

A Stepping Stone

By Naohiro Amaya

Half a century ago, it took nearly two months to sail from Yokohama to Marseilles. Today, it is 12 hours to fly from Tokyo to Paris. And there is talk that this may be reduced to a mere two hours in the 21st century. Communications technology has grown even faster, and it is today possible to communicate with people worldwide and hold real-time global conversations from the comfort of your home.

As a result of all of this progress, there has been a tremendous flow of goods, services, capital, information and people crossing and obliterating national borders. For convenience's sake, these may be lumped together as movables. When these movables cross a border, they are subjected to customs, immigration, quarantine and other checks, as well as to differences of language, currency, mores and rules. All of these things make their movement less convenient and less efficient. As such, movables would clearly benefit from a universally shared language, currency, mores and rules.

Were human society governed by the imperatives of movables alone, states would be disbanded and the world would realize the ancient dream of a single community of mankind. Yet there are also a number of formidable immovables having their own preferences and their own logic. Travelers move from place to place, but local residents tend to be less mobile.

It is rare that an entire society picks up and moves to another country. And as a result, local governments elected by local residents tend to appeal more to the immovable mentality. They tend to be defenders of tradition and apostles of the status quo. This is the politician's natural state.

While there is thus sharp divergence of interests between the movables and the immovables, it is imperative that there be some synthesis between the two if history is to go forward.

Regional unification—as seen in the union of England, Scotland and Wales to

form Great Britain—is one form of synthesis. Nineteenth-century Prussia is another example of synthesis, as are the Benelux customs union and the European Coal and Steel Community.

All of these syntheses were somewhat schizophrenic in nature, having both movable and immovable hearts. The same might be said of the EC. The movables want all national restrictions to be abolished, while the immovables fiercely resist.

The EC policy of dismantling national regulations within the EC may be said to have been born of compromise between these conflicting urges. In effect, this represents an effort to maintain national restrictions while redefining the nation to include all of the EC. And as a natural result of this compromise, while most of the barriers within the EC will be dismantled, the barriers between the EC and its external partners will remain largely in place.

At present, there is sharp debate between the EC and its partners—as well as within the EC itself—over how high these barriers should be. And as a corollary to this debate, there is heated discussion over the extent to which the new freedom within the EC should be extended to non-EC partners.

It is most unlikely that either side will prevail completely. The question is where the compromise will be drawn, and this decision will be heavily influenced by economic conditions. If the EC economy is full of competitive vigor, it is unlikely that the immovables' arguments for protectionism will win many adherents. Yet if the EC and world economies appear headed for recession between now and 1992, it is highly likely that the EC may find it impossible to resist the lure of Fortress Europe—which would in turn raise the specter of a Fortress America as well.

Happily, I tend to be an optimist about the world's economic future. The regional groupings that have arisen during the current expansion have been manifested primarily in increasing division of labor, higher productivity, greater economic vigor and heightened interdependence. If Project 1992 and the U.S.-Canada Free Trade Agreement can revitalize these regional economies, this will bode well for

the world economy and stimulate new progress in the Uruguay Round of multi-lateral trade negotiations.

Nevertheless, it will be impossible for the EC Commission or the EC member countries to completely ignore the immovables in their midst. It is inevitable that the compromise include some protectionist features. It would be wrong for the EC's trading partners to be too upset about protectionist adjustments. The most we can hope for is that these will not be too blatant or inflexible—that they will not ride roughshod over the vital interests of movables both within the EC and in its trading partners.

The history of mankind has been one of gradually expanding the definition of commonality and community, all the while striking a delicate balance between the demands of the movables and the anxieties of the immovables. From self to family, to neighborhood and to state, this has been a slow and uncertain ascent toward the dream of world government. Yet even when world government is achieved, there will still be a dichotomy between the movables' wider horizons and the immovables' longing for particularistic cultural identification. Both of these spirits must be respected.

Thus it is that, even as I recognize the contradictions entailed, I hope the EC's unification will be a stepping stone on the way to the creation of a universal culture for all mankind.

COMING UP

Japan's research and development efforts in high technology will be taken up in the Cover Story item of the May/June issue of the *Journal*.

Besides an overall review written by Fumio Kodama, a professor at Saitama University, there will be reports on the latest developments in superconductivity, biotechnology, information-related technology and other fields.

There will also be an interview with Ken Moroi, chairman of Chichibu Cement Co., a leading proponent of innovations in Japanese business management and the education system.

Role of Pets

In the September/October 1988 issue, Morio Murakami wrote of the increasing number of Japanese households that keep pets. Yes, they keep pets, but they do not keep pets as Americans do. It appears to be the same—but the relation between owner and pet seems quite different in the two countries, the function is different. Except for watchdogs, which are trained to be wary of strangers, American pets are encouraged to be friendly with everyone. Should a pet not be friendly with persons outside of its owner's immediate family, the owners will consider that a problem. They may try various types of training, or "therapy," to increase the pet's friendliness.

Pets in the U.S. are a part of people's social life. If a lonely person wants to make new acquaintances, often the advice is to get a pet and take the animal for walks, because strangers will stop to play with the animal, and their friendliness to the animal is often followed by friendliness to its owner.

Here in Japan, I have never seen anyone approach and contact an animal that is with an owner that the person does not know.

I suggest that the pet industry consider selling videotaped courses on pet care, or setting up obedience schools where owners can take lessons in the proper handling of animals. There are too many cute toys for cats, and not enough caring owners; too many cute clothes for dogs, and not enough understanding of how to integrate a dog into human society; too many expensive pet hotels, and not enough consideration of pets' feelings.

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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.

Best-Sellers Reflect Mature Consumer Age

Nissan Motor's luxury car "Cima," Sharp's "electronic notebook," Enix's "Dragon Quest III" computer game software and Otsuka Pharmaceutical's "Fibe-Mini" health drink ... What do these disparate products have in common?

According to Mitsubishi Research Institute's 1988 ranking of hit products, all were among the best-selling products of the past year. The Nissan Cima, costing more than ¥5 million (\$40,000 at the rate of ¥125/\$), sold so well that production could hardly keep up with demand, while the Dragon Quest III computer game enjoyed feverish popularity among the young. These trends, concludes the institute, symbolize an age of full maturity in consumer spending.

The institute surveyed some 2,000 leading domestic makers of foodstuffs, fashion apparel, housing, automobiles and other consumer products, asking each to cite the biggest hit product among the new consumer products it marketed after August 1987. It then calculated total sales of each product by multiplying the retail price by sales volume, using the data to compile a rank keyed to average monthly sales.

Kirin Brewery's "Kirin Draft Beer Dry" came first in the list with average monthly sales of ¥27.23 billion (\$217.8 million). It was followed by the Cima, averaging ¥15 billion (\$120 million) a month, Sharp Corporation's multifunctional electronic notebook at ¥4.35 billion (\$34.8 million) and Toshiba Corporation's 28-inch television set at ¥3.18 billion (\$25.4 million). Fujitsu's word processor "Oasys 30AF III" was fifth at ¥2.2 billion (\$17.6 million), while sixth was Dragon Quest III at ¥2 billion (\$16 million), seventh Fibe-Mini, eighth Sanyo Co.'s Japanese-language word processor "SWP-340" at ¥1.5 billion (\$12 million), ninth NEC Home Electronics' "PC Engine" home game machine at ¥1.21 billion (\$9.68 million) and 10th Hitachi Ltd.'s "Mastacs Movie VM-C52" at ¥1.1 billion (\$8.8 million).

Kirin Draft Beer Dry headed the list by a wide margin. Yet it still could not beat "Asahi Super Dry" beer, marketed before July 1987 and thus excluded from the list, which recorded annual sales of ¥400 billion (\$32 billion).

In 1989, the Mitsubishi Research Institute expects office automation equipment to be used more in the home, pushing up the ranking of information-oriented products in the best-seller list.



In the future office automation equipment is expected to be used more in the home.

Entertaining Costs Companies ¥4 Tril.

The amount of money spent by Japanese companies on entertaining business clients and in sending traditional mid-summer and year-end gifts reached a record high in 1987, topping the ¥4 trillion mark for the first time. According to a survey of Japanese corporations by the National Tax Administration Agency, spending during the year surged ¥240 billion over 1986 as companies benefited from the buoyancy of the economy.

According to the tax agency, corporate donations to various organizations totaled ¥355.9 billion (\$2.85 billion at the rate of ¥125/\$) in 1987. Reflecting the boom in stock and land prices, donations by financial institutions, insurance companies and construction firms soared. Donations for the year greatly exceeded even those of 1986, when political donations to finance parliamentary elections reached an all-time high.

Another agency survey of some 20% of the 25,000 large enterprises capitalized at more than ¥100 million found that such

firms were unable to account for a record ¥57 billion in expenses during the year to June 1988.

Some commentators said the results laid Japanese business open to suspicion of engaging in questionable practices of the kind alleged in a major scandal that surfaced last summer involving the information conglomerate Recruit Co. The company sold unlisted shares in its subsidiary Recruit Cosmos to politicians and government officials, enabling them to make large profits when the shares were publicly quoted.

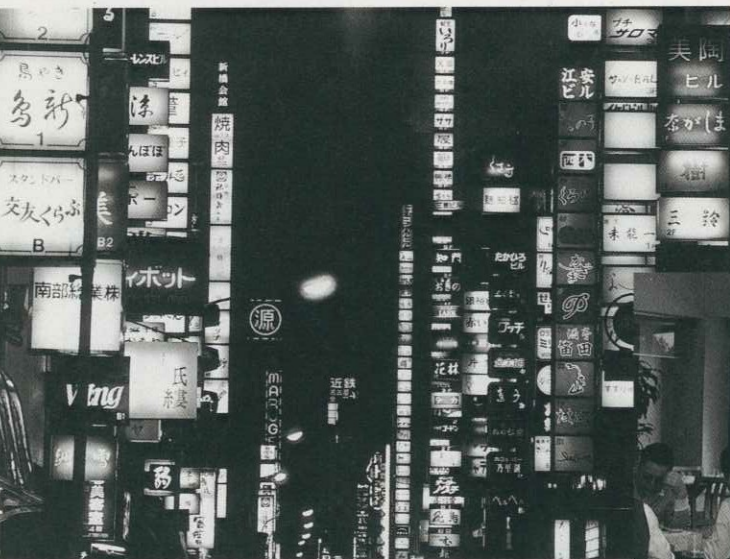
Calculations by the National Tax Administration Agency based on corporate financial statements over the one-year period from February 1987 through January 1988 reveal that the combined entertainment expenses of all incorporated businesses reached ¥4,186.2 billion (nearly \$33.5 billion), a 6.1% increase over the preceding year. Per-company expenditures averaged ¥2,347,000 (\$18,800), ¥29,000 more than in 1986. The average entertainment cost "required" to earn ¥1,000 in operating income was ¥4.06, close to the ¥4.09 in 1980 when corporate

entertainment expenditure became a target of public criticism.

Corporations such as life insurance companies and medical corporations spent the largest amounts on entertainment per company, averaging ¥9.67 million. They were followed by chemical companies at ¥8.02 million and financial institutions and non-life insurance companies at ¥6.92 million.

The ¥355.9 billion in total donations by corporations in 1987 was up 16.2% over the preceding year. Of this sum, political donations and tickets for parties given by politicians and their support groups amounted to ¥236.8 billion, up 15.6% over the year before. The biggest donors were financial and life insurance companies, whose donations reached ¥52.7 billion. They were followed by construction companies with ¥47.5 billion and machinery makers with ¥40 billion.

The construction industry far outpaced other industries in unaccountable expenditure. Total unaccountable expenditure for the industry amounted to ¥42.1 billion, out of the national total of ¥57 billion.



The Ginza entertainment district, a mecca for Tokyo businessmen after their offices close.



Businessmen entertain their clients at a golf club house. Golfing is one of Japan's most popular "business entertainment" sports.