

Meeting the Needs Of the Inner Man

By Naohiro Amaya

From even before the beginnings of recorded history, mankind has been beset by the dual hardships of inhospitable weather and insufficient food. Survival, if nothing else, has mandated that the primary needs of food, clothing and shelter must be met. Closely related to this has been the need for protection against natural disasters, disease and aggression. These are basically animal needs—universal among all species and transcending both historical and geographical considerations.

What distinguishes man from the lesser beasts is his tireless pursuit of comfort and convenience. These secondary needs are uniquely human desires, and it is mankind's genius to have developed technology in pursuit of both primary and secondary needs. As such, technological progress has enabled man to satisfy his primary and secondary needs more effectively—which in the human context means more conveniently, more comfortably and more safely.

The embodiment of technology, industry has long found its *raison d'être* in creating new technologies to make it easier for man to pursue basic human needs. This has been especially true in post-war Japan. With the country exhausted and impoverished, Japanese industry's role was self-evident—to get Japan back on its feet. There was a clear consensus within Japan on what to do and how to do it, and this solidarity worked to Japan's advantage as management and labor seized the opportunity to cooperate in the single-minded pursuit of progress.

Happily, America provided the perfect role model for this process of technological innovation aimed at satisfying human needs, and progress has been rapid. Yet while this industrial perseverance has paid off and Japan's primary and secondary needs have now been satisfied, by and large, a new problem has arisen as a direct result of Japan's success in satisfying these basic needs: Japanese industry no longer has any clearly de-

finied and broadly recognized goals, or any role model to emulate for success.

As the Japanese people have become more affluent and no longer need to struggle to satisfy their primary and secondary needs—as the structure of Japanese needs has become more diverse—industry has naturally tended to move its operations offshore to countries where the people's needs are still more uniform.

This is not a viable long-term option for avoiding diversity, however. Not only does it relegate industry to meeting only the basic needs—providing fulfillment that I hope will some day be taken for granted worldwide—but it invariably runs up against cultural diversity. The transfer of capital, equipment and technology is easy. What is not so easy is the transfer of managerial know-how, software and other intangibles. Both the corporation setting up overseas and the host country have their own distinctive cultures, and these cultures must be reconciled. Even though culture is a human invention, by its very nature it shapes its subjects.

Thus Japanese industry is face-to-face with the inescapable need to contemplate the varieties of man and the individualities of culture. Industry has no choice but to devote as much attention to the study of man and culture as it does to research in electronics and biotechnology.

Once his primary and secondary needs have been sufficiently met, man will naturally turn to the pursuit of such values as truth, virtue and beauty—what might be called the tertiary needs. Of these tertiary needs, the most approachable and doable is beauty—even though the concept of beauty is not as easily defined as say, television quality or automotive performance, and creating objects of beauty may well prove more expensive than the production of more readily definable goods. Yet the technology for creating objects of beauty is conspicuously lagging.

The goals and technology necessary for satisfying man's tertiary needs are radically different from those that were developed to satisfy the primary and secondary needs. Yet they are no less important, and now is the time for industry to reorient its thinking and to look for ways to accommodate the new order.

Charming Essay

My first reaction on seeing your magazine was that it is much more "slick" than I had expected. I had somehow got the idea that your magazine was (excuse me for saying this) a rather more "stuffy" publication, like *Foreign Affairs* or some serious economic journal. Instead, I was surprised and pleased to discover that it is an attractive, easy-to-read magazine, written about serious topics.

I am interested in articles about the business and economic side of Japan. However, I am a psychologist, and always my interest is strongest in people's behavior and motivation. Thus, in the July/August issue I was most interested in Mr. Iwaki's essay, giving his thoughts about cultural differences and similarities between Japan and various other places in the world. His comments are charmingly written, and gave me much food for thought.

Stephanie S. Tomiyasu, Ph. D.
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Deceiving Image

Your cover story, "The Four Dragons" (July/August 1988), on the economic emergence of Japan's neighboring NIEs and the accompanying story on their cheap exports which, in combination with the trade pressures from America and Europe, have signaled a quiet revolution in Japan's economic infrastructure, reinforced my view that Japan remains one of the world's most dynamic and resilient societies and economies.

On the surface Japan often appears to be a dragging, conservative society. Yet under this deceptive facade it is really one of the most resilient countries, able to react quickly and wisely to meet almost any unexpected challenges. Where other countries' industries and companies have gone bankrupt, with consequent unemployment and social disorder, when challenged by lower-priced or superior foreign products, the Japanese almost effortlessly shifted pro-

duction and personnel toward other, more profitable directions.

Part of the reason for this success lies in the Confucian influence that guides the work ethic, team work and strong sense of reality that guides this society. Thus we see today how shipyards and steel manufacturers are running computer software, publishing and language enterprises and how auto manufacturers have begun importing the cars they are producing overseas when just a few years ago they were flooding the world with their exports.

Such remarkable adaptability, which has neither disrupted the economy nor caused any appreciative rise in unemployment, makes Japan a model to other nations which have yet to learn how to cope in this age of discontinuity. What is even more admirable is that Japan's resourcefulness in diversification enables its less economically developed neighbors to "take off" and move into more sophisticated and profitable industries with the effect, as you stated, of helping the NIEs help the world economy.

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COMING UP

The January/February issue of the *Journal* will feature a special report on the Japanese economy in 1989.

Economists Yutaka Kosai and Kazuaki Harada will give their outlook for the coming year while experts at the Industrial Bank of Japan will provide forecasts of the business performance of key industries.

In addition, Shun'ichi Suzuki, governor of Tokyo, will talk about the future of the metropolis.

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.

FY1989 Budget Requests Top Guidelines by ¥6 Tril.

Budget requests from government ministries for fiscal 1989 total ¥64.09 trillion, up 13.0% from the original fiscal 1988 budget. It is the second straight year that budget requests have shown a double-digit increase, signaling the start of long and hard negotiations to bring them back into line with the spending guidelines set by the Ministry of Finance.

Of total general-account budget requests for the new fiscal year beginning April 1, 1989, general expenditures—the total sum minus debt-servicing costs and subsidies to local government—account for ¥33.89 trillion, up 2.8% from the fiscal 1988 level.

But debt-servicing expenses—redemptions and interest payments—have ballooned to a record ¥16.22 trillion, up 40.9% from the fiscal 1988 initial budget, reflecting large government bond offerings. The Ministry of Finance intends to hold down the flotation of new deficit-covering bonds in fiscal 1989 in a bid to end such issues completely by fiscal 1990.

The budget requests, reported to a meeting of the Cabinet on September 9, nominally followed Ministry of Finance guidelines aimed at sustaining the expansion of the domestic economy and reconstructing the government's finances. A senior ministry official said the greatest task in compiling the final budget for the coming fiscal year will be finding ways to meet the target date for terminating deficit-covering bond offerings. Overshadowing the budget process this year is uncertainty over the outcome of debates in the Diet (parliament) on sweeping tax reforms that would introduce a broad-based consumption tax.

The ministry plans to slash some ¥6 trillion from the general-account budget requests to reduce them to around the ¥58 trillion mark. Ministry guidelines for the budget requests call for a 10% cut in current-account expenses for the sixth year in a row, and allow no change in investment accounts. The few exceptions include defense spending and official development assistance (ODA). As a result, the defense budget request was up 6.1%

from fiscal 1988 and that for ODA up 10.4%. Spending requests for the welfare program were also 4.5% higher than in the fiscal 1988 initial budget.

In addition, a sum of ¥1.3 trillion is to be set aside for public works spending to help boost domestic demand, with the funds coming from proceeds of the annual sale of government-held shares in Nippon Telegraph & Telephone Corp.

Outstanding government bonds should total some ¥158 trillion at the end of fiscal 1988, costing the treasury ¥11.24 trillion in interest payments in the next fiscal year. Total debt-servicing costs of ¥16.22 trillion account for 25.3% of the fiscal 1989 general-account budget as envisaged by the ministry. During the year the ministry plans to issue ¥5.69 trillion in new construction bonds for financing public works, and ¥1.57 trillion in bonds to cover day-to-day government business.

Visit to China Pleases Premier

Prime Minister Noboru Takeshita was in high spirits as he viewed the full moon from the back of a camel in the suburbs of the ancient Chinese city of Dunhuang, once an important caravan stop on the Silk Road, on August 28. "I was so moved by the divine beauty of the moon," he later told accompanying reporters, "that I nearly prayed."

Takeshita's mood probably reflected more than the moon. Behind it lay his satisfaction with his talks with top Chinese leaders in Beijing over the preceding three days.

Takeshita's August 25-30 visit to China, his first as prime minister, coincided with the 10th anniversary of the signing of the Japan-China peace and friendship treaty.

During his first three days in the country, Takeshita conferred with President Yang Shangkun, senior leader Deng Xiaoping, Communist Party General Secretary Zhao Ziyang and Premier Li Peng. His official functions over, he went on to visit the cities of Dunhuang and Xi'an for a glimpse of ancient Chinese

culture. He was the first foreign leader in recent history to visit Dunhuang.

Japanese officials claim Takeshita's visit opened a "new era" in Sino-Japanese relations and succeeded in solidifying bilateral friendly ties. If so, it was a welcome turn of events. For several years, relations between the Asian neighbors have been marred by political disputes.

Through his talks, Takeshita apparently succeeded in mending the political rifts with offers of economic and cultural cooperation, and established a close personal rapport with the four top Chinese leaders. The talks, running to seven hours in all, concentrated on economic issues, and particularly Japan's cooperation with China's modernization policy.

In his talks with Premier Li, Takeshita offered a new ¥810 billion loan package, the third of its kind, to run from 1990-95. He also promised extensive gratis financial cooperation for environmental

projects in commemoration of the 10th anniversary of the peace and friendship treaty. The new loan package is nearly double the ¥470 billion second loan package for 1984-1989, and will cover 42 projects, also nearly twice as many as the previous package.

The past two packages were designed to bolster China's industrial infrastructure with railway and harbor projects. The new package, however, will also cover numerous regional and agricultural projects, including six chemical fertilizer plants which the Chinese are especially keen about. Takeshita told Deng that the new package represents not only economic assistance but international cooperation meaningful to Japan as well.

The two sides agreed to establish a bilateral technological exchange conference, proposed by Takeshita, to discuss ways to promote private investment and technology transfers. He also agreed to

encourage more active Japanese private-sector participation in China's coastal economic development projects, a long-standing Chinese request.

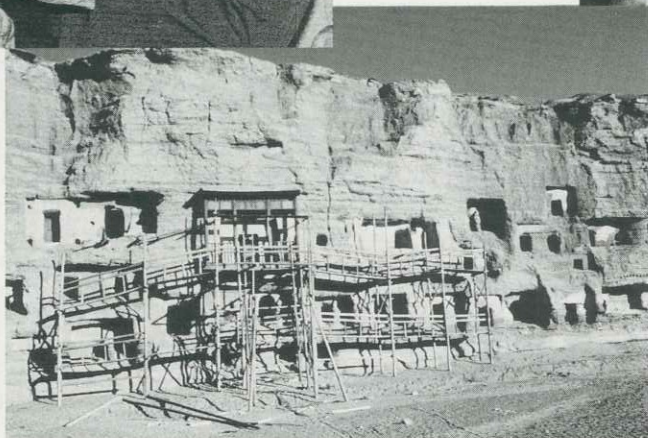
A landmark investment protection agreement signed during Takeshita's visit includes "national treatment" provisions affording Japanese and Chinese companies the same treatment in each other's country as enjoyed by domestic companies. It marked the first time China has agreed to "national treatment" provisions, and came after seven years of difficult negotiations over the contested point. The agreement also calls for the establishment of a joint governmental committee to discuss investment issues.

As part of expanded cultural exchanges between the two countries, Takeshita also pledged to aid the preservation of a collection of Buddhist art treasures in Dunhuang, the largest such collection in China.

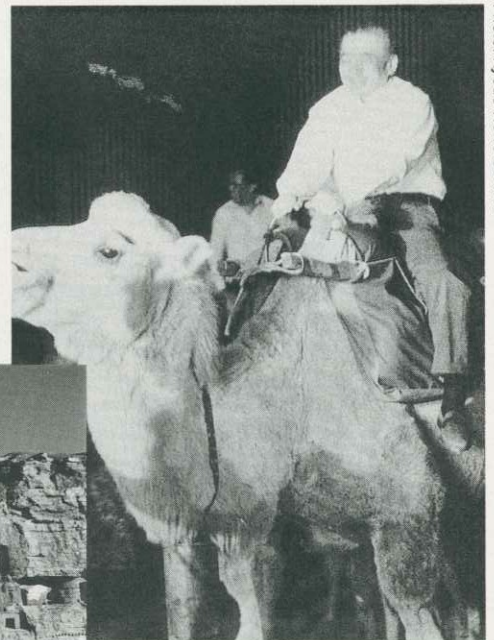


Prime Minister Takeshita (L) meets China's senior leader Deng Xiaoping.

Photo: Kyodo News Service



Famous caves near the ancient city of Dunhuang



Prime Minister Takeshita takes a camel ride on the Silk Road.

Photo: Kyodo News Service