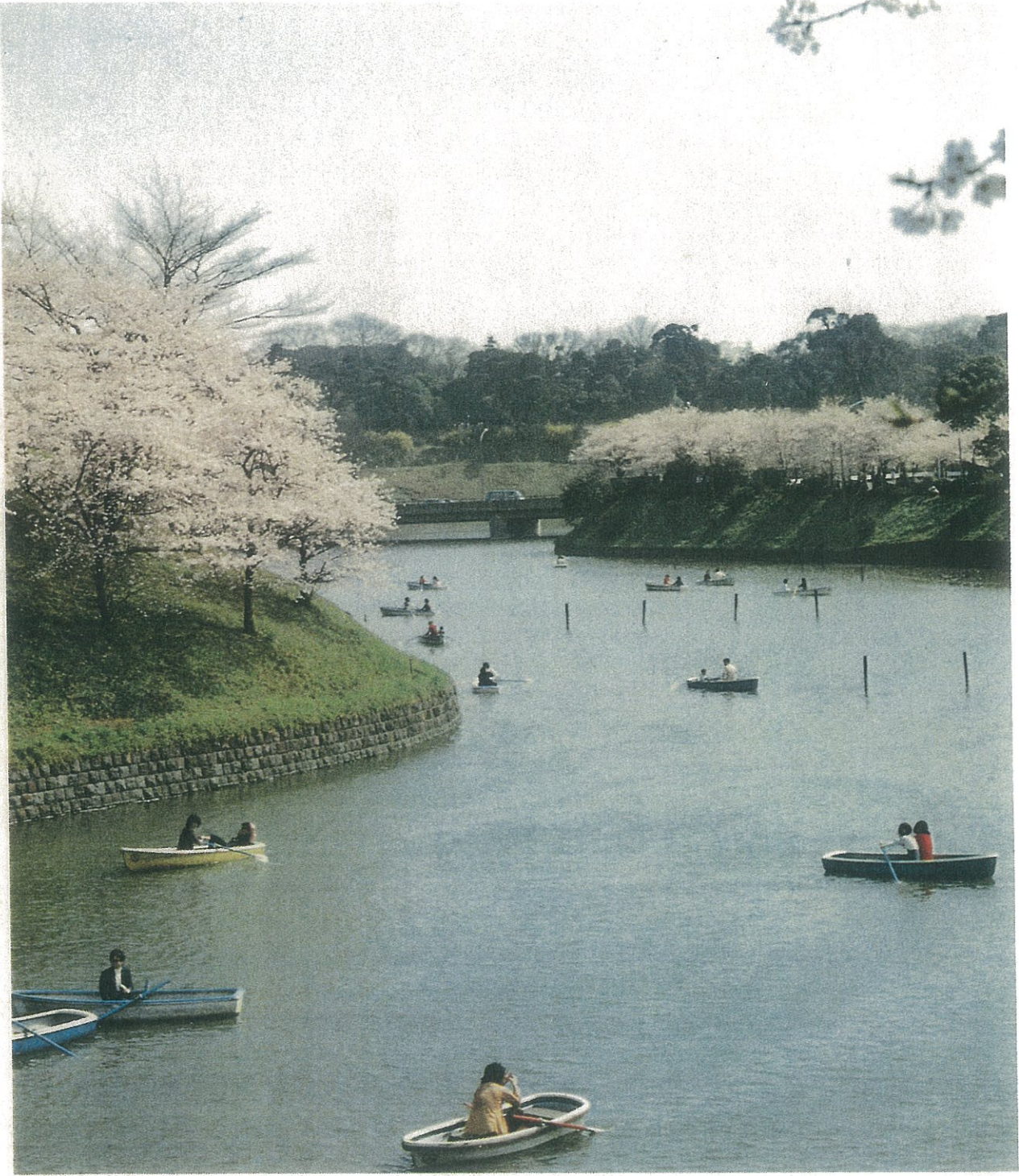


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THE FUTURE of a CHANGING JAPAN

— Where Japan and America should go —

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In a country in which economic policy plans, and even revolutions in social values and structure, take place in half or even a third the time it would take in most other countries, it seems that in any discussion on Japan, the question is soon asked, how will it change? What can we expect in the future?

In looking at the young people, the catalyst of change, we must not let our eyes deceive us. They dress much brighter, but their fathers began wearing those drab gray and blue suits and plain white shirts when their grandfathers were still wearing Kimono. A glance at a McDonald's counter or into a Shakey's Pizza Parlor or a Pizza Inn will reveal very few Japanese over 25. In fact, taste buds and diets are so different between father and son that many housewives often have to prepare two different meals. The service industry is growing fast, and many of the young "band-man" or dudes and dandys of the restaurants, coffee shops and nite spots may not look very serious and hardworking but, if you look closely, they do what they do well and with all their might.

Japan never had much of a really thought provoking or soul-searching, anti-establishment or hippy-type movement which questioned the basic work ethic. What it did have ended or continues with only the most cosmetic variations in style and never really threatened anyone or made anyone terribly uncomfortable. Kenji Sawada, a just hitting 30 male super-star here, on some days will have an earring in one ear, silver dust on his cheeks, Hell's Angel type, black leather apparel, but the young and old alike fondly call him "Juli."

Other than appearances, young people probably tend to be a little more vocal, speaking their minds and expressing their views more than their parents did. It is often said that they cannot read and write as well and that their forms of polite speech, grammar and structure, are breaking down. Studies reveal that this is particularly true when talking about, and referring to, a third party who is not present.

Japan has become prosperous. Easier circumstances may have bred easier going young people, a little more confident and at ease, especially after coming through the brutal school entrance examinations. The country has become wound up in a cycle of having to take increasingly more difficult tests, at lower and lower school levels, to get into schools which are too expensive and too hard to get into.

Here we have to distinguish between the young people already at work and those in the school system because the situation is getting worse fast. In newspaper editorials there is much concern with the child whose parents, in their sole dependence on outside tutors and "juku" private after school instruction, from even pre-school levels, have failed to transfer common sense to the child and that in the process of being spoon fed and choked by educational overkill the children have lost their inquisitiveness.

The result?

An Asahi Shimbun newspaper survey found that most first graders do not know the word for "palm" (of the hand), and structured, classroom English, from age two or three for some, may be one reason why the Japanese word for "earlobe" was

not known but many of the studied-out and confused first graders knew enough English to call an "earlobe" an "earring." A Yomiuri Shimbun newspaper editorial on children playing outside concluded, after extensive survey, that they are not — not only in city parks but in the country as well. The two main reasons are studies and a safety first orientation fearing the dangers of rugged outdoor play.

The concern in some quarters is that such children may become well disciplined manpower, but will lack the initiative or leadership to turn a company around or move people and events. Much to do about something but let's move over to economics.

What might the already appreciated or further appreciated yen mean to Japan and the Japanese people? Weakening the dollar has not seemed to help American trade as much as expected and the pursuit or at least inadequate check and arrest of dollar depreciation will, in the long run, haunt America more than has the valuable technology which has been given too freely and too cheaply to Japan over the last 20 or 30 years. Somebody forgot that just about everything exported from Japan has to be imported and that those price decreases are now, and will continue to save the day.

True, Japanese comparative labor costs have been forced way up and will not come down, but that will be compensated for by further job reorganization, mechanization, new investment in plants and equipment using the rich coffers of foreign exchange reserve and the highly liquid capital positions of leading firms. And all the rationalization, retraining and reassignment involved here will be much easier and encounter less worker and union opposition due to management practices. Helpful manpower and healthy industrial and labor relations will combine with a swing toward higher value added products to get Japan through all this.

Granted that many small and medium enterprises, subsidiaries and parts suppliers have gone bankrupt, but that will only rationalize industry and make big business more efficient and effective. It will also serve to create a new pool of labor which can be comparatively cheaply absorbed by more efficient sectors as mid-career hires and thus disadvantaged workers, paid less in cash wages and fringe benefits.

Some whole industries or the so-called structurally depressed ones such as textiles, and to a lesser extent steel and shipbuilding, are being dealt a final death blow, but it was time to diversify and reduce emphasis on those areas anyway. Time to get away from those labor intensive industries into more capital and technology intensive ones. If Japan importing 99% of her oil could get over the oil crisis and leave the sleepy-headed and profligate Americans behind with oil imports being the major reason for trade deficits, Japan will nicely get over this currency problem. In the long run a strong currency is a good thing. So much more can be done with it. The yen stretches much further and so will Japan and her influence.

As a matter of fact, far-sighted MITI has seen these developments coming and has already begun to encourage through "gyosei shido" or administrative guidance, the externalization of production facilities by exporting whole plants instead of the domestic output of plants. In setting up such off-shore production facilities a strong yen will go a long way. Not only are domestic wage bills becoming comparatively expensive but the rapidly aging population dynamic of Japan, combined with a high 40% of the young people going on to college, and almost no junior high school people going into industry and thereby supplying the traditional pool of manual labor, makes the setting up of this type of production sharing or set-up of overseas factory facilities all the more essential.

Basically what Japan will do is move labor intensive production out of the country setting up factories using Japanese capital, technology and management skills. The less developed, perhaps already overexposed, and capital short countries will pay Japan with manual labor transferred over in the form of the goods manufactured in that overseas plant, and sold in Japan.

A stronger yen will also influence the Japanese people and society in other ways. It will be cheaper to travel and the Japanese will get more exposure to the outside world with some visible returns being improved English language ability. This, in itself, will probably not make the Japanese more international in the meaningful sense of making them less ethnically oriented, insular, parochial and difficult to talk to, some of the common complaints held by the world's businessmen. The fundamental thing which the Japanese will

have to get over is their obsession with their own sense of Japaneseness and the conviction that they are unique and that, particularly the white Westerner, will never be capable of understanding Japanese sensitivities, feelings, customs and practices, not to mention that a white foreigner, even one born in their country, could be able or even want to speak the Japanese language with even functional competence as a member of the society.

Of course there are reasons for this, many of them perfectly understandable. Japanese have no concept of a white immigrant in their country, and as a broad generalization they only know how to treat a foreigner as a foreigner. The basic sensitivity to give and take, or just plain natural rapport in non-Japanese human relations is somewhat lacking. This is sensed even by the casual visitor and tends to filter over into larger business or even diplomatic, trade, and economic policies and relationships. The conviction, still largely held, that Japan is weak, small and in some way threatened by Western economic and cultural imperialism, tends to make the Japanese think that they can play in a different ball park with different rules.

Thus, long overdue capital and trade liberalization policies and the naivety to think that the United States would stand by and continue to condone such huge winning of market shares by Japan in one and two year periods in such key, backbone industries as steel, autos, or color T.V.

Learning English and living outside Japan and going back as Japanese somewhat richer for the experience is only a partial answer. What will serve to internationalize Japan more will be the increasing numbers of Japanese, mostly male, who will be capitalizing more and more on a strong yen, setting up off-shore production facilities and moving labor intensive industries out of the country. Many will marry foreigners abroad, return and raise Eurasian or some breed of "half" as we say here. All children of Japanese fathers are Japanese citizens (children of Japanese mothers and foreign fathers are foreign even when born in Japan as is the case in many European countries) and they will begin to demand their rightful place in the mainstream of society.

Until now most foreigners or even Japanese born "halves" have not been let

in, have not cared to, or have found it easier not to try to get into the establishment. But, it is rather such an internationalization of Japan, along with the increasing numbers of young foreigners who have studied the language and country and now want to get in and be a functioning member of mainstream society that will tend to make the Japanese a little less Japanese — the thing that is hurting them more than they realize.

The Japanese have always been big on getting largely unreciprocated on-the-job training and studying, etc., abroad. Japanese national universities are beginning to come around and grant foreign scholars tenure and most everything but the right to vote on school personnel or other policy decisions. Applications from foreign businessmen, many with the language, to work in Japanese companies are increasing with almost no applicants accepted. Of course Japanese companies are internalized and are closed labor markets even to other Japanese midcareer entrants.

The Japanese can sincerely argue this, or that "exports must continue because to stop would mean layoffs and that can't be done here". But Japan is big and strong now and particularly the workers in Toledo and Detroit will no longer listen.

Not to imply that the Japanese are unreasonable or anything that they should not be. As with everything else history and circumstance are big dictating factors. Considering where the Japanese were only 111 years ago in terms of exposure to the world and the types of business and human international relationships we are discussing, they display an amazing ability to understand, adapt, cooperate, and are eager to accommodate. But, this, unfortunately, is also pressingly required of them.

Japan must change, and hopefully will internationalize in a meaningful way, from the inside, simply because if the racial and cultural socio-economic structure and patterns stay as they are and the people do not change, Japan will continue to be prone to international criticism, some just, most misunderstood.

Which brings us to another point. The Japanese have been good students but poor teachers. Never having had to have done much in the way of building up an

ideology or the skills of verbal articulation and persuasion to win over conquered peoples or to repel and resist the ideology of a conqueror, the Japanese are not good at explaining things nor are they particularly interesting to talk to, especially in English, having come from a society that despises or at least is not impressed by the individual who talks too much, gets carried away (except when drinking) or has too many creative and unique thoughts. It's not good to stand out and shine in Japan. These things will change slowly but not nearly as fast as Japan's product image did. Remember "made in Japan" only 10-15 years ago?

The Japanese have to begin to realize that they are big and important and that they must take on more responsibility. And with responsibility will come increased self confidence. They will begin to expect and demand foreigners to know about Japan and speak the language. It is interesting to note how much pride and pleasure the Japanese have taken in increasing their share of foreign markets, almost as if it were an individual policy and goal. Yet, they have displayed nowhere near the same enthusiasm or dedication to encouraging the export of culture as symbolized for example, by not expecting or even welcoming foreigners who speak Japanese. This is again, probably a result of an ethnocentric orientation of exclusivism.

Certainly before and during the war, Japan knew all about culture transfer particularly in her Taiwan and Korean colonies where the Japanese language was made the medium of instruction in the schools. Japan will probably become more concerned with being accepted and expect to be recognized by the rest of the world. And, in that process, Japan will develop the sensitivities and skills she needs to become better at accepting and dealing with foreigners and foreign elements. An interesting question is how might Japan and her people change if the nation became No. 1, at least in terms of GNP.

As for changes in government or on the labor front, younger, post-war career politicians and leaders will replace the old guard like Fukuda and Ohira who very much had at least a strong hand on a rein of power during the war. With the assurance that one's actions will not invite

outcries of "fascist" or the like from, in some sense, an over-democratized Japan, younger leaders may exert a bit more authority and some of the mis-managements and embarrassments of handing over planes and millions to the "Sekigun" Red Army or of having your international airport's control tower destroyed for opening day by a handful of agitators while 14,000 "kidotai" riot police stood nearby on duty will probably become a thing of the past. Citizens physically brushing off and even egging police on into fist fights can be seen here, where a police club on the head or a drawing or even firing of a police gun would quickly resolve such an argument in the States. A court ruling last spring tightened up the strike prohibition of public sector workers. With arrest becoming the punishment, for the first time in recent years, few public sector workers followed union headquarters policy of going out on strike.

In this era of continued decreased growth in Japan, unions, not able to so convincingly rationalize their existence and usefulness by winning the customary high wage increases, will probably become more active in at least considering, or giving lip-service to organizing and trying to protect the employment security of workers in the primary industries who have been hurt by the increase in imported timber and other products by the appreciating yen or, by the cutbacks in fishing fleets caused by the establishment of two hundred mile fishing zones by many nations.

The Japanese Diet or parliamentary body will probably consider social and economic measures which can be taken to relieve these dislocations. Such legislative programs for promoting job security will probably also carry over into the secondary or manufacturing industry. Some industrial union leaders also speak of organizing medium and small scale companies or the subsidiaries or parts suppliers of the large unionized firms, but inferior conditions there have been a great source of the productivity benefit, and privileged position of economic security that is enjoyed by the unionized workers of the upper economic structure. It is unlikely that the enterprise unions making up the trade or industrial upper union bodies will be interested in having anything too drastic done about the status quo as its preservation remains in the economic interests of present organized labor.

Although lifetime employment and security will be breaking down more in the primary industry sector, a certain degree of corrosion will also be taking place in the secondary or manufacturing industries. When workers lose their jobs in Japan, it means they also lose their union membership. Union leaders indicate that industrial unions will organize these unemployed in the future. To make up for the lower wage packages inevitably accompanying reduced economic growth, labor will also be leaning toward shortening hours, increasing paid leave and encouraging workers to take more of the holidays already allotted to them.

Other goals in the union program for the future will probably be raising the retirement age to meet the realities of increased life expectancy. Also in this area indications are that labor will favor a better systemization of monthly pensions with a phasing out of emphasis on traditional lump-sum retirement allowances.

As for potential labor unrest where lower growth will mean that workers share less of a smaller pie, probably the only labor sector where there may be increasing militant and class-conscious industrial action will be the public sector. But even there excessive action will lead to a loss of public sympathy and thwart efforts to restore the right to strike of government workers. The internalized labor market of enterprise unions and lifetime career employment will continue to keep private sector workers reasonably attuned to overall economic constraints, and management's profitability or ability to pay.

Indeed, Japanese blue collar workers are very much job oriented rather than class-conscious. Increasing wage drift between industries and firms accelerated by the strong yen will not make it easy to adjust to the new economic order. Autos, information, retail trade, oil refining, airlines and electric power have profited greatly. Steel is in trouble. For the first time Toyota became the nation's largest firm in terms of sales (\$11,364 million at \$/¥220), with Nippon Steel falling back to No. 2. Toyota's current profits per employee are ¥4.7 million (\$21,363), while Nippon Steel and Nippon Kokan (steel), have this figure at only ¥170,000 (\$773) and ¥87,000 (\$395) respectively (\$/¥220).

Certainly Japan has some serious problems and challenges ahead of it. Most

Japanese continue to be able to only identify with challenges imposed by economic requirements and constraints — the most pressing one being the traditional struggle to export as much or more as you are forced to import. With an appreciated yen and its deflationary effect on the economy keeping import prices down, and armed with the extra leverage of a strong yen when it comes to setting up overseas production facilities as a countermeasure against growing protectionist sentiment and a way to get around potential shortages of non-white collar manual labor resources, in the long run Japan will get by nicely economically.

The emphasis here has not been on Japan's problems because it's too easy to take comfort in the reassurance that other people, or nations have problems. What is needed rather, is a cool, objective look at the people of Japan and their truly impressive accomplishment.

More than the old story of hard work, it's a story of organizational behavior and effective people management. The hard work syndrome is grossly exaggerated, and unlike in the United States, white collar people and managers up to the "Kacho" or age 40 level get paid overtime in Japan. More American managers and office workers would also stay after five if they were paid for it. Withdrawing the hand that feeds the Japanese by closing our marketplace to them will only set up protectionist cycles, lower the world's and our own economic vitality and build a trench around a fortress America which will lead to an overall loss of American influence and prestige in the world.

More than hard work, what is needed in America is teamwork, and a reevaluation of assumptions in terms of organizational and work dynamics. Labor and management will have to wake up and realize that they are both working or should be working for the same thing. Without destroying the basic principles of laissez-faire capitalism and the profit motive, there is much that the government can do to assist and help coordinate industry. Japan demonstrates that government can be good for business.

Internalizing American labor markets by adopting applicable and transferable aspects of Japanese lifetime employment and enterprise unions, and restructuring methods of corporate finance so as to

decrease the emphasis on short term profits and the pursuit of increasing earnings per share of our equity finance system for a higher leverage of bank debt ratios and the resulting ability to take market share at even a loss, are most crucial in this increasingly competitive and shrinking world.

It won't take place overnight, however. More manageable reforms might include knocking down the walls of private offices and getting the managers to work better as a team together as they do in Japan.

The Japanese are also pioneers in the implementation of new management and labor relations practices. American industry would benefit from more initiative and serious innovation in quality control circles, zero defect teams, other small group activities, and general efforts on the parts of unions to unionize management and management to make managers out of workers.

Reshaping the basic relationship between business and government takes time and should be approached with caution but limiting political appointments, as is done in Japan, to only one or two top people per Ministry or Department, will attract good men and assure more competence among the bureaucrats. It will result in the continuity and implementation of imaginative and indepth long term planning of national policies.

These are just a few of the lessons which we can learn from Japan. It will not be easy but it is most preferable to trade protectionism and letting the dollar further weaken. A cheap dollar is inflationary and tends to keep Americans at home and America within her shores. If we get it together and do things right the dollar will rise again. Japan does not have all the answers, and the very closeness and exclusivity of her tight, little, well-organized system and shared team identity and spirit is of course the key to her strength when it comes to making things. Mass production and rapid GNP formation requires teamwork.

However, these very bonds and mutual identification with shared national goals tend to place limitations on Japan's ability to exert a role of real leadership in the world. Japan will have to begin to think about offering the world something other than shiny motorcycles, spiffy looking electronic equipment, and more recently, ex-

cessively large trade deficits. For a nation to be truly great it must genuinely and generously pass on and transfer its ideology, its culture and share with others the secret to its success and the fruits of that success. This can specifically mean making a greater commitment to defending freedom and human rights in the world which enabled Japan herself to prosper, or it can mean a more generous giving of untied economic aid.

It is most important that the Japanese become better teachers and communicators (not necessarily the learning of foreign languages), opening up themselves and their nation to others. Patriotism and feelings of national identity are necessary and very helpful for any nation. Clanishness and an inbred instinctive feeling that there are two different species of people in the world, Japanese and "gaijin" or non-Japanese, "outside people", is most unhealthy.

By and large Japan cannot be blamed for this. Unfortunately they do not have a black Andrew Young speaking with persuasion to the people of the world when he says that America is interested in the human rights of all. There are no Kissingers or Brzezinskis exerting tremendous power and influence through immigrant accents. Nor a Hayakawa becoming a Senator with a very minor share of fellow ethnic constituents. America is not color blind, but it is a dynamic model of all races and peoples in the world significantly participating in the running and ruling of the mainstream of the nation. This as much as anything will qualify America to be the spokesman and leader of a world which will become smaller and more inter-dependent. America's ideology, those things which America stands for, wins the trust and respect of the people of the world. The greater class consciousness growing out of the mixed-up races, religious, and ethnic groups of the United States may make it harder to organize the team, but it is also the country's greatest strength, and it makes us truly international from the inside-out.

Japan has proved that it can make just about everything better than everyone else. The next and most difficult step is to internationalize, and this can and has to come more from within, within Japanese corporate and government institutions and within the hearts and minds of the Japanese people.