

Technology and Society

By Akazawa Shoichi

The auto industry is the industry which is basic to all industrialized countries, closely interrelated to past and future development. Since the development of the Model-T by Henry Ford at the beginning of this century, the auto industry has been the symbol and driving force of America's economic development.

These days the industry is developing new technology, paying particular attention to safety and the environment, a move which is starting to widely affect other industries. Another development is a major shift in the production system from the once-revolutionary Ford mass-production system to the lean production system.

However, I would emphasize the impact the auto industry has had on society and individual lifestyles as opposed to industrial technology. Until the 19th century, land transportation was by horse carriages. The commercialization of steam power replaced coaches with railroads, and now airplanes and automobiles are taking over. The automobile, especially, with its advantage of door-to-door convenience, has become indispensable to everyday life transportation. Not only in developed countries but also in developing countries, autos have been, or are becoming, incorporated as a fundamental social component.

This seems to have been the starting point of the U.S. consumer movement headed by Ralph Nader in the 1960s. He called autos "running coffins" and presented serious doubts as to their safety. Influenced by this, the Japanese at that time began labeling autos "running weapons." Still today, more than 10,000 Japanese are killed in traffic accidents each year. Travelers to Bangkok or Seoul are shocked by the hideous traffic jams and air pollution caused by exhaust fumes. Air pollution in Mexico City seems almost beyond the limits of human habitation. For this, it is easy to point out the insufficiency in society's inner structure to accommodate ever increasing automobiles. We should note, however, that the desire

for cars explodes when urban income breaks through a certain level.

These problems could be solved to some extent by adoption of high technology and drastic urban reform. Nevertheless, we should not necessarily be optimistic. Full commitment is required to cope with social problems caused by automobiles in both industrialized, where they are a social component, and in developing countries, where sharp economic growth continues.

COMING UP

The Japanese distribution system has often been the target of strong criticism from overseas and even some Japanese consumers. While much of the criticism comes from abroad, many foreign businesses which have been successful here are of an opposite opinion.

Miscommunication and lack of understanding, along with prejudice, further complicate the matter. The next issue of the *Journal* will analyze and evaluate the controversial Japanese distribution system.

Also appearing in the next issue will be an assessment of the effect of the yen's sharp rise in value.

Correction: There is no relation between the photo and the article which accompanied the Topics column, "Second West-East Conference of Ministers of Economy, Trade and Industry," in the June/July issue. We apologize for any confusion this may have caused.

Starting with this issue, all names will appear as is the custom in their country, i.e. Japanese names are surname first followed by the given name.

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwa-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.

The Face of Japan

Since my first visit to Tokyo in 1973 as Lloyd's chief press officer, I have been fascinated by all things Japanese. I have, therefore, watched with interest the increasing influence being exerted by Japan on the British economy not only in terms of investment but also that of acquisition and business practice.

This has been most noticeable in the case of automobiles, where our own industry has been preserved from extinction by the participation of Honda in the Rover Car Company and, perhaps more significantly, by firms such as Nissan and Toyota which have actually set up factories here, a development which, I'm pleased to say, has been actively encouraged by the British government.

In a number of other fields, particularly electronics and photographic equipment, market penetration by leading Japanese manufacturers has become almost total. In my own home, for example, I have nine items made by Sony, five by Panasonic, three by Cannon and two by Pentax. Even our bathroom thermometer is Japanese made.

But there is another, less obvious, area in which Japan has become a power in our land. Unit trusts, pension funds and even private investors now have a considerable stake in the success of the Japanese economy. Thus when, as now, your stock market is depressed it has a knock-on effect which extends far beyond the borders of Japan, with the Nikkei share index being followed in London almost as avidly as the FTSE 100 or AP Dow Jones.

The degrees to which Japanese brand names have become established in the U.K. is, of course, mirrored, to a greater or lesser extent, in many other countries. In fact, you will know from your travels, that in most of the major shopping districts of the world the neon signs, though less spectacular than in Ginza, tell much the same story. This, coupled with the fact that English (thank heaven) is universally accepted as the language of

commerce, must augur well for the continued success of your magazine. I would see it, therefore, as essential reading for anyone whose business activities bring them into contact with Japan and in particular for those who, in turn, wish to export goods and services to what, for us, has always been a very difficult market.

Unfortunately, the strength of the yen precludes a lot of people (the Larners included) from visiting your country on holiday which means that the world at large is more than usually dependent on radio, television and the printed word for its understanding of the Japanese way of life. Consequently, articles on Japanese culture and sociology, for example the "Gallery" and "Reflections" columns, are, I believe, particularly important. Incidentally, it would be interesting to know what proportion of visitors come to Japan on business as opposed to pleasure and then to compare these figures with those of, say, the United States.

You will have gathered already that I am much impressed by your magazine which although directed towards the Western businessman, nevertheless recognizes that there is more to life than economics. If I have a criticism, it would be levelled at the advertisement for *International Business-Week* which shows two Englishmen talking in front of Big Ben. Don't they realize that we gave up wearing bowler hats years ago?

David Lerner
U.K.

The Price of Closed Markets

Kakurai Hiroshi (June/July cover story) argues that the reason the retail price of Japanese food is so high is that the customers are "picky ... overly fussy," and that they insist on the equivalent of Czech crystal, rather than humbler glass, when buying fruit.

The fatal flaw in this tired old argument is that Japanese consumers, until recently, have never been given any choice—they have been banned by law from access to any alternative



to the exorbitantly over-priced produce that the world's most inefficient farmers deliver up to them. Where they have been given an alternative, many of them jump at the cheaper import.

Before beef imports were allowed, remember, Japanese were told they would not be able to digest foreign beef because their intestines were several feet shorter than Western ones. In fact the lower price and the reduced fat content appealed so much that imports now account for more than half the market. Before imported citrus fruit was permitted, we were told the Japanese industry would be decimated by exotic bugs and diseases. In fact, the only damage done has been through the long-overdue rationalization of an inefficient industry.

Koshihikari rice identical to the strains sold in Japan is being sold at one-eighth the cost in Australia (and, in fact, at a recent consumer test tasting rated higher than some Japanese rice). In California, Fuji apples as fat and flawless as those sold in Kinokuniya retail for \$2.00 a kilo—not \$3.00 and \$4.00 each. New Zealand is exporting perfect musk melons to Hong Kong and Singapore where they retail for \$5.00 each—not \$100.00. Japan's agricultural protectionism amounts to nothing more than a compulsory tax on all its citizens, to maintain in their chosen lifestyle farmers, who represent fewer than 1% of the population.

There is one further simple way to test whether or not Mr. Kakurai's theory is accurate. Allow uninhibited imports of foreign produce for a trial period of, say, a month. If he is correct, the finicky Japanese consumers will turn their noses up at the produce, and it will rot on the wharves. What has Japan to lose? But, of course, the agricultural lobby would never allow this experiment because it knows con-

sumers, particularly in these tight economic times, would welcome lower-priced produce with open arms.

In fact, as everyone in Japan with the possible exception of Mr. Kakurai appears to know, Japan's closed market to certain agricultural products has nothing to do pesticide residues, maintaining product quality, the length of intestines, or any other consumer protection principle. It is all about the enormous political clout of the farm organizations. Government—and the opposition parties—in Japan remains beholden to the *nokyo* system for much of its finance, and for their voting muscle at election time. The trade-off is agricultural protectionism which is unlikely to go away until the electoral gerrymander which gives one country voter the same poll-power as three people in Tokyo is abolished.

Yours faithfully,
Bill Hills
*The Sydney Morning Herald/
The Age* correspondent

TOPICS

Imperial Wedding Brings Out the Sun

On June 9 the nation temporarily set aside its political and economic woes to cheerfully celebrate the marriage of Crown Prince Naruhito, 33, and Owada Masako, 29, a highly promising career diplomat from the Ministry of Foreign Affairs.

The traditional and rather solemn wedding ceremony at the Imperial Palace, in which the prince wore a yellowish-orange robe and Masako was attired in a special 12-layer costume that weighed about 14 kilograms, was attended by about 800 guests, including members of the imperial family, the Owada family, Prime Minister Miyazawa Kiichi, and other government officials.



Photo: Kyodo News Service

The smiling faces of Crown Prince Naruhito and Crown Princess Masako greet the crowd of well-wishers as they travel on the way to their new home in Akasaka.

During the ceremony and another ritual in which the newlyweds reported their marriage to the emperor and empress, who by tradition did not attend the wedding, the rain poured down outside. By the time of a motorcar parade through the streets of Tokyo in the late afternoon, however, the rain had ceased and the clouds cleared to reveal rays of sunshine. Crown Prince Naruhito and Crown Princess Masako, this time dressed in Western clothing, therefore were able to wave from an open car to the estimated 190,000 people cheering enthusiastically along the 4.25-kilometer route from the Imperial Palace to the couple's residence in Akasaka.

Millions of other people, taking advantage of the national holiday declared for the wedding, watched the parade on television. Crown Princess Masako's glittering coronet and radiant smile lifted them for a moment out of Japan's political and economic gloom and created a general mood of celebration and hope for the future.

The newlyweds attended a series of wedding banquets at the Imperial Palace for three days from June 15, attended by a total of 2,227 invited guests, and at the end of the month visited the Shintoist center of Ise Grand Shrine in Mie Prefecture.

The imperial wedding truly captured the hearts of the nation. The likable Crown Prince Naruhito, who had seemed to be taking rather too long to find a bride, actually had been wooing Masako for six and a half years, since their first meeting in October 1986. As Masako confessed at a

press conference after the announcement of their engagement, he finally won her over by promising to take the best possible care of her for the rest of his life.

For her part, Masako is an attractive, intelligent, and thoroughly modern woman, whose initial hesitation about giving up her career as a diplomat and

entering the imperial household was understood by everyone. Most of all, the people see the newlyweds as an extremely international pair—Crown Prince Naruhito studied at Oxford and Crown Princess Masako attended Harvard and Oxford universities—and hope that they will bring a breath of fresh air to the rather stuffy and closed imperial household in Japan.

Japan's Business Recovery Not in Offing

A monthly economic report for June prepared by the Economic Planning Agency said the Japanese economy has almost bottomed out. The document, submitted to the Cabinet by Economic Planning Agency Director General Funada Hajime on June 6, ruled out the possibility of the current recession further deepening.

Japan's gross national product (GNP) for the first quarter of this year grew 0.6% (2.3% on an annual basis) from the year before, a slight improvement from the previous quarter when GNP registered zero growth, according to preliminary figures released by the agency on June 18. Despite such an upbeat outlook, financial

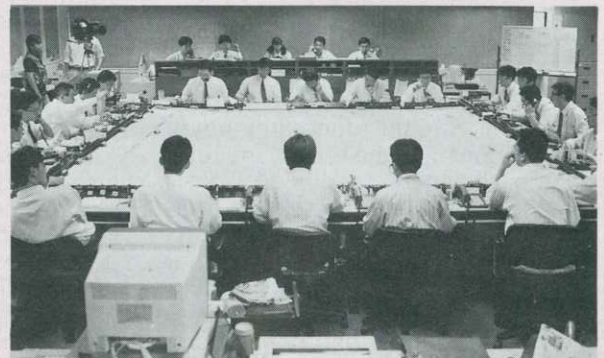
statements for fiscal 1992, issued by major corporations a little earlier, shows that full business recovery is not on the horizon.

According to data compiled by the private Wako Economic Research Institute, sales by 691 companies listed on the first section of the Tokyo Stock Exchange during fiscal 1992 were down 4.3% on the average from the previous year. Their operating income and pretax income were also down 19.9% and 24.3%, respectively. It was the second consecutive year-on-year decline in earnings and the third year-on-year drop in profits, the first such phenomenon in postwar Japan.

It was also the first time since March 1976, following the first oil crunch, that the pretax profit fell below 20% year-on-year. Delay of recovery is attributed above all to the slump in individual consumption which account for more than 50% of GNP. Lower income and the unstable employment situation have prompted consumers to tighten their purse or turn to inexpensive goods.

Reflecting dismal performance, companies are reducing capital spending. This in turn further depresses domestic demand. In the opinion of Minister of International Trade and Industry Mori Yoshiro, inventory adjustment does not necessarily lead to production buildup. Considering the impact of the yen's upsurge, MITI is cautiously monitoring business trends, Mori said.

Industrialists and conservatives alike are inclined toward the view that it will not be until the second half of the year when efforts for cost reductions and sales spurts are reflected in corporate earnings.



Despite the appreciation of the yen and the continued slump in sales and earnings, government officials do not predict a further deepening of the recession.