

# Publisher's Note

## A Matter of Good Communication

By Naohiro Amaya

Throughout history, conquest and occupation have been the most common means of spreading "civilization" and expanding cultural spheres of influence. Yet in Japan, most of the cultural borrowing that has taken place has been done not under duress but on a purely Japanese initiative. Indeed, in all of the thousands of years of its history, the only time Japan has been occupied by another power was the immediate postwar years under MacArthur.

Far from being xenophobic, the Japanese are extremely curious about other cultures. With very few biases or prejudices, they are quick to adopt the best of foreign thinking and social mores. A look at present-day Japanese lifestyles will show how very receptive Japan has been to these influences. Chinese culture and products were being brought into Japan more than 2,000 years ago by adventurous Japanese who traveled to the mainland and "shopped" for exotic items, ideas and arts. This

pattern has been typical of Japan's relations with foreign cultures ever since.

In Europe and the United States, it is commonly assumed that the Japanese are a highly nationalistic race with an antipathy toward all things foreign. Nothing could be further from the truth. It is economic considerations alone that determine whether or not the Japanese buy a given foreign product, and national pride plays virtually no part in the decision.

Two millennia ago there was a near flood of foreign products and ideologies into Japan, but this influx slowed to a trickle in the eighth century and very few foreigners entered the country after that. For many centuries, there were no foreigners in Japan to speak of. Not having been invaded or oppressed, the Japanese feel little enmity or hatred toward foreigners. Yet at the same time, this same relative isolation has given rise to a deeply rooted conviction that Japanese are "insiders" and foreigners "outsiders."

Communication is easy among insiders but considerably more difficult between insider and outsider. Insulated for centuries, the Japanese are little practiced and less skilled at communication with people outside their own

sphere of reference. As a result, the average Japanese tends to avoid foreigners or, if contact is unavoidable, to try to keep the dealings on as superficial a level as possible.

This is a fact of life in Japan that foreign corporations would do well to keep in mind. There is no discrimination against foreign products per se, but a company still has to sell its products and itself in terms of price, quality and service. It has to communicate its worth in terms that Japanese consumers will understand.

Likewise, this problem of insider-outsider communication is one of the major hurdles the foreign corporation in Japan must overcome if it wishes to hire capable Japanese employees and to create a corporate climate in which they can work comfortably. The same communication problem must also be surmounted in dealings with Japanese business associates, be they suppliers or customers.

"When in Rome, do as the Romans do" goes the ancient saying. When in Japan, you must learn to communicate as the Japanese do. If the intricacies of Japanese communication can be mastered, even the wholly-owned foreign corporation can become an insider in Japan.

## Letters

### Required Reading

As is always the case, I have read the recent *Journal of Japanese Trade & Industry* with great interest.

The May/June issue contains many interesting articles, among which I found the ones about databases and biotechnology especially informative. An economist would no doubt be equally pleased by the ones about corporate finance and currency. The interspersed cultural features serve as refreshing intermissions between the rather high-level editorial contents.

The *Journal* should be required reading for anyone who wants to know recent developments in Japanese trade and industry.

Steen Baaring  
Counselor  
Industrial and Scientific Affairs  
Royal Danish Embassy  
Tokyo

### Social Cohesion

After a period of rapid growth, Japan is today one of the most important industrial societies in the world. Yet its trade imbalance draws reactions from the countries being supplied and Japan has to develop great flexibility to cope with the resulting problems. Opening the Japanese market, intensifying cooperation with other countries, and looking for new markets are among the solutions mentioned. Even the dialogue with the developing countries can be a solution benefiting both sides.

As Japan's industrial society evolves, the country can learn a lot from the situations in other countries that have had similar prob-

lems. Likewise, other countries can learn from the Japanese experience. Thus the special feature on the outlook for Japanese industrial society in the 21st century (July/August issue) was especially informative.

The Japanese people and the way the society is structured are among the most important factors making Japan as strong as it is today. During my recent visit to Japan, I was very impressed with what I saw at Japanese companies. Everywhere I went, I saw high morale and identification with the company and its targets. Being able to maintain this cooperation between management and workers and this spirit of corporate unity will contribute importantly to Japan's continuing economic success.

Ralf Mock  
Linde AG  
Wiesbaden  
West Germany

### Add Analysis, Please

The May/June issue of *Journal of Japanese Trade & Industry* is overall an excellent magazine. The series of articles on corporate finance provides a lot of useful information about the dramatic changes in that industry. The report by the Industrial Structure Council about the outlook for the 21st century is useful as an insight into Japanese long-term macro planning. Also, the interview with the president of Nihon DEC and the article about women in the workplace should be of interest to the majority of English-speaking readers with business in Japan.

The one weak spot in the magazine is its lack of critical analysis. There should be commentaries on the Industrial Structure Council

report or the finance articles. Questions such as "Is this a good industrial policy?" or "What are the long-term implications of bank deregulation for the Japanese economy?" need to be discussed.

Jon Goldman  
Undergraduate  
Harvard University

### Whither Offshore Banking?

I have only recently had the opportunity to read "Freedom in Japanese Financial Markets" in the May/June 1986 issue. From an historical perspective, it was an informative review of the liberalization and evolution of the Japanese financial market, but it only briefly referred to the expected establishment of an offshore banking center.

With the advent of an offshore banking market later this year, I hope the *Journal* will carry an article on the impact and effects of the further internationalization of the Tokyo offshore money market on Japanese financial institutions, including the regional banks. Will the offshore banking center be patterned after New York, which Japanese bankers have been examining ever since IBFs (international banking facilities) were first established here?

Lillian E. Jasko  
Senior Vice President  
and Corporate Secretary  
Allied Bank International  
New York

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including 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.



# TOPICS

## Economic Package to Shore Up Business

A package of measures designed to shore up the sagging economy and meet foreign pressures for increased domestic demand was adopted at an economic ministers' meeting on September 19.

The package earmarks ¥3,636 billion (about \$23.5 billion at the rate of ¥155/\$) for investment in public works and housing construction and equipment investment by electric power and gas companies. It is the largest business-stimulus program ever adopted in Japan, and is meant to counter the effects of the yen's precipitous appreciation over the past year. According to Tetsuo Kondo, director general of the Economic Planning Agency, the package will generate, directly or indirectly, ¥4,900 billion in demand over the next year. This corresponds to 1.5% of forecast nominal GNP for fiscal 1986.

Commenting on the package, Prime Minister Yasuhiro Nakasone said it "will have considerable effect when implemented in its entirety." He said the government "will steadily march forward" toward achieving its economic growth target of 4%.

Highlights of the stimulus program are: (1) expansion of public investment; (2) promotion of housing construction and private equipment investment; (3) utilization of private-sector vitality; (4) assistance to small business; (5) measures to stem unemployment; (6) encouraging oil importers to pass windfall exchange profits on to consumers by lowering oil product prices; (7) adoption of flexible monetary policy; and (8) expanding Japan's contributions to the world economy through continued flow of funds to developing countries.

The package features an extra ¥3 tril-

Prime Minister Yasuhiro Nakasone addresses the first meeting of the Government-Ruling Party Joint Headquarters for the Promotion of Economic Structural Adjustment.



Photo: Kyodo News Service

lion (about \$19.4 billion) in public works spending, including ¥1.4 trillion in national budget-financed public works projects, ¥100 billion in fiscal investment and loan programs for road construction, ¥800 billion in local projects, particularly improvement of sewerage facilities and ¥700 billion in public housing projects.

Under the package the government will urge the electric power and gas companies to invest ¥110 billion in facilities and equipment within the current fiscal year and to advance ¥200 billion worth of orders to the current fiscal year from future years. The government will also ask Kokusai Denshin Denwa Kaisha (KDD) and other telecommunications companies to spend ¥400 billion in additional investment.

The Government-Ruling Party Joint Headquarters for the Promotion of Economic Structural Adjustment, chaired by Prime Minister Nakasone, held its first meeting the same day. Established in accordance with recommendations of the so-called Maekawa Report by a commission led by former Bank of Japan Governor Haruo Maekawa on ways to re-adjust Japan's economic structure, the headquarters is expected to adopt and enforce concrete measures for promoting the international division of labor and other economic changes. At the first meeting it was decided to work out schedules for implementing new measures by October this year.

## Defense Budget Demand Up 6.3%

Initial budgetary demands submitted by government ministries and agencies to the Finance Ministry for fiscal 1987 totaled ¥57.7 trillion (about \$372 billion at the rate of ¥155/\$), up 6.7% over fiscal 1986.

While demands for increases in general expenditures directly connected with national life were held to 0.5% in deference to the government's negative budget growth goal in effect for the past five years, demand for national bond outlays—the cost of paying interest on national bonds—increased by a steep 24.9% to ¥14 trillion, virtually ensuring that the nation's deficit-saddled finances will continue to deteriorate.

Under the Japanese budget compilation system, ministries and agencies are required to submit their rough budget demands by the end of August. Usually these demands are axed by the Finance Ministry before being woven into a Finance Ministry draft, the basis for

the final government draft submitted to the Diet. The initial ministerial demands are being screened by the Finance Ministry, and ministry sources said the total budget will eventually be trimmed to ¥55 trillion in the government draft to be compiled toward year-end for Cabinet approval.

The Economic Planning Agency (EPA) monthly economic report published August 26 declared that the Japanese economy is in recession, with exports slumping due to the yen's appreciation and signs of stagnation in equipment investment. This climate, combined with mounting voices at home and abroad for increased domestic demand, is expected to pressure the government to spend more on public works.

On the other hand, it appears likely that tax revenues will decrease due to tax system reforms and tax reductions designed to help businesses cope with the recession. Indications are the government will be compelled to reconsider its avowed policy of terminating issuance of new deficit-financing bonds by 1990.

Some of the highlights of this year's budget demands are:

The share of national bond financing, the biggest single budget item, in the general account increased from 20.2% in the 1986 budget to 24.4%, nearly a quarter of the total amount demanded.

Growth in social security expenditures, another major outlay, was kept to a minimum as in the previous year, although it still tops ¥10 trillion. Demands for defense spending and ODA (official development assistance) were up 6.3% and 7.5%, respectively.

Despite five years of "zero ceiling" budgets, efforts are being made to increase public works appropriations, including money for housing construction, through use of the government's fiscal loans and investment program. Fiscal funds were also requested for helping finance the Trans-Ise Bay Road and other projects to be launched at the initiative of the private sector.

The Defense Agency's demand totaled ¥3,554.1 billion—the maximum permissible for such a budget demand in view of the current financial deficit. While continuing to emphasize ground, sea and air frontline equipment, the agency further demanded an appropriation for a survey on the construction of OTH (over the horizon) radars.

How to raise ¥2.7 trillion in funds needed for the division and privatization of the deficit-ridden Japanese National Railways (JNR) next spring is another key issue in this year's budget race.



## Job Recruitment Season Upset

Much to the annoyance of students, companies and university employment offices, this year's job-hunting situation was confusing in many ways. A number of factors combined to complicate the employment picture. The Equal Employment Opportunity Law is now in effect, and employers are no longer allowed to exclude female graduates from recruitment drives. The yen's precipitous appreciation has buffeted export-related and other industries, rendering their future rather bleak. But the biggest change was the "embargo" on student job-hunting was lifted on August 20, six weeks earlier than the October 1 date on which graduates-to-be usually begin seeking jobs in earnest.

The decision to move up the date was a part of a gentlemen's employment activity agreement reached between universities and companies. While this allowed an earlier start for job-hunting, the accord also called on students and companies to refrain from informally contacting each other before August 20.

For the past 10 years, companies had made informal contact with "target students" through campus and university club activities before the official recruitment season started. Employers sometimes had their staff sound out target students in their old alma maters. Students themselves benefited from such pre-embargo contacts because they were able to narrow down the number of companies to which they wanted to apply.

This year, the decision on the date for lifting the embargo came toward the end of the summer holiday season, leaving little time for employers and students to prepare. At popular universities, as in the past, more than half of job-seeking stu-

dents had been informally assured of employment by more than one company within two weeks after the job-hunting season formally began. What made a big difference this year is that the students had to wait for two months instead of one month to receive formal job offers because the date on which employers can serve formal notice of employment is still November 1.

Student preferences are gradually changing in terms of the companies they would like to work in. According to one survey by a private research institute, the most popular company among non-science faculty students was the privatized Nippon Telegraph and Telephone Corp. (NTT), reflecting interest in the current information age. Science faculty students preferred the NEC Corp., as their interest focuses on communications and computer-related companies. The exception was Honda Motor, which was ranked 10th on the list of most popular companies.

Non-science students also favored those trading companies which are advancing into information services. However, most banks and other financial institutions were low on the list. The survey showed that young job-seekers are afraid of becoming victims of competition and workaholicism if they accept employment in finance and banking.

## Japan Decides to Join SDI Research

The Japanese government has formally decided to participate in the research phase of the U.S. Strategic Defense Initiative (SDI).

A statement issued by Chief Cabinet Secretary Masaharu Gotoda following a Cabinet decision on September 9 said the government would enter into negotiations with the United States on an overall framework for smooth Japanese participation in SDI research.

As envisaged, the framework will include the establishment of channels of information on tenders and pertinent tips from the U.S., protection of technological information from leaks and industrial rights to technological discoveries.

Japan was first invited to participate in SDI research in March 1985 in a letter from U.S. Defense Secretary Caspar Weinberger to then Foreign Minister Shintaro Abe.

The Japanese government, however, has been cautious about giving its consent in the face of strong objections from opposition political parties, particularly the Socialist and Communist parties, and

sharp criticism from the Soviet Union.

The government statement said that SDI as explained by the U.S. government is a highly sophisticated non-nuclear defense system ultimately leading to the total abolition of nuclear weapons. It said participation in SDI research would not prejudice Japan's position as a peace-loving nation. It also pointed out that the research would bolster the deterrent capability of the Western powers as a whole and at the same time contribute to advancing Japan's technology.

The government also feels that participation would not violate a 1969 parliamentary resolution on the peaceful use of space since SDI is a U.S.-led project and a non-nuclear defensive system. The government is not expected to propose new legislation on the protection of classified information on military technology specifically for SDI. This will be left to existing laws governing Japan-U.S. defense agreements.

The main Japanese participants in SDI research will be private companies. Governmental research institutes may also participate, but the government is not expected to make budget allocations for that purpose. Officials said the government will urge the U.S. during coming negotiations to allow Japanese participants to use the results of SDI research themselves as much as possible.

A government-private industry joint mission visited the U.S. last April to study SDI, including officials of 21 companies. The businessmen praised SDI research as an outstanding high technology project.

However, they expressed concern that the results of the research might be placed under U.S. control, blocking their plan to use research results themselves. In the worst case, some companies fear that participation in SDI would mean unilaterally providing their technological know-how to the Americans. Companies boasting sophisticated technologies for infrared charge-coupled devices, gallium arsenide, millimeter wave and other electronic equipment such as semiconductors in which the Americans are interested are particularly alarmed.

Government officials admit that Washington has some authority to place research results under its own control, as it is providing most of the funding.

A number of Japanese companies began shying away from SDI research when the recently concluded SDI research agreement between the U.S. and West Germany proved to put technologies developed under the SDI project totally under U.S. control.

Graduates-to-be on a job-hunting tour at NTT, this year's number-one choice among non-science faculty students



Photo: Kyodo News Service