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Yoshiaki Matsuda
The University of Montana

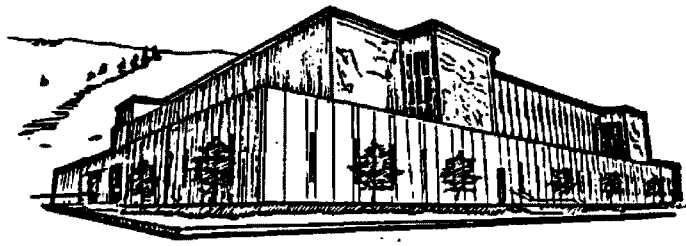
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OVERVIEW OF SELECTED ASPECTS OF THE UNITED STATES-JAPAN
BUSINESS RELATIONSHIP:
IMPROVING THE MOST IMPORTANT BILATERAL RELATIONSHIP IN THE WORLD

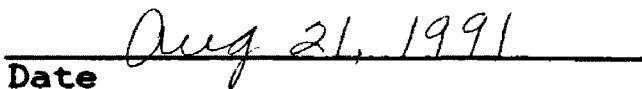
By
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B.A., Chuo University, 1988

Presented in partial fulfillment of the requirements
for the degree of
Master of Business Administration
1991

Approved by


Chairman, Board of examiners


Dean, Graduate School


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CHAPTER 1

INTRODUCTION

This paper examines the United States-Japan relationship in terms of the economic, cultural and social differences in order to create a better understanding between the two countries.

International Relations: The Shrinkage of Space

In his book, Age of Uncertainty, Professor Kenneth Galbraith states that "we are living in an age of uncertainty," and it is very difficult to identify a lot of things going on in this age. But, in spite of the many uncertainties ahead of us, there are some identifiable elements of certainty. One certainty is that the globe is rapidly shrinking. In the terminology of the late British historian and philosopher Professor Arnold Toynbee, we are living with "increasingly annihilated distances" (Northern Lights '87: Joy Press Vol. 8). The late United States Ambassador to Japan, Edwin O. Reischauer, chose to use another phrase: "the shrinkage of space" (Northern Lights '87: Joy Press Vol. 8). The fact that one can travel much faster than ever before is a very clear indication of annihilated distances, and it is inevitable that by the end of the twentieth century, distances will be further

annihilated.

With rapidly changing technologies, predictions have been made that by the twenty-first century with aircraft now being developed, it will be possible to fly from Beijing, China, to New York City in about two hours. This means that it would be possible to fly from San Francisco to Tokyo in about one hour, a possibility that contains really striking implications—although the time difference will remain an immutable barrier. In about 15 to 25 years it may be possible to commute between Tokyo and San Francisco.

There is an interesting saying in Japanese—"Hanashi hanbun to iukoto ni shitemo"—meaning that when something sounds incredible, it should be cut into halves and "taken with a grain of salt," as is said in English. Even if it took two hours from Tokyo to San Francisco rather than one, it still would be less time than it takes to get to Tokyo International Airport (Narita) from almost anywhere in Japan. Suppose one were able to travel from Tokyo to San Francisco in 3 hours, it would exert an enormous influence on one's way of life and way of thinking.

This kind of technological advance is bound to influence the world community, not only in scientific and technological terms, but also in psychological and behavioral terms. My fear is that humanity is not prepared for this kind of change. International relations also

become more and more important in this predicted situation. Given the situation, creating better foreign relationships will be essential for every person on this globe.

The Most Important Bilateral Relationship in the World

According to former United States Ambassador to Japan Mike Mansfield, "The U.S.-Japan relationship is the most important bilateral relationship between any two countries anywhere in the world" (No Country More Important: Mike Mansfield; Simul Press 1984). In 1989, the United States and Japan produced almost 40 percent of the gross national product (GNP) of the entire world, with Japan making up 17 percent and the United States 22.3 percent (Monthly Face: July, 1990). Both countries are considered to be economic superpowers, as such, the United States and Japan have great potential to contribute to world peace, and a stable United States-Japan relationship is imperative to accomplish it.

-The Era of the Pacific:

Again, as former Ambassador to Japan Mike Mansfield stated throughout his career, "the next century will be the century of the Pacific" (No Country More Important: Mike Mansfield; Simul Press 1984). The development of the Pacific Basin will be based on numerous aspects, and the stability of the relationship is essential to the whole

world community.

Purpose and Objectives of this Paper

There are many cultural and social aspects of American and Japanese society that could beneficially influence the economic or business relationship of the two nations: first, the overall trade situation that currently exists between the two countries; second, the misunderstandings, frictions and problems which exist in each country, not only from an economic and business point of view, but also from a cultural and social point of view; third, the similarities and differences in business styles in each country as evidenced by a discussion of Japanese management features, and suggestions as to how American companies can accept some of these features and how each can learn from the other. In the last chapter, are possible solutions to help create a better understanding between the two countries and to contribute to world peace through the field of business.

CHAPTER TWO

THE OVERALL VIEW OF THE UNITED STATES-JAPAN RELATIONSHIP: An Economic Point of View.

Gross National Product

In 1946, the combined gross national product (GNP) of the United States and Japan was 56 percent of the world's GNP. However, the United States held 55 percent of the share while Japan contributed only one percent (Tsuusan Hakusho). Even considering the fact that from 1946 to 1989 Japan's GNP increased 300 times, this number does not accurately convey the dramatic recovery Japan made following World War II. During the same period the GNP of the United States has grown four times. Japan's economic improvement and the change of balance in economic power between the two countries is enormous (Exhibit 1 and 2).

Exhibit 1

GNP, GNP Per Capita (1984-1988).

	GNP		Per Capita	
	U. S. A. (U. S. \$ billion)	JAPAN	U. S. A. (U. S. \$)	JAPAN
1984	3,775	1,257	15,949	10,474
1985	3,998	1,980	16,709	16,301
1986	4,235	1,966	17,529	16,184
1987	4,527	2,387	18,570	19,553
1988	4,881	2,867	19,813	23,382

(Comparative International Statistics: Bank of Japan 1986-1989)

Exhibit 2

Growth Rate of GNP (1975-1989)

Annual Growth Rate (Real)		
	U. S. A.	JAPAN
1975-79	3.2%	4.7%
1976-80	3.4	5.0
1977-81	2.8	4.8
1980-84	1.8	3.9
1981-85	2.4	3.7
1982-86	2.7	3.7
1984-88	4.2	4.5
1985-89	3.4	4.5

(Comparative International Statistics: Bank of Japan; 1986-1989)

U.S.-Japan Trade Situation

The United States is the largest trading partner of Japan, which has almost no natural resources and cannot survive without foreign trade. Japan imports practically all of its petroleum for its energy needs (Exhibit 3).

Exhibit 3

Dependence on Overseas Resources (%)

Item	Japan	U. S. A.	W. Ger.	U. K.	France
Energy	1) 83.5	2) 12.3	2) 52.1	2)+ 10.8	2) 76.1
Coal	1) 82.9	2)+ 16.9	2)+ 0.6	2)+ 3.9	2) 56.9
Petroleum	1) 99.8	32.9	2) 94.7	2)+ 26.2	2) 98.3
Natural Gas	1) 91.4	2) 4.1	2) 65.4	2) 24.6	2) 74.5
Copper	95.9	31.4	99.8	99.8	100.0
Lumber	64.3	2) 1.2	2) 20.7	2) 68.6	2) 12.2
Wool	100.0	25.7	90.1	43.9	69.4
Soybean	95.1	+ 70.0	100.0	100.0	97.9
Corn	100.0	+ 29.8	61.3	100.0	+ 34.1
Wheat	88.0	+119.2	+ 0.3	10.9	83.7

1) : 1982

2) : 1981

+ : Exports

(Tsusho-Hakusho: Ministry of International Trade and Industry 1984)

The power it produces domestically amounts to only six percent from hydropower and coal (Hyakuman-nin no Eigo: December, 1984). On the basis of 21 nuclear plants in operation, that figure might rise to about 11 to 12 percent, and with 12 nuclear plants scheduled for construction in this decade, the figure might reach 17 or 18 percent of energy needs produced from domestic sources. Japan has little in the way of raw materials, so that brings home its dependence upon the rest of the world. On the other hand, the United States—and the state of Montana in particular—has a variety and abundance of natural resources: large amounts of coal; unexplored deposits of oil and gas; minerals such as copper, tungsten, manganese, and zinc. The one abundant resource that Japan can consider is its well-educated people who have persevered through many difficult times. Deep down, every Japanese knows how vulnerable his/her country is. They know that, for them to survive, it is a matter of importing raw materials, manufacturing those materials into finished products, and then exporting them.

Japan imports 800 million tons of goods and exports 80 million tons of goods from various countries (Rekishi To Jinbutsu: April, 1984). It shares about 10 percent of the world's exports, nearly 40 percent of which go to the United States (Monthly Face: July, 1990). Also, Japan lends the

money it earns from exports to the United States, which helps to alleviate at least one-fourth to one-third of the United States' deficit problem, while at the same time gaining interest (Monthly Face: July, 1990). Japanese companies have been transferring their production bases to the United States. There are about 3000 Japanese companies in the United States now, and they employ 500,000 Americans (Monthly Face: July, 1990).

Just by looking at the economic or business aspects between both countries it is possible to justify Ambassador Mansfield's statement: "The U.S.-Japan relationship is the most important bilateral relationship between any two countries anywhere in the world." Of course, it is a relationship which has its ups and downs. So far, the Americans and the Japanese have been able to cope with issues as they have arisen and found solutions to such trade matters as textiles in the 1960s, color televisions and steel in the 1970s, and automobiles in the 1980s.

Again, according to Mansfield, now in the 1990s, "Although we are facing some problems such as high-tech industries and so on, there is no such word as "crisis" which exists between the two countries" (21-seiki, Nichibei Wa Mottomo Jyuyou-na Kankei Ni Naru: 1990). Unfortunately, however, the closer the relationship becomes between the two countries, the more problems or frictions seem to arise.

The U.S. Trade Deficit Vis-a-vis Japan

Currently, one of the major issues existing between the two countries is economic, particularly concerning trade. The United States has a huge trade deficit with Japan. In 1970, when President Nixon thought about introducing an act named the "Trading with the Enemy Act," which fortunately was not introduced, the U.S. trade deficit vis-a-vis Japan was only 1.2 billion dollars (Asahi Journal: December 12, 1986). However, it was approximately 50 billion dollars in 1986 and 60 billion dollars in 1987 (The Senken Keizai: March 20, 1989). At that time, Japan's trade surplus with the United States was about one-third of the United States' total trade deficit, which was 171.2 billion dollars (Newsweek Japan: Spring, 1989). In spite of the fact that "Endaka" or the "High Value Yen" policy had been introduced in 1985, the trade deficit with Japan has not been decreasing. Up until September 1985, the exchange rate had been approximately 240 yen to a dollar, the "Dorudaka" or "High Value Dollar" diminished American competitiveness and increased imports from foreign countries. As a result, America's twin deficit (fiscal deficit and trade deficit) had become a chronic problem. In September 1985, the so-called G5 meeting (United States, Japan, West Germany, Britain and France) came to an agreement and implemented the "Doruyasu" or "Low Value Dollar" policy and the value of the

dollar went down. Soon after, the exchange rate in late 1988 dropped to 129 yen and has since remained at about 140 yen to a dollar.

CHAPTER 3

THE CULTURAL, SOCIAL AND POLITICAL ASPECTS OF THE U.S.—JAPAN RELATIONSHIP:

"Japan Boom" in the United States and Structural Impediments Initiative.

Japan Boom in the United States

The so-called "Japan Boom" has been expanding in the United States, particularly among young people. Japanese food in the United States is a good example. According to Gerald Curtis, Professor of Japanese politics at Columbia University, "It used to be a French restaurant if you would like to take your girlfriend to some decent restaurant. Now you would take her to a Sushi bar instead" (Monthly Face: September, 1989). There are many Japanese restaurants, not only in large metropolitan areas such as New York and California, but also in many smaller cities. According to Yuzaburo Mogi, managing director of Kikkoman, there were only seven Japanese restaurants in New York in the late 1950's when he was an MBA student at Columbia University. Now there are about 700 Japanese restaurants in New York, including the Bronx area (Monthly Kigyo-homu: February, 1988).

The number of students studying Japanese language or culture has also increased rapidly. Again, according to

Professor Curtis, who is fluent in Japanese, there were only six American students studying the Japanese language at Columbia 27 years ago when he started learning Japanese. Now, that number has increased to about 160 students (Monthly Face: September, 1989). Also, their motivation to study Japanese has changed. American students who were studying Japanese 20 or 25 years ago were almost all doctoral students mainly interested in ancient Japanese culture and history. Presently, however, American students increasingly study the Japanese language or Japanese studies at business or law schools and use this as a sales point for their careers (Monthly Face: September, 1989).

In the business field, however, obvious friction with Japan exists. Yet even as they complain about Japanese business styles, American business people want to establish joint ventures with Japanese companies. Interdependence between the two countries is becoming deeper and deeper while misunderstandings existing between the two countries are based on their social and cultural differences.

Social Aspects

-Friendly Relationships or Groupism in Japan and Adversarial Relationships in the United States

As Ezra F. Vogel stated in his book, Japan as No. 1, the group-directed quest for knowledge is an important

factor of Japanese success. In virtually every important organization and community where people share a common interest, from the national government to private industrial firms, from cities to villages, devoted leaders worry about the future of their organizations. And to these leaders, nothing is more important than the information and knowledge that the organizations might one day need. Japanese organizations send out observation teams and invite in experts. They gather information from classrooms, conferences, think tanks, mass media, golf courses, sake bars and even from their rivals. New friends are made because they might be information sources. Even if information is from a new field and does not immediately seem to be related, they gather it if they think it might provide a clue to solve problems. They are very friendly and tolerant with each other, even rivals. In contrast, in American society, most organizations are adversarial: governmental agencies, mass media, management, labor unions, Congress, the Senate.

-Some Japanese Business Terms that Originated from Japanese Society

There are some Japanese business terms which represent group-oriented Japanese business practices.

BATSU:

Batsu or "clique" is an important institution in Japanese society. Knowing which *batsu* or group a person belongs to helps greatly in constructing one's human relations in the society. There are various types of *batsu*. Japanese political parties have factions which are like parties within the party. The *kei-batsu* is not an organized group, but it means a lot for the Japanese inheritance system. It can be called the clan whose members are linked together by blood and marriage. People in the process of climbing into the higher strata of society through business success, political power, or other means try to get their sons and daughters married into high society families which will be advantageous to them. The *gaku-batsu* is the alma mater clique. If a young person joins the company where members of his or her alma mater are dominant, *gaku-batsu* sectarianism will favor him or her in promotions. On the other hand, if a person belongs to a minor or less prestigious *gaku-batsu* in the company, he or she might have difficulty with his or her promotion. In recent years, however, the *gaku-batsu* element has become less important in the business world, although it is still strong in the bureaucracy and in academic fields.

AMA-KUDARI:

In Japan, there is also an *ama-kudari* (literally "to

descend from heaven") system in which private companies take in retiring government officials and place them in their executive positions. This also shows the friendly and close relationship between government and private companies.

MEISHI:

Japanese businessmen care more about which company they belong to rather than what the job is. When they meet with new people, they formally exchange *meishi* (name cards) with each other and introduce themselves by saying, "I am such and such from such and such company."

KEIRETSU:

Keiretsu is also based on the Japanese style of a group-oriented system. Japanese companies are very much dependent on each other within the *keiretsu* group. For example, even at a bar in a city, if a bar belongs to one of the *keiretsu* groups, one cannot drink the beer of a company which belongs to a different *keiretsu*. In the United States, no such barriers exist. One can see cars representing GM, Chrysler, even Toyota or Nissan on a parking lot of a Ford factory. This is not the case in Japan. There, only Toyota cars would be parked at a Toyota factory. Toyota employees are supposed to drive Toyota cars, and if they do not, they will be in trouble. Japanese employees have less freedom than Americans. This feature of *keiretsu* will be further explicated in the section which

examines the Structural Impediments Initiative.

Life-time Employment System:

Much has been said about the advantages--both to the company and the employee--of *shushin-koyo* or the life-time employment system. The system offers security to the worker. At the same time, however, it also makes it extremely difficult for a person to change jobs. In Japan, changing jobs is considered to be a vice. Japanese say that job-switching affects one's personal history--that it will become dirty. The saying "A rolling stone gathers no moss" in Japanese has an entirely different meaning from that in English. Since gathering moss is considered to be a good thing in Japan, this phrase means "If you change your job often, you cannot gather moss," or "Do not change your job to get a lot of moss." Also, training in a company is very well-organized and beneficial for the employees in Japan. Companies do not want their employees to quit after they have invested a lot of money in their training. Therefore, for the individual, it is vitally important to join a good company upon graduation from school. For management, also, it is vitally important to secure good quality people who will be useful for the next 35 or so years. This means that the competition to recruit and to gain admission to a company is very intense. The era of the low-growth economy has begun to expose one of the weak points of the life-time

employment system. Companies having many old employees whose salaries are high but whose usefulness has declined are beginning to suffer. The fact that Japanese companies are raising the retirement age makes this problem even more serious. A survey released by the Labor Ministry of Japan concluded that from January 1989 to July 1989, an increasing majority of Japanese companies were raising the retirement age to 60 years or older. Of the companies surveyed, 61.9 percent had adopted this system in 1989, up 3.1 percent over the previous year. The trend toward rising retirement ages has been caused by the current business boom and the approach of an aged society. The survey covered about 5,700 Japanese companies with a work force of at least 30 or more. Results showed that 86.4 percent of larger firms, with a work force of 5,000 or more, have adopted the retirement age system of 60 or older, while only 61.2 percent of small companies with a work force under 100 have done so. Some 70.8 percent of the companies kept workers following their retirement, down 3.2 percentage points from the previous year (Asahi Evening News: August 23, 1989).

NENKO-JORETSU:

Another term explaining Japanese business customs is *nenko-joretsu* or "seniority system." *Nenko* means long, continued service. The determination of *joretsu*, order or rank, in the company is based on the length of service an

individual has. It is one of the characteristics of the Japanese management system. Wages are usually determined according to the *nenko-joretsu chingin* or seniority wage system. Compared to American companies, the length of service—rather than the individual's ability—is the main criterion for deciding promotions. However, now in a low-growth era, Japanese companies are unable to increase their work force and have on their payroll a greater proportion of middle-aged and older employees. Therefore, it is difficult for companies to maintain the seniority system. Consequently, the belief that all Japanese companies practice this seniority system is a myth.

Housing:

Japanese group-oriented business practices apply even in private life. Almost all larger companies have dormitories for their bachelor employees and housing complexes or independent housing for families. The use of these company-owned housing facilities is voluntary, and each company has its own regulations on the qualifications for occupancy. The communal dormitory or housing life helps the employees to have a spirit of togetherness.

Cultural Aspects

The United States-Japan trade frictions have assumed a cultural aspect. Irritation among Americans toward Japan is

evident, and some American critics have even criticized Japanese culture itself. There are the so-called "revisionists," which are discussed in chapter four.

-Structural Impediments Initiative:

The Structural Impediments Initiative talks of 1989, in which the cultural and social structural differences between the U.S. and Japan were discussed, came to symbolize the fact that a great deal of the trade friction is a result of these differences. There were some problems with the talks, however. First of all, it seems that it was impractical to assume that these culturally and historically oriented matters could be solved in such a short time. Second, the Japanese term for the talks "*Kozo-kyogi*," or structural talks, sounds less strong compared to the American term, so there was a perception gap between the two countries and the countries were dissatisfied with each other due to this misconception. Third, there was a significant difference in how the talks were covered by the mass media in each country. In Japan, during the talks, the front pages of almost all the national and local papers closely followed this topic, whereas in the United States, not all newspapers covered the talks.

-What the American Side Asked Japan to Change:

The demands the United States made in the Structural Impediments Initiative were as follows:

1. **Price mechanism:** The U.S. government had been criticizing the Japanese price system that raises prices when goods go through the various distribution channels by saying *keiretsu* business groups were the reason for high prices in Japan. The Americans said that buying computers in the United States, for example, is often less expensive than buying the same models in Japan. Many Japanese businessmen buy computers in the United States and bring them back to Japan. According to research done by Keizai-Doyukai (October 3, 1989), in which a study of prices of daily goods in five major cities of the world was done, only bread, chicken, shoes, and toilet paper are more expensive in New York than the same products in Japan (Exhibit 4).

Exhibit 4

Study of Prices of 5 Major Cities (Converted to index)
by: KEIZAI-DOYUKAI (Published Oct. 3, 1989)

	TOKYO	NEW YORK	LONDON	PARIS	HAMBURG
Rice(1 kg)	100	37	66	81	40
Bread(1 kg) (*1)	100	128	47	74	82
Milk(1 l)	100	64	41	47	51
Eggs(10. 600 g)	100	100	168	196	166
Beef(middle quality 1 kg)	100	46	54	55	90
Chicken(boneless 1 kg)	100	160	138	115	155
Pork(1 kg)	100	82	84	73	100
Potatoes(1 kg)	100	96	55	31	59
Lemon(1 kg)	100	75	43	45	77
Beer(one can, 350 cc)	100	46	51	50	39
Shoes(middle quality)	100	107	68	156	89
Suits (*2)	100	45	73	99	33
Shampoo(220 ml)	100	72	89	83	126
Toilet Paper(1 roll)	100	173	171	111	164
Gasoline(regular, 1 l)	100	32	72	94	65
Movie(1 ticket for adult)	100	68	40	48	55
Taxi(city, daytime, 5 km)	100	69	67	43	81
Water Charges(30 m3)	100	55	79	117	149
Electricity Charges(200 kwh)	100	80	65	99	84
Apartment(3.3 m3) (*3)	100	92	79	92	44
Hotel Fee(city, single) (*4)	100	73	84	61	73

*1 Baguette in France

*2 Average businessman in his thirties

*3 City area within one hour to office by train, furnished in London.
includes parking lot in New York

*4 Business class for managers level

(U.S.-Japan Ally: by Masahiro Miyazaki)

In this respect, of course, Japanese consumers agreed with the United States Trade Representative's request and said they would appreciate it if the consumer price did decrease with the assistance of pressure from the American side.

However, this price difference between the two countries is what "doru-yasu" or "low value dollars" brought about.

Criticizing Japanese business systems which are based on long history and tradition might be taken by some Japanese as the destruction of their own culture and possibly effect a negative influence on the relationship.

2. A change in the structure of Japanese distribution

channels: The American government had been criticizing the Japanese distribution system, calling it a barrier which restricts the importation of American goods into Japan.

This issue has been a controversial domestic issue in Japan as well. The key issue here, in relaxing trade tensions, might depend on the efforts of American businesses to understand and work within the system rather than on Japanese distribution barriers. Interestingly enough, in the instance of the distribution of American beer and cigarettes in Japan, U.S. producers have been successful at introducing these commodities into the Japanese markets with faster speed and more quantity than American producers had expected.

3. A policy designed to change the Japanese from a savings-oriented society: This issue is very much related to Japanese culture. Japanese society is based on the traditional education which teaches that saving is a virtue and spending is a vice. It is also based on the lack of confidence which comes from lack of an adequate social security system. Moreover, in recent years, the fact that home ownership is becoming more and more difficult due to the enormous increase in the price of property spurs this characteristic among the Japanese. The concept of saving in Japan is different from that in the United States, where vast quantities of property are available and are not so hard to own. American people consider that the investment in their houses itself is a form of saving. Along these lines as well, the possession of stocks in the United States is also seen as investment and savings. In Japan, on the other hand, it was only a few years ago that the number of stock market investors exceeded twenty million (U.S.-Japan Ally: by Masahiro Miyazaki; January, 1990). In addition, investment in the stock market is still considered to be a form of gambling, particularly among the middle-aged generation. Therefore, if the investment in works of art or antiques is included as savings, the American savings rate is not so low when compared to that of Japan, where these kinds of investments have been popular only in the last

decade or so.

4. A policy for land (real estate): The American government had been critical of the high price of land and housing in Japan, saying it causes oversavings and restrains the consumption of goods and restricts imports. The United States suggested that Japan examine its tax system and alleviate some of the regulations and restrictions noted in the "Maekawa report." This demand is what the Japanese people wanted to accomplish, and they have been setting some policies to do just that. However, it seems that the American government was misled in thinking the "Maekawa report" was an official document. This report gained the attention of the American people when ex-Prime Minister Nakasone mentioned to President Reagan that Japan's economy will be an "imports-oriented" one, citing the "Maekawa report" as an example. However, the report itself was no more than a recommendation by one of the Prime Minister's consultative committees, headed by Mr. Maekawa, who had been then the president of the Bank of Japan. This report illustrated the following six points:

1. Expansion of domestic demand;
2. Changeover of Japanese industrial structure, so that it will better assimilate with that of other countries;
3. Improvement of market access and promotion of product imports;

4. Stabilization of the international currency value and liberalization of finance;
5. Promotion of Japan's international cooperation and contribution, appropriate for its international status in the world economy;
6. Introduction of a financial policy.

5. **The keiretsu:** The American government had been criticizing the Japanese *keiretsu* system, such as financial *keiretsu* and the educational groups, saying that the policies obstruct the introduction of American products. However, Japanese companies are composed of a stable, interdependent structure which often includes main banks, sister companies, related companies and subsidiary companies. Trying to destroy this Japanese, culturally-based feature is not only too difficult but also is not good for the American side because, ironically, the Japanese companies which have made a lot of effort to import American goods to Japan were these *keiretsu* companies such as Mitsui, Mitsubishi and Sumitomo.

Japan is the largest importer of American agricultural products, and these imported products depend upon this smooth and effective *keiretsu* system, those who would suffer the most might be the American exporters of agricultural products.

6. **Changing exclusive trade practices:** The last demand by the American side for Japan was to end its exclusive trade practices, practices which close out certain foreign products such as automobiles, beef, rice, etc. The American government asked Japan to fortify its antitrust law and to change its patent system. The American government quotes the General Agreement on Tariffs and Trade (GATT) when it criticizes Japan's unfair trade practices. However, the United States has never ratified the GATT because of the opposition in Congress which is supposedly afraid that it will lose freedom and authority over its trading practices. Even though the United States did not ratify the GATT, it was allowed to join it because the American administration has an administrative treaty with the GATT. The United States is the only nation among the western industrial countries with this special status. Japan has never been opposed to what the GATT has decided. The United States has been enjoying one particular privilege called the "waiver." Japan has never experienced this kind of advantage and has sacrificed or compromised on several issues, such as beef, oranges, and even whale meat which had been a staple dish in the Japanese diet. This waiver advantage (import quotas) for the United States covers 13 agricultural products including cream, butter, chocolate, ice cream, peanuts, and cotton.

Japan joined the GATT in August, 1955, but it was too late for Japan to gain the advantage of the waiver anyway. As stated before, Japan has accepted most of the decisions GATT has made. However, the European Community (EC) countries and the United States have broken some GATT agreements, such as subsidies for agriculture in the EC countries and subsidies for agricultural products and exportation in the United States. Self-imposed limits on exports in the automobile industry between the United States and Japan is also a breach of the GATT agreement. It seems illogical for the United States to criticize Japan by quoting the GATT agreements without considering the breaches the United States has made.

-What the Japanese Side Asked the United States to Change:

The United States-Japan negotiations used to be the place where the United States criticized Japan. During the Structural Impediments Initiative, however, as Assistant Secretary of State Richard McCormick mentioned, "In order to increase American competitiveness, we are ready to listen to any suggestions by the Japanese" (U.S.-Japan Ally: by Masahiro Miyazaki; January 1990). One of the features of these talks was that the American side tried to listen to what Japan had to say.

The demands made by the Japanese side for the Americans were as follows:

1. **Savings and investment patterns:** To increase the U.S. savings rate and examine a way which would restrain consumption. Improve its Investment and Saving (IS) gap;
2. **Investment action and productivity of American companies:** Japan pointed out America's lack of plant investment. For the first six months of 1989, Japanese companies invested 18 trillion yen (130 billion dollars) in plant investment. However, the plant investment rate of American companies, besides military industries, showed a 3 percent decrease from a year ago (U.S.-Japan Ally: by Masahiro Miyazaki; January 1990). This figure resulted from the fact that American plant managers have to use their profits for non-production lines due to the fact that they have to close accounts every three months, and also that they are responsible for sharing dividends with the stock holders;
3. **American business styles:** The third request is for improvements in American business styles, such as short-term evaluation of managers and adversarial mergers and acquisitions (M&As);
4. **Regulations of government:** Japan thinks that governmental abuse of the Anti-trust Law prevents American companies from being competitive, and suggests that the American government should lighten these regulations;

5. Research and development: America should introduce the metric system to enable technological compatibility with other countries.

6. Promotion of exports: America should make greater efforts toward marketing in Japan;

7. Provide training and education for employees: Concerning language education in the United states, even businessmen dealing with Japan usually do not speak Japanese. There is a joke among business people—"Those who speak two languages are called bilinguals, those who speak three languages are called trilinguals, those who speak only one language are called Americans." On the other hand, since the Second World War, Japan has been wrestling with training and educating its employees and has made considerable effort in establishing colleges, especially for science and engineering, all of which emphasize English language instruction. In order to export Japanese goods, students learned English and American business styles. Also, the mathematical ability of American students is far less than that of Taiwanese and Japanese students (U.S.-Japan Ally: by Masahiro Miyazaki; January 1990).

-Communication Gap:

Much misunderstanding between the two countries results in miscommunication. In the United States, which is a land

of diversity, verbal exchange is a very important means for people to communicate with each other. However, in Japan, which is a land of homogeneity, sometimes the eyes say more than the voice; speaking a lot is a vice, and being quiet is a virtue. Japanese people have so much in common that they find it easy to understand each other.

ISHIN-DENSHIN:

Ishin-denshin is non-verbal communication. The expression means "What the mind thinks, the heart transmits." In other societies, particularly Western societies, communication generally has to be expressed in specific words to be understood. To the Westerner, therefore, the Japanese sometimes seem to have telepathic powers, because so often communication among Japanese is achieved without the use of words. This is because the many formalities, conversations and common standards developed in a society give priority to harmonious relations, and make it easy to understand what goes on in the mind of another person. The younger generation of Japanese who have become more individualistic are losing this ability.

NEMAWASHI or Ground Work:

Literally, *nemawashi* means "to dig around the root of a tree to prepare it for transplanting." This word refers to the ground work to enlist support or to secure informal consent from the people concerned prior to a formal

decision. Japanese society operates on group decision or consensus, and *nemawashi* is an indispensable process in achieving the consensus of a group. It also avoids open confrontation. In the United States, there is a similar process known as pre-selling, but a decision may be made regardless of whether or not everyone concerned agrees. In Japan, a proposal will be revised in the process of *nemawashi* until it is molded into a form which is acceptable to all. Therefore, so much time is needed to accomplish *nemawashi* that foreign business people often become exasperated waiting for a Japanese company to make a decision.

Yes, but...:

One more thing which irritates American business people in a business negotiation is the ambiguity of the Japanese style of negotiation. The Japanese do not make clear between "yes" and "no." They say "yes, but..." instead. A lot of miscommunication and misunderstanding occurs because of this. Usually, this miscommunication appears as the gap between the expectations of Americans concerning what the Japanese really mean.

The Japan That Can Say "No," co-authored by maverick Japanese right-wing politician Shintaro Ishihara and Sony Corporation Chairman Akio Morita, was published and has been well read in Japan. Certain sections of this book were

translated by order of the Department of Defense, and some thousands of copies were eventually made and circulated in Washington, D.C. without authorization of the authors. This 74-page partial translation caused anger and alarm to a great degree in the United States. Now an official English translation is available. The American reaction to the book came equally as a shock to its authors, as they did not intend it to be read outside Japan. An additional edition of the book entitled The Japan That Can Still Say "No" was published in Japan. These books suggest that Japan should change its attitude toward the United States, that it should say "no" to the United States more often. Since these books are very much criticized and considered to be an appearance of Japanese arrogance based on success, one of the Japanese critics recently wrote an article to a magazine entitled To My Friend Mr. Ishihara, What Japan Should Say To The United States Is "Yes, But..." Instead of "No" (Bimonthly SAPIO: July, 1991). Section Four of Chapter Four will discuss these books more fully.

Compromise vs. Agree to Disagree:

In Japanese-style negotiation, consensus is very important and compromise is considered to be a virtue. Japanese businessmen try to find common points and try to avoid different opinions. In the United States, on the other hand, even when a relationship among individuals is

adversarial, instead of finding a consensus, they "agree to disagree" in negotiations.

Political Aspects

-Irritation in the United States and the Toshiba Incident:

In 1987, Toshiba-kikai Company violated the regulations set forth by the Co-ordinating Committee Export Control (COCOM), which prohibits the exports of certain technology to communist nations. Toshiba had exported some of its machines, which were related to a type of screw propeller used in a submarine, to the Soviet Union. This was a very political matter. Even though what Toshiba-kikai had done was a violation and it was responsible, Toshiba-kikai is not the only company which has violated these regulations. In spite of the fact that not only Japanese companies, but also American and many European companies violate the regulation, only the Japanese case has been so highly criticized.

Also, the cause and effect of this incident is not clear. Since the incident occurred, the United States-Japan relationship sank into a new stage of Japan bashing, beyond merely economic friction. Considering these elements, this case is a very critical issue.

The United States lays the blame on Toshiba and Japan about this matter. Japan seems to be a scapegoat in place of the Soviet Union after the Cold War. The Toshiba

incident is an example of this irritation the United States has developed. The United States appears to be frustrated that its submarine technology is behind that of the Soviet Union (Monthly Kigyo-homu: September 1987).

Up until a decade ago, the role of the two countries had been clear. The United States took leadership of the relationship and Japan followed it concentrating on its own economic improvement. However, at the point of the end of the second oil shock in the 1980s, Japan too became an economic superpower. As a result, the Americans' feelings toward Japan are very complicated and two different feelings exist. One is a feeling of respect toward Japanese economic success, saying Japan has made rapid economic recovery and—"let's learn from Japan." As discussed in chapter three, the "Japan Boom," Americans are eager to learn from the Japanese textile and automobile industries and even Japanese culture, food and fashions.

The other involves anti-Japan sentiment that is very common, particularly in the United States Congress, where the belief exists that Japan does not practice its responsibility as an economic superpower.

-Does U.S. Congressional "Japan Bashing" Represent the Voice of the American Public?:

The Japanese government, including the mass media, has

been too sensitive about what Americans think of Japan. Misunderstanding exists on the Japanese side. In America, "Japan bashing" usually comes from the Congress, not from the White House. Japan should consider "Japan bashing" not as an international issue, but as an American domestic and political issue. The Democrats are the majority in Congress and the Republicans control the White House. Democrats who want to occupy the White House participate in "Japan bashing" in an attempt to gain votes. Also, some American politicians who receive voter complaints tend to criticize Japan publicly to assuage their constituents. The scene in which several congressmen were seen smashing Toshiba radio-cassette players on Capitol Hill was a demonstration of this. It appears that Japan is a kind of scapegoat for some American politicians. There is often a big gap between what politicians say and what people on the street think. Washington, D.C. is a politically-centered city. Tokyo, on the other hand, is a metropolis not only for politics, but also for various kinds of business activities, publications, universities and information. In this context, Washington, D.C. might not represent the voice of the people on the street. If the function of the United States Congress works by political dynamics only and does not represent public opinions, it may constitute a crisis of democracy. A poll done by The New York Times says 69 percent of the five major

business school graduates think that the United States should be blamed for the United States-Japan trade friction (Seisaku-kenkyu: March 3, 1987). Another poll done by Harris and the Asahi-shinbun said that 56 percent of the American public think that the United States should be blamed (Seisaku-kenkyu: March 3, 1987).

CHAPTER 4

THE "JAPAN PROBLEM" IN UNITED STATES POLLS AND MEDIA: A Consideration of So-called "Japan Bashing."

The U.S. Poll on Japan

In the United States recently, a feeling of irritation or anger toward Japan has been increasing, even among intellectuals. According to a poll done by the Ministry of Foreign Affairs of Japan and the Gallup organization, 79 percent of American intellectuals consider Japanese expansion to the United States in high-tech industries as a threatening issue. (Sogo-horei: September, 1989). Another poll shows that 72 percent of American intellectuals feel that current United States-Soviet relations are pretty much stable. On the other hand, 73 percent feel that United States-Japan relations are not in good shape. Also, 60 percent of Americans feel that Japanese economic power is more threatening than the Soviet military power. Public opinion indicates that the two countries are on a collision course, not only practically, but also through American perceptions and ways of thinking (Sogo-horei: September, 1989).

The "Japan Problem" in the U.S. Media: "Japan Bashing"

The United States has changed from an exporter to an

importer, from a lender to a borrower, and is now suffering from a "twin deficit." Japan, on the other hand, is currently the largest money lender in the world and seems to be enjoying its newfound role. Because of this, criticism toward Japan and anti-Japan feelings have become predominant in the American media. The catch phrase for this is "Japan bashing."

It is difficult to say when the phrase "Japan bashing" came into use, but The New York Times article, entitled "Japan Bashing Can Backfire" (The New York Times: March 10, 1985), may have originated the term.

There are many negative opinions about Japan printed in American papers and magazines. "The Japanese won't begin to solve problems until their faces are hit very strongly" or "Only revenge can open Japanese markets," and "Japan is a country which we cannot trust," are some examples of this. These kinds of statements not only appear in "street papers" but also in highly prestigious publications such as The New York Times, The Washington Post, and The Harvard Business Review. These publications are widely read and have a definite influence on their readers.

Stuart Auerback, a reporter for The Washington Post, wrote an article for The International Herald Tribune stating that, "Japan is not taking its problem seriously, and U.S.-Japan relations are suffering." The subtitle read,

"A Growing perception in Washington is that the Japanese people will not solve problems until hit in the face" (The International Herald Tribune: December 9, 1987). Professor Robert T. Green of the University of Texas, writing in The Harvard Business Review, stated that, "Since high-tech industries are strategically exporting goods for Japan, they are protected by the government. Therefore, in order to compete against Japan in the industry, the United States should avenge itself by making new trade policies" (The Harvard Business Review: November-December, 1987). The tone of this argument seems to be that, since Japan has adopted such a "selfish attitude," America cannot trust it as a world economic leader. But interestingly enough, after Prime Minister Takeshita's visit to the United States in January, 1988, The New York Times stated,

As the Japanese economic power strengthens, the United States will lose its economic leadership among non-communist countries. The United States fears the loss of its own economic superiority and at the same time, sees this power is falling into the hands of a "selfish" country, Currently Japan, whether or not they are a selfish group of people, is economically powerful. They still are not taking on the responsibility of their economic position
(The New York Times: January 31, 1988).

"Japan bashing" also is practiced by people who feel that the Japanese, who are racially homogeneous, discriminated against outsiders. For example, a columnist

for The Los Angeles Times, speculated that "the Japanese people subconsciously regard America as a "mongrel country" (The New York Times: May 3, 1987).

In 1965, when Japanese exports to the United States exceeded the imports from the United States for the first time (1.13 million dollars) (Nihon-Problem: by Shigehiko Togo and Atsushi Kuse; Kanki Press 1988), criticism about Japan began to appear. Beginning around the middle of the 1970's, United States-Japan trade problems began to take on two separate aspects. One was the huge Japanese trade surplus and some problems of specific items such as television sets, steel, automobiles and agricultural products. The other was the problem of the United States being "inept" at dealing with the Japanese industries, culture, and the social systems themselves. Journalist Theodore White, a 1985 Pulitzer Prize winner, sent a contribution to The New York Times summer issue magazine entitled, "The Danger from Japan." This article shocked many Japanese. White said that "Japan had been destroying American industries and attacking it economically." He added that, "after World War II, the United States was too nice to Japan and this was a mistake. If Japan keeps their trading policy, we might have to give them the same lesson as we did during the war. Congress should hurt Japan by destroying free trade." (Nihon-Problem: by Shigehiko Togo

and Atsushi Kuse; Kanki Press).

In the spring of 1987, "Japan bashing" came to a peak with the friction between American and Japanese semiconductor industries and the "Toshiba Incident." Just before Prime Minister Nakasone visited the United States, a columnist for The Washington Post, Robert J. Samuelson, wrote that "Japan bashing had become a basic idea which controlled American policy and made the situation worse; it is a perilous gambit which hurts both the United States and Japan" (The Washington Post: April 8, 1987). Zbigniew Brezezinski, who was an assistant to President Carter, also said, "U.S.-Japan relations had become tense and irritation between the two was serious" (The New York Times: April 27, 1987). One month later the paper said that "We might begin casual war because they make the country so angry" (The New York Times: May 18, 1987).

In Japan, too, well-known critic and ex-TV commentator Hideo Akimoto published a book entitled "Japan Bashing," and warned that, "It seems that the United States is continuing in their overconfidence, and if they do, both Japan and the United States are going to be in bad shape" (Japan Bashing: by Hideo Akimoto).

Even after 1987, when the friction about semiconductors and the "Toshiba Incident" had come to an end, "Japan bashing" was still evident in the United States media. The

U.S. News & World Report published an article entitled "What's Wrong with Japan Bashing?" (October 5, 1987). Also, Robert J. Samuelson of The Washington Post ironically suggested that Japan should establish a Ministry which would take care of "Japan Bashing" (August 5, 1987).

In local papers, articles also could be found on "Japan Bashing." A major local paper in the state of Florida, The Tampa Tribune, published an article entitled "Bomb Japan." Although the article did not use the term "Japan Bashing," anger toward Japan is very evident with the use of the harsh term "bomb:"

The way I see it, if we bomb Japan this would decrease our trade deficit due to less competition in the global market place, thereby improving our economy. We wouldn't have to hear Japan's constant whining and foot dragging about coming up with its financial share for the cost of operation Desert Shield. Japan is smart enough to realize that it doesn't have a military chance to defeat the United States. Therefore, America would be able to preserve its greatest natural resources, human beings.
(The Tampa Tribune: December 30, 1990).

"Japan bashing" is a product of a kind of jealousy which Americans have toward the success of Japanese exports. The following article supports this idea:

Not long ago, a cartoon in Asahi Shinbun, a leading Japanese newspaper, showed Ronald Reagan, his sleeves rolled up, pummeling small mole-like creatures with a huge mallet. The small creatures were supposed to be

Japanese companies, and the idea was to depict what trade specialists call "Japan bashing," or punishing Japan for the success of its export drive (The Pacific Stars & Stripes: August 9, 1983).

"Japan bashing" is seldom heard in smaller cities. In The Missoulian, for example, it has not been frequently mentioned. The size of the United States is 25 times that of Japan, and the diversity in tones of argument varies. It is dangerous to generalize too much. An article in Newsweek magazine supports this idea:

Japan Bashing: Two weeks ago you raised the banner of "economic patriotism." Your new ads talk eloquently of America "in danger of falling behind." That's a great theme—for August. This is October. You need something hotter, but you've refused to go all-out in railing against "foreign" competition and ownership. When you were shown an ad attacking foreign trade practices, you said "shut it off" after 10 seconds. You wouldn't even watch it, it was so unfair. Well, some on your staff argue, this is no time for scruples. But there are problems with bashing foreigners: it will alienate the press, as Richard Gephardt, who tried it in the primaries, learned. Bashing Japan will play particularly poorly in trade-oriented California. Oh well
(Newsweek: October 24, 1988).

Columnist Flora Lewis of The New York Times mentions "Japan bashing" as crude, even though she goes on to state that, because the "new" Japan might see its role in World War II differently, the Japanese have to "think harder."

Now that there is a new Emperor, the past can be explored more honestly, they say. The new generation can face the terrible questions. But others say the new generation, in absence of knowledge beyond the fact that the war was lost, is coming to feel that Japan was the victim, that it deserves sympathy and owes nothing.

These dilemmas don't justify Japan's failure to accept the responsibility of its success. But crude Japan-bashing won't resolve them. The Japanese have to think harder

(The New York Times: October 3, 1990).

The basic idea of "Japan bashing" seems to be that the United States needs to attack Japan economically. Japan is the first non-western nation which has challenged the economic superiority of the United States, and Japan perhaps objects to these opinions.

Fortunately, the Japan problem in the United States media varies. We need to distinguish the constructive criticism from just meaningless "Japan bashing."

-Fiftieth Anniversary of Pearl Harbor:

This year (1991) marks the 50th anniversary of Pearl Harbor, and it might be very likely that Americans on the street might remember and assume that the Japanese are still a "sneaky" people. In addition to that, the speculation that the United States, relatively speaking, has been losing strength internationally and has been experiencing economic problems, particularly on the home front, might contribute to feelings toward Japan as a "sneaky" nation, which could

make the situation worse.

Vicissitudes of American Japanologists and The Rise of
"Japan Bashers" or "Revisionists"

-American Scholars on Japan:

American scholars of Japan, or Japanologists, have written many books about the country and culture. They have attempted to understand what Japan, or the Japanese people, are all about. Interestingly enough, some of these books have been read in Japan more than in the United States. The first generation of them includes Ruth Benedict, author of The Chrysanthemum and the Sword, and Edwin O. Reischauer, author of The Japanese. They studied Japan before World War II, and almost all of the scholars who belong to this category were missionaries to Japan. Even Japanese have learned culture and history through books written by these American cultural anthropologists and historians.

The second generation includes Professor Donald Keene, a leading scholar of Japanese literature at Columbia University, and Sociologist Herbert Passin of Columbia University, who learned Japanese at a United States military language school during World War II.

The third generation of scholars is not identified with missionaries or war, but those who were attracted to Japan and studied about Japan. They include Gerald Curtis,

political science Professor at Columbia University, and Ezra T. Vogel, author of one of the best sellers in Japan, Japan As No. 1.

The fourth generation of American intellectuals on Japan, who are currently very influential for American public opinion, are very much different from the previous generations. They are not specialists on Japan, they have not lived in Japan for any length of time, and some of them do not speak Japanese. Some of them write about Japan because it has become a necessary part of their jobs. Their highly critical perspective of Japan is becoming a mainstream school of thought in the United States, and the third generation Japanologists who posit a favorable attitude toward Japan are often labeled as members of the "Chrysanthemum Club" if they are not critical of Japan. Contemporary Japanology occupies an era where criticizing Japan is "in" and supporting Japan is "out" (Sogo-horei: September, 1989).

-Four Major "Japan Bashers" or "Revisionists":

The current well-read writers of Japan of the fourth generation are called "Japan bashers," "revisionists" or "Gang of Four:"

Chalmers Johnson, a Professor at the University of California, San Diego and well-known as a scholar on the

Japanese Ministry of Trade and Industry (MITI) and its bureaucratic system, in his book, MITI and the Japanese Miracle (1982), studied the growth of industrial policy in Japan. He pointed out how much the Japanese government, particularly MITI, helped in motivating Japanese private companies to be successful internationally. Johnson is considered to be an intellectual leader or "Godfather" of the "Japan bashers." He argues that Japanese democracy is different from America's, that Americans should take a different approach to Japan from their European strategy. In an interview with Mitsudo Shimomura of the Asahi Journal, Johnson affirmed that "Those who made the United States-Japan relationship this bad are 'Japan handlers,' such as Reischauer and Mike Mansfield, they are to blame for this" (Nihon-tataki no Shinso: by Mitsuko Shimomura 1991). These arguments are considered "Japan bashing" to the Japanese; however, Johnson insists that the nation being bashed is the United States, and he attempts to make new suggestions to stop the damage of a Japanese economic invasion while searching for a solution for the economic survival of the United States. He also said, "I do not understand why the Japanese take my words as 'Japan bashing,' and what I am criticizing is to reconsider the wrong ideas of old Japanologists" (Nihon-tataki no Shinso: by Mitsuko Shimomura 1991). Although he does not propose

that Japan has been doing something wrong from the standpoint of economic logic, he advocates that the Japanese have approached America too much from the point of view of a political attitude. He said,

The way of Japanese investment to the United States is too fast and too broad and a big problem. Japan, whose MITI took many measures to protect itself from the invasion of American investment to Japan in the early 1960's, started investing heavily in American capital during the early 1980's: It is reasonable that Americans have threatening feelings toward Japan. If Japan keeps gaining, Americans may well become just blue-collar workers, not capitalists, this is a big problem (Nihon-tataki no Shinso: by Mitsuko Shimomura 1991).

James Fallows, the Washington editor of The Atlantic magazine, wrote an article, "Containing Japan," for the monthly magazine in 1989; its Japanese translation (Nihon Fujikome 1991) was published later, and the Japanese title initiated considerable public discussion in Japan. In an interview session with Professor Gerald Curtis, Councillor Masao Kunihiro, well-known Japanese-English translator, mentioned that the English term "contain" does not have as strong a meaning as the Japanese equivalent "*fujikome*," and that there is a gap between what Fallows meant and what Japanese readers understood. He also introduced the story of his interview with George Kennan, who was a dean of Soviet Studies in the United States and who wrote an article

for Foreign Affairs just after the Second World War. In this article, he used the term "containing policy" for the United States-Soviet relationship, and he used the term with a sense less strong than its Japanese equivalent. Kunihiro also pointed out that President Bush made a speech at the Texas Institute of Technology, almost the same time as the Fallows' paper was published, in which he used the term "move beyond containment" twice in the context of "containing the Soviet Union is over." On the other hand, Fallows used the term "contain" with reference to Japan. If the Japanese took the statement literally, it was reasonable for the Japanese to interpret that the American object of "containment" moved naturally from America's view of the Soviet Union to its view of Japan (Monthly Face: September, 1989). This article has been well-read in Washington, D.C., but not as much as in Japan. The Japanese are very sensitive about this article for fear that American foreign policy has changed from "containing the Soviet Union" to "containing Japan."

Clyde V. Prestowitz, Jr., former negotiator with Japan when he was with the Department of Commerce and considered to be the theoretical leader among the four "revisionists," wrote the book Trading Places which is subtitled "How America Allowed Japan to Take the Lead" (first edition), and "How We Are Giving Our Future to Japan and How to Reclaim It"

(second edition). The book has been well read in the United States and was praised as "a good book" by one of the committees in the U.S. Senate. These two editions have been translated into two books in Japanese and are also well read, particularly among business people. The author of this paper was privileged to help in the translation of these two books into Japanese. In this book, Prestowitz pointed out three major points and explained them in an interview with a Japanese magazine, CAT. First, the era of American occupation has ended and Japan has been gaining the leadership of the world. Second, the tension and friction existing between the two countries have resulted from misunderstandings. For example, the United States has been demanding that Japan open its market to foreign imports, and the Japanese think they understand. However, the Japanese do not view "open" in the same way Americans do. Also, Japan has been demanding that the United States make more "effort;" interestingly, Americans do not understand what the "effort" is all about. The two countries demand that the other be "like me," in spite of the fact that each has different styles that change continually. Third, the United States considered national security mainly as a military issue and made a lot of effort in this area. On the other hand, the United States considered economic problems as just a problem of consumers, whereas the Japanese considered the

problem as a national security issue. Therefore, according to Prestowitz, the assessment of the United States concerning the economic problem has been wrong. Concerning "Japan bashing," Prestowitz mentioned that, "Since Japan has become equal to the United States, the United States would not give Japan special treatment but would treat Japan equally like it treats West Germany and France. I am afraid that Japan would take it as 'Japan bashing'" (CAT: March, 1989). As a revisionist, Prestowitz pointed out that,

The fact that communication between the two countries does not work well has resulted in a wrong perception which is that the two countries have common values and philosophy. Therefore, there are only two explanations such as "Japan does something dishonest," by the American side and "The United States is lacking in making an effort," by the Japanese side. Both sides have thus experienced a lot of frustration. Both countries are different and a third explanation, which is the way two different functions would work well, is needed
(Nihon-tataki no Shinso: by Mitsuko Shimomura 1991).

Karel van Wolferen is a Dutch journalist who wrote the article "The Japan Problem" for Foreign Affairs in 1990. The tones of the argument by van Wolferen is the strongest. Previous to that article, however, Japanese politicians admitted his indictment of the Japanese system and they said "that is why it is so hard to deal with the problems existing between the two countries" (Sankei-shinbun: March

29, 1987).

Some Considerations on "Japan Bashers"

The four revisionists do not criticize Japan with malice. What they are discussing is reasonable.

It is strange for the Japanese to react to them so strongly, because what they are talking about is the same as what the Japanese were saying ten years ago. However, no one likes to be criticized by outsiders. That is why the Japanese power mechanism in various fields and Japanologists who are related to these mechanisms criticize the revisionists, saying that they are too hysterical. Japan should debate this kind of issue more. However, it is hard for Japan, which does not have an intellectual custom of debate. Therefore, trade friction tends to be at a deeper, more cultural level, which might be called perceptual friction. The United States has basic senses of value which include equality, justice and freedom. The Japanese sense of value, on the other hand, is loyalty and obligation. It is natural for two different nations, which have different senses of value, to be on a collision course. In order for them to solve these problems, debate is inevitable. In this respect, the Structural Impediments Initiative talks were not wasted. Through the talks, the two countries could exchange thoughts and ideas and could take one more step

toward better understanding.

CHAPTER 5

JAPANESE BUSINESS STRATEGY:

Features of the Success of Japanese Companies, Suggestions for American Companies.

What the Americans Can Learn

This chapter will discuss what these Japanese efforts are and how Americans can learn from practical, hands-on Japanese business practices. The first objective of this chapter is to explain what kinds of efforts are practiced inside Japanese companies.

Japan has been criticized by the American government because it has a huge trade surplus vis-a-vis the United States, and has not opened its market enough for foreign imports. However, one of the most important principles of business is to offer goods or services which customers want, in a condition customers like. In Japan, the mottos of companies stress quality, cost and delivery (QCD). They expend a great deal of effort in establishing systems for QCD. The logic of some American politicians or businessmen, who are very critical about Japanese non-tariff barriers (NTB), lacks in understanding of these concepts. Their logic sounds as though "it is a customer's fault if our products do not sell." In the business world, criticizing one's customers is equal to killing oneself. Of course, the

huge trade imbalance that exists between both countries is a problem, not only of business, but also because of many other factors. However, business problems should be solved in the business field as much as possible. If American companies try to create systems that tend to emulate the Japanese QCD, the trade deficit vis-a-vis Japan will likely be reduced.

This chapter will also show what American companies can learn from Japanese business styles by examining the consumer-oriented market, which is believed to be the basis of business as it is practiced in Japan.

Some Features of Japanese Management

-Different Approach to Improve the Present Situation Between the Two Countries:

One of the most remarkable differences between American companies and Japanese companies is the way they approach the existing situation and try to change it. In Japan, top managers encourage their employees by saying, "If you do not have money, think and find an idea. If you do not have an idea, use your body." They try to improve a situation by spending less money. This philosophy resulted in such Japanese management styles as TQC or Total Quality Control, the *Kanban* system or the Just-in-Time system, and TPM or Total Productive Maintenance. Japanese are trying to

improve the present situation by practicing these methods first and then shifting their efforts to other innovative methods, some of which American companies are currently practicing. In a production line, for example, Japanese companies engage in two steps in trying to improve their present situation. In the first step, they try to improve the way an employee works by finding ways of using old machines in the most effective and efficient manner available. They also try to create the best plant layout to enhance better working conditions. After these trials, they then move into the second step, which is buying new machines, introducing robots and Flexible Manufacturing Systems (FMS). In other words, they recognize the present situation and try to improve it by using the existing facilities in the first step and then they shift to the second step, which is innovation. In the United States, on the other hand, managers often believe that changes or improvements are costly, and in most cases they respond negatively to the first step, which Japanese companies have been practicing for a long time.

-*Genba* or Present Places-Oriented Management in Japan:

Japanese management puts a lot of importance on *genba*, or the place where important jobs are going on. The Japanese approach to solving a problem is to give *genba* an

opportunity to try to solve the problem. In Western-style management, there usually is a long distance between top management and *genba*; thus *genba* is given little attention. The Western approach to *genba* is to "do what the top management says," and feedback from *genba* is not always taken seriously. As a result, the attitudes towards employees at *genba* is decidedly different from that in Japan. In Japan, employees at *genba* are well treated and their opinions and suggestions well appreciated.

Japan's Five-Phase Product Competitiveness

According to Dr. W. Dekker, Chairman of the Security Board of N.V. Philips' Gloeilampenfabrieken, Japan has attained the status of a world economic power because it has adapted to five phases to become a formidable competitor in various product areas. He lists these phases as:

1. Large-scale absorption of technology imported from the United States and Europe;
2. A productivity drive of hitherto unseen dimensions;
3. A country-wide quality improvement program inspired by the ideas of Dr. Deming and Dr. Juran of the United States;
4. A great degree of manufacturing flexibility; and finally
5. Multinationality.

(Kaizen: by Masaaki Imai; 1986: Foreword)

First, Japanese companies absorbed foreign technologies and then they achieved high productivity and top quality. Now, in a world which requires companies to have a capacity to adapt manufacturing in a very short time to changing customer and market requirements, they are focusing on flexible manufacturing technologies. The key words in this situation are mechanization, automation, robotization and related systems.

Result-Oriented Management in the United States and Process-Oriented Management in Japan

The most remarkable difference between Japanese and Western management concepts is process-oriented management in Japan versus the West's innovation-and-results-oriented thinking. Up until 25 or so years ago, preceding the oil crisis in the early 1970's, the world economy enjoyed enormous growth and experienced an insatiable demand for new technologies and new products. It was a period in which the Western-style innovation-result-oriented management was successful. It was successful, however, only because it was the type of business that the situation of the times called for, such as:

1. Rapidly expanding markets;
2. Consumers oriented more toward quantity rather than quality;

3. Abundant and low-cost resources;
4. A belief that success with innovative products could offset sluggish performance in traditional operations; and
5. Management more concerned with increasing sales than with reducing costs.

But those days are gone. The oil crisis in the 1970's changed the international business environment enormously. Now, the current situation is characterized as follows:

1. Sharp increases in the costs of material, energy, and labor;
2. Overcapacity of production facilities;
3. Increased competition among companies in saturated or shrinking markets;
4. Changing consumer values and more demand for high quality products;
5. A need to introduce new products more rapidly; and
6. A need to lower the break-even point.

Despite these environmental changes, Western managers have continually dismissed the introduction of the Japanese process-oriented management styles. Now they face the fact that Japanese companies are strong competitors. Even worse, many Western managers still believe that this Japanese process-oriented management style is based on the Japanese culture, and they are not even aware of the fact that this

style is adjustable and adaptable to Western companies, or that it basically originated from the ideas of Deming, an American.

Quality Control in Japan

-Meaning of "Quality:"

The word "quality" could be interpreted in many different ways, there is no agreement on what the best definition is. In a broad meaning, however, the term "quality," used in Japanese business, consists of anything that can be improved. In this sense, "quality" is associated not only with the product and service themselves, but also with the way employees work, the way machines are operated, and the way systems and procedures are dealt with. "Quality" in Japanese management includes various aspects of employee behavior. According to a book entitled Dr. Deming, The American Who Taught The Japanese About Quality by Rafael Aguayo,

"Quality" has to be considered from the point of view of the user. One definition of quality is anything that enhances the product from the viewpoint of the customer. Some aspects of quality are not easily identified, such as how well something works, its dependability, and the length of time before failure. But other aspects of quality are not easily identified (Dr. Deming, The American Who Taught The Japanese About Quality: by Rafael Aguayo).

Dr. Deming who visited Japan in July, 1950 and introduced "Quality Control" to the Japanese people for the first time, liked to use the following phrase when he explained "quality:"

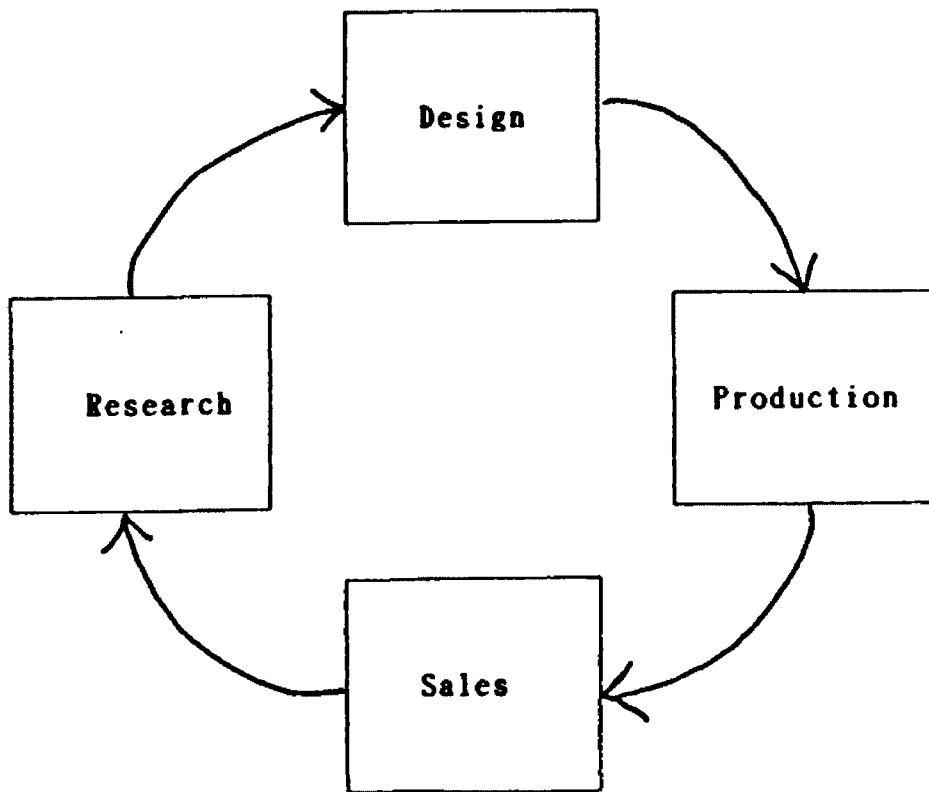
Listen to the Royal Philharmonic Orchestra of London play Beethoven's Fifth Symphony. Now listen to some amateur orchestra play it. Of course, you like both performances: you enjoy home-grown talent. Both orchestras met the specifications: not a mistake. But listen to the difference. Just listen to the difference
Dr. Deming, The American Who Taught The Japanese About Quality: by Rafael Aguayo).

On the other hand, the English term "Improvement" in Western management usually means an improvement of machines, equipment or facilities rather than that of human resources. Managers sometimes confuse quality with new technology, and that is reflected in their advertising and in their products. Quality is not technology or features. However, it has to be admitted that, in the Japanese style of management, Western-style "Quality" or "Improvement" has played an important role.

It is said that the success of "Quality Control" is the key to Japanese success. In the early 1950s, the Japanese Standard Association started organizing seminars on statistical quality control. In the first stages, Japanese quality control was just a narrow conception of statistical quality control. In July 1950, Dr. Deming was invited by

the Japanese Union of Science and Engineering (JUSE) to attend an eight-day seminar of statistical quality control. He visited Japan several times in the 1950s and made a famous prediction that Japan would soon be flooding the world market with high quality products. Dr. Deming also introduced the "Deming Circle" which is one of the most important methods of quality control. It is also called the "Deming Wheel" or the "PDCA Cycle" (Plan Do Check Action) (Exhibit 5).

Exhibit 5
Deming Wheel



(KAIZEN: Masaaki Imai)

During his visit to Japan, he emphasized the importance of constant interaction among research, design, production and sales departments in order for a company to arrive at better quality products which satisfy customers. He also taught Japanese people that the "Deming Cycle" should be rotated on the grounds of quality-first perceptions and quality-first responsibility. With the successful usage of this process, Japanese companies could win consumer confidence and acceptance and thereby prosper.

Another pioneer of quality control in Japan, Dr. J.M. Juran, was invited by JUSE as a lecturer for a seminar on quality control management. It was the first time QC was discussed as a concept of overall management.

CHAPTER 6

CONCLUSION:

How We Can Improve the Most Important Bilateral Relationship and Contribute to World Peace.

As previous chapters discussed, the United States and Japan have various business frictions resulting from the many differences existing between the two countries. However, as with the law of physics, the more interchanges there are, the more frictions there are. Given the situation where the distance between the two countries is shrinking and the interdependence of the two countries is growing, it is very important for both Americans and Japanese to consider themselves as world citizens. Each needs to realize these cultural differences and become better educated about each other in order to avoid the frictions as much as possible. As professor Herbert Passin of Columbia University stated in an interview with Councillor Masao Kunihiro, well-known journalist on United States-Japan relations,

The United States and Japan are now just like two huge elephants walking along a narrow street together. They cannot help the frictions they produce by rubbing against each other. The point is that people in both nations need to find a way which is compatible and a way in which they can minimize the damage caused by the friction they produce

(Monthly Kigyo-homu: July, 1987).

There is no quick-fix remedy for these frictions. In order for the two populations to create better understanding and a long-term remedy, cultural and business exchanges are needed, particularly under the situation where cultural or social differences are key points of the friction as the Structural Impediments Initiative talks pointed out. As Councillor Masao Kunihiro mentioned in Kahoku-shinbun, "The reason why Germany and France now have a very good relationship even though they had a severe struggle, is the fact that there was an exchange of the total number of 5,000,000 students between the two countries" (Kahoku-shinbun: January 4, 1991).

Through an exchange of people, it is possible for both the Americans and the Japanese to know each other. Realizing the differences is the first step to solving the problems these two countries currently have. The two countries are powerful economically and influential to other countries. Therefore, a better United States-Japan relationship is imperative not only for the two countries, but also other nations and for world peace. Both nations should realize and accept their responsibilities as world leaders and should make a greater effort to create a better bilateral relationship.

If the Americans and the Japanese treat each other with

courtesy, the existing frictions or barriers can be surmounted. Key phrases for a better relationship are: "Do not do to others what you do not want them to do unto you" as Confucious said, and "Do unto others as you would have them to do unto you" as in the Bible.

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