

A New Challenge for Japan

"Boys, be ambitious!"

That piece of advice was given to his students by the American educator William Clark upon his departure from Japan nearly a century ago.

To those of us who work and live in Japan and believe we have some understanding of our Japanese friends, it is easy to see how that simple, uncomplicated advice could be readily accepted and diligently followed. So it is not surprising that today there are those in America who suggest that Clark's "boys" have been, perhaps a bit too ambitious when it comes to exporting and not ambitious enough when it comes to importing. But, let's face it, their ambition was directed to the best interest of their nation at that time. But now, times have changed.

It was a harbinger of things to come:

Last year, Japan enjoyed an \$18 billion surplus in its bilateral trade with the United States and large surpluses were also rung up in Japan's trade with Western Europe, Southeast Asia, Korea and Taiwan. Now, while America and Europe are threatening to take stern action to diminish the flow of Japanese products into their markets if Japan does not open its own market to their products, the Taiwanese have already announced that they will not import any more consumer products from Japan because of Taiwan's \$3 billion bilateral deficit.

Last fall a Japanese business delegation led by Keidanren President Yoshihiro Inayama, returned to Japan shocked by the intensity of the negative feelings expressed toward Japan in the Common Market countries they had visited. It was a harbinger of things to come. In recent weeks the rumblings emanating from Europe and the United States over Japan's trading practices have become louder and more bitter than ever before.



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Actions on non-tariff barriers yet to satisfy Japan's critics abroad.

In late January, responding to these increasingly sharp criticisms from its trading partners, the Japanese government adopted the recommendations of a special committee of the Liberal-Democratic Party on actions to be taken to address a list of 99 Non-Tariff Barriers (NTBs). The Committee recommended specific action on 67 of the items and promised further study on an additional nine. In addition, the Committee recommended setting up a Trade Ombudsman's office within the Office of the Prime Minister and this too is being done.

This action was viewed by many of us as significant because it represented a public commitment by the political leadership to make changes in the access to Japan's market place by foreign traders. The same political leadership had been contending that Japan's markets were open so the public commitment to change was most welcome.

Unfortunately, these actions have failed to satisfy many of Japan's critics abroad. One of the problems is that implementation action on the 67 NTBs cannot be easily understood and another problem is that the time period for implementation is ambiguous to say the least.

"Are we about to be engulfed in a wave of protectionism?"

Meanwhile, in the United States, several members of the Congress were preparing legislation which could only be viewed as aiming directly at Japan. One bill would require most automobile manufacturers to include at least 30% American parts in each automobile sold in the United States. Other bills have provided for special taxes on all Japanese goods

sold in the U.S. Certainly none of us wants to see these kinds of laws enacted.

The question that is now foremost in everyone's mind of course, is, "Are we about to be engulfed in a wave of protectionism that will severely damage the world's free trade system that has been built up over the past three decades?"

Hopefully we are not. Introduction of proposed legislation is not the same as passage of legislation, but these several Congressional actions have put Japan on notice that her January actions, commendable as they are, can be considered as only a first step and additional corrective action must be accomplished as quickly as possible to fully open Japan's market to foreign manufactured products.

I am sure that from the Japanese viewpoint, the Japanese market is considered to be open. Japan has lowered tariffs, or has eliminated tariffs completely on a wide range of products, including automobiles, more than many of her trading partners. In the formal tariff area, Japan may be said to be well ahead. But, in the non-tariff area, Japan still has long way to go.

Take automobiles for example. Japan has had no tariff on imported automobiles for a number of years. Yet, it is all too evident that the difficulties inherent in the import system severely discourages the import of foreign automobiles. Last year Japan exported approximately 6 million automobiles (including 1.5 million to the U.S.) while importing less than 50,000.

There are several reasons for this but a major one is the cumbersome and time-consuming import procedures which add large dollar amounts to the cost of imported automobiles, thus placing them out of the reach of most of Japan's five million automobile buyers. These import procedures can take up to six months to complete and often mean major modifications throughout the entire vehicle.

Emotions running high in U.S.-Japan economic relationship for 1982 major election year in the United States.

Much of the difficulty facing foreign business in Japan is cultural in nature and foreign managers need a high level of understanding of the Japanese systems. Regretably, foreign managers rotate in and out of Japan with surprising rapidity. They leave just about the time they are beginning to achieve an understanding of the complex Japanese ground rules. Obviously, home offices have even less understanding. They only know that this is not the way things are done in America, or Europe or South America. They ask, "Why is Japan so different?" At this

point logic all too often falls by the wayside and emotion takes over:

We are now at a point in the U.S.-Japan economic relationship where emotions are running high, particularly in political circles because 1982 is a major election year in the United States. It will be up to the American Chamber of Commerce in Japan (ACJ), and other such organizations having a stake in the bilateral U.S.-Japan relationship, to ensure that the trade problems between our two nations are approached with the appropriate logic and without disruptive emotion. Smashing Japanese automobiles on the streets of downtown Detroit and tearing down the Japanese flag may be emotionally satisfying to those engaged in such action but it does not address the fundamental problem that exists.

It's in Japan's own self interest to help American economy.

There are several things that must be done by business and government, both in America and Japan. Needless to say, America currently is struggling with recession, high unemployment, high interest rates and inflation—though recent data suggest that inflation is being dramatically slowed.

The Reagan Administration is well aware of the problems and is taking steps to correct them. The question therefore is, "What can Japan do to help?"

Now that might be a shock to many Japanese—that there is a need to help the United States, the largest economy in the free world, the nation that once defeated Japan and then helped her reach the economic pinnacle she enjoys today.

The fundamental point here is that it is in Japan's own self interest to do so. America is Japan's largest single market. If the consumers in that large market are denied the availability of Japanese products because of legislation against imports, then Japan's economy will be adversely affected to a major degree.

Does this mean that Japan must import everything the United States wants to ship? Of course not! What it means is that Japan must extend the opportunity to America to export finished products, as well as raw materials and agricultural products, to Japan and to let these products stand or fall on their own merits.

American businessmen don't want to be told by a government agency that their products are of insufficient quality or are not competitive price-wise. They want that judgement to come from the Japanese consumer who has a choice when American products are made available in an open market.

Such roadblocks as requiring cords and plugs on electrical appliances to be re-

placed with ones made in Japan do not enhance Japan's image, no matter how many times her political leaders say the proper things about fair trade and open markets. If American appliance makers can't make appliances that operate on Japanese electrical current, or fit into a Japanese house, then it becomes their problem and any resulting failure to gain a piece of the market is theirs. As it stands now, in all too many instances, the onus falls on Japan. Restrictions on aluminum baseball bats and tennis balls, testing of products by industry associations instead of government—the list of discriminatory practices goes on and on.

Lack of openness in defining standards, establishing and assigning quotas, defining procedures, and the like, have blemished Japan in the eyes of her trading partners and recent criticisms have made it clear that Japan's trading partners have exhausted their patience with Japan's trading practices.

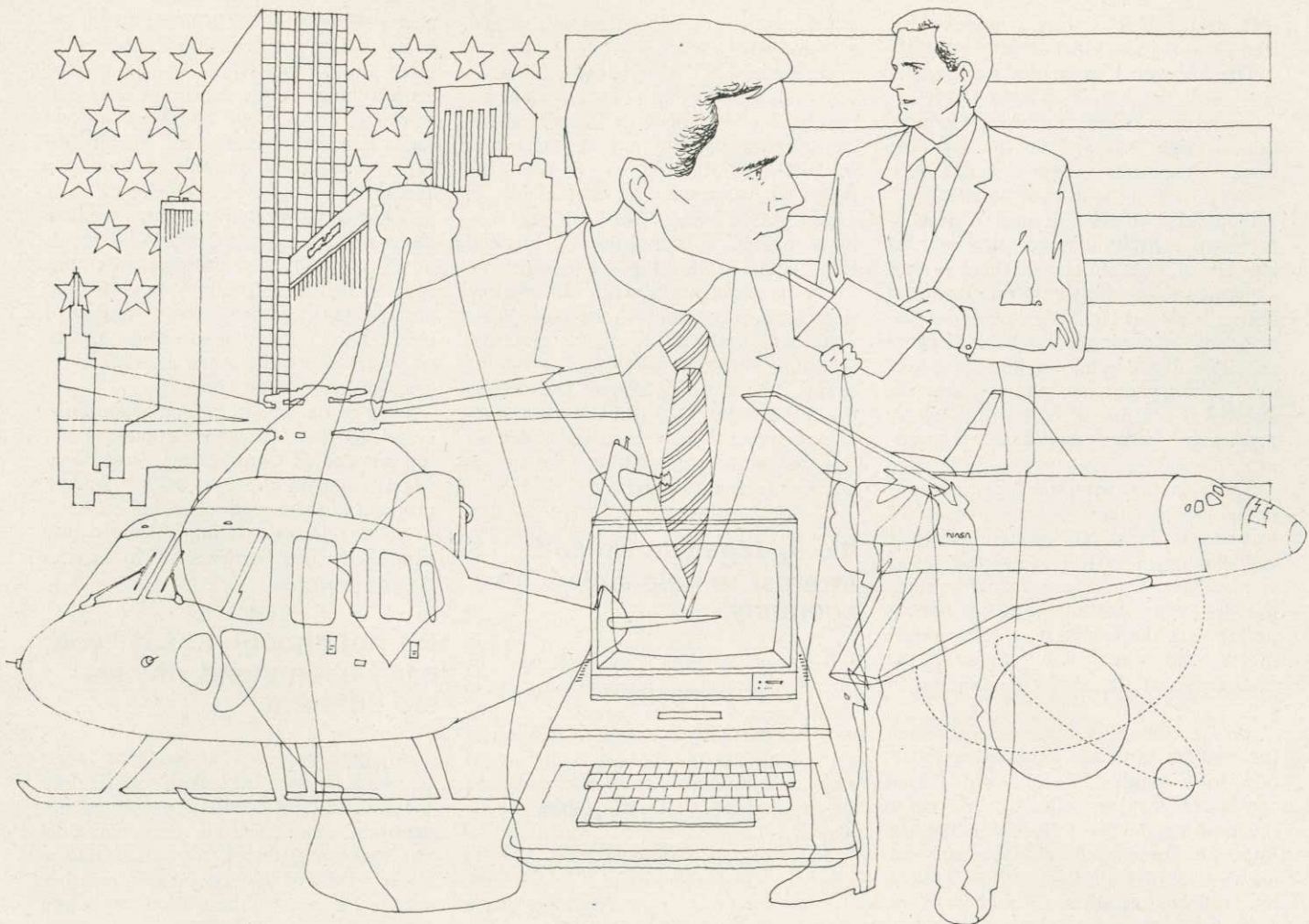
It's not enough to say "you can't understand why we are different."

Another element that has hurt Japan abroad is her seeming lack of sensitivity to the political and economic results of her export successes. For all success in international trade, Japan still fails to realize the enormity of the economic impact her success has had on the United States and Western Europe.

Japan is always ready to point out to her trading partners who are complaining about the difficulty of doing business in Japan that "You do not understand Japan," but much of the resentment now directed toward Japan is a reflection of Japan's own misunderstanding of political and economic conditions and differences in the U.S. and Europe.

Can protectionism be avoided? I believe it can be but it is going to take a maximum effort by Japan. It will be essential for Japan to take forward looking actions to fully open her market to foreign manufacturers and the world must be convinced that these actions are being taken willingly. She must take these steps before, not after, her trading partners protest. To the Western world, Japan has been viewed as doing these things only under intense pressure and then doing so very grudgingly. If Japan believes that she has been improperly perceived up to now, then a major effort should be undertaken to present a perception of a changed attitude and a readiness to accept foreign goods without harassment.

I am not suggesting that Japan completely change her culture. What I am suggesting is that Japan make greater efforts to explain the cultural differences that affect business and exporting to Japan. It is



not enough to say with a shrug of the shoulders that, "You are not Japanese so you can't understand why we are different".

All nations are different and unique but foreigners can understand Japan, for Japan, while culturally different, is not markedly different than France, Brazil, Saudi Arabia or the United States. We all have to learn to understand the differences between nations and people and adapt to these differences in order to do business with each other and to enjoy the differences each culture has to offer.

The American Chamber of Commerce in Japan is just one vehicle that can be utilized to explain the differences on both sides. The Chamber is really a bridge between Japan and the United States. The American businessmen and women who make up the ACCJ are Americans who have been successful in Japan because they have learned to appreciate and understand the differences in culture and in business practices. The same is true of those Japanese companies who have invested in the United States and who had to learn to appreciate and understand America in order to be successful there.

It can be done. But it will take a sincere effort on Japan's part to explain the ways

and wherefores. It is not enough to just say "We are different." Japan must be aggressive in helping the rest of the world understand and appreciate those differences.

Sincere opportunity to SUCCEED or FAIL on their merits should be given.

Japan will never be an easy market for foreign goods to enter. The Japanese consumer has a well deserved reputation for demanding high standards of quality and performance in products. Companies and products that cannot meet those criteria will not last very long here. But, it is vitally important to Japan that those companies and products who want to enter the Japanese market be given every sincere opportunity to succeed or fail on their own merits, and not be denied the opportunity because of bureaucratic procedures and requirements that cannot be satisfied except at great expense and commitment of time by an exporter 5,000 miles away.

By doing this, Japan will also be serving notice on its own manufacturers that they cannot rest on their laurels but must continue to provide innovation, product reli-

ability and value. We have seen, in the past, once vigorous companies in Japan grow complacent and very nearly fall by the wayside, only to be saved by government directed efforts. Complacency has no place in the market place in Japan, America, or anywhere else.

William Clark's advice is still relevant today. It may not be the easiest advice to follow but a display of ambition in truly opening the Japanese market to foreign products is sorely needed and will do much to offset the pressures which Japan now faces. Then, if foreign business fails to display the same ambition in entering, they will have no one to blame but themselves.

It is my sincere hope that the Japan will show the necessary ambition in this area as it has in others. It will be my pleasure and ambition, as President of the American Chamber of Commerce in Japan, to have the ACCJ assist in any way it can for if we do not work together and succeed in this effort, we will see our two nations returning to an economic and political era that we have spent nearly 40-years trying to forget.

I say both of us should take William Clark's advice seriously, but I further say, let's be ambitious together. ●