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CASE STUDY

THE RELATIONSHIP BETWEEN GOVERNMENT AND BUSINESS IN JAPAN A/CDC/MR

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THIRTEENTH SESSION

SENIOR SEMINAR IN FOREIGN POLICY

Washington, D. C.

1970 - 1971

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THE SENIOR SEMINAR IN FOREIGN POLICY

THIRTEENTH SESSION

August 17, 1970 - June 11, 1971

THE RELATIONSHIP BETWEEN GOVERNMENT AND
BUSINESS IN JAPAN

A Case Study

by

Horace G. Dawson, Jr.
United States Information Agency

April, 1971

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SUMMARY

The Japanese have exploited technology, much of it imported, salesmanship, and also protectionism to push themselves within a very short time into the front ranks of industrial nations. Having surpassed West Germany in GNP, Japan now challenges the remaining giants, the United States and the Soviet Union. Unquestionably, the Japanese "try harder"; however, they also have in their favor a remarkable degree of homogeneity, a uniquely beneficial system of work and rewards growing out of this, and perhaps above all, government and business sectors that operate virtually as extensions of each other.

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PREFACE

One of several themes confronting Members of the Senior Seminar in Foreign Policy as they have traveled throughout the United States during the Thirteenth Session is that of "the invasion" of Japanese goods. "I'm no protectionist, but..." is the typical beginning of a sentence justifying some restrictions on such products if this or that industry is to survive in the United States. More detailed discussion usually reveals that the manufacturer feels himself at a disadvantage in competition with the Japanese since "they have low wages over there, and they have the government behind them."

Certainly the fact of an increasing number of Japanese goods on the American market could not be denied. We have seen Toyotas, Pentaxes, Panasonics and numerous other items from Japan in all sections of the country. Moreover, the emergence of Japan as a leader in the field of international trade has been well documented in magazines both in the United States and abroad.

What interested me as a possible subject for investigation was something not quite so obvious--the relationship, if any, between government and business in Japan and the implications of this phenomenon for Americans and other trading nations. I determined to study the situation in Japan itself and then to consider manifestations of it abroad in Taiwan, Hong Kong, and Australia.

Thanks to the assistance of American Embassy and USIS officials in the countries visited, I was able to talk to a number of people, indigenous and otherwise, in connection with the study. The reflections and comments of these people, not to mention the invaluable contributions of the American officials themselves, have helped me to crystalize my own thoughts regarding the relationship between government and business in Japan.

With the usual apologies for limited time standing in the way of a "definitive" product, and also with expressions of very genuine gratitude to all who assisted me along the way, I voice the hope that this study will shed some additional light on a very complex but extremely fascinating subject. Happily for Members of future sessions of the Seminar who might wish to travel to Japan, I can by no means say with Keats that "this is all ye know...and all ye need to know."



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I. Introduction - The "Economic Animal" Concept

It is not clear who first used the term "economic animal" to describe the Japanese. It is known that for a while it was freely and perhaps proudly used by the Japanese themselves in their own business circles. That is no longer the case. The economic miracle to which it alludes - the emergence of Japan within less than a quarter century from the ashes of defeat in war to a leading industrial nation - continues as a source of national pride. Japan is increasingly sensitive, however, to the charge of excessive materialism, which the term also connotes.

Japan offers no apology for its success. In fact, the visitor to that country is struck by the fact that business news competes with politics, crime, and world news for prominence on page one of daily newspapers in Tokyo. Even low level clerks in the hotels talk about growth in the GNP. Taxi drivers assure passengers that Tokyo is busy "like New York," and white collar workers of what ever rank will discuss Japan's rate of growth at the slightest provocation.

Japanese leaders, on the other hand, are growing increasingly sensitive to the charge that progress has come at the expense of a better way of life for the average citizen in Japan. Wages of Japanese workers lag considerably behind those of workers in West Germany although Japan has forged ahead of West Germany in GNP. Where the infra-structure is concerned--housing, roads, sewage, etc.--Japan is more nearly comparable to LDC's than to the industrial giants. And as a country whose products can be found in marketplaces throughout the world, Japan is often charged with advocating free trade from others while itself following highly protectionist policies.

II. The Study Problem: Government and Business Relations

To some observers, all of these factors are the outgrowth of a hand-in-glove relationship between government and business, a relationship in nature and scope unlike any other existing in the non-communist world. Professor W. W. Lockwood of Princeton has coined the term "sponsored capitalism" to describe the peculiarly Japanese phenomenon, and still others have referred to Japan itself as "the world's biggest combine."

An editorial in the China News of February 16, 1971, touches upon the dimensions of the problem. Discussing closer ties in trade between Japan and Communist China, the Taiwan daily said in part:

The government of Eisaku Sata has been acting pragmatically. Whether or not Tokyo hopes for and expects the return to the mainland of the ROC, the Communists are presently there and the Japanese are not going to ignore them.

The Republic of China has not, in fact, asked too much of the Japanese. This country grudgingly accepted the division of politics and economics and has not protested against the growing volume of cash-and-carry trade between Tokyo and Peiping. What we would and should protest against is any new move of the Japanese Government to finance that trade. 1/

It is this relationship between government and business in Japan which the present study seeks to examine. What are its dynamics and how does it differ from similar relationships elsewhere? Does "Japan Inc." actually exist, and if so, is it a phenomenon comprehensible to the outsider, or is it enveloped in the fabled inscrutability of Japanese character? The literature abounds with theories, suggestions, and leads; however, for this study, answers were sought mainly in personal conversations with responsible leaders during a two week visit to Japan and by first hand observations there. This was followed by brief visits to Taiwan, Hong Kong, and Sydney, Australia, where typical expressions of Japanese operations were in evidence abroad.

During the researcher's stay in Japan, two events of major economic importance there reached a climax; a third, the ritual suicide of Yukio Mishima, hovered Banquo-like in appropriate Japanese miniaturization in the background. In a way, these widely differing events symbolize as well as summarize the scope of this study.

Dominating the news was the story of textile difficulties between Japan and the United States, ending in a compromise supposedly worked out between Osaka textile manufacturers (not the Japanese and U.S. Governments!) and Congressman Wilbur Mills, Chairman of the House Ways and Means Committee. It was also during this period that former Japanese Foreign Minister Aichiro Fujiyama headed an "unofficial" delegation to Peking which returned with a renewal of the increasingly profitable trade agreement with Communist China but not without Peking's usual bitter attacks on the Government of Japan. The immediate object of the attacks was Japan's close relations with Taiwan and the United States. In addition to the insults, the agreement provides for \$70 million in trade between Japan and China during the year. It was dutifully signed by Fujiyama and his colleagues, all members of Premier Sato's Liberal Democratic Party.

Whereas events such as these clearly dominate the news, private conversations, especially among intellectuals, reveal a concern with issues dramatized by Mishima. There is a plea in this event which goes considerably beyond the call for re-armament and the lessening of Japan's dependence on the U.S. for its security. In a broader sense, Mishima called for a re-ordering of priorities, invoking by his act the samurai spirit in which unqualified love of country is placed above all else. In different ways, intellectuals and university students are raising this same issue: is it enough, they ask, for Japan to be known (in General DeGaulle's derisive characterization of former Prime Minister Ikeda) as mere salesmen of transistor radios? It is a question that goes to the heart of the "economic animal" idea, one which leaders are finding more and more difficult to ignore.

In looking into a problem of this nature, the researcher is limited as to how far he can go in dissecting the anatomy of the decision-making process, of analyzing its parts, of tracing and describing its inner-workings. In the real world, in fact, it is probable that not even the participants in the process themselves could do so definitively, especially in Japan where the web is intricately interwoven and there is emphasis on avoidance of critical point recognition. Close scrutiny does lead to degrees of revelation however, and it is possible to make certain generalizations as well as to present specific instances of the process in motion.

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III. Summary Generalizations: Interdependence and Identification

What close examination reveals--at least to this observer--is an elaborate system of interdependency between government and business. The hand-in-glove analogy is perhaps less apt than the view of Japanese Government and business as extensions of each other. Here one knowledgeable observer has commented, "Japanese enterprise has been much less the brain-child of entrepreneurs than it has been a new social institution demanded by an entire nation where survival was dependent upon its adoption." 2/ Often aware of government financial assistance to Japanese business, Western observers are usually unaware of the no less important interchange of personnel and information. For this, there are unique historic and cultural antecedents which will be examined here. Crucial in any such consideration, however, is the understanding that to the Japanese, whether from government or business, the national interest comes first.

For some time now, this study concludes further, the national interest has been identified greatly with economics. Some observers feel that the identification has been obsessive, hence, the "economic animal" image. However that may be, it is clear that the pursuit of economic goals has been of primary concern in Japan since the occupation ended and that it grows more, not less, pervasive. The further conclusions are that 1) accomplishments have been enhanced by the government and business sectors working virtually as one; and 2) such concentration and cooperation grow directly out of Japan's uniqueness as a society.

In the meantime, the fact of the economic miracle that is Japan cannot be denied. The country ranks as the fastest growing industrial power in the world, showing an average growth rate in GNP over the past ten years of more than 16 per cent. Some economists place the figure more conservatively in "real" growth terms (i.e., constant prices) at approximately ten per cent. In either case, it would be far and away the best showing of any developed nation in the world.

The result is that Japan ranks third--behind the United States and the Soviet Union--as an economic power. If the current rate of growth continues, she will rank second by 1980 and will overtake the United States as number one by 2000.

In many key industries, Japan ranks either first or second already. Her production in the field of electronics and computers is second only to that of the United States. She has already passed West Germany in the production of automobiles, having produced 5.3 million units (including trucks and buses) in 1970. She has been the world's number one ship-builder for more than a decade.

In fairness, it should be noted that the bulk of Japan's production is for domestic consumption. Her exports account for just under ten per cent of GNP. However, her volume has been increasing steadily and has been taking large chunks out of the world market shares of such traditional traders as Great Britain and the United States. Japan's exports have increased almost five times over the past ten years from approximately \$3 billion to nearly \$15 billion.

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IV. Added Dimensions, Protectionism, and A New Diplomacy

In order to see the government-business tie in its true dimensions, one must not alone consider a highly productive business sector pushing its way into the board room of world trade but one must also see--and at the same time--highly protectionist government policies, which make the move possible. A major cause of friction between Japan and many of her trading partners is the trade balance, which is usually (and outstandingly!) in Japan's favor. Aggressive sales methods abroad as well as protectionist policies at home are hallmarks of an accumulation that is estimated to yield a trade surplus of \$12 billion by 1975. In a Fortune magazine article last year (September, 1970), Assistant Secretary of State Phillip Trezise was quoted as seriously questioning whether "the international system can stand a Japanese global balance of \$12 billion in 1975."^{3/}

By way of reply, Japan points to her recent "capital liberalization" policies. An article on the subject in Fortune begins this way, "With neither whimper nor bang, but with the slow creaking of rusty hinges, doors are finally opening...to the inflow of foreign capital..."^{4/} The American Embassy's Minister for Economic Affairs in Tokyo, Lester E. Edmond, has called these moves "woefully short of international standards." He commented, "What may appear from within Japan as rapid progress is too slow to meet today's international needs, in view of Japan's continuing, almost explosive, economic growth."

Writing in The Journal of the American Chamber of Commerce in Japan (December 5, 1970), Minister Edmond continued:

Frankly, the response that Japan is moving ahead but cannot permit foreign firms to gain a substantial foothold in Japanese production seems to run counter to some of the most promising trends in international rationalization of industry, including the rise of multinational corporation. At a time when the major countries of the world are moving towards regional groupings such as the EEC and toward economic internationalism, Japan seems to cling to economic nationalism.^{5/}

The U.S. Economic Minister ended his article with a plea that Japan demonstrate "to those who talk of Japan Incorporated that it has now become Japan International." He asserted, "The world in which we live today requires of all major countries, including Japan, a basic commitment to something broader than national interest."^{6/}

At issue is Japan's contention that her own industries must be protected until they are able to stand on their own. This is the argument against unlimited imports. Where automobiles are concerned, they argue as well that large American cars are unsuitable for narrow Japanese roads and it is this, rather than the excessive duty imposed, which accounts for limited sales of American automobiles in Japan. And on the question of capital investments, the Japanese Government considers restrictions imperative as a guard against larger, richer, and more technically proficient American companies taking over their weaker counterparts in Japan.^{7/}

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Other countries, especially competitors, claim that this "beleaguered" role is no longer suitable for the industrial giant that is Japan of 1971. The Japanese did, indeed, affect a low posture, both politically and economically, immediately following World War II. One of the country's best known writers, Ichiro Kawasaki, has said, "...while Japan's economy was weak and struggling to recover from the aftereffects of the war, such an attitude was more or less accepted by other countries. Gradually, as the economic accomplishments of postwar Japan have become widely recognized abroad, more is being expected of Japan in the formation of international economic policy and in the discharge of her responsibilities as one of the world's leading trading nations." 8/

Some see menace in a more assertive Japanese posture. 9/ In both Taiwan and Australia, government officials expressed the view that the low posture stance is all but ended. "The humiliation of the war years is certainly gone by now," said an official in Taiwan, who has spent many years in Japan. "There is a feeling of confidence now, even arrogance." An Australian commented, "They can see further ahead than we can; the slide rule was just made for them. In computers as in so many other things, I wouldn't be surprised if they didn't shaft the U.S. in a few years."

Max Suich, writer for the Australian Financial Review, feels that Japan's new initiative, although conducted from a more upright posture, will be a purely economic one. Suich calls it "resource diplomacy" and feels it embraces a "global concept." According to him, Japan will de-emphasize its close association with Southeast Asian nations as main suppliers of raw materials and will look instead over a broader area, including countries in the Middle East, Latin America, and Africa. 10/

It is perhaps through such avenues of economic importance that Japanese diplomacy will begin to make itself felt generally. The question of raw materials is especially critical for the country in view of its own great shortage. It is also a fact that other industrial nations, now Japan's trading rivals, were tapping many of these resources throughout the world before Japan had need for them. As Max Suich views the situation from Tokyo, the Japanese have decided "that only a sophisticated and closely coordinated approach by government and business can earn for Japan a seat in the board rooms and at the negotiating tables when markets and prices are being discussed by the raw materials producing nations and the big European and American combines which play such a large part around the globe in resources development and extraction." 11/

V. The Uniqueness of Japan: Always "We" and "They"

In typical fashion, a joint committee of business and government leaders in Tokyo is studying the situation. Describing this beginning as "the approach Japan always takes with the outside world," an official in the American Embassy in Tokyo remarked that American businessmen usually make a "classic" mistake in the early stages. "Our businessmen come out here after making initial contacts through the mail or through the Embassy. They think they are dealing with individuals or single companies as at home; actually, they are dealing with Japan!"

Even the Japanese language indicates the wisdom of this observation. A foreigner is a gaijin, literally, a "man outside." To be "outside" is not to be inside, that is, not to be Japanese. No one can become Japanese by adoption. One must be born "inside"; otherwise, he is gaijin, "outside." And historically, Japanese tend to distrust outsiders, especially businessmen from outside, who represent a threat to the interest of insiders.

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It is precisely this we-they relationship so natural to the Japanese that is difficult for the foreigner to understand. "We Japanese..." is the typical beginning of a sentence; and over and over again, one is told, we Japanese must develop our own industries, not depend on someone else. In the field of commerce and industry, this theme is the dominant one.

The feeling is not without some justification. Except for one Dutch trading post in Nagasaki harbor, Japan was isolated from the West for nearly three centuries. This seclusion came to an end with the arrival of Commodore Matthew C. Perry and his fleet of American ships in Tokyo Bay in 1853. Under military pressure, Japan was forced over the years to sign a number of commercial treaties with Western nations and to open her ports to foreign traders and residents. Utilizing principles of most-favored nation treatment, etc., the treaties were highly favorable to the foreigners and, of course, unfavorable to Japan. "In essence," says Professor Herbert Glazer in his book, The International Businessman in Japan, "the foreign traders had control of Japan's external trade and they took advantage of it." 12/

Even today, the memory lingers, the more so perhaps since in the Japanese view it was repeated to some extent during the American occupation of Japan after World War II. American capital contributed considerably to the rehabilitation of Japanese firms following both the war and the occupation. Some American firms stayed on, of course, after establishing themselves in the Japanese market. While these acts may have been appreciated at the time, Glazer observes, "today the Japanese view is that foreign capital simply came in to take advantage of helpless Japanese firms and to establish itself in the Japanese market."

He continues:

The Western morality of helping a man when he's down does not exist in Japan as any foreigner can observe daily in the Japanese streets. Hence in Japan the man who is helped up does not feel grateful. Rather, he feels ashamed at having received help and resentful at the man who helped him and who, by helping him, made him feel ashamed and embarrassed. 13/

Clearly, the businessman from the West is dealing with a phenomenon utterly new to him. In recognition of this, institutions such as Sophia University run regular "how-to-do-it" seminars for newly arrived executives. One such program at Rikkyo (St. Paul's) University in Tokyo recently offered the following courses: "Dealing with the Japanese," "Unique Practices in Japanese Economy," "Recruiting and Discharging Japanese Employees," "Correcting Employees," and "A Foreign Coordinator in Negotiation."

While any foreigner would expect to encounter differences in a new cultural environment, such titles as the above suggest far wider dimensions of difference than might be expected normally. All evidence indicates that this is, indeed, the case. A professional man in Hong Kong complained that he (a Caucasian) had done all the "right" things--learned the language, married a Japanese girl, etc.--but that he finally left the country "because there simply was no way of my ever being fully accepted into Japanese society."

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The American businessman probably does not expect to be accepted in Japanese society in this way. What he does expect, of course, is acceptance of his role as a businessman and the right to deal on par with his counterparts in Japan. What he can probably count on instead is the opportunity to deal with the system, to deal "with Japan," as the American Embassy officer said, since the Japanese businessman does not have the same freedom of action that the visiting American executive has. This is not to imply dictatorial tendencies on the part of government; it is more accurate to say that the Japanese system is not designed, generally speaking, to accommodate the lone business magnate of independent action which the American (and Western) system extols.

More to be admired is a smoothly working system with each individual contributing his part through the nexus of organizations to which he belongs. Thus, in Western terms, Japan presents a paradoxical situation in which there is a vigorous private enterprise sector heavily controlled by government. Control is exercised not through fiat, however, but largely through administrative action of various sorts and through another uniquely Japanese invention, "administrative guidance." Central to an understanding of this "consensus" arrangement between government and business is the fact that both are convinced that it promotes the best interest of Japan.

Actually, there is a two-way flow of communication and cooperation. Business and industry accept control or "guidance" from government, but government, on the other hand, also listens carefully to representatives from business and industry. In fact, in various intricate ways, the two sectors share personnel and information. It is important to note in this connection that more than 300 business groups have consultative status with the government. The inter-twining is so pervasive, one might say, that it is difficult to tell where one begins and the other ends. Without doubt, the commonality of the objectives--that is to say, the national interest--accounts in large measure for the system's success.

This sharing of objectives, personnel, and information is certainly a key consideration in an understanding of the way in which government and business work together in Japan. In a still larger sense, the cooperative element, coupled with the "we-they" syndrome, is perhaps a key to the understanding of Japanese society as a whole. American journalist-author Richard Halloran probably had this in mind when he commented, "Japan is not a nation state; it is a nation family."

As such, it is strikingly homogeneous, far more so than most other societies can claim. And it is this homogeneity which makes possible a remarkable degree of concerted activity involving private and public sectors.

In Japan Unmasked, Kawasaki makes much the same point another way. To him, there is not alone homogeneity among Japanese but almost complete identification of race, people, and nation.

There are among the Japanese, nationalists and liberals, conservatives and communists, capitalists and Marxists. Despite the ideological incoherence, Japanese society is uniquely homogeneous. Japan has no troublesome communal problems as in India; no racial disorders as in the United States. It has no disruptive social cleavages; no religious complications. Thus in no other country can one find such complete identity of race, people, and nation. 14/

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Father Robert J. Ballon, who has lived and worked in Japan for more than twenty years, goes back into mythology in commenting on the phenomenon. He noted that according to Japanese mythology, Amaterasu O-mi-kami, the Sun Goddess, created Japan "at the dawn of history", unlike Western nations whose concept of nationhood is only three or four centuries old. 15/

He notes further:

Unity has been characteristic of Japan during its entire existence. It has enjoyed geographic unity (four islands off the mainland of Asia); ethnic unity (the aborigines, the Ainus, never really challenged their successors); and cultural and linguistic unity (amazing when compared to most other countries). Such continuity, unmarked by interruption, is rooted in ancient times and is expressed by the myth establishing an unbroken line of rulers. How can all this be adequately described by the usual concept of nation? The West has no comparable concept. 16/

Without doubt, all non-Japanese in the country, as Father Ballon remarked recently, are affected by this concept of nationhood. The businessman is especially affected since in addition to the historic and informal arrangements within the family system that is Japan, there are also institutionalized agencies and methods designed to deal with him. The Ministry of International Trade and Industry, for example, is one of the most prestigious in government, ranking just behind the Ministry of Finance. The country's best university graduates vie each year for positions in these ministries even though starting salaries and benefits would be higher in industry. Obviously, status is a more important consideration.

Government's official commercial window to the outside world, "MITI" well deserves its high status. Explaining the ministry's role in mediating between private companies in competition abroad, a Japanese businessman in Taiwan commented, "When MITI speaks, businessmen listen." In the case described, the competing firms were advised to combine their operations in order to be in a more competitive position with firms from two Western countries. If such advice is followed, as it was in this case, government might help with financing and guarantees.

This blending of private and public sectors, means and ends, and the inevitable utilization of personnel from both sectors in planning and executing the policy represents a peculiarly Japanese phenomenon. No exact parallel exists in Western society. Harmonizing as it does different elements of strategy it also comments on more general aspects of Japanese life.

It relates, for example, to the homogeneity principle, which stresses cooperation within the group more than competition. Decisions are attributable to groups rather than to individuals; hence, both credit and blame are shared.

Accordingly, there is a great sense of cooperation and cohesion among individuals. An issue is considered, debated, and worked over time and again up and down the ladder of the group mechanism. Eventually, a decision ("consensus") is reached before the matter is presented to outsiders. By that time, all are agreed on the principle; the group presents a united front, and there is little doubt that what has been agreed will be carried out. The system demands a high degree of integrity since involvement and responsibility are shared by each member of the group. Speaking of the Japanese worker, Father Ballon once wrote, "He does not feel...that he is a member of a privileged class; he is simply the typical member of a society that depends for its success on the success of its members, the 100 million Japanese." 17/

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Thus, workers are employed in groups. They come to be known as a class, that is to say, all employed at the same time, and normally they will remain together in the same firm (or government office) until retirement or death. Each worker is assigned an older member in the plant or office as his counselor or adviser; this relationship is also expected to continue for a life time and often does. Workers usually take their vacations together in family groups, often visiting a company-provided recreation resort, and they advance in salary and rank together. 18/

As in most things, government and business have paralleled systems of employment and promotion. By Western standards, the retirement age is relative young (anywhere from 45 to 55, depending upon the company or the government ministry); however, the system allows for the continued injection of new blood. It also allows an individual to begin a second career, which most of them do. Transfers are from government into private industry, never the other way round. And almost always, the retired government employee goes into an industry which is related to the kind of work that he did while in government, usually in the firm with which he had dealings as a civil servant. This practice reveals yet another tie between the public and private sectors in Japan.

Still another "retirement practice," probably unique to Japan, represents the only exception to the life-time employment and group promotion concepts. As they proceed in their careers jointly, some individuals will show more capability than others. This will be demonstrated over a number of years and in different situations. When at an appropriate time a given class member is tapped for the top job--say, Section or Bureau Chief--all of the other members of the class promptly hand in their resignations and seek employment elsewhere. Their old classmate, now in a position of authority, assists them in finding new jobs.

The move from government to industry is called the "descent from Heaven," the government in Japan being thought of as "heaven" and business "earth." The National Personnel Authority recently published a White Paper on senior officials who made this move last year. The largest number ever to make the move, 193, was reported. Significantly, the greatest number of "parachuters" came from the Ministry of Finance (42), followed by the Ministry of International Trade and Industry (30), the Ministry of Transport (21), the Ministry of Agriculture and Forestry (20), and the Ministry of Construction (17).

Government, business, and labor union officials all cite the Japanese employment practices (including the mode of transfer from government into industry) as evidence that the worker in Japan need have no fear for his security. It is important to note that workers in Japan have a greater degree of confidence in both government and business firms than their counterparts in the West. In the same way that they identify with the idea of "nationhood," Japanese workers establish complete identification with their place of work. Job titles are not nearly so important as the fact that an individual is "with Mitsubishi" or "with the Ministry of Finance." In such a situation, the individual is rewarded for loyalty and longevity, which seem to be more positively valued than performance. Accordingly, morale is high, and perhaps more significantly, competition is virtually non-existent between workers in the same plant (where cooperation is the by-word) but fierce and quite productive between one plant and another.

Although some critics say that this "paternalistic" system is simply another way of keeping wages low (hence, worker exploitation) and assuring low prices for Japanese goods, not all are agreed. American Embassy Labor Attache Howard T. Robinson, for example, points out that the system has built into it that which American laborers most often seek, job security. "Providing life-time security is one way of creating harmony and maintaining it," Robinson says.

Mr. Chu Sato, Assistant General Secretary of the Japan Federation of Labour (DOMEI) agrees. Said he, "Homogeneity produces less antagonism. People who work in establishments here consider the future of the establishment as their own future. Therefore, they work harder." To counter the exploitation argument, he called attention to the "perks" of the system and to the fact that wages have been increasing at a rate of 13 per cent annually in recent years. Retreating into a characteristic "we Japanese" position, he stressed the need to avoid friction in wage negotiations, to be "realistic" in wage demands.

He notes that companies, aware of their responsibility in the overall economic system of Japan, do not recruit merely for existing vacancies but on the basis of the company's expected growth. "Each country has its own history of development," he continued, "and each develops its own system of operation. Naturally, Japan has its own."

In effect, this is a system in which each individual has a place (the businessmen in Taiwan compared it to an ant-hill "with each assigned his own work") and all are aware of the whole. Since the system does not encourage individual initiative, cooperation is not only encouraged but mandatory as peer censorship is the immediate result of inadequate performance. Moreover, group activity gives individuals a feeling of participation, encouraging a sense of accomplishment when things go right and absolution from individual responsibility when failure is the result. The fact that the system is the same in both government and industry obviously contributes to the concept of national unity.

While acknowledging its cohesive character, Professor Walter LeFeber of Cornell University feels that Japanese society today is merely a continuation of its feudalistic past. Commenting on the country's "conversion" into a modern industrial giant, Professor LaFeber says:

The Japanese did not destroy their feudal institutions but tended to shift them into the industrial sector. Plants are consequently organized around a family concept of mutual obligation, with wages providing a relatively small portion of worker incentive. This arrangement also means that unions are, in the Western sense, company unions. These characteristics not only explain Japanese craftsmanship and productivity, but creates obstacles which prevent American capital from penetrating that country as it has Europe. 19/

To this business explanation, of course, must be added the role of government. Attention has been called to the crucial position of the Ministry of International Trade and Industry. However, MITI functions within an overall structure of government, which as has been noted, has intricate and extensive ties in the business community.

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VI. The Structure: Government, the Zaikai, and the Bureaucracy

It is important to note that when a Japanese uses the term "government," he is referring to the Cabinet, including the Prime Minister, but not the Diet. Cabinet members are appointed by the Prime Minister in consultation with officials in his (the ruling) Party from among elected officials. This is much the same form as the British Parliamentary system with bureaucrats functioning under political ministers. However, the civil servant in Japan, who comes to his job through a tough "shiken jigoku" or "examination hell," has considerably more power than his counterpart in either the United States or Britain. Well educated and virtually free of bribery and corruption, the Japanese civil servant is considered among the world's best.

Compared with the American Congress or the British Parliament, on the other hand, the Diet is weak and ineffective. It is used as a deliberative body for the purpose of informing the public and of "floating" ideas later to be advanced by government. This is not to say that election to the Diet is insignificant. Considerable prestige attaches to membership in that body. From a practical point of view, however, bills advocated by the Cabinet are usually drafted by the bureaucracy and passed on to the Diet for passage. It is not expected that any debate will change the substance of a bill on which the Cabinet has agreed.

The immediate tie of the business world to this ruling structure--that is, the government and the Diet--is through contributions from businessmen and organizations to the Party or to a particular candidate's campaign. In point of fact, the business world has its own "Board of Directors" that represents a structure not unlike that of government.

It is known as Zaikai. Although the term, like many Japanese words, has several meanings, the most precise is that it denotes a few businessmen of wealth and influence at the very top of Japanese society. Their power derives from the "collective wealth" they represent as leaders of Japan's top industries. According to the Manichi Daily News (January 26, 1971), Zaiki is "a group of a few but influential businessmen who, from the standpoint of collective capital, study and deliberate on what the Japanese economy as a whole ought to be." 20/

Zaiki, like government, takes a broader view than any of the smaller or more specialized organizations of financial power and prestige. While some of these may be concerned with Osaka textiles or the state of the electronics industry, Zaikai is concerned with the economy as a whole. "This means," the News says, "that Zaikai is linked with the political world and has power to prompt the latter into action."

Quite apart from their links as business magnates, members of the Zaikai are often associated with each other through such informal ties as family relationships, marriages, graduation from the same schools (usually Tokyo University, the University of Kyoto, and Hitotsubashi University), and hometowns. The same ties extend with varying degrees of over-lapping into political groups as well.

In essence, then, the leadership structure consists of government, the bureaucracy, and the Zaikai, or organized business. Although each is autonomous, it can be seen readily that the groups are functionally inter-dependent.



When it comes to economic policy, business clearly exercises crucial influence upon government. It provides members for the Cabinet, the Diet, and the endless government advisory councils and commissions. It also hires "retired" government officials as corporation executives. Government, on the other hand, having complete control over foreign exchange, licensing authority, and the ability to grant or withhold loans and subsidies, is not without power to regulate business as a whole. The key to success is the ability of these groups, utilizing an efficient and powerful bureaucracy, to pursue common goals for Japan in unison.

The bureaucracy proposes, drafts, interprets, and implements policies under the surveillance of the government. In all this, however, its most important function involves the protection and promotion of business and industry. In this role, the bureaucracy plans, makes forecasts, sets goals, and establishes priorities.

"You might say that the government specializes," says Masaya Miyoshi. "It specializes in economics."

In doing so, there are a number of channels through which this specialty is pursued, and Mr. Miyoshi holds a key position in one of them. He is Deputy Director of the International Economic Affairs Department of KEIDANREN (the Federation of Economic Organizations). In describing KEIDANREN, Mr. Miyoshi advised that membership of the National Association of Manufacturers be combined with that of the Chamber of Commerce in the United States and that all small business concerns be subtracted from the total. In other words, some 750 of Japan's top corporations and trade associations hold membership in the organization.

Although an organization for private business, Keidanren also admits to membership both public and quasi-public corporations such as the Japan National Railway, Japan Monopoly Corporation, Nippon Telephone and Telegraph Public Corporation, Japan Development Bank, Japan Export-Import Bank, Bank of Japan, People's Finance Corporation, Agriculture and Forestry, Central Cooperative Bank for Commerce and Industry Associations, Overseas Economic Cooperation Fund, Japan Highway Corporation, Metropolitan Rapid Transit Cooperation, and Japan Air Lines. In addition, Cabinet Ministers, especially those in the key Ministry of Finance, the Ministry of International Trade and Industry, and the Director from the Economic Planning Agency, and the Governor of the Bank of Japan often attend Keidanren meetings. Such membership and attendance obviously underscore the closeness of the relationship between government and business.

There are twenty standing committees covering all aspects of the nation's economy, and special committees are set up from time to time to deal with emergency problems. The standing committees roughly parallel government ministries and commissions, e.g., Industrial Policy, Fiscal and Financial, Transportation, Foreign Trade Policy, etc., and they maintain close contact with members of the Diet and with the relevant ministries of government. The committees conduct research, prepare reports, make forecasts, adopt resolutions, and submit proposals to government.

Keidanren may also act for the government in a semi-official capacity. For example, it has charge of Japan's economic and trade relations with the Soviet Union.

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A second channel for government and business cooperation is KEIZAI DOYUKAI (Japan Committee for Economic Development), a non-political organization devoted to economic research. In theory at least, it is a largely voluntary organization of individuals bound together by common interests and goals but devoted especially to promoting the growth of Japan's economy. Devoted as well to the free enterprise system, the group stresses, among other things, the social responsibility of management.

Despite its non-governmental character, the largely private business sector organization includes among its members as well the presidents, vice presidents, or directors of public corporations such as the Japan Highway Corporation, the Bank of Japan, and the Japan Export-Import Bank. In addition, business executives may belong to Keizai Doyukai in their individual capacities while at the same time representing their companies in Keidanren.

A third important organization in the field--and management's instrumentality for formulating labor policy--is NIKKEIREN (Japan Federation of Employers' Associations). With a membership of 30,000 companies in all categories regardless of size, the organization deals directly with unions and also promotes labor legislation. It maintains close liaison for this purpose with the Ministries of Labor, Health and Welfare, and the Social Welfare Committee of both Houses. The group meets frequently with government leaders.

It is interesting to note that Nikkeiren's membership is almost identical to Keidanren's and that there is considerable overlapping in leadership. And like both Keidanren and Keizai Doyukai, it has public corporations among its members, including Japan National Railways, Japan Monopoly Corporation, and Nippon Telephone and Telegraph Public Corporation. Presidents of the Japan Development Bank, the Japan Highway Corporation, the Metropolitan Rapid Transit Corporation, and Japan Air Lines are on Nikkeiren's board of directors.

The fourth organization in the forefront of Japan's economic expansion is one which dates back to 1878--the JAPAN CHAMBER OF COMMERCE AND INDUSTRY. With a membership even broader than that of Nikkeiren, JCCI is especially active in the promotion of export trade, the improvement of Japan's balance of payments, and in the advancement of international economic cooperation. At home, the organization encourages the development of regional economies, increased consumption, and price stabilization.

JCCI's contacts with government are through MITI, the Foreign Office, and the Ministry of Transportation. In addition, it follows the practice of the other business oriented organizations by inviting Cabinet ministers and the Prime Minister to its important meetings.

Beyond these four important organizations in the economic policy field are the trading companies (and Associations), a vast and powerful group of companies that are almost wholly responsible for selling Japanese products at home and abroad. As gatherers of information in the field of business abroad, the Japanese trading companies' skill and resources have been compared to those of the CIA. So efficient and effective are they, in fact, that in some of their countries of operation (Taiwan, for example) they handle not only Japanese goods but much of the external trade of the host country as well. As a Mitsui & Company official in Taiwan said, "Mitsui handles everything from shrimp to atomic reactors."

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Actually, Matsui is Japan's oldest and largest trading company. It was founded in the sixteenth century, which prompted one company official in Hong Kong to remark that "the firm, you see, is older than the House of Rothschild and the Bank of England." In addition to its 59 establishments at home, the company has 106 offices in sixty-four foreign companies. In 1968, it handled 10 per cent of Japan's exports and 13 per cent of the country's imports, thereby accounting for a business volume, of nearly seven billion dollars.

The hundreds of trading companies (among them such giants as Mitsubishi) make up the associations which of necessity maintain liaison with various arms of government. Large corporations with diversified operations often carry memberships in several trade associations, once again pointing up over-lapping memberships within the business community and, by extension, into government itself.

VII. Other Arms: The Councils and Commissions

In addition to these groups which are formed, so to say, by natural selection, the government also appoints a number of advisory councils and commissions. Their function is to study reports and also to submit reports and recommendations to the government agencies they are empaneled to advise. At present, there are approximately three hundred such commissions and councils, a number of them attached to the Prime Minister's office itself.

Members are carefully handpicked by the government. They come from the government, from the Diet, from business, and from such professions as education, journalism, medicine, etc. The nature of some of these councils and commissions can be gleaned from the names of a selected number of them, including councils of Economic Deliberation, Industrial Structure, Tax Structure, Financial Structure, Foreign Capital, Foreign Trade, Industrial Location, etc.

As indicated in the case of Keidanren, these large bodies usually are broken down into smaller committees, or "shingikai," which carry the work load. In many instances, the function is a research and planning one with recommendations going up through the chain of command. Many are standing committees, and they are often established so as to have direct relationship to a comparable bureau or committee in some ministry of government. There is constant interchange between the shingikai and its counterpart in government. And it is interesting to note that a council or commission can send a report or recommendations directly to the government ministry.

It is easy to get the impression that Japanese society is over-organized. Committees, commissions, councils, etc., proliferate, and both business executives and government officials seem to attend an endless round of meetings. Clearly, the groups do serve the function of assuring everyone a "place", so important in Japanese society. On the other hand, however, the system seems to generate and refine ideas, to inspire motivation, and to provide strategy sessions behind which, in the final analysis, everyone will rally. All opinions are listened to; all ideas are considered and re-considered. The decision, as noted previously, represents consensus.

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In the case of the top commissions and councils, it is clear that the influence on government policy is considerable. Both Japanese and Americans expressed the conviction that some of the councils have such influence; however, few indicated any real knowledge of how the influence is exerted and at what stage. The exception was the editor of the Mainichi Daily News, who cited the case of the third-round of capital liberalization. It seems that Keidanren submitted its recommendations in early August, 1970. More than three-fourths of the points and recommendations made by Keidanren were accepted and incorporated into the document later prepared by the Foreign Capital Council. In its meeting in September, the Cabinet accepted the Council's recommendations virtually without change. The conclusion drawn by the editor is that, "The common idea among the Zaikai today is to speak fully in the deliberative councils and to move the government in its favor in the stage of policy decisions." 21/

It is not without significance that the Foreign Capital Deliberative Council is headed by Ataru Kobayashi, who is President of the Arabian Oil Company. He is Chairman as well of the Financial System Deliberative Council.

A number of other councils and commissions are headed by captain of industry. Some examples include: Kogoro Uemura, President of Keidanren, the Industrial Structure Deliberative Council; Yoshihiro Inayama, President of Nippon Steel Corporation, the Coal Mining Industry Deliberative Council; and Kazutaka Kiwada, President of Tokyo Electric, National Economy Deliberative Council.

As indicated previously, there can be cross leadership as well as membership roles in both industry and on the councils and commissions. For example, Mr. Inayama, who is President of Nippon Steel, is also Vice President of Keidanren. Similarly, Nippon Steel's Board Chairman, Shigeo Nagano, is a member of ten councils, including the Overseas Economic Cooperation Deliberative Council. Tadashi Adachi, who heads the Postal Service Deliberative Council, sits on eight such bodies. Fuji Bank President Yoshizane Iwasa also has membership on eight councils; Toyosaburo Taniguchi, Chairman of the Board of Toyo Spinning Company, and also on the Board of Counsellors of Keidanren, belongs to six; and Toshiwo Doko, President of Tokyo Shibaura Electric Company as well as Vice President of Keidanren, is also on eight councils.

Such names as those above can even be found at the head of Keidanren standing committees. For example, Mr. Inayama heads the Committee on Capital Market. Shigeo Nagano heads the Committee on Marine Transportation. In charge of a Keidanren committee also is Ataru Kobayashi, who is Chairman of the Committee on Industrial Finance. As has been stated, these committees are in constant consultation with their counterparts in government and they can make reports and recommendations directly to relevant government ministries.

The point is perhaps less easy to grasp when it is recognized that these committees are often headed by some of Japan's most prestigious Zaikai figures dealing with matters within their special areas of competence. An illustration worth noting is that of Tatsuzo Mizukami, who is Chairman of Keidanren's Committee on Foreign Trade. Mr. Mizukami is Chairman of the Board of Mitsui & Company, which, as has been noted, is Japan's largest trading company.

Connections and cross-connections of this type are probably capable of being traced indefinitely. Suffice it to say that they are numerous and are as intricately interwoven as computer circuitry. The movements of these industrial giants in and out of private and public sector roles may be equally complex. In the final analysis, however, it is clear that the system functions as an integrated whole.



It does so with large injections of capital from government into private business. 22/ Most of this comes in the form of loans, which government makes available through the Bank of Japan and the Japan Development Bank and which it encourages private banks to make on the basis of government guarantees. In the field of international trade, such financial backing has often made Japanese companies more than a match for Western firms attempting to compete on an individual, private enterprise basis. "It is impossible for Western firms by and large to compete when the Japanese buggers really put their minds to it," an Australian businessman remarked. "You'd have to outdo the Bank of Japan to get anywhere."

Both at home and abroad, loans (usually long term and low interest) play a crucial role. By American standards, most Japanese firms are "under-capitalized." Twenty to thirty per cent is normal. Borrowed capital makes up the remainder, with government guarantees, tax breaks, and other concessions acting as stimulus and stabilizer.

As noted previously, this ingredient gives government important leverage in the field of private business. By making loans or encouraging other banks through the Bank of Japan to do so, government can bolster industries of promise. It has done just this to a marked degree in the case of the computer industry, as will be seen. Similarly, by withholding funds, government can eliminate unwanted competition or unpromising companies, such as it did in the case of automobiles.

VIII. Government-Business Action: Automobiles

The automotive industry represents one of the great success stories of post-war Japan. Actually, it was one of the pre-war successes as well as the Japanese were virtually self-sufficient in the production of trucks and buses as early as the mid-thirties. Their rapid progress in the field of passenger car production was interrupted by the war and was not resumed on any scale until 1949, when Occupation officials lifted all restrictions that had been imposed. Numerous manufacturers jumped into the field.

To the Japanese, this was a disaster. Mr. Yoshitaka Iwasawa, Deputy Manager of the International Department of the Japan Automobile Manufacturers Association recalled that foreign technology, which the Japanese industry had to purchase from abroad, came at a much higher price because of excessive competition within Japan. He also noted that Japanese manufacturers undercut each other over the sales of trucks to the United States during the Korean war "to the extent that nobody made much of a profit." Recalling the same situation, a Mitsui official in Taiwan commented, "We cannot afford to make such mistakes again."

The government, mainly through MITI and in cooperation with such giants of the industry as Toyota, moved in with a program. Its features were elimination of the smallest and least efficient companies and incorporation of the medium sized and more efficient one into the giants.

Some of the mergers, tie-ins, and acquisitions of the Nissan Motor Company between 1951 and 1966 will serve to illustrate the point. The company acquired Shinnikkoku Kogyo in 1951 and in 1953 brought Minsei Diesel under its aegis. Both companies had sought Nissan's assistance in recovering from economic slumps.

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During and since 1955, a number of companies joined Nissan. Some of these include Aichi Machine Industry, Atsugi Auto Parts, Nippon Radiator, and Kanto Seiki. Aichi Machinery Industry was acquired after experiencing financial difficulties in 1962.

One giant company joined Nissan in 1968 and another in 1970. Fuji Heavy Industries joined the group in the form of business and technical "tie-ups" in 1968, and Isuzu Motors Company followed this same line in 1970. On the basis of these acquisitions and the resulting expansion programs, the company ranks second among Japanese automobile manufacturers. It has 45 "major subsidiaries" (most of them parts manufacturers) under its control.

In addition to creating their own subsidiaries, (as in the case of Toyota), the numerous and widely scattered Japanese companies have been transformed through this method of acquisitions to a neat and trim industry. It consists of two big "groups" and three independents. The Toyota Group consists of Toyota Motor Company, Daihatsu Kogyo Company, Hino Motors, and Suzuki Motors. The Nissan Group consists of Nissan Motor Company, Nissan Diesel Motor Company, Aichi Machinery Company, Fuji Heavy Industries, and Isuzu Motors. The Independents are Toyo Kogyo Company, Honda Motor Company, and Mitsubishi Motors, which is in cooperation with Chrysler.

While these "adjustments" (to use the Japanese term) were taking place, a protective wall was built around the automotive industry in Japan. There are three duties and taxes on automobiles, the import duty, the commodity tax, and the Prefectural Government Tax. Since the duty or tax is based on the weight, size, wheel base, cylinder capacity, etc., of automobiles its effect was to discriminate against the larger and heavier foreign (especially American) car in favor of the Japanese automobile. As late as April 1970, for example, the import duty on large cars (over 2700mm wheel base) was as high as 28%. The commodity tax was 30 per cent (on the CIF duty paid value) of cars in that category, and 40 per cent for small passenger cars (under 2700mm wheel base). Prefectural Government tax can run as high as \$150.000 per car.

Whereas such duties and taxes had their effect, some observers believe that the most effective barrier to imports is the government's "administrative" guidance policies. Buyers are "encouraged" to "buy Japanese" or obstacles are put in their way by simply delaying endlessly the approval of forms.

"There is an import quota on cars here," said a frustrated American Embassy official, "but the trouble is, Japan won't say what it is." He continued, "In any case, it is more a psychological feeling than a numerical quota as such. The importer has to make a strong case for the importation against the anti-import sentiment existing here." Referring to both this and other government tactics, a Japanese businessman commented, "You find suddenly that your forms are being delayed, and the delay goes on and on and on. After awhile, you go and ask someone what the trouble really is."

For automobiles, thanks to the "streamlining" process of the industry and the protection afforded through duties, taxes, and guidance, few troubles remain. Having produced only 41,583 units in 1950, the Japanese automobile industry today is second only to that of the United States. In 1970, 5.3 million units were produced. This represents an increase of 13.1 per cent over 1969. However, there was an increase over the 1969 figure of 27 percent in exports, including a 50 percent increase in vehicles exported to the United States.

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With such a showing, and under very heavy pressure from the United States and other countries, Japan is pursuing a liberalization policy. As of this year, the import duty on passenger cars will be lowered to a flat 10 percent rate regardless of the size of the car. In addition, long pending negotiations with Japanese manufacturers will enable America's big three, GM, Ford, and Chrysler, to establish joint ventures because of the liberalization of direct foreign investment laws.

IX. Government-Business Action: Computers

Matters have not reached this stage as yet in the computer industry. Nevertheless, the story is not radically different from that of the automobile industry: in this field, as with automobiles, Japanese production has just passed that of West Germany. Today, the Japanese industry is Number Two.

Since the principle is virtually the same as that with automobiles, it will not be necessary to go into detail. The major difference, however, is that MITI has been encouraging competition among the stronger computer manufacturers in an effort to score technological break-throughs that would enable the Japanese industry to over-take American firms, especially IBM. Progress in the computer field is measured in terms of the extent to which Japanese products have managed to capture from foreign computer manufacturers larger shares of the Japanese market.

The Japan Computer Usage Development Institute makes this point in the 1970 edition of the Computer White Paper:

A break down of the total value (\$1,419 million) of all computers in operation at the end of September 1969 shows that the percentage of domestic machines has again risen reaching \$732 million (51.6%) as against \$688 million (48.4%) for foreign machines. The percentage for domestic machines was higher for small machines (71.3% domestic against 28.7% foreign) and medium machines (60% domestic against 40% foreign) but lower for large machines (32.3% domestic against 67.7% foreign). In the field of large A-type machines (valued at over \$1.39 million) the percentage for domestic machines in terms of value rose considerably from 17.9% in 1968 to 29.4% in 1969. In the field of large B-type machines (valued at between \$0.69 to 1.35 million), the 42.6% figure for 1968 rose slightly to 43.2% in 1969 indicating that the percentage for foreign machines remained nearly constant. 23/

Since the computer industry's first stirrings in Japan in 1956, the government has taken a number of measures to encourage production. They began with the passage in 1957 of the Electronic Industry Promotion Act, which established the Electronic Industry Council as an adviser to MITI, and set goals for the industry. The government also sponsored in 1957 establishment of the Japan Electronic Industry Development Association (JEIDA). Its purposes were to investigate and study foreign technology and to develop training facilities and programs for Japanese engineers and programmers.

MITI set up its own Electro-technical Laboratory, and Japan's first experimental computers were developed there, beginning in 1956. The following year, the government began making grants and subsidies to manufacturers for research and development.

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In 1961, six computer manufacturers, with financial assistance from government, established a corporation, the Joint Rental Company for Electronic Computers (JECC). The government has lent the firm \$120 million for research and development since 1961.

Special loans and grants have been made for the development of high performance computers and modernization of production. In addition, the computer industry has been granted tax exemption beginning in 1961 as a means of encouraging capital investments.

The latest move has been the establishment of the Japan Information Processing Development Center (JIPDEC). MITI established the Center in cooperation with the Ministry of Tele-communications and Postal Services primarily as a means of 1) attacking the software problem, and 2) standardizing techniques throughout the industry. It is in these two areas (as well as in the development of memories) that Japan lags behind the United States. Another institute, Japan Computer Usage Development Institute, has been set up by manufacturers, in cooperation with government, to promote the use of computers in business, government, and in the schools and colleges throughout the country.

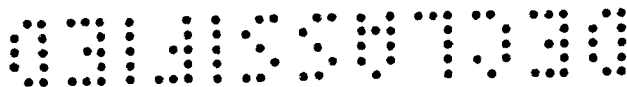
Mr. Morihiko Hiramatsu, Deputy Director General of the Electronics Policy Division of MITI, estimated that the computers installed in Japan by 1975 will have a value of nearly \$2 billion. "But that will still be only half of those installed in the United States as of 1969," he said. Emphasizing that the development of software and of systems engineers is the present emphasis in Japan, Mr. Hiramatsu pointed out that "Japan has no NASA" which passes on to industry the ancillary benefits of the space program. "Therefore," he said, "government must help." He predicted that computers will constitute Japan's largest industry within a short time.

An American computer industry official in Tokyo confirmed this estimate and indicated further that the stakes generally are high. He suggested that Japan plans to move into the international field in a big way. By 1975, he said, the world market for computer memories alone will be about \$2 billion; 40 to 50 per cent will be semi-conductor memories by that time. By 1980, all computer memories will probably be semi-conductor memories, he suggested, indicating that a country serious about competing can ill afford to be left too far behind. According to this observer, the Government of Japan has extended long term-low interest loans in excess of \$200 million to the Japanese electronic computer industry. "They are serious," he said.

"At this time in history," asked Mr. Sakae Furukawa, Managing Director of the Japan Computer Usage Development Institute, "how can a country allow anyone other than itself to be in charge of so important an industry?"

The Institute's Vice Chairman, Mr. Keeichiro Hirata, put the matter even more directly. "The 1970's will be a decade in which Japan must mold its own future. Technological innovation gives birth to change and change is the mother of cultural advancement. In order that the country may mold its own future it will be necessary to squarely meet the challenge of turbulent change and to select the dynamic road to development. This means that we must develop the means and the systems for accurately processing the floods of information and for arriving at the most appropriate decisions.

"In this sense the role of the computer is growing ever more important. At the present moment, nothing could be more important than to promote informationalization through the upgrading of computer applications and the development of software."



X. Challenge and Conclusion

There can be no doubt that this is Japanese Government policy. And it is equally certain that the numerous private and public organizations, including several not named here, are working intently to meet the goals that have been set. If so much of the economic future of industrial nations is tied to the further development of the computer, it is unthinkable that "Japan Inc." would not accept the challenge. The appetite of the "economic animal" has been whetted!

Nor is it expected that the misgivings of a few dissidents will affect the course of government policy. Professor Ezra F. Vogel in his Japan's New Middle Class, has discussed the general feeling of "powerlessness of the citizen in relation to the government." 24/ It is a persistent view which goes back once again to the feeling of confidence that the average citizen has in the ability and will of government--as well as employers--to adequately care for all.

"Ralph Nader and his people made a point here," said one business executive, "and we must do more in the way of social responsibility. On the other hand, Japan must not stand still while others advance." Some few argue that this is not the issue, that in the pursuit of profits at all cost, Japan has lost much of its essential and better nature. They call attention to Mishima's example, which even over half of the Zaikai (polled by Manichi) indicated they felt to be "noble if misdirected." The college professors and university students, are not expected greatly to affect government economic policy, which is definitely growth-oriented.

As far as the emphasis on growth is concerned, Japan is certainly not unique. She is following the example set by industrialized nations since the advent of the Industrial Revolution. The keynote is expansion; to stand still is to fall behind others who are advancing. Given her unique identification of people and nation, her tradition of sacrifice, Japan is likely to continue on the course of expansion. And although her expansion is not likely to be so spectacular in the future as it has been in the past, the unique combination of government and business working in extensio virtually assures continued success in the foreseeable future.

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- 20/ This appears in a very interesting series of articles published in the Mainichi Daily News between January 19 and January 31, 1970.
- 21/ Ibid.
- 22/ Bronfenbrenner deals with this subject at length in the article cited above.
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