakasone is expected to discuss the issue directly with U.S. President Ronald Reagan at the Bonn summit.

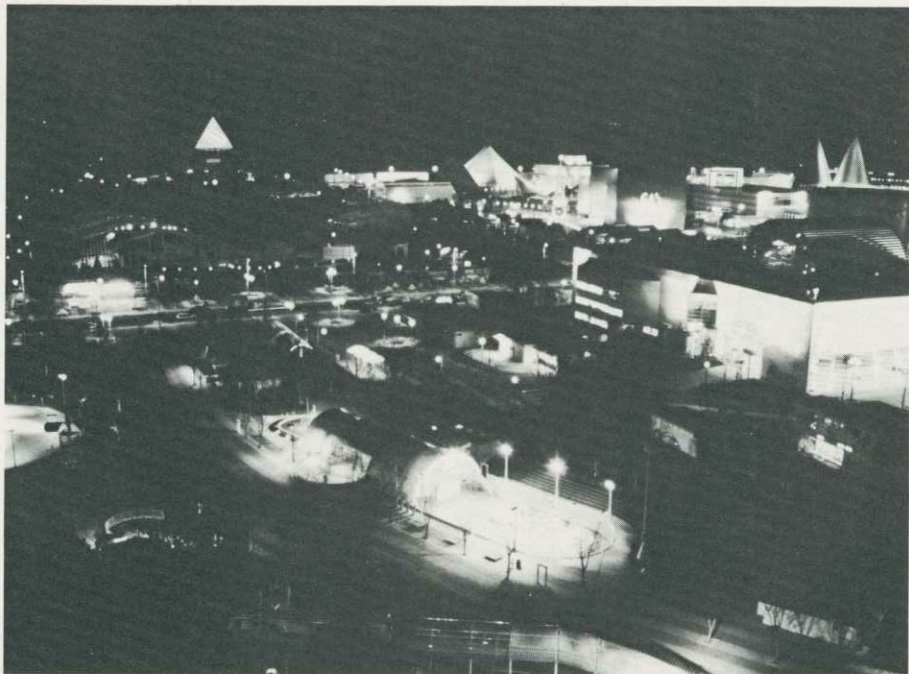
Economic topics likely to come up for discussion include Third World debt, financial relief for famine-stricken African countries and other North-South issues as well as the proposed new round of trade talks. Japan, which had a record annual trade surplus of more than \$40 billion last year, bears the brunt of criticism from its trading partners spearheaded by the United States. In the face of tough U.S. pressures, Prime Minister Nakasone has displayed unusually strong leadership in initiating efforts to resolve problems in four trade areas—telecommunications, electronics, forest products, and medical equipment and drugs.

The Japanese government announced on April 9 a set of measures focused on giving foreign products greater access to the domestic market. In adopting the package, the government also endorsed recommendations by the Advisory Committee on External Economic Affairs. The committee, chaired by former Foreign Minister Saburo Okita, called for mid-term measures to step up internationalization of the Japanese economy. In connection with North-South problems, Japan is requested to open its market wider to products from developing countries and increase economic aid to them. The package contained plans to boost official development assistance (ODA) under a new medium-term program.

TSUKUBA EXPO '85 Opens

TSUKUBA EXPO '85, an international science and technology exposition, opened on March 17 for a 184-day run at Tsukuba, an academic town north of Tokyo, under the theme of "Dwellings & Surroundings—Science & Technology for Man at Home." On the opening day, more than 80,000 visitors from across the country braved chilly rain to enjoy the science jamboree. Eventually, some 20 million people are expected to visit the fair, which has been joined by 47 countries, 37 international organizations and 28 Japanese corporations.

Clusters of pavilions, designed by leading architects, sit on the 100-hectare (250-acre) site, showing their beauty in glittering colors—gold, silver, orange, etc.



TSUKUBA EXPO '85 thronged with a crowd of over 80,000 its opening day.

Once inside them, visitors are led into what might be part of a 21st century community. Robots and other high-technology attractions invite everybody to enjoy the choice of scientific achievements. The fair is open daily between 9 a.m. and 9 p.m., with illumination giving a picturesque view of pavilions in silhouette at night. The admission fee is ¥2,700 (about \$11) for those aged 23 or older, ¥1,400 for 15-22 and ¥700 for 4-14. Performances by noted musicians and various other events are scheduled during the six-month run.

Some pavilions are so popular that visitors must line up for as long as three hours before they can get inside. In contrast with the Osaka Expo '70 that featured "rocks of the moon" and other objects, the science expo tries to show visitors high technology in an enjoyable manner. Many pavilions of Japanese firms, for example, are attracting large crowds by offering high-tech attractions such as sophisticated robot performances or 3-D images projected on large screens by using computer graphics. Among popular foreign pavilions are the U.S.'s featuring artificial intelligence and the Soviet Union's showing off achievements in space technology.

Children's favorite is the Children's Plaza, a science wonderland where they can learn scientific principles while playing. "The Fog Tunnel is a lot of fun," said an excited child. "Real fog comes out!" An elementary schoolboy said after speaking with a guide robot named Tsukuba Taro: "I can hardly believe it. He answers his age correctly."

More than half the 28 private Japanese pavilions involve high-tech and information-oriented firms focused on electronics. This focus reflects today's mounting tide toward the age of high technology for state-of-the-art products of high value added and information, rather than simple mass-produced goods.

Nagoya Import Fair

An import promotion fair was held at the international exhibition ground in Nagoya March 21-April 14 under the sponsorship of Japan External Trade Organization (JETRO).

Conceived by Kotaro Takeda, chairman of the board of the Nagoya Railroad Co. and president of the Nagoya Chamber of Commerce and Industry, "World Import Fair Nagoya '85" was designed to help alleviate trade frictions with foreign countries. It was also meant to vitalize the Chubu district around Nagoya, and accelerate the region's internationalization.

The fair's main pavilion, a 16,000-square-meter dome, provided a forum for foreign companies to exhibit and sell their products and hold business talks with Japanese importers.

Participants included government agencies well as some 405 companies from 44 countries—seven from the Americas, 16 from Europe, 14 from Asia and Oceania (including Hong Kong), and seven from the Middle East and Africa.

Among the many eye-catching exhibits were high-grade ceramics, yachts and surf

boards from the U.S., automobiles and cutting tools from West Germany, 2.4-meter-high stuffed toy giraffes from France and folk crafts and liquors from China and the Soviet Union.

The Nagoya Import Fair Association, organized by the Nagoya Chamber of Commerce and Industry, JETRO and other sponsors, worked hard to make the event a success. It called by direct mail and telephone on trading companies and chambers of commerce and industry throughout Japan to participate in the fair. To attract visitors, it established a bazaar corner to sell 20,000 foreign products suitable for household consumption, from beef, fruits, and furniture to accessories and liquors. The Event Pavilion saw performances by famous foreign entertainment groups such as a traditional martial arts group from China's Jiangsu Province and the Glenn Miller band from the U.S.

Prior to the import fair, a "Made in U.S.A. Fair" was held at the same site March 11-14 with JETRO serving as main sponsor.

A total of 248 companies from 38 states participated in the fair, exhibiting biotechnology equipment, precision instruments and other high technology products as well as sports goods and foodstuffs.

JETRO extended full assistance to the American participants, most of which were smaller enterprises unfamiliar with the Japanese market. It arranged 1,200 business talks with Japanese importers and offered expertise and guidance to participants on how to penetrate the Japanese market.



World Import Fair Nagoya '85 opened March 21 for a 25-day run.