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# Japan Report

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## JAPAN REPORT

No. 184

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MILITARY

KOMEITO PARTY JOURNAL DISCUSSES THREAT OF SS-20

Tokyo KOMEI in Japanese Aug 83 pp 105-113

[Article by Asahi Newspaper Research Staff Mitsuo Yagisawa: "Is SS-20 a Threat? Yes, But..."]

Introduction

If the question is whether or not Russia's new intermediate range missile SS-20 is a threat to the West, the answer is simple: It can be nothing other than a threat.

First, with the missile's striking distance of 5,000 km, all of Japan, the Korean Peninsula, and China will fall into its range. Further, those deployed for Europe can reach any place in Europe, including England and Spain.

Second, the missile carries three nuclear warheads, each 150 kilotons, and each capable of hitting a different target.

The SS-20's already in place in the Far East are estimated to number 108 units. In other words, some 300 targets ( $108 \times 3 = 324$ ) could be attacked by nuclear warheads with 10 times the explosive power of the Hiroshima-type atomic bomb (about 15 kilotons). As for Europe, the number of missiles deployed is estimated at 250 units capable, therefore, of attacking three times that number: 750 targets. This means that all main targets in Western Europe could be destroyed. There is no denying that this is a threat.

Now, how to deal with this threat has been a focus of international politics over the last few years; however, the arguments put forth by the Western block do not seem quite justifiable. For example, in Japan also there are those who cry out denunciation of Russia in reaction to the Soviet deployment of the SS-20. However, if the SS-20's, which began to be installed in the late 1970's, pose so much threat to our security, then we should ask ourselves whether the B-52 strategic bombers, deployed in Guam for over 10 years, and the world's most powerful Seventh Fleet, which is allowed to use Japanese port facilities at will, are not perceived by the Russians as being a threat to their security.

When one brings up this point of view, the standard answer often heard is, "Let's not confuse issues; the issue at hand is the SS-20." Such an attitude might be inevitable if we completely became a member of the Western block and forsook our right to think independently. However, putting aside arguments that are not favorable to us by saying "it is outside the scope of present discussion" does not lead to the real solution of the problem.

#### Mr Nakasone's Statements at the Summit Meeting

The summit meeting of seven Western nations, held this year in Williamsburg, produced an unanticipated communique that the participants will work together on U.S.-Russia arms negotiations concerning the limiting of intermediate range nuclear weapons (INF). Except for Japan, all summit participants are members of NATO. Although France is no longer a member of NATO, that statement can be taken as a de facto policy of NATO with respect to the Soviet Union. When that statement was issued, Mr Nakasone came under criticism in Japan for having put the name of Japan on the statement, and for having suggested during the stages of statement preparation that planned schedules (e.g., the deployment of the Pershing II missile in Europe by the end of 1983) should not be changed for the purpose of bringing Russia to the conference table. Such actions, the critics fear, could lead to Japan being sucked into NATO strategic maneuvers.

In response to this criticism, Prime Minister Nakasone told a press conference, which was held on May 30 at the conclusion of the summit meeting, that the reason he chose to take part in the policy statement and make reference to the deployment of nuclear missiles in Europe was to help avert the deployment of the SS-20 in the Far East by Russia. According to newspapers, Mr Nakasone said he has the support of the heads of states who participated in the summit in his seeking solutions to global issues, and that he is "doing the right thing."

What "global solution" means is that Mr Nakasone has had the summit participants recognize that if Russia removes SS-20's from Europe and brings them to Asia, it will not solve anything. To this writer, however, it is unclear as to how this should be viewed as a major accomplishment.

Russia started deploying SS-20's, targeted on Europe, in 1977. By the summer of last year, the installed base had reached 315 units. In the Far East, it began missile placement in 1978, and by the beginning of this year completed the installation of 108 missiles, according to the U.S. In other words, even if no missiles are brought from Europe it makes no difference, since SS-20's already exist in the Far East.

It is understandable, however, that the Prime Minister should want to emphasize the need for a "global solution", in view of the fact that in an interview with Secretary Vogel of the West German Social Democratic Party, published in the January 17, 1983 issue of the West German newspaper, DIE WELT, Soviet Communist Party Secretary Andropov stated that he intended to move a part of the SS-20's currently deployed in Europe to the Far East and, further, on April 2, Soviet First Vice Prime Minister/Secretary of Foreign Affairs Gromyko made a similar statement in confirmation of Andropov's.

What is intriguing is the reason cited by Russia for its planned relocation of missiles to the Far East. Reportedly, Secretary Andropov said the move was motivated by the need to "counter new bases in Japan." Probably the "new bases in Japan" refers to the movement toward the "strengthening of the Japan-U.S. alliance," as seen in Japan's approval of the deployment of the U.S. Air Force's F-16 fighter/bomber aircraft at Misawa Base (to be discussed later), the planned use of Japanese port facilities by American nuclear aircraft carriers, and the discussion which is taking place between Japan and the U.S. concerning the guaranteeing of the three straits around the Sea of Japan.

The rationale for missile transfer cited by Vice Prime Minister Gromyko is, "There are nuclear weapons all over Japan and the surrounding sea areas. There is a huge nuclear base in Okinawa; nuclear bases are also in Korea. The Soviet Union has the right to counter those forces." The very next day, Prime Minister Nakasone retorted that "Japan has neither nuclear weapons nor nuclear bases. As for nuclear weapons in Okinawa, all the people of Japan know that the Sato Administration, after considerable effort, secured their complete removal. We consider the statements by Mr Gromyko highly regrettable and wish Russia knew better the realities of Japan."

It seems that many people in Japan found the Russian statements offensive. From that point of view, Prime Minister Nakasone's rebuttal must have sounded good, as a case of "speaking up." However, we need to consider whether the claims by Russia are totally without foundation.

What Are the Targets in Japan for the SS-20's?

If the Russian SS-20's are pointed on Japan, what are their targets? Naturally, Yokosuka and Okinawa must be the most important targets.

The U.S. Seventh Fleet is the world's most powerful fleet, and if armed with nuclear weapons, will be the biggest mobile nuclear war capability on the globe. For the Seventh Fleet, Yokosuka is the best foreign naval base west of Hawaii. It is in Yokosuka that an underground command center is situated for all ships in the Seventh Fleet whose areas of responsibility range from the western Pacific Ocean to the eastern coastal seas of Africa. Furthermore, Yokosuka's ship repair/maintenance capability is said to be the best in the world, thanks to the availability of highly competent Japanese technicians.

As mentioned previously, the SS-20 carries three independently targetable warheads. The warheads from a single missile could be used, for example, to sink the ships in the port by an underwater explosion, destroy the underground command center by an underground detonation, and to wipe out the repair/supply facilities by an in-the-air explosion of the third warhead.

In conjunction with Yokosuka, the Atsugi base (currently the people living near the base are demanding its transfer elsewhere because of problems of noise and potential for accidents) could also be attacked. Airplanes cannot take off from or land on an aircraft carrier resting in a port. Therefore, when an aircraft carrier enters a port, before she anchors, her airplanes must be

transferred to a land base. Atsugi exists for that purpose. Since Atsugi is an air base for the U.S. Navy, if Yokosuka was attacked, it is inconceivable that Atsugi would be left intact.

Turning our attention to Okinawa, in which about 70 percent of the U.S. forces in Japan are said to be concentrated, the Kadena airport is the most important of some 50 bases and facilities that exist on Okinawa. Stationed at Kadena is the 376th Strategic Air Group, which is a part of the Third Air Division (with Headquarters in Guam) of the U.S. Strategic Air Command.

The Air Group is comprised of KC-135 mid-air refueling planes and RC-135 electronic reconnaissance plane squadrons. The former supports the mid-air refueling requirements of the B-52 strategic bombers from Guam when they go into action. although no B-52's are currently permanently stationed in Kadena (they do fly in on occasion to avoid typhoons), as long as Kadena is a supporting air base of the strategic offensive capability of the U.S. Strategic Air Command, any SS-20 attack on Guam would be accompanied by a concomitant attack on Kadena.

In addition, Kadena is the home of SR-71 strategic reconnaissance planes belonging to the Strategic Air Command and P3C anti-submarine surveillance planes of the U.S. Navy. The P3C's can be equipped with anti-submarine mines when necessary.

Even more interesting to Russia is the presence of Marines on Okinawa. Camp Courtney houses the headquarters for both the Third Amphibious Marine Battalion and Third Marine Division, under the command of the Seventh Fleet; in Camp Schwab is the Fourth Marine Battalion, which belongs to the Third Marine Division; the Ninth Marine Battalion is in Camp Hansen; and the 12th Marine Battalion is stationed in Zukera. The First Marine Air Group, supporting the First Marine Division, has its headquarters in Zukera; of its main force, one air squadron is in Okinawa, with another one in the wings in Iwakuni.

In Iwakuni and in Henoko, Okinawa, are nuclear arms supply corps reportedly provided with nuclear weapons maintenance/assembly factories. The composition of the Marine air groups, which includes A-6 Intruders, is such that they are capable of carrying either nuclear or conventional arms. Although it is not necessarily the case that nuclear weapons are currently stored in Iwakuni or Okinawa, nor would it appear that the A-6's are equipped with nuclear arms, it cannot be denied that the nuclear weapons supply corps are there for contingencies. If the use of nuclear weapons in the event of war was not contemplated, there would be no need to permanently station such troops. An analyst has pointed out: "The Marine Air Wing, whose mission is to provide close support to troops engaged in a landing operation, needs nuclear weapons for three reasons: one is to inflict nuclear attack on the defensive forces before the landing begins; secondly, to preclude whatever reinforcements the enemy might dispatch from reaching the point of the landing operation; and, conceivably, to hit Vladivostok, which is the base of the Soviet Pacific Fleet. Even if such was not the case, if the Russians suspected that the U.S. Marine Air Force had nuclear arms with the ulterior motive of striking Vladivostok, in a tense situation they might decide to unleash a preemptive attack on Iwakuni,



rather than have their defensive forces tied up in locations that are potential landing sites of the U.S. Marines."

Thus far, we have briefly considered the possible targets of a Russian attack on Okinawa and Yokosuka. However, there are other nuclear-related facilities of the U.S. forces in Japan.

For example, to strike a target accurately with a missile, the exact position from which the missile is fired must be known. A method available to a nuclear missile submarine for determining its position accurately, when navigating deep in the ocean, is the "Rolan C" ultra high frequency, high precision wave. Rolan C stations of the U.S. Navy and the U.S. Coast Guard are located in Tokachi in Hokkaido, Gesashi, Okinawa; Iwojima; and Minami Tori Shima. Although these navigational facilities are available for use by civilian ships and aircraft, their military utility cannot be denied.

The Omega station in Tsushima, Nagasaki serves as an ultra-high frequency wave navigation aid facility. Although available for use by civilian vessels, and run by the Ministry of Transportation, reportedly this facility is utilized by American attack nuclear submarines in tracking Russian missile-carrying nuclear subs.

As for communication facilities, the Seventh Fleet's headquarters for surveillance and reconnaissance is located at the Kamisetani communications station in Kanagawa. This headquarters directs the anti-submarine surveillance aircraft covering the western Pacific and Indian Oceans. Furthermore, the U.S. Navy's Isami communications station in Aichi is an important facility used for transmitting commands to submerged nuclear submarines. When an American nuclear submarine collided with the Japanese vessel Nisho-Maru in the southern tip of Kyushu last year, it was rumored that the very first task which the chief investigator, sent over by the U.S. Navy, might have performed was to seal off the data transmission tape used at the Isami communications station.

In terms of U.S. naval activities, such potential nuclear-carrying ships as the aircraft carrier Midway and nuclear attacking subs make calls in the port of Sasebo, a fact which appears in newspaper reports from time to time. As for the U.S. Air Force, the headquarters for the Fifth Air Command, as well as for all U.S. forces stationed in Japan, is located at the Yokota base. Since the area of responsibility for the Fifth Air Command includes Korea, and since Yokota is utilized by the Air Force air-borne logistics command, it is possible that C-141 cargo planes transporting nuclear arms to Korea make stops at Yokota.

We should also touch upon the Misawa base in Aomori, which has been an object of controversy since last year. Nine P3C anti-submarine surveillance airplanes (capable of carrying nuclear mines) of the U.S. Navy have been permanently stationed in Misawa to watch over the Kuril Islands and the Sea of Okhotsk. Since Russia has defensive fighter aircraft in Sakhalin and Etorofu, it is not conceivable that the slow-flying P3C's should be able to freely patrol this area. However, if the Russian defensive air bases and surface-to-air missile bases were destroyed by U.S. forces, with the possibility of the P3C's

extending into the Sea of Okhotsk, then the Soviet Union would no doubt attack Misawa, the base of the P3C's. In such an eventuality, the Kamisetani communications station in Kanagawa (mentioned previously), the home of the First Patrol Air wing which analyzes the data gathered by P3C's and issues commands, could be hit at the same time. Furthermore, as a result of the U.S.-Japan defense summit meeting, it has been announced that the U.S. Air Force would deploy two squadrons of F-16's (48 airplanes) in Misawa over a period of 4 years after the year 1985.

The F-16 is the world's most advanced multiple-purpose fighter bomber capable of carrying either nuclear or conventional arms and performing interception, anti-land and anti-ship operations. With a cruising distance of 3,900 kilometers and a combat range of 900 kilometers, an F-16 stationed in Misawa can easily reach virtually any major Russian base in the Far East intended for operations against Japan and the surrounding sea areas. In other words, the U.S. Air Force's Misawa Base poses a much greater threat to Russia than that posed by the P3C's. (See "Deployment of F-16 and Japan-U.S. Security Treaty", in the December, 1982 issue of this journal by the present author.)

#### New Challenge to the Three Principles of Non-Nuclear Defense

What do you, the reader, think of the American bases in Japan reviewed above? Some of you might feel secure, while others might be troubled by the American presence.

A nuclear weapon consists of a nuclear warhead (or nuclear bomb), a missile (or aircraft) to carry the warhead, and a launching pad (or airport or aircraft carrier in the case of an airplane). To be more detailed, we might have to add the trigger mechanism, since a missile warhead, even if it hits the target, will not explode if it was fired without having had its detonating mechanism unlocked. For a nuclear weapon to be able to deliver its true nuclear fighting capability, several other support components in addition to the four items mentioned above are required, such as artificial satellites and communications controller units, forming a veritable "system." Over the course of some 30 years since the end of World War II, the U.S. and Russia have been building huge nuclear arms systems through the expenditure of gigantic sums of money. We have seen in the preceding chapters that the American bases existing in Japan contain nuclear installations that constitute critical elements of the nuclear weaponry system. Prime Minister Nakasone, as mentioned previously, retorted to Russia by saying that "Japan has neither nuclear arms nor nuclear bases." However, the validity of "neither nuclear arms nor nuclear bases" is questionable, given the fact that Japan is providing so many nuclear-related facilities and bases for use by another country.

The fact of the matter, however, is that nuclear arms have been introduced into Japan in the past. It was former Admiral LaRock (1974) who stated that America's nuclear-carrying vessels do not bother to unload their nuclear weapons before calling into ports in Japan. Mr Reischauer testified 2 years ago that the Government of Japan must know that the ban on the introduction of nuclear weapons into Japan, one of the three "Non-Nuclear Principles", applies to the installation of nuclear weapons on land, but not to nuclear arms carried on vessels or aircraft, or their transient passages.

More recently, Mr Kenneth Hunt, former vice director of the London International Strategy Research Institute, was asked by a Mainichi Shimbun correspondent, "As an expert on military affairs, are you certain that U.S. ships, such as aircraft carriers, carry nuclear weapons when they call into Japanese ports?" Replied Mr Hunt: "There is no doubt about it. If a nuclear arms limitation negotiation covering Asia takes place, it will become abundantly clear that for years aircraft carriers of the Seventh Fleet have been carrying nuclear weapons." (Mainichi Shimbun, 30 June, 1983).

Concerning the Non-Nuclear Three Principles, Japan will be facing a new challenge in the near future: the battle ship New Jersey, equipped with the medium-range cruise missile Tomahawk, has been assigned to the Seventh Fleet and will be entering Yokosuka this August. The Tomahawk is currently loaded with conventional warheads; however, the U.S. has made it clear that the missile will be fitted with nuclear warheads beginning next June. It appears, then, that the New Jersey is visiting Yokosuka this summer to set the stage for future port calls from next year on as a nuclear weapons carrier.

The Tomahawk has a range of 2,500 kilometers, with a nuclear warhead explosive yield of 200 kilotons (about 13 times greater than the Hiroshima-class bomb). When fired from within the vicinity of Japan, the missile can easily hit Russian air/naval bases and SS-20 sites in the Far East. Even if it would not reach Moscow, the Tomahawk should be considered a strategic weapon because of its ability to strike important targets lying within the Russian mainland. With its built-in computer-based terrain recognition capability, ability to avoid radar detection by flying at extremely low altitudes, and amazing precision in targeting, the Tomahawk is said to be the ace card for countering the SS-20. Viewed from an opposite angle, however, a forward base for a weapon as powerful as that would be a priority target for the SS-20. If a request is made by the U.S. to allow the entrance of the New Jersey, carrying nuclear warhead Tomahawks, into a Japanese port, it is questionable if the Japanese Government will have the guts to say "No."

#### Talk, Instead of Viewing Each Other as Imaginary Enemies

When Prime Minister Nakasone visited the U.S. this past January prior to the Summit Meeting, he stirred up quite a bit of discussion by having said that he intended to turn Japan into an "unsinkable aircraft carrier" to counter the threat of the Russian Backfire bomber. In a strongly worded reply to the Nakasone statement, Tass (1/19) said: "In the era of nuclear weapons there is no such thing as 'unsinkable aircraft carrier'. Any plan to turn Japan into an 'unsinkable aircraft carrier' will only make her the target of retaliatory attack. For an island nation as populous as Japan, this will mean a much graver national calamity than the one which was experienced 37 years ago." Needless to say, the "national calamity" "experienced 37 years ago" was in reference to Hiroshima and Nagasaki. It is hard to conceive of anyone reading that statement who did not feel repulsion against Russia. The statement obviously implied a nuclear attack, and to many people the SS-20 must have come to mind.

How shall we deal with this threat? There is no alternative but to talk. However, it is important to realize that such a discussion would go nowhere if we took up the SS-20 as the starting point. So far as Asia and the Pacific Ocean region are concerned, the U.S. B-52's and nuclear missile-carrying atomic submarines were here first, and the Russian threat followed. The Soviet Union deployed the intermediate range missiles SS-4 and SS-5 back in the 1960's, but they were inferior in capabilities. Finally, toward the end of the 1970's the SS-20 appeared on the scene as a replacement for the earlier models. The western powers were aroused because the new missile, for a Russian weapon, seemed to be well made.

The examples in Europe amply illustrate how difficult it is to negotiate the limitation of these intermediate range nuclear war capabilities.

At the focus of the negotiations are three missiles: the Russian SS-20, the American Pershing II scheduled for deployment by the end of 1983, and the land-based cruise missile; however, more issues are involved (see Table "Different Assessments of Intermediate-Range Nuclear Weapons in Europe by U.S. and Russia.")

The U.S. wants to restrict the scope of negotiation to land-based missiles, to exclude forward base systems (i.e., the FBS intermediate-range bomber, aircraft carrier-borne airplanes), to exclude nuclear arms other than those of Russia or the U.S. (i.e., British and French), and to include intermediate-range missiles deployed outside of Europe (i.e., to include all SS-20's).

In contrast, the Soviet Union wants to include not only land-based missiles, but sea and air-borne missiles as well, the FBS, the nuclear arms independently possessed by Great Britain and France, and to exclude missiles deployed outside of Europe.

In other words, the U.S. and Russia are taking diametrically opposite positions on all four points. For a reduction in nuclear arms the first order of business is to establish the location of nuclear weapons and their quantities. The figures presented in the Table, "Different Assessments of Intermediate-Range Nuclear Weapons in Europe by U.S. and Russia", quantitatively express the opposite positions of the two super powers.

Then what about Asia? Kenneth Hunt cites the Seventh Fleet as an example. Not to be overlooked, however, is the existence of China. The SS-20 encompasses the entire territory of China within its range. When the Soviet Union started deploying the missile in the late 1970's, American experts viewed the deployment as a reflection of Russia's "deepening concern over China."

The first obstacle to be overcome in initiating intermediate-range missile limitation talks on Asia would be the question of whether or not to bring in China. A second crucial issue is to consider the totality of war-making capabilities. To confine such talks to intermediate range missiles only (i.e., the SS-20) would be unacceptable to Russia. What concerns Russia are the American B-52 and Seventh Fleet. An argument along the line that "the B-52 should be eliminated from the agenda because it is being addressed in SALT,"

and that "the Seventh Fleet should be excluded because it carries no land-based missiles," would not advance the talks by any stretch of the imagination.

Given these circumstances what, then, should Japan do?

First of all, Japan is not viewed as an independent entity. The nuclear-related facilities of the American forces stationed in Japan have been made available to the U.S. as part of the obligations under the Japan-U.S. Security Treaty. As long as the Security Treaty exists, Japan is viewed only as an appendix to the U.S. Not only Russia would hold such a view point, but this would also be true of the nations of Western Europe, the ASEAN, and non-allied nations, just the same as Poland is regarded as an appendix of Russia, rather than being an independent entity.

Not particularly helpful to us is the fact that all past and present administrations of the Liberal Democratic Party have been faithful adherents of American politics, on the basis that "the friendly relationship between Japan and the U.S. is the inviolable foundation of Japanese foreign policy." Granted, it is beneficial to maintain good relations with America. We would gain nothing by having sticky relations with the U.S. However, it is questionable whether Russia would take us seriously as a partner in arms discussion as long as we continue to provide military bases to the U.S., regard Russia as an imaginary enemy, and tread the road of increased military integration with America. Probably the answer would be no. As long as Japan obeys the U.S., all that Russia has to do is to deal with America.

Table: The Different Assessments of Medium-Range Nuclear Weapons in Europe by U.S. and Russia

<u>NATO</u>		<u>Warsaw Treaty Organizations</u>	
*	(U.S.)	Backfire bombers	65
*	F-111 fighter bombers	Badger bombers	310
*	FB-111A fighter bombers[1]	Blinder bombers	125
*	F-4 fighter bombers	Fencer fighter bombers	480
*	A-6, A-7 fighter bombers	Flagger D fighter bombers	500
*	Pershing I missiles	SS-20 missiles	270
*		SS-4 missiles	340
*	<hr/> Subtotal	SS-5 missiles	40
*		SS-12 missiles	350
*		SS-N-5 missiles	57
*	(Allies)	<hr/> Total	2,537
*	British Polaris A-3 SLBM		
*	French SLBM		
*	French land-based missiles		
*	British Balkan bombers		
*	French Mirage-4 bombers		
*	German Pershing I missiles		
*	<hr/> Subtotal		
*			
*	Missile launchers total		2,537
*	Est. no. of warheads		3,787

**	<u>NATO</u>		<u>Warsaw Treaty Organizations</u>
**	(U.S.)		
**	F-111 fighter bombers	156	Backfire bombers 75
**	FB-111A fighter bombers	60	Badger bombers 310
**	G-4 fighter bombers	324	Blinder bombers 125
**	A-6, A-7 fighter bombers	60	SS-20 missiles 175
**	Pershing I missiles	108	SS-4 missiles 340
**			SS-5 missiles 40
**	<hr/> Subtotal	708	<hr/> Total 1,055
**			
**			
**	(Allies)		
**	(Same as American		
**	estimates)	323	
**			
**	<hr/> Total missile launchers	1,031	<hr/> 1,055
**	Est. no. of warheads	1,483	2,035

Source: The U.S. estimates cited are based on data available from the U.S. House of Representatives Foreign Relations Committee, and the Office of Congressional Research.

Note [1]: Based in U.S. mainland but deployed for defense of Europe.

\* = American estimates

\*\* = Russian estimates

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ECONOMIC

STATUS OF TRADE FRICTION WITH UNITED STATES DISCUSSED

Tokyo ZAIKAI in Japanese 23 Aug 83 pp 104-109

[Panel discussion held by Rokuro Ishikawa, president of Kajima Corporation; Eishiro Saito, chairman of Nippon Steel Corporation; Toshikuni Yahiro, president of Mitsui & Co., Ltd.; and Isamu Yamashita, chairman of Mitsui Shipbuilding & Engineering Co., Ltd., moderated by Seiji Ono, chief editor of ZAIKAI]

[Text] No Progress in "Agricultural" Issue

[Moderator] On 7 and 8 July, a 2-day conference of Japanese-U.S. businessmen was held at the Ritz Carlton Hotel in Chicago; among those attending from Japan was Yoshihiro Inayama, chairman of the Keidanren [federation of economic organizations]. This year marked the 20th session since this non-governmental-level conference first met in 1961, and, therefore, I tend to believe that it is now possible to carry on discussions there in a relatively candid manner.

Be that as it may, there is one looming problem facing us now, which is the near certainty that Japan's operating balance sheet for the current fiscal year will end up with a whopping surplus of \$20 billion. This, along with the \$9.2 billion surplus of the previous fiscal year, will mean an increase in the surplus level of more than 200 percent in one jump. This alone is already a serious enough problem, but on top of that, the U.S. trade balance has taken a downturn, resulting in a deficit of \$60 billion for the current fiscal year, and should this trend continue, the deficit for the next fiscal year will reach \$100 billion, according to one view. In the midst of all this, it looks as though the Japan-U.S. trade friction issue may once again suffer a sudden eruption.

Such being the case, mere clever-handed tricks will no longer lead to a solution; I believe drastic measures of some sort will have to be taken to achieve a solution. On top of all this, President Reagan's visit to Japan has been fixed for early November. Under these circumstances, the Japanese side will by then have to come up with a plan for some degree of solution. This is why today I have requested the assembly here of Messrs Ishikawa, Saito and Yamashita, all of whom attended the Japanese-U.S. businessmen's conference, and of Mr Yahiro, who is scheduled to lead an import mission (tentatively named the Access-to-Japan Mission) to the United States in the

near future, so that I could ask you gentlemen to probe for answers leading toward a solution.

Yamashita: First, if I may report the substance of the latest round of the Japanese-U.S. businessmen's conference: one of its objectives was to exchange views on and then approve the reports compiled by the three task forces set up by the conference last year--one on the question of "commerce-related legislation and trade practices," another on the question of "service trade," and the third on the question of "agriculture."

Regarding the questions of "legislation and practices" and "service trade," something like an answer in general was achieved. But regarding the agricultural question, although an agreement of sorts was reached regarding Japanese-U.S. cooperation in dealing with a third country, when it came to bilateral agricultural issues, the two sides were unable to agree, and in the end, the report took the form of noting parallel views; thus the effort to produce an answer was unsuccessful.

[Moderator] In terms of the general atmosphere at the conference, would you say that the attitude toward Japan was severe?

Yamashita: As the participants were from financial circles to begin with, there was at least recognition that fundamentally Japan and the United States must find ways to get along with each other, politically as well as economically. But on specific issues, they wanted to seek a solution to each issue through discussion within the sector directly concerned. In this connection, they were using the term "action-oriented," and my impression was that they intended to map out a specific plan through action-oriented talks.

Ishikawa: This was the 20th session. The American side wants to make this conference the successor to the Japanese-U.S. wisemen's conference, and the American Government, too, is giving considerable support to this conference. In that sense, I think that the conference has become quite meaningful in terms of both the lineup of its participants and its contents. Also, perhaps as a natural consequence of having met repeatedly, I think it might be safe to say that quite a bit of truth is now being spoken at this conference. To avoid the conference turning into a mere festive gathering, this time we were divided into six sectional committees for discussion purposes, and so discussions were held in small groups. In that sense, too, I think the conference was more effective than otherwise.

Through those discussions, the kind of things which Japan, as an entity of the world, must do and in which it must cooperate were clearly highlighted by the American side, and I also think perhaps some adjustments were made on the American side as well with regard to its somewhat self-centered way of looking at things. In short, I believe that the conference served to reaffirm that there is no other way to survive, not only for Japan and the United States--the two countries that have always been interdependent [as published]--but for the EC and the Eastern Bloc nations as well, in the final analysis, except for everyone to exercise self-control over its one-sided demands and wishes and to cooperate with each other on all matters, including the North-South issue.



## Battle Between Keidanren and Nokyo

Saito: If I may give you my candid impression, given the timing of the conference, which was held in the wake of extremely heated discussions between the two governments on such issues as industrial policies and exports and imports, and also considering the presence there of many major-league-caliber players on the American side, I had anticipated some quite perilous give and take, but, in fact, we had no acrimonious or spark-flying encounters there at all.

At the same time, to my surprise, some recognized pro-Japan faction people expressed the view that if the present situation in America should continue, the Republican Party could not win next year's elections; that the opposition Democratic Party is now eagerly seizing the opportunity to criticize Japan, and anything said by the Republican Party in the manner of defending Japan will cost votes and, for this reason, there are some even within the Republican Party itself who are switching to views similar to those of the Democratic Party; and that they hoped Japan would not be blind to this reality.

For example, a poll taken by a Los Angeles newspaper showed that 41 percent of the respondents blamed Japan for the difficulties now facing America, and 60 percent advocated the levying of tariffs on Japanese products. This seems to indicate that the Japan-U.S. economic friction problem is turning into a social and political issue. Even in the case of a husband-and-wife fight, it can still be dealt with as long as they are shouting at each other, but once they stop talking, it is time for one of them to pack up and go. In that sense, too, I believe this conference was meaningful.

[Moderator] Although Minister Uno of MITI is heaving a sigh of relief, saying "For the moment the 'summer battle' is over," in reference to the rather peaceful conclusion of the Japan-U.S.-Europe tripartite trade ministers conference held in London in mid-July, I believe that, in realistic terms, many thorny issues have simply been deferred to the "fall battle" which is expected to peak when President Reagan visits Japan. In that sense, too, I think that the real crisis over the trade friction issue is yet to come. In this connection, what are the likely prospects for the agricultural product issue? In some mass-media circles, this issue is being referred to as "a battle between the Keidanren and the Nokyo (agricultural association)." (laughter)

Yamashita: At the Japanese-U.S. businessmen's conference, the American side said that about 5 years should be devoted to the rationalization of agriculture so as to bring about complete liberalization, but the Japanese side insisted that this was not an issue the conference should take up because it was entirely up to governmental negotiations.

For this reason, and in view of, among other things, the March expiration of the Tokyo Round-based decisions on beef and oranges, I think MITI will probably come up with an answer of some sort before President Reagan's visit to Japan. However, as there is no way to solve this issue except to try to

tackle one question at a time meticulously, I think it is better not to spread the issue out. Any attempt to solve it by spreading it out is bound to fail, because inevitably it will bring out the question of the \$20 billion surplus.

Yahiro: We now have some 27 items that are not yet liberalized, of which only 4 or so come under MITI jurisdiction, and the rest are all agricultural products. As there are some 22 such items, naturally these will be the target of attack. Therefore we must put things in good order with regard to the measures concerning agricultural products.

Even if these products were liberalized, personally I do not think it would lead to a massive inflow of them into Japan. Supposing it did, causing damage to Japanese farmers, I would still say that we should keep our doors open, even at the risk of transforming the problem into one of domestic concern and one which would probably entail some financial difficulties. Furthermore, unless we make clear the timing--at least to some extent--as to when we will open our doors, this fretting and fuming will not be cured.  
(laughter)

Saito: Even if, let's say, we completely decontrolled beef and oranges now, I don't think imports would exceed \$500 million. On the other hand, isn't our current balance of trade with the United States in our favor by \$20 billion? I don't think it is very well understood that this is where the problem lies.

Yamashita: Right now, I don't think there is anybody else who is facing up to this issue more honestly than Japan's industrial sector. Mr Saito's company is one example, and so is ours. The point is, we are doing our part in matters of international cooperation with the other party. That's why my belief is that it is not the industrial sector that is causing the problems in real terms. I also think perhaps this is why the blame is being laid on poor industrial policy, for example. Those who have tried and succeeded in operating a joint venture in Japan are delighted because, although it wasn't easy for them to come into a strange country, once in, Japan turned out to be a wonderful market, so they are saying.

#### Days of Theory Are Over

Saito: It all boils down to one most important factor: What we are talking about is the business of selling and buying, not some classroom theoretical fight. Without understanding this reality, one may be quick to react indignantly to criticism of one's industrial policy or to threaten an appeal to GATT. The so-called GATT presupposes, at a minimum, the prevalence of the relative superiority doctrine as an economic theory, but in today's trade the same relative superiority doctrine does not prevail, and that is where the problem lies. If an appeal to GATT solved the problem, the trade friction question would not have arisen in the first place.

Meanwhile, the United States, as a country at least standing on the pillar of free trade, is obliged to find some economic reasons to base its counterargument regarding the trade deficit, lest it be accused of indulging in a king's

egoism. This is why the Americans try to justify their argument on the basis of government subsidy and dumping. Look at other countries such as Italy, on the other hand. They go right to import restrictions without bothering with reasons or anything else. In contrast, the United States, like the leadership nation that it is, would not do any such thing. In this respect, it is indeed worthy of being considered a great nation.

This is all the more reason why I believe that probably there are certain things warranting more thought on the part of Japan as well. As long as Japan's \$20 billion trade surplus is a reality, we cannot forever justify it by merely citing cheap prices, free economy or the spirit of GATT.

I think we should consider the American position, too. For this reason, although there is some domestic opposition, we should do something to demonstrate our sincerity--such as, for example, buying Alaskan oil. For another thing, wouldn't you say that it would be a good idea to put up large placards reading "Buy American" at Narita [international airport], the Ginza and the Akasaka detached palace at the time of President Reagan's visit to Japan!? (laughter)

[Moderator] Mr Yahiro, I know you are scheduled to lead an import promotion mission to the United States in early September, but I understand that you want to make your mission somewhat different from all other previous import missions. Specifically, what is your idea? (At this point, Mr Isamu Yamashita excused himself for other business.)

Yahiro: To say all other previous missions would be misleading. Nevertheless, to wait until there is a problem, then gather up some contracts and make a shopping trip--such a toy fireworks-like mission would inevitably be in for lasting criticism afterward. Furthermore, it is inevitable that the trade friction issue will be pushed to the forefront at the year-end, no matter what. This being the case, what I have in mind is to change the underlying concept this time and make it a kind of access promotion mission to explain how to go about it if one wanted to gain access to the Japanese market. This, incidentally, is MITI's idea, as well.

There have been complaints about the difficulties in gaining access to the Japanese market because of its extremely closed nature, its complicated circulation structure and its troublesome practices. But according to a trade council survey, for example, these problems do not amount to anything very serious. If anything, the Japanese are a people who are basically fond of foreign imports if they are of good quality. Therefore, if the product is good and cheap, if the would-be seller is resourceful in his effort to enter the Japanese market, and if we only help him to understand the Japanese market, I believe imports are bound to increase to some extent; after all, there are some 110 million people here.

Having said all this, I must confess that I have no special magic formula, although I am inclined to believe that expanding the overseas functions of JETRO [Japan External Trade Organization] might be one idea.

## Wrong Move Could Lead to Major Crisis

Ishikawa: Looking at present world conditions, if protectionism gains in strength more than it has already, this could very well lead to a major crisis, indeed. In brief, the present situation is the result of the gradual collapse of the Bretton Woods structure. To prevent this, I believe it is imperative to come up with a depression-cure measure for the simultaneous salvation of everyone through further promotion of trade in general. What is needed is not a contraction equilibrium, but rather an expansion equilibrium.

As was clearly pointed out at the Japanese-U.S. wisemen's conference and also at the Japan-U.S.-Europe tripartite conference, this is not a problem for Japan-U.S. bilateral resolution, but one for multilateral resolution. The recent U.S. attitude is, in my view, a political reflection of the hardline views of only those people in some categories of American business.

Viewed from the standpoint of overall international earnings and expenditures, the United States is in a better position than Japan and also than the EC and others. Therefore, I tend to think that there is room for a little more effort toward understanding and solutions worthy of a grownup. There is one more thing--I am somewhat hesitant to say this: I think the Japan-U.S. trade imbalance is a question of industrial structure and productivity, in the final analysis. Thus, unless American businesses themselves remedy this through their own self-help efforts, the gap will only widen more and more.

Yahiro: But what makes it difficult is that we cannot very well go too far in rubbing against the grain along those lines. (laughter)

Saito: There are some Americans who say, without any hesitation, that they simply cannot compete with Japan because of the high wages. Be that as it may, what we must keep in mind is that, while there is in fact a trade imbalance as large as \$20 billion, it will do no good to merely refute everything. It boils down to a question of where Japan would go in case America took an Italy-like attitude of "no discussion!?"

So, as Mr Ishikawa is suggesting, what we want is to have the problem viewed in a multilateral context. For instance, Japan is buying \$10 billion worth of iron ore and coal from Australia. If Japan were to buy all this from America, then Australia would be short of foreign exchange, and as a result, America would not be able to sell goods to Australia.

Yahiro: Incidentally, the balance of trade with Australia is in America's favor. Meanwhile, during the past year alone, Japan's nine big companies recorded 14 trillion yen worth of third-country transactions that bypassed Japan--transactions such as taking American corn to Europe, shipping sugar from Thailand to the Soviet Union, etc. It is said that this kind of transaction will amount to more than 50 trillion yen in 1990. Therefore, when all these factors are taken into account, I think Americans should restrain their impatience, at least somewhat.

That aside, what worries me most is the possibility--as Mr Saito indicated at the outset--that, if the Democratic Party should win the presidential elections next year, the trade protectionism trend might rapidly gain momentum. Already voices have been raised demanding an import surtax, and President Reagan is making a desperate effort to stave off this drive. Hence, unless we respond to this by making some sort of gesture and thereby help him restrain the impatience, there is no telling what kind of crisis we may end up with.

#### Mounting Debts of Developing Nations

Ishikawa: Another thing is, although we are talking about Japan-U.S. issues now, that life goes beyond Japan and the United States alone. I learned at the recent conference, for instance, that the cumulative debt, including short-term debt, of the developing nations including the East European bloc now reaches \$900 billion. Also, excluding internal EC nation trade, one-third of all trade by the advanced nations is with the developing nations. So, the relationship between the advanced nations and the developing nations is already inseparable.

Furthermore, the advanced nations sell 2.5 times more to the developing nations than they buy from them. This is why the cumulative debt is increasing. There is no way we can let this debt suffer default. The number of banks involved is more than 200 in the United States alone, and 300 more banks are involved as well. Japan alone accounts for 10 percent of all the loans, or \$90 billion. Consequently, if just one of those nations should go broke, Japan's finances would face a major panic.

In other words, the relationship between the two sides of one of interdependence. Therefore, in order to make the repayment of this cumulative debt possible steps must be taken to increase the domestic demand of the advanced nations so that the developing nations can increase their exports. Talking about the trade is fine, but more important is the promotion of Japan's domestic demand, in my view.

[Moderator] Finally, if business circles were to put forward some requests to Prime Minister Nakasone, who must tackle these issues, what would they be?

Saito: Right now, the economic and international circumstances are changing in a confusing manner. Especially with the involvement of the arms reduction question, U.S.-Soviet relations are showing movements that defy conjecture. At a time like this, the fact that Mr Nakasone is getting along so well with President Reagan should, I think, be accorded a forward-looking appraisal.

The only question is, between this fall and the elections next year, if the President should let it be known that he is in real trouble, would Mr Nakasone be able to respond to it? I believe the focus will be on the defense issue, economic friction and the trade issue. The point is whether or not Mr Nakasone has the determination to face up to these issues, and also, whether or not he can gain sufficient support from a public-opinion for doing so.

Yahiro: Soldier's jargon seems to appear in his speech now and then, and his general approach is somewhat different from that of his predecessors. The result is a degree of success. Nevertheless, I think the real test for him is yet to come.

Ishikawa: In Japan, the expression "separation of politics and economy" is often heard, but an idea like that is unthinkable in other countries. Therefore, it is an objective fact that the current Japan-U.S. trade friction issue, too, is ultimately turning into a political issue. I believe it is the recognition of this fact that underscores the current high evaluation of Mr Nakasone among U.S. politicians and economic circles.

So, if Mr Nakasone should fail to bring about what he has committed himself to so far, the consequences would be grave. If what is in store is no different from what happened before, it will not be bad, but it could turn out to be much worse. This is all the more reason why we, as a matter of national posture, should be thinking about questions such as how far should we in the civilian sector cooperate, and will it be possible for us to do so. This is my view.

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CSO: 4105/402

ECONOMIC

'GRAVE CONCERN' EXPRESSED OVER PERSIAN GULF

OW121007 Tokyo KYODO in English 0956 GMT 12 Oct 83

[Text] Tokyo, 12 Oct (KYODO)--A top oil industry executive Wednesday expressed grave concern over possible impact on the nation's oil situation if the Iran-Iraw war escalated further.

Speaking at a press conference, Tokio Nagayama, president of Petroleum Association of Japan and also president of Showa Oil Co, said if the Strait of Hormuz is blockaded by Iran, Japan would be severely hampered in efforts to secure necessary oil supplies.

Iran has threatened to blockade the strategically important Strait of Hormuz if Iraq attacked Iranian oil facilities in the Persian Gulf with recently acquired French super etendard fighter bombers armed with Exocet missiles.

Nagayama said if the passage of oil tankers was blocked, 63 percent of Japan's total oil imports would come to a stop with no suitable alternative supply sources conceivable due to price factors.

To cope with such possibility, he said the industry may consider increasing its oil stockpiles.

The combined government and industry stockpile of oil at the end of August was equivalent of 117.3 days' supply.

CSO: 4100/011

ECONOMIC

FINANCE MINISTRY TO FOLLOW TIGHT BUDGET POLICY

OW071213 Tokyo KYODO in English 1147 GMT 7 Oct 83

[Text] Tokyo, 7 Oct (KYODO)--The Finance Ministry has decided to hold down general expenditures in the fiscal 1984 budget to this year's level in view of expected revenue shortfalls, ministry sources said Friday.

Moreover, they said, a transfer from the general account to the special account for debt consolidation funds will be suspended for the third straight year. The total amount of national bond issues will also be reduced, the sources said.

General expenditures represent the general account expenditures excluding debt servicing expenses and national taxes allocated to local governments.

Budget appropriation requests for fiscal 1984 starting next April, submitted by government agencies late last August, added up to yen 32,955.6 billion (dollar 142 billion) in general expenditures. This plus debt servicing expenses and national tax quotas for local government brought the general account expenditures to yen 52,310 billion (dollar 225.4 billion), they said.

However, they said, fiscal revenues in the next fiscal year are estimated at yen 49,500 billion (dollar 213.4 billion), assuming that deficit-covering bond issues will be cut by yen 1 trillion (dollar 4.3 billion) compared with the current fiscal year.

This means a revenue shortfall of about yen 2.8 trillion (dollar 12 billion) as against the general account budget total based on government agencies' budget requests.

Therefore, the sources said, the ministry will give top priority to slashing expenditures so as to limit general expenditures to about yen 32.62 trillion (dollar 140.6 billion) or about the same as this year's level.

It also intends to suspend a transfer to the special account for debt consolidation fund.

By these measures, the total of general account expenditures will be held down to about 50.3-50.4 trillion (dollar 217-217.2 billion).



Even this will leave a revenue shortfall of yen 800-900 billion (dollar 3.4-3.9 billion). Therefore, the ministry plans to reduce a cut in national bond issues to yen 300-500 billion (dollar 1.3-2.6 billion) compared with yen 1 trillion (dollar 4.3 billion) for the current fiscal year, the sources said.

Corporate taxes and indirect taxes will be partially raised. But this will not be enough to cover the planned income tax cut.

Government sources said Friday that there is a great possibility of the income tax cut being carried out in two stages.

They said the lowest taxable limit would be raised for this calendar year and the January-March period of next year, while the revision of progressive tax rates, aimed at alleviating tax burdens on the middle-income bracket, would be revised effective from next April.

This idea has been prompted by a shortage of fiscal funds for covering the income tax cut until next March or the end of the current fiscal year.

CSO: 4100/011

## ECONOMIC

### BACKGROUND OF PROTECTIONISM IN EUROPE REPORTED

Tokyo KIKAN GENDAI KEIZAI in Japanese Spring 83 pp 48-59

[Article by Yoichi Masuzoe: "Protectionism in Europe Strengthened--Its Background:]

[Excerpt] 1. The Path to Poitiers

Poitiers has become quite famous in Japan as a city embodying French protectionism. Also, Foreign Trade Minister Jobert, who stubbornly maintains a hard stand against Japan, seems to have become more familiar than Prime Minister Mauroy and Foreign Minister Cheysson.

In order to improve its trade balance, on 20 October 1982 the French Government decided on the following steps to control imports: (1) to enforce the compulsory use of the French language in business transactions and import procedures, and (2) to limit the customs clearing of VTR's [video tape recorders] to Poitiers, a city about 340 km south of Paris. The latter step was directed especially at Japan and was nothing but the expression of irritation over the fact that Japan's trade surplus against France would not be reduced at all.

Now the reason why the French Government has taken such protectionist steps is that its economic policy has not worked smoothly.

The economic policy that the Mitterrand regime publicly adopted on its inauguration in May 1981 was in a word an attempt toward "big government." It was contraposed to Reagan's or Thatcher's tight policies. Above all it was designed to restore "planning." To be specific, first, as countermeasures against unemployment it promised to create employment in the public sectors, to implement public works, and to shorten working hours. Second, as counter-cycle measures, it proposed an income tax exemption for low income persons, the raising of the legal minimum wage, and the issue of large-scale government securities. Moreover, it planned financial steps to create a tax on wealth, to encourage mass savings and to nationalize nine enterprises and banks. This was an economic policy in which a socialist policy of redistribution of wealth changed into Keynesian policy for stimulating business.

As soon as it assumed political power, the French Socialist Party began at a high pitch to put its campaign promises into practice. However, what have been the results of the Mitterrand experiment on the French economy?

Although it succeeded in raising the wages of low income persons and in expanding individual consumption, ultimately the cost of the enterprises is bound to rise. Moreover, the unreasonable policy of creating employment and shortening working hours has further aggravated things. The first result of this is a rise in commodity prices. Moreover, the recovery in consumption has not caused domestic demands to expand and has not been an impetus for domestic industries. Rather it has increased imports and decreased exports. Thus, secondly, a worsening of the trade balance has been brought about. Moreover, third, even with employment, certainly the increase in consumer demand functions positively, but the increase in the operating costs of enterprises functions negatively. Therefore, no great successes can be expected. Fourth, the increase in the operating costs of enterprises signifies a decrease in investment, and has ultimately led to the lowering of productivity and the loss of competitiveness.

Thus the economic accomplishments during the first years of the Mitterrand regime were not at all favorable, as could be seen in the double digit inflation, the increase in the trade deficit, the devaluation of the franc on two occasions (October 1981 and June 1982), and 2 million unemployed. Therefore, in June 1982 the French Government made a complete turnaround in policy and decided to adopt a policy of tightening. Specifically, it decided to freeze prices and wages (for 4 months until the end of October 1982) contrary to its campaign promises. This was the result of the adoption of Keynesian policy by the French alone and not along with other nations.

As a result of this tightening policy during July and August prices rose 0.3 percent, and this naturally was effective in eradicating inflation. However, the number of unemployed was still large, and the franc continued to fall. Moreover, the trade deficit was of crisis proportions. For this reason, in September the French Government was forced to borrow \$4 billion from foreign banks. Thereafter too, trying desperately to support the franc, the currency management authorities in the French Government intervened and reportedly borrowed as much as \$20 to \$30 billion for last year alone as funds for its support. Furthermore, in 1982 the trade deficit rose to 100 billion francs (about 3.5 trillion yen). And this resulted in a series of protectionist policies adopted on 20 October.

As can be seen in the import restrictions against Japanese-made cars (their market share is held down below 3 percent), France is a strongly protectionist nation to begin with. Now in order to restore a trade balance, no matter how it may appear, France is trying to further pursue protectionist policy for domestic industries. Moreover, its blows are directed at Japan. At a Ministerial Council meeting of the EC held in Brussels, Foreign Trade Minister Jobert announced: "Unless the EC in unity adopts a policy to control Japan's export offensive, France cannot wait any longer, and will adopt its own measures to shut out Japanese goods."

At the Japanese-EC ministerial conference held in Tokyo last year, a series of economic frictions between Japan and Europe were tentatively resolved as Japan decided to voluntarily regulate the export of machine tools, television sets and VTR's. But somehow France alone seems to hesitate about changing its protectionist policy.

## II. The Background of Protectionism

In the foregoing section I have analyzed how the French lean toward protectionism under the Socialist Party regime, caused mainly by unemployment and the deficit in foreign payment. As to the first point, unemployment is a source of agony not only for France but also for all the EC nations. For instance, West Germany now has as many as 2.5 million unemployed. Even West Germany, which so far has promoted free trade together with Japan, is losing its battle against the temptation for protectionist trade. In West Germany the real annual average growth of GNP registered a minus growth consecutively for 1981 and 1982, and it suffers from chronic recession. The number of unemployed in the EC as a whole is over 10 million. According to the EC Commission's 8 March 1982 economic forecast, the number of fully unemployed for 1983 would reach 10.6 percent (12 million), and the real growth of gross domestic product is expected to be 0.4 percent. Especially serious is the case of Belgium which expects an unemployment rate of 15.4 percent and a minus 0.4 percent real growth rate in its gross domestic product.

Table 1. Unemployment Rates (seasonably adjusted values, percent)

(1)年 国(2)	年					82			
	78	79	80	81	82	I	II	III	IV
(3) 日本	2.2	2.1	2.0	2.2	2.4	2.3	2.4	2.4	2.4
(4) アメリカ	6.1	5.8	7.2	7.6	9.7	8.8	9.4	10.0	10.7
(5) カナダ	8.4	7.5	7.5	7.6	10.9	8.6	10.2	12.1	12.7
(6) 西ドイツ	4.3	3.8	3.8	5.5	7.6	6.8	7.4	7.8	8.4
(7) フランス	5.2	6.0	6.4	7.9		8.9	8.4	8.8	
(8) イギリス	5.5	5.1	6.5	10.2	12.0	11.5	11.8	12.2	12.5
(9) イタリア	7.2	7.7	7.5	8.4	9.1	9.3	8.6	9.2	9.2
(10) EC	5.5	5.5	6.2	8.1	9.7	9.3	9.7	9.9	10.3 { 10.1 10.4
(11) (注)	1. フランスのみ原数値 2. EC. 9.								

### Key:

- |                   |   |
|-------------------|---|
| (1) Year          | (8) Great Britain   |
| (2) Country       | (9) Italy   |
| (3) Japan         | (10) EC   |
| (4) United States | (11) Note: 1. Only France shows original numerical values |
| (5) Canada        | 2. EC 9.  |
| (6) West Germany  |   |
| (7) France        |   |

Table 2. Real Growth Rates in Gross Domestic Product of EC Member Nations

	(1) 81年	(2) 82年	(3) 83年
(4) ルギー	▲1.7	▲0.7	▲0.4
(5) デンマーク	0.1	2.3	0.9
(6) 西ドイツ	0.1	▲1.0	▲0.2
(7) キリシャ	▲0.7	0.4	0.8
(8) フランス	0.3	1.4	0.8
(9) アイルランド	1.1	1.4	1.5
(10) イタリア	▲0.2	▲0.2	▲0.3
(11) ルクセンブルク	▲1.8	▲1.6	▲1.1
(12) オランダ	▲1.2	▲1.5	0.1
(13) イギリス	▲2.0	1.2	1.5
(14) EC全体	▲0.4	0.2	0.4
(15)	(82、83年はEC委員会見通し)		

Key:

- |                  |                                   |
|------------------|-----------------------------------|
| (1) 1981         | (9) Ireland                       |
| (2) 1982         | (10) Italy                        |
| (3) 1983         | (11) Luxemburg                    |
| (4) Belgium      | (12) Netherlands                  |
| (5) Denmark      | (13) Great Britain                |
| (6) West Germany | (14) EC                           |
| (7) Greece       | (15) 1983 figures are forecast by |
| (8) France       | EC Commission                     |

As to the problem of the trade balance, while France and Italy suffer from deficits, West Germany and Great Britain rather have surpluses. Especially in the case of France, it has an unfavorable trade balance with all of the EC nations. For instance, the trade deficit against West Germany was increased to 16.8 billion francs in 1982. This shows that the competitive power of French industries has been reduced, and the Mitterrand regime's nationalization policy has become problematic. At any rate, from the viewpoint of the trade balance, one cannot say the same thing about all the EC nations, but it is certain that the EC's annual trade deficit against Japan, amounting to as much as \$12 billion, has resulted in Japan-Europe trade frictions.

When the EC denounces the concentrated and torrential exports from Japan, and requests Japan to enforce voluntary restraints on specific items, it means only that it wants a kind of moratorium in order to give competitiveness to EC industries. For instance, in reaching an agreement with Japan on the aforementioned VTR's, the EC made the Japanese side acknowledge that "in order for the VTR industry in Europe to acquire competitiveness against

Japanese products, 1.2 million units must be sold on the European market in 1983." On this Vice Chairman Davinion [phonetic] of the EC assessed it as "a more advanced method which takes into account the European market and the productivity of European enterprises." But it is still protectionism. Truly, the theory of protection of industries in the formative stage, a classic economic theory of protectionist trade, is always repeated.

In the following, going beyond the framework of the aforementioned economic debates, I would like to study the background of protectionism in the EC from various viewpoints, including politics, society and values.

Table 3. Trade Balance Against Japan (\$100 million)

(1)年	(2)					82			
	78	79	80	81	82	I	II	III	IV
(3) アメリカ	▲135.8	▲105.8	▲121.7	▲180.8	▲189.7 (10)	▲52.5	▲48.0	▲51.0	▲38.2
(4) カナダ	7.0	16.6	13.6	4.0	6.9 (1-10月)	1.7	3.1	▲2.1	
(5) 西ドイツ	▲18.7	▲20.7	▲35.5	▲36.7	▲29.2 (1-11月)	▲8.2	▲8.8	▲6.3	
(6) フランス	▲10.3	▲11.3	▲16.7	▲17.2	▲18.1 (1-11月)	▲3.4	▲6.3	▲4.5	
(7) イギリス	▲14.2	▲18.8	▲25.9	▲31.5	▲27.2 (1-9月)	▲9.0	▲9.2	▲9.0	
(8) イタリア	▲1.6	▲1.0	▲6.0	▲5.9	▲2.3 (1-9月)	▲1.1	▲1.3	0.1	
(9) E C	▲72.5	▲79.3	▲121.9	▲120.5	▲87.5 (1-9月)	▲29.1	▲33.1	▲25.3	
(10)	(注) 1.アメリカ: fas-cif. カナダ: fob-fob. その他: fob-cif 2. EC 10 3. アメリカのみ季調値								

Key:

- |                   |  |
|-------------------|--|
| (1) Year          | (7) Great Britain  |
| (2) Country       | (8) Italy  |
| (3) United States | (9) Month (1-10 = January-October, etc.)   |
| (4) Canada        | (10) Note: 1. f.a.s.-CIF for United States;<br>f.o.b.-f.o.b. for Canada;<br>f.o.b.-CIF for others. |
| (5) West Germany  | 2. EC 10   |
| (6) France        | 3. Seasonally adjusted values for<br>United States only  |

III. Management Attitudes of European Enterprises

The growth in labor productivity in Japan is remarkable compared to other advanced industrial nations. This is one of the reasons that the competitive power of Japanese industries has increased. But in the background there is positive investment in capital goods. In comparison, the EC nations are losing their will to invest, and the climate for promoting technological development and improving productivity has disappeared.

In Europe the lingering characteristics of class society are still strongly present. As France was once "controlled by 200 families," enterprise management still has a strong element of family control. There one can find little separation between ownership and management as compared with Japan and the United States, and this easily spawns a conservative and defensive posture, unrelated to the reformist and positive business strategy of professionals. The management strategy of Japanese enterprises is based on expanding their share. Managers swing from joy to sorrow depending on the increase or decrease of their companies' shares in the industry. Against this there are still strong guildish ideas of the medieval period. Shares are something they are given. They think about how to protect their shares, and how to raise profit within that framework. For instance, as seen in the case of high-brand name products, no matter how successful they are, they hold production at a certain level and attempt to increase revenue by raising unit prices. If they were Japanese managers, they would think about mass production and reduction of unit sales prices, and how to conquer the world market so as to expand their shares and increase profit. This culminates in notorious "concentrated torrential exports." But the guildish management ideas cannot be a match for the export offensives of Japanese enterprises.

Moreover, if enough increased revenue is possible within the guildish framework, naturally the will for making positive capital investment for the future will not develop. It would still be rare for them to expand the scale of management and accept short-term sacrifice for long-term profits. Incidentally, many adverse effects of the nationalization policy of the French Socialist Party have been pointed out. To begin with the reason why the Mitterrand regime wanted to carry out nationalization was none other than an attempt to introduce efficiency into management. That is, the government has attempted to nationalize enterprises which are in incompetent hands because of family control, and appoint competent professionals as presidents of enterprises so as to effect a rise in productivity. The example of the Renault Corporation is frequently quoted to prove this point.

In an interview with a certain journal, Scientific Research and Technology Minister Jean Pierre Chevenement, speaking of such enterprises as Thomson-Brandt (heavy machinery), Pechiney-Ugine-Kuhlman (nonferrous metals), and Rhone-Poulenc (fibers and chemicals) as objects of nationalization clearly disclosed that "if there were no intervention by the state, these companies would have reduced investment and would have had to sell their property to foreigners. We are carrying the risk which is the original responsibility of the capitalists. Also Economic Planning and Development Minister Michel Rocard stated the purpose of nationalization in these words: "In the United States, when management is inefficient, either managers are fired or companies shut down. However, in France whether or not management has been efficient, management talent has never become an issue. Nationalization is designed to put new blood into the management elite of France."<sup>2</sup>

Now, while making management efficient is the first reason for nationalization, the second is related to the weight of the tradition of nationalization in France. During the 1936-37 Popular Front period, the munition industries and railroads were nationalized. Immediately following World War II, Renault and Air France, four major banks, coal, electricity and gas were nationalized.

At the time the Mitterrand regime came into power nationalized industries were already responsible for 22 percent of gross sales by all industries. The French Socialist Party claims that the third aim of nationalization is to bring about ideal management-labor relations through intervention by the state. Should this succeed, it would contribute to the activation of French enterprises.

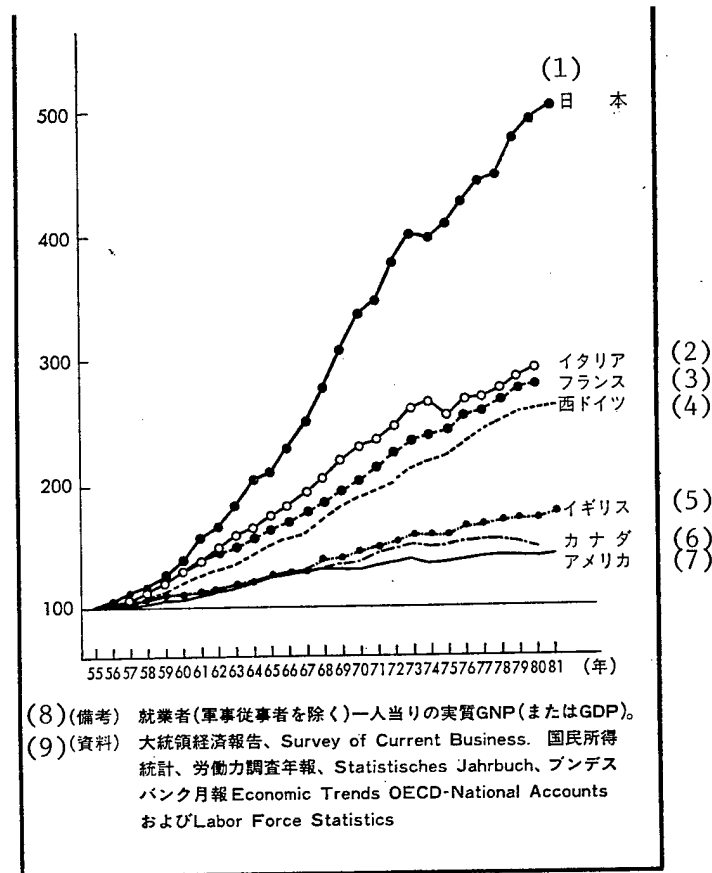


Figure 1. Change in the Labor Productivity of Leading Nations (1955=100)

Key:

- (1) Japan
- (2) Italy
- (3) France
- (4) West Germany
- (5) Great Britain
- (6) Canada
- (7) United States
- (8) Year
- (9) Remarks: Real GNP or GDP per gainfully employed (excluding military personnel)

(10) Sources:

- "Presidential Economic Report,"
- "Survey of Current Business,"
- "National Income Statistics,"
- "Annual Report on the Investigation of Labor Force,"
- "Statistisches Jahrbuch,"
- "Monthly Report of Bundesbank,"
- "Economic Trends OECD-National Accounts," and "Labor Force Statistics"



At any rate, the conservative and passive management attitudes which Mitterrand attempted to reform through nationalization are also linked to the method of coping with the enterprises' lack of success by forming cartels. In the EC, which prohibits cartels on principle, a depression cartel was formed for the synthetic fiber industry in 1978. But even since then moves on the part of structural recession industries, led by the zinc refining industry, to form international cartels have been observed. One may say that guildish management ideas open the way to depression cartels, and amplify conservatism.

#### IV. Advanced Nation Syndrome

The advanced nations have succeeded in guaranteeing a certain level of living standard with adequate food, clothing and shelter, but at the cost of a loss of social vitality such as the decline of the will to work, and the aging of the population. This was first termed the English syndrome, and gradually spread to France, West Germany and other advanced nations in Western Europe. Then, beginning with the oil crisis of 1973, it brought about a slowdown in economic growth, an increase in unemployment and reduction in the will for investment, thus causing chronic recession. This forms the background of protectionism.

Even West Germany, which has been an honor student of economics, seems to be suffering seriously from the West German syndrome. Prof Willy Krauss (phonetic) of Ruhr University describes this in the following words:

"Now in West Germany fewer and fewer people are ready to voluntarily carry heavy loads or risks. There is the increased feeling of distrust and hatred toward those who dare to step over the bounds of the average framework in considering the will for study, diligence, intelligence, the consciousness of responsibility, and life experience. With the lowering of the consciousness of the community, more people now think that discipline is anachronistic, hateful and unwanted. Self-centeredness is given priority, and identification with the state and various institutions, including the economy, has been markedly reduced. Such a mood won the hearts of the broad social strata of West Germany before we could find out about it. Managers no longer have a progressive spirit of destroying the old and creating the new. Employees take for granted the long weekends, sometimes beginning on Friday. Workers do not perform good work and they are glib talkers, but they demand wages. Moreover, we now consider that 'we are lucky if workers do good work.' All these things are manifest in the reduced quality of industrial products, in the services offered in the service industries, in the hotel industry, in the restaurant industry and in university lectures. Without efforts for promotion, accomplishment and competition, there may be various incentives in life. But such a society must be ready to accept a high unemployment rate. Also, that society must be ready to give up not only the living standards already attained but also the idea of attaining higher living standards."<sup>3</sup>

The rigidity of society thus described must be one of the results of a highly developed welfare society. For instance, the completion of a social security system has brought about absenteeism, which is contrary to the originally

intended purpose. Increased welfare signifies excessive interference by the state, aggrandizes administration and increases the tax burden. The tax burden rate (including social insurances) over the general national products in 1978 was 24.06 percent in Japan. But it was higher in EC nations as in the Netherlands (46.79), Belgium (44.18), Great Britain (34.45), Ireland (33.38) and Italy (32.58).

Moreover, the aging of the population is in progress in the EC nations, and it is at the level anticipated in Japan in 2000. Specifically, the percentage of the population 65 years or older against the total population is 14.28 percent in West Germany, 13.64 percent in Great Britain, 13.34 percent in France, 11.81 percent in Italy and 7.92 percent in Japan. (Only Italy shows 1974 figures, all others are 1975 figures.) An aged society is the result of the reduction in the birth rate and the longer average life. But it has given rise to such problems as the increase in social security costs and the reduction in social vitality.

Thus the aggrandizement of the government sectors and the aging of the population are the causes of the advanced nation syndrome. Let us examine the phenomena of the advanced nation syndrome from the aspect of labor.

First of all, in terms of the actual working hours per week, as of 1980 it was 41.6 hours in Japan, 36.3 hours in England, 34.3 hours in France and 33.3 hours in West Germany. The actual annual working hours as of 1978 were 2,146 hours in Japan, 1,957 hours in Great Britain, 1,799 hours in France and 1,728 hours in West Germany.

Then, the wage level per actual hour worked as of 1980 was 100 for Japan, 125.3 for Great Britain, 128.3 for France and 190.7 for West Germany.

Speaking of labor productivity, as previously noted it seems to be stagnating in European nations as compared with Japan. This has been caused by the loss of capital for investment with the rise of labor costs, and as can be seen in the Meister system in West Germany, the failure of the vocational educational system to adjust to technological innovation. The lowering of the quality of workers and work places and the introduction of foreign workers will be described later.

As to the rise in labor costs, it should be pointed out that there was a large-scale rise in Great Britain under the Labor Party government and in West Germany under the Social Democratic Party government, and that the profits of enterprises kept falling. The total labor cost per hour as of 1980 was 23.40 marks in West Germany, 13.30 marks in Great Britain, 17.35 marks in France, 17.51 marks in Italy, and 12.35 marks in Japan. Labor unions which have provided the power to win large-scale wage boosts are different from Japanese labor unions which are company unions. They are industrial unions organized outside enterprises. That as pressure groups they have had great impact on the political process is well demonstrated in the case of Great Britain. In West Germany, in accordance with the Expanded Cooperative Decision Law enacted in July 1976 labor has participated in management of enterprises with more than 2,000 employees.

Next, in terms of worker consciousness, let us take Japan and Germany for comparison to show the difference between Japan and Europe.<sup>4</sup>

First, in response to the question, "Is it good for the worker to raise productivity?" 87.2 percent of Japanese workers answered, "Yes," 12.5 percent, "No." Against these, 21.8 percent of West German workers answered, "Yes," and 72.8 percent, "No." In response to the question, "Does technological innovation tend to bring profit to you who work at the company, or rather disadvantages to you?" 76.7 percent of the Japanese workers answered, "Profitable," and 3.5 percent, "Unprofitable." Against these, in West Germany the answers were 31.6 percent and 19.7 percent respectively. Furthermore, in regard to the introduction of microcomputers, 79.2 percent of Japanese workers approved and 4.1 percent were opposed, while the figures in West Germany were 34.2 percent and 48.8 percent respectively. The image of the West German worker emerging from these results is that he is the kind who finds it difficult to adjust to technological innovation and the improvement of productivity, and he is markedly different from his Japanese counterpart. Moreover, in terms of vocational education and training, one can clearly see how the West German worker, compared with his Japanese counterpart, is content with his status quo and how he lacks the will for improvement. In response to the question, "Do you think that the vocational education you received is adequate for the present?" 11.7 percent of Japanese workers answered, "Yes," and 87.8 percent answered "No." In West Germany the answers were 11.7 percent and 87.8 percent respectively. Also, in response to the question, "Did you receive training in operating microcomputers when they were introduced?" 20.9 percent of the Japanese workers answered, "Yes," and 51.4 percent "No." In West Germany, the answers were 9.2 percent and 67.2 percent respectively.

Next, as to the identification of workers with society, first in response to the question, "Does increased profit by companies profit workers?" 93.5 percent of Japanese workers answered "Yes," and 6.2 percent, "No." In West Germany the answers were 24.3 percent and 73.5 percent respectively. Thus a marked contrast was shown. As to the contention that "I work best when I make an effort as a member of a team," in Japan, 65.0 percent approved and 5.0 percent opposed, while in West Germany the figures were 36.9 percent and 35.4 percent, respectively. These results eloquently tell the difference between the collective aspiration and identification with enterprises in Japan and the individualism in Europe.

Third, concerning workers' opinions on labor and money, when asked about overtime, 39.8 percent of Japanese workers answered, "We do not mind if we are paid for it," some 44.0 percent said, "We will do it whether paid or not, since it is our job," and only 15.8 percent said, "We will not do it even if we are paid." In West Germany, as to the contention "I as a worker do not like to do overtime even if I get more income," 49.8 percent were in agreement and 26.5 percent disagreed. In these results we can see clearly that West German workers aspire more "for time than for money." Furthermore, in response to the contention, "If, because I happened to inherit property I did not have to work, I would not work," in Japan 14.1 percent agreed, and 59.8 percent disagreed, while in West Germany the figures were 41.0 percent and 31.8 percent respectively. This tendency is stronger among blue-collar

workers than white-collar workers. It would not be possible any longer in West Germany for the will to work described in Weber's "Protestant Ethic" to be recovered.

In the foregoing the consciousness of workers in Japan and West Germany were compared and examined. One can see how the West German worker, once considered a synonym for diligence, has changed into this deplorable condition. The survey using these questionnaires was conducted in the fall of 1981. One can see the reason for the difference in industrial competitiveness between Japan and West Germany in terms of the consciousness of the workers.

Now, in discussing the labor problem in the EC nations, one cannot avoid the problem of foreign workers. The total number of workers in nine EC nations in 1975 was 83.93 million, and the total number of foreign workers was 6.11 million or 7.3 percent of the total number of workers. Of these, the number of foreign workers from EC nations was 1.6 million or 1.9 percent. During the high growth period since the 1950's foreign workers were massively introduced in order to supplement the labor shortages in Northern European countries, Great Britain, Germany and France, but since the oil crisis in 1973 the number coming in has tended to level off.

In Great Britain, the flow of "black immigrants," first from the West Indies and then from India and Pakistan began in the mid-1950's and reached its peak in 1972 with the largest number, 90,000 a year. As to the origins of immigrants in 1980, of 70,000 immigrants in that year, 48 percent were from the new nations of the Commonwealth, including Pakistan, 10 percent were from the old Commonwealth nations, 13 percent were refugees from Southeast Asia and 29 percent were from other countries. As of 1976, immigrants from the new Commonwealth nations and their offspring comprised 3.3 percent of the total population, or 1.77 million. They generally take up types of work with harsh working conditions, and their unemployment rate is higher compared to the average British workers. Their crime rate is also high. Furthermore, socially, as 40 percent of all aliens are born in Great Britain, the so-called second generation problem looms large. With the deepening of the economic recession in England, antiquity toward the racial minorities is intensified, and the tendency to make a scapegoat out of them is becoming stronger.

In France, with the high growth since the mid-1950's, the immigration of foreign workers increased. It declined at one time with the stagnation of the economy, but it reached a peak in 1970 (170,000 immigrants a year). Thereafter, with the oil crisis and with the strengthening of the government policy of restricting immigration, the immigration of workers decreased drastically, and remained at 17,370 in 1980. As of 1980 the number of aliens living in France is as many as 4.2 million (or 8 percent of the total population). Of these, 75 percent are from neighboring Southern European nations, including Portugal, Spain and Italy, and from former French colonies in North Africa. Foreign workers in France have problems similar to those in Great Britain, but their unemployment problem is particularly severe. Their rate of unemployment was increased as much as by 19.8 percent from late 1979 to late 1980 (compared to an increase of 10.2 percent in the unemployment rate among French workers). Also, the number of young foreign workers who newly

enter the labor market is estimated to be 40,000 to 50,000 a year. Thus, the unemployment problem is only aggravated. Moreover, the social and cultural frictions generated by immigrants from the Islamic cultural zone (North Africa) have become major social problems, including problems of education.

In West Germany, following the postwar economic development, workers flowed in first from Greece and Spain, and then from Turkey and Yugoslavia. Their number reached a peak in about 1965. Thereafter, in 1967 when West Germany had a small-scale recession, the number of workers returning to home countries increased, but another peak was reached in the number of immigrants in about 1970. At the time of the oil crisis when the government suspended the immigration of new workers, their number dropped sharply. Today, the number of the alien population in West Germany is 4.5 million (7 percent of the total population), and natives of Turkey, Yugoslavia, Italy and Greece form the majority. In West Germany, too, their unemployment problem is serious. Especially since the latter half of 1980, their unemployment rate has increased significantly compared to that of West Germans. Also in West Germany, as in Great Britain, the second generation problem is a source of agony. Among racial groups, especially Turks, problems have been caused because of friction produced by the differences in the Islamic and Christian cultures. Specifically, their high rate of illiteracy, their concentration in inferior and bad residential areas, and the right-left political confrontation and armed strife within the Turkish population have been pointed out.

The foregoing is based on surveys of foreign workers that the writer conducted in Western European nations.<sup>5</sup> One must not forget that the foreign worker problem casts dark shadows on today's Europe in such areas as unemployment, crime and education. In that respect, advanced Western nations are paying the price for the so-called high growth period, and this further aggravates the advanced nation syndrome. In this respect, the difference between Japan, which has nothing to do with such problems, and the EC nations is obvious. Therefore, when Japan acts negatively toward receiving refugees, world opinion will further intensify its denunciation of Japan.

In the foregoing, I have traced the advanced nation syndrome in Europe over the labor problem. In Great Britain, Prime Minister Thatcher is currently struggling to limit the rise of wages and prices within the framework of the improvement of labor productivity and to curtail the public sectors. Also the Kohl government in West Germany, which won big in the general elections of 6 March, is attempting to expand civilian investment by reducing business taxes on enterprises. Furthermore, as was shown at the beginning of this article, in France too, past economic policy has been changed to tighten control, to reduce real income, to hold down consumption and imports and to hold down inflation.

However, the success of these policies, whether or not they can recover from the advanced nation syndrome, is ultimately dependent on the people's efforts to help themselves. Fortunately, Japan still has resistance to the virus of the advanced nation syndrome. But if the advanced nation syndrome in the EC nations becomes acute, the blow from their protectionism cannot but be directed at Japan.

## V. Change of Power and Change in Values

In the background of the EC's protectionism is political instability. In a continuing economic recession, political leaders are held responsible for economic recession, political leaders are held responsible for economic management, and inflation and unemployment become issues in elections. Too, in the nations of mass democracy scapegoats are found to be used in winning elections. In this manner protectionism directed at Japan as a target emerges.

As a matter of fact, since late 1981 there has been one after another change of power in Europe. In Belgium, the middle-of-the-road left coalition government of the Christian Socialist Party and the Socialist Party was felled by large-scale financial deficits, a rise in the unemployment rate and an increase in the number of bankrupt enterprises. In December 1981, after the November general elections, a middle-of-the-road right coalition government composed of the Christian Socialist Party and the Liberal Progressive Party was formed. In Netherlands, the left coalition government (composed of the Christian Democratic League, the Labor Party, the Democratic 66 Party) led by Prime Minister Van Agt collapsed when confronted by the Labor Party and other parties over financial policy, and general elections were held in September 1982. As a result, the Labor Party became the leading party, but its effort to form a cabinet was unsuccessful. Finally, a middle-of-the-road right Ruppels cabinet, composed of the Christian Democratic League and the Liberal Democratic Party, was formed on 4 October. Related to this, deployment of INF (intermediate nuclear forces) within the Netherlands became a big issue in the general elections along with the economy. The Labor Party took an opposing stand while the Christian Democratic League supported the deployment. In Denmark, in September 1982 the single minority party government of the Social Democratic Party which had lasted 10 years resigned en masse. On 10 September a middle-of-the-road right minority coalition government comprised of the four parties, the Conservative, Liberal, Center Democratic and Christian People's, led by the Conservative Party was formed. The government has presented as its target the reconstruction of the Danish economy focused on a reduction in public spending and the strengthening of competitiveness of enterprises, but its future seems to hold many difficulties.

In West Germany, the Social Democratic Party and the Free Democratic Party confronted each other over the policy of how to cope with such economic problems as large-scale financial deficits and the increase in unemployment. As a result of this in September 1982 the 13-year-old coalition government, composed of both parties, collapsed. While the Social Democratic Party contended for an economic recovery by increasing the purchasing power of low income persons, the Free Democratic Party proposed a policy of activating business investments. Thus, on 1 October a constructive vote of no confidence in the government proposed by the opposition parties was adopted. Chancellor Schmidt retired, and a conservative middle-of-the-road regime composed of the Christian Democratic Party, the Christian Socialist League, and the Free Democratic Party led by Chancellor Kohl was born. And this regime also won the general elections held on 6 March.

In Ireland, the Haughhey regime led by the Fianna Fail Party received a no confidence vote in November 1982 over the deterioration in economic conditions (13 percent for the unemployment rate, and 17 percent for the inflation rate). The House of Representatives was dissolved and general elections were called. As a result, although the Fianna Fail Party won as the leading party, its number of seats was reduced. Finally, the Fitzgerald government was born through a coalition of the Fine Gael (United Irish) Party and the Labor Party. In Italy, too, the recession led to political instability. Within the coalition government the Christian Democratic Party, contending for increased tax and retrenchment policies, and the Socialist Party, calling for employment guarantees and increased investment, confronted each other. In August 1982 the Spadolini regime resigned en masse. Then, the second Spadolini cabinet which was inaugurated with the same faces was felled in less than 3 months. In December a coalition government led by President of the Senate Fanfani was formed.

Outside the EC member nations, in Sweden the conservative middle-of-the-road coalition government which had been in power since 1976 was defeated in the general elections in September 1982, and the Social Democratic Party led by Palme was returned to power after 6 years. Also, in Spain, in the general elections held on 28 October 1982 the Social Democratic Party singlehandedly controlled the majority of the lower house, and a leftwing government was born for the first time since the Popular Front cabinet of the 1936-39 period.

Thus in Europe there have been one after another changes in power during the past year or two. The character of these changes cannot be described in such terms as turning to conservatism or turning to reformism. Rather, one might say that "the incumbent is weak." In a highly developed welfare society the level of the people's expectation from politics rises. Thus when economic conditions do not develop favorably, people are driven by an impulse to impetuously change their government. Since the economic difficulty in Europe is largely rooted in the structural factors called the advanced nation syndrome, even if the party in power is changed, no large-scale improvement can be realistically expected. For this reason, the cause of recession is sought outside (Japan as a scapegoat), and there tends to be a leaning toward protectionism. And such a tendency is amplified each time unemployment and inflation become issues in elections.

Also from the aspect of the power changes, there is a marked contrast between Japan, which has enjoyed a long-term stable Liberal Party regime, and the Western nations. This political stability is also the envy of other nations. As Darendorff [phonetic] pointed out and as quoted at the beginning of this article, "Today winning elections is no longer possible; there is only defeat. Even if the winners claim that 'we have been given the mandate for future politics,' their victory has been won only because the voters felt antipathy toward the former administration. And as soon as the new administration gets down to work, it will realize the size of the sacrifice it has paid for victory. However, these criteria do not apply only to Japan. In Japan since democracy bloomed after World War II the Liberal Democratic Party has been continuously kept in power. Under a long-term stable regime the Japanese economy has won successes so far, and it sustains an economic growth that the majority of OECD member nations cannot even dream of."<sup>6</sup>

At present, the Conservative Thatcher administration in Great Britain is comparatively stable. The opposition Labor Party or Social Democratic-Liberal coalition will not be able to threaten it immediately. Although inflation is being calmed down as a result of Prime Minister Thatcher's tightening policy, the number of unemployed is still large at 3.5 million. Thus the dark clouds over the British economy do not seem to be easily cleared up. Also, in France the term of the presidency is until 1988, and the term of the lower house in which the Socialist Party singlehandedly occupies the majority is until 1986. Thus the Mitterrand government is institutionally stable for the time being. But the pro-government party lost big in the special elections in January 1982 and in the prefectural assembly elections in March 1982. Also in the united city council elections held on 6 and 13 March 1983, the leftwing had hard battles, and the discontent of the French people over the economic management by the Socialist Party does not seem to have subsided.

Now, what became the eye of the storm in the general elections of West Germany held on 6 March 1983 is the "Green Party." The problem of deployment of medium-range nuclear missiles in Europe will become a central issue between East and West for the time being. The Green Party advocated opposition to the deployment from the antinuclear stand, and for the first time got into the federal legislature. The Green Party is opposed to the idea of growth first in terms of economic policy and contends for the shortening working hours. It also sticks to the antinuclear and the environmentalist stands. Such citizens' movements as represented by the Green Party are being developed in various forms in Europe, and therein one can feel the change of values in the "affluent society."

Englehardt has termed it a change of values from "materialism" to "postmaterialism," and has examined the strengthening of the desire for social and self-realization as seen in the demand for political participation rather than the desire for biological survival.<sup>7</sup> It is the value which contends that "Small is beautiful" (E.F. Schumacher) [in English], and it is a thinking that seeks "more time than money," "quality over quantity," and "the protection of nature rather than consumption." This trend is particularly strong among the young generation. From such a value such ideas as economic growth, and technological innovation are not spawned. Herein also lies one of the factors for the stagnation of the European economy. The spread of postmaterialistic values among Japanese youth is also pointed out at times, but the regulation by Japanese collectivism and the turning to conservatism following the oil crisis may be said to form a kind of resistance. It is an interesting problem also from the viewpoint of the advanced nation syndrome to examine whether or not the consciousness of Japanese youth will become Europeanized in the future.

#### In Conclusion

Since the oil crisis the advanced nations of the West have been agonizing over the slowdown in economic growth and over inflation and increased unemployment. Also the worsening of the balance of trade against Japan has been the trigger for protectionist measures against Japan. Poitiers is its symbol. However, in spite of the efforts on the part of both Japan and Europe, trade frictions between Japan and Europe are expected to continue.



As I have examined in this article, in the background of the protectionism of EC are conservative management attitudes, the advanced nation syndrome as seen in the dwindling of the will for work, and political instability which causes frequent changes in power. These phenomena are in marked contrast to the Japanese-type management which is drawing the attention of the world, the Japanese who still acknowledge themselves as being workaholics, and the situation in Japan with a long-term stable conservative government. The roots of friction between Japan and Europe are considerably deep. Therefore, also Japan which is not proud of its world's strongest economy should not merely repeat the principle of "free trade" like parrots. It is but the time for Japan to fulfill its great responsibilities in creating a new international economic order with an understanding of the weaker and from the standpoint of coexistence and coprosperity.

Looking to Japan's internal affairs, the great current political problems are administrative reform and financial reconstruction. In order for Japan, which is rapidly coming to an aging society, to sustain its vitality and attain prosperity, it must avoid contracting the advanced nation syndrome. How this syndrome has eroded society is realistically illustrated in the examples of European nations.

Although it has not been discussed in this article, the study of the decision-making process of the EC<sup>8</sup> will give one something to think about on the problem of protectionism. And the problem of change in values as was pointed out in the last section will become a subject of comparative study between Japan and Europe in the future.

#### FOOTNOTES

1. [omitted in excerpting]
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## ECONOMIC

### CHARACTERISTICS OF INDUSTRIAL MANAGEMENT DESCRIBED

Tokyo ESP in Japanese Aug 83 pp 28-35

[Article by Yasuo Okamoto, Tokyo University professor: "Characteristics of Japanese Industrial Management--With Emphasis on the Peculiarities of Management Organization and Decisionmaking"]

#### [Text] Introduction

With the focus on the characteristics of management organization and decision-making, let us examine Japanese industrial management.

Since the late 1970's, in the midst of fierce trade friction, Japanese industrial competitive power has drawn international attention, and the peculiarities of its industrial management, which are believed to be the basis of its power, have suddenly been emphasized. However, for the most part, the tendency is strong to make hasty generalizations without fully analyzing the true nature of Japanese industries.

Even with management organization and decisionmaking, without adequately considering their significance, terms such as "collective decisionmaking" and "bottom-up management" have appeared to form a part of the Japanese management theory. In contrast, this article will strive to give consistent clarity to Japanese industrial management organization and decisionmaking on the basis of unprejudiced factual information.

#### American Management Structure

Explanations of the control flow process are often seen in American literature on management theory. That is, management is described as the cyclical process of performing the subordinate functions of planning, organizing, staffing, motivation, control (planning...etc.). In the planning process, factors to be considered are environmental analysis, formulation of objectives and development of alternatives to accomplish the objectives. The task of organizing is to create a structure which can effectively carry out the objectives by a number of individuals. The selection of personnel to direct this structure, i.e., staffing followed by motivation, becomes a problem only after the organization is set up.

In other words, according to this view of organizing, the structure is a practical means of performing the tasks of the planned functions and is designed purely from the functional standpoint of a rational division of work on the basis of activities and functions. When creating such an organizational structure, biased opinions might enter if individuals are considered, so personnel selection is carried out later. The elements upon which this type of organization is built are occupational functions, or duties which combine a number of functions. To be considered also are the job positions in charge of these duties and the responsibilities and authority granted to perform these duties. That is, an organization can be looked upon as a systematization of functions and duties or a structuring of job positions. Or, it can be said to be hierarchical strata of authority levels. This type of structure, which is distinctly nonhuman in nature, becomes a problem from a strictly functional viewpoint.

Personnel are assigned to the various positions as individuals who possess the capabilities to aptly perform the duties for which the particular position is responsible. This is staffing, or to be more exact, rational personnel selection. What is demanded of each person is nothing more or less than that. If new activities and duties emerge because of changes in environment or objectives, outsiders are employed if there is no one within the organization who can fulfill the position. Therefore, as far as individuals are concerned, they are nothing more than possessors of duty-performance capabilities.

This structure, based on the traditional American organizational concept, is a thoroughly functional framework and its basic structural components are duties, positions and duty-performance capabilities. Furthermore, this type of organization has a departmentalized makeup based on the specialized features of the various duties. In other words, duties with similar characteristics are assembled into one duty-oriented group, and duties with other specialized tasks are classified into another duty-oriented group. Thus, relationships are established between horizontal specializations such as purchasing, manufacturing, sales, finance, labor, etc. and vertical or hierarchical specializations such as strategic planning or top management, operational control or management of middle and lower levels, business activities, etc.

This organizational viewpoint, i.e., a concept that might be termed one of functional administrative structure, is explained frankly in the literature on management theory. It can be assumed that in actual U.S. industrial enterprises, this organizational structure has been utilized as the ideal setup. Of course, this structure includes elements which cannot be explained by using this model of managerial system. Also, because of this, it is a fact that various criticisms have been made against this model administrative structure. Nevertheless, it appears that U.S. enterprises, in general, use this type of managerial mechanism in their operations.

#### Japanese Managerial System and Workshop/Functional Groups

In contrast, the basic component of the Japanese managerial system or control structure is not the individual jobs but a type of workshop grouping or functional grouping. In this article, this is generally referred to as

collectivism. Instead of attempting to explain its meaning with unclear terminologies, this article will analyze it in relation to observations on the managerial system.

In organizational charts, these workshop and functional groups are shown formally as departments, sections and units and resemble the U.S. setup. However, the organizational concept is somewhat different. In other words, the Japanese do not try to fit into various positions with clearly defined duties and performance requirements the actively engaged persons who possess these job performance capabilities. Rather, the duties and performance requirements of the various positions are recognized in a somewhat ambiguous and traditional manner or through mutual understanding, and synthetic units of workers' and supervisors' groups emerge with vertically and horizontally mutually overlapping functions. (For a detailed analysis of the author's own workshop and functional groupings, refer to "Significance of Workshop Groups and Types of Decisionmaking in Japanese Management," parts 1 and 2, SOSHIKI KAGAKU Management Science, Vol 12, No 4 and Vol 13, No 1; January and April 1979, respectively.)

Furthermore, in a great majority of the workshop groups, whether it be blue collar or white collar jobs, a large number of untrained new graduates, i.e., possessors of potential job performance abilities, are included who, while performing their activities through on-the-job training OJT, are educated and trained for further development. For many of the members of these workshop groups or functional groups, a considerable amount of time is required before they can acquire the performance capabilities which approximately match the required job qualifications.

#### Composition of Blue Collar Workshop Groups

In the case of blue collar workers, because of the progress of technological revolution, the skills and training for the different job types have become considerably simplified. However, in many enterprises, new graduates from middle and high schools are placed and within a certain length of time perform various types of jobs to gain wide experience and gradually develop into multi-skilled workers. As for this type of rotational plan, it is the leader of the workshop group, the foreman or the unit chief, who makes the actual decisions.

After all, blue collar workers are closely involved in productivity growth and volume. Therefore, this point has considerable effect on the employment of blue collar workers. In other words, if only newly graduated regular workers were relied upon, flexibility in hiring would be greatly lost under the lifetime employment system. Heretofore, on this basis, a great number of temporary and outside workers were employed. The great demand for labor during the high growth period led to the labor market decline in the late 1950's, and especially after the 1960's, in the manpower available for work with poor conditions. Unexpectedly, the situation continued persistently. In particular, the number of temporary workers hired during the boom period remained at a level which could not be ignored. Moreover, since the late 1960's, part-timers and seasonal workers gradually increased in number. Many of them, like the temporary laborers, engaged in auxiliary or miscellaneous jobs, but

as work became more simplified with automation progress, it became possible for them to participate in rather important tasks.

The faster their growth rate, the more enterprises hired midcareer recruits and workers from other enterprises and workshops. As a formality, like the newly graduated regular workers, these irregular recruits were treated as permanent lifetime employees. However, their work experience and skills were seldom credited fully and were more commonly discounted. The younger and faster growing the enterprise, the bigger the ratio of midcareer recruits, and without being treated differently from new graduates, they became regular employees.

These blue collar workshop groups vary, to some extent, with the industry, but they are composite groups containing a number of different, though not too diverse, types of laborers. Newly graduated workers and midcareer employees form the core of these groups. Together with them, multiskilled workers who acquired their skills mainly through OJT and expanded their range of skills through rotation--i.e., versatile workers who have an understanding of and interest in the tasks of others, and if the need arises, can help them in their work--form the nucleus of these workshop groups.

#### Role of Blue Collar Workshop Groups

These workshop groups do not constitute a functional structure of duties and positions where persons possessing the performance capabilities are assigned to clearly defined jobs. As pointed out earlier, there are groups with overlapping functions, and under the guidance of their superiors--foremen, unit chiefs, etc.--the workers gradually acquire and broaden their skills with experience. Therefore, within the same workshop group, various interactions actively occur--sometimes openly, sometimes not--among the various workers in the performance of their duties. It is generally believed that as the interactions among the workers become more active, mutual understanding will be promoted and integration strengthened.

These workshop groups are the main arena for job education and training. This exchange of job performances, based on personal interactions, includes exchanges regarding the line of thinking built up over the years in the group. This enables group members to hold common values in the broadest sense.

The formal unit of performance evaluation rests primarily not on individuals but on these workshop groups. The various workshop groups, especially similar groups--unit vs. unit, section vs. section, etc.--compete with each other. Therefore, helping another group member is a natural action. In the United States and Europe, this might be construed as trying to take away a colleague's job. Thus, possession of common values by group members has concrete significance in the group's efforts to attain objectives which can be formally measured.

Of course, that does not mean that performance evaluations are not conducted for each individual. However, evaluations are basically made with a tendency to avoid big differences in individual evaluations. That is true, at least,

up to the unit chief level. The reason is that individual duties are not fully and clearly defined; while learning skills within a particular workshop group, trainees such as new graduates are considered only "half workers," etc. Furthermore, as mentioned previously, consideration for integrating the workers of a workshop group strengthens this tendency. This does not mean that evaluation of individuals is not severe. Upon employment, as the years pass, differences in individual abilities gradually become apparent. Correspondingly, the range and importance of the tasks assigned, according to the group leader's judgment, soon begin to vary with the individual. Among the group members, individuals begin to be evaluated as "capable" or just "average." With this time-consuming, more or less informal evaluation in which colleagues participate, as the background, the formal evaluations of unit chiefs and subordinates are conducted.

### "QC Circle" Activities and Interactions Among Workshop Groups

With the foregoing blue collar workshop groups as an important premise, the internationally famous small group activity called the "QC quality control Circle" began. In principle, this is an off-the-job activity, and many circles stress the importance of employees' spontaneity. In practice, they are closely associated with formal workshop groups. The reason is that in many instances, circle leaders hold leadership positions in the workshop groups. Also, an overwhelming number of the suggestions for improvement are closely linked with the daily work activities of safety, quality, cost-cutting, etc.

At a certain company, the employee participation rate is 93.7 percent. This is not an exceptionally high rate. Also, it is often heard that the number of suggestions submitted averages three per person a year.

Many predicted that sooner or later this high participation rate and number of suggestions would decrease. However, the general trend is that the factory "QC Circle," which started in the early 1960's, is as active as it was before.

Of course, there are factors which support and encourage "QC Circle" activity. For example, company control is deemphasized as much as possible, and voluntary operation is encouraged. Excellent suggestions are given monetary awards according to different rating levels. Monetary awards are increased from the small group level to the office level and up to the company level in order to stimulate a competitive spirit.

Why is it that, in the present situation, when even group activities such as recreation are not lively, "QC Circle" activity is continuing in a feverish atmosphere?

The effects of the aforementioned relationship with the workshop groups must be taken into consideration. Compared with the formal U.S. organization described above, the "QC Circle" is definitely an informal group. However, by the foregoing U.S. standards, the workshop groups in Japanese enterprises can be considered as informal while the "QC Circle," on the contrary, can be considered as formal. In practice, both groups are overlapping, but

nonetheless, as a rule, they are differentiated. Therein lies one of the reasons for the briskness of "QC Circle" activities. That is, the important subjects taken up in the "QC Circle" are none other than the work activities daily conducted in the workshop groups.

It is claimed that today one of the sources of employees' satisfaction, or one of the main sources, is the work itself, and also, self-controlled participation. Even the workshop groups of Japanese enterprises are not free from the "rhythm" of the entire factory, skills advancing with automation, production setup, etc. Therefore, as part of the entire "rhythm," the workshop groups rather passively carry on their specialized work activities repetitively, according to established rules. However, during rest periods and off-duty hours, they can independently and objectively examine the established practices of their own and related workshop groups, discuss the problem points and areas needing improvement, and submit suggestions. If any suggestions are accepted and appear in some form in their own job activities, though perhaps intermittently, they feel they are participating on their own in their work.

From such trivial matters to suggestions which result in cost reductions of several hundred million yen, the interaction between the workshop group and the "QC Circle" constitutes and maintains a form of brainstorming.

#### Workshop Groups and "Work Site" Principle

One point to note in this trend is the fact that college graduate technologists are associated with the company in a noncommittal status. Many of the large Japanese enterprises were highly refined by the first-phase technological revolution of the late 1940's and early 1950's. One of the important consequences was the dissolution of "skills-through-experience," seen until then in many manufacturing industries, especially machinery industries in the broad sense, and partitioning of those skills into many forms of "simple labor" and "mechanical labor." Simultaneously, the hierarchical relationship of the workshop group, which had been supported considerably by the order of experienced skills (e.g., the lineup of workshop supervisor--section foreman--subforeman--first class worker--second class worker), was dismantled and simplified (e.g., workshop supervisor or operations chief--foreman--general worker). Prior to the technological revolution, the highly skilled worker, especially the foreman at the top, was said to be the "factory god" who exercised strong leadership over the respective workshop group. He was held in high regard even by the factory administrators. He held independent power over various aspects of the group's production and labor management, including the maintenance of workshop discipline, assignment of work, personal and work guidance of the younger employees, liaison with other workshop groups, coordination with administrators involved in livelihood, etc.

Of course, even prior to the technological revolution, technical changes had been taking place, and supervisory technicians with university and specialized college background had been gradually gaining power over production control, facilities maintenance, safety, technological management, etc. The advancement of technological innovations accelerated this trend. The

experienced skilled workers who had upheld the workshop system of shop foreman--section foreman, etc., were not only shunted aside but they were not always capable of adjusting to the new technological system. The university-graduate technologists then began to participate widely in group activities, advising on operational control and actually taking over the leadership. That relationship continued even after new-system high school graduates, acquiring the knowledge and skills of the new technological system, rose to become shop supervisors. In other words, as members of the plant production control staff, they are attached to the factory management (i.e., plant supervisor--section chief--unit chief) to assist in factory supervision and give advice on operational control directly and aggressively to the shop foreman and workshop group members. In this manner, these university-graduate technologists can immediately identify everyday problems that occur at production sites and plan countermeasures. Furthermore, they absorb the simple doubts, criticisms and suggestions the workers have with respect to production technology and develop them into systematic and objective proposals. This type of function has spread even to "QC Circle" activities.

This attachment of technologists to the production site and their diverse cooperative relationship, in a broad sense, with the shop foremen are the basic premise of the "worksite principle--factory principle" that led Taiichi Ono, developer of the "signboard" system system using poster charts to note parts needed to replenish inventory stock, which is purposely kept low, to say that the most important source of information for a manufacturing industry is the production site.

#### Conditions for "Soft Process" Innovation

In contrast, in American industry, since the technologists and workers are separated hierarchically and functionally, it is difficult to expect the active interaction and close communication between the two groups as seen in Japanese enterprises.

In Japanese industries, workers who are actually engaged in production work voice complaints, problem points, suggestions for improvements, etc., regarding the production technology (facilities and machinery), materiel control, production processes, quality control and even overall production planning, in formal workshop groups and in informal "QC Circles."

Production technologists screen their own personal observation of factory sites and suggestions, together with the workers' ideas, and from an objective viewpoint, analyze and synthesize them to develop innovations in production technology and management.

In the Japanese industrial organization, together with the production department, the manufacturing department or the (product) research department, great power is held by the production technology department--with units such as the production control section, the production system section, the quality control section or production technology research section, the system research section, etc. The problem points identified by the production technologists at the factory site are consolidated and analyzed in these sections and



developed into detailed, overall, significant cost-cutting and quality-improvement innovations.

Unlike the situation in European countries, particularly the United Kingdom where technologists can rise only to the position of chief engineer, the status of technologists in Japanese industries is especially high. The same holds true in the United States. Among many Japanese manufacturers, company presidents who were formerly technologists are appearing one after another, and at the least they are being selected for certain as members of the small strategic decisionmaking team. The trivial, diverse but oftentimes bold opinions, complaints and suggestions made in factory workshop groups and "QC Circles" with respect to existing production technology and management pass through an organized interactive system of the foregoing technologists, and are selected, synthesized, commented on, refined and systematized and many even become a part of the company's management strategy.

MITS (Wheelright) in the HARVARD BUSINESS REVIEW expressed the viewpoint that productivity is high in Japanese industries because, unlike the United States, Japan has raised production operations to the level of production strategy. This interpretation is correct. This was possible only because the above-mentioned structural mechanism had been formed and was functioning.

The theory of W. J. Abernathy that after an industry has stopped growing and continues to mature, the technological progress shifts from product innovation, which is centered on development of new products, to process innovation, which is aimed at improvements in production processes, is fairly accurate in describing the rise of Japanese enterprises in the international market through process reforms. Putting aside the subject of product variations, without achieving any epochal product revolution, Japanese shipbuilding, steel, home appliances and automobile industries gradually began to enter the international market in the late 1950's and rapidly attained powerful competitive strength in the late 1960's and 1970's on the basis of production process innovations through the aforementioned mechanism.

Furthermore, upon closely examining these production process innovations, it will be seen that as far as basic technologies are concerned, there are very few that the Japanese industries introduced. This becomes apparent when taking into account the use of electric welding in shipbuilding; oxygen blast furnace, strip mill and continuous casting facilities in steel manufacturing; production automation and robotization in the home appliance and automobile industries, etc.

Viewed in this light, Japanese industry accomplished the following in process innovations: "it introduced and utilized the above innovative production technologies much more extensively than the industries of advanced countries; it originated technical improvements, operational control and process management which made maximum use of the potential capabilities of the innovative technologies; while accommodating, even to a greater extent than advanced foreign enterprises, the logical advancements of mechanization and automation of production sites, it produced a certain counterbalancing effect on them by linking them with the creation of workshop groups based on multiple, mutually overlapping duties and activities of the small (independent) 'QC Circles'."

In light of these actual developments in Japanese industry, the Abernathy theory can be interpreted as permitting, during the maturity period, and especially during the late maturity period, the growth of the foregoing soft innovations described above in "quotes" to the extent that they become the overriding power. This viewpoint can be seen as giving new meaning to the "man vs. machine" system which was not truly and fully understood until now.

#### White Collar Functional Groups

On the other hand, in the case of white collar workers, especially university-graduate administrative workers, a wide-ranging rotation system was used heretofore so that as management apprentices they can learn extensively but only superficially in various functional fields. However, since the late 1950's, and especially after the 1960's, while the demand for specialized management functions increased, the trend strengthened toward acquiring specialized functional skills among those who upon entering the company were assigned to various functional areas (accounting, personnel, materiel, manufacturing, and operations as well as designing, overseas operations, etc.).

These management and management assistance skills possess a great many vaguely defined characteristics, even more than those of blue collar tasks. The reason is that, with blue collar workers, their tasks can be defined rather objectively in their relations with the heteronomous factor of production techniques; but with management and management assistance skills, there is no such factor. Furthermore, as the term "management team" implies, this skill required a considerable amount of cooperative effort on the part of others, and it is difficult to separate and define each segment of management skill. In Japanese enterprises, seldom are job qualifications, performance duties, extent of authority, desirable job conduct, etc., for each management position specified, whether it be conditionally, in job descriptions, in authority regulations, or in management guidelines, etc. In such a situation where various factors operate, the acquisition of management and management assistance skills relies, even to a greater extent than in the case of blue collar workers, on on-the-job training from seniors and superiors in the functional groups.

#### Organization of Control Structure of University-Graduate Administrators

In big enterprises, to fill university-graduate managerial assistant positions, reliance on new graduates is even greater than for blue collar jobs (with the notable exception of relatively high dependence on midcareer recruits by growth industries during the 1950's).

For university-graduate administrators, considerably different treatment is given to graduates with a liberal arts background and graduates with a technical background in their employment and training after employment. For university graduates with B.A. and M.A. degrees in technical fields, depending on their skills acquired in school (e.g., electricity, machinery, chemistry, physics, metallurgy, etc.), factories and research laboratories submit the number of personnel required annually as well as the need for increases in new personnel with specialized backgrounds based on new products and new

enterprises. Upon employment, to utilize their college specialties, they are assigned respectively to factories and research laboratories. Thereafter, on the basis of their specialized fields, they are trained to develop their applied developmental skills in projects and acquire basic knowledge of related fields to expand their capabilities. In any case, whether as technologists or researchers, the specialties they acquired in universities and graduate schools are the backbone.

In contrast, graduates with a liberal arts background, whether law, economics, literature or other, are employed as possessors of latent performance capabilities in administration or overall management assistance. They are assigned, almost at will, to the various functional fields described above which have no relationship to the specialties acquired in universities. In many cases, the desires of the graduates are met, but since they lack practical experience in their functional fields, their assignments lack an objective basis.

The functional fields assigned in this manner in practice become their lifetime careers for many of the administrative white collar workers in large Japanese enterprises. Although there are various working places, such as the main office, factory, branch, etc., in the functional field to which they are assigned within a year of employment, they build up experience and follow the promotion course from unit chief to section chief and even to department chief. However, the few exceptions who are clearly unsuited for the assigned field are then assigned to another position within 2 or 3 years as "misfits." Thus, the first 2 or 3 years can be considered a trial period, for both the assignees and the company, to search for the appropriate field. In this manner, within a few years and without a check on their latent capabilities and experience, the various employees assume their functional specialties until retirement. The commonly used terms, such as accounting specialist, operations specialist, personnel specialist, etc., express these functional specialties.

University-graduate administrators are assigned, as described above, to certain workshop groups in specialized functional fields in sections of the main office or factory, but they possess only general and abstract knowledge. They are assigned to their primary jobs and acquire skills through OJT under the guidance of the assistance section chief or unit chief, and as their service years pass, they gradually move up to positions requiring greater use of judgment.

Of course, even in the administrative field, group training is conducted in many industries at appropriate times, e.g., upon employment, when assigned, when being promoted to the assistant section chief or unit chief level, when being promoted to section chief, etc., but this is only general and periodic training given to all.

The acquisition of somewhat specialized skills and knowledge directly related to the daily work as well as that of management skills and knowledge is handled through OJT under the individual guidance of one's seniors.

In the respective fields, an expert is born only after he has fully acquired the various stages of skills and knowledge. Although there are some differences, depending on the enterprise or the field, this normally requires from 5-6 years to 7-8 years. At present, in many enterprises, the position of assistant section chief or unit chief awaits them and they become responsible for certain functions within the section.

The individual tasks in the functional groups are much more vaguely defined and overlapping than those of the blue collar workers. In this linkage of occupational functions, they gradually move up to duties requiring greater judgment. The rapidity of this movement depends considerably on the functional group leader's evaluation of the subject's capabilities and performance.

Because of these various related factors, it is more difficult than with blue collar workers to make formal strict performance evaluations of individuals until they become experts, and there is only a very indirect relationship between work and pay.

#### Role of Functional Groups

In the case of white collar administrators, performance evaluations must be made by functional groups.

These factors work to strengthen the quasi-independence of functional groups. The leader exercises quasi-independent control over the group. In Japanese industries, the functional group is the section and its leader is the section chief.

While serving as the expert in the functional field, the section chief is required to display his ability as the group leader. He must be able to decide on the group's objectives and policies, motivation and control of group members, etc. The rating of this ability depends on the performance evaluation at the time he was assistant section chief. The section competes with other similar section chiefs in business performance and at the same time he competes with higher echelon functional groups in the accomplishment of the objectives of the main office, factory or branch office.

In this way, the section and its chief operate internally and externally as a quasi-independent unit in the hierarchical relationship of functional groups. As (L. Rickart) has stated, the section chief serves as the linchpin joining the section and the department. It is interesting to note that Ikujiro Nonaka interprets the organizational role of the section chief as one aggressively collecting information and solidifying the unit, while maintaining informal human contacts vertically and horizontally (see article by Ikujiro Nonaka, "Organization of Japanese Enterprises and Environmental Adaptations," BUSINESS REVIEW, Vol 30, No 34, March 1983). According to him, the section chief is indispensable in a Japanese organization which lacks unity and a strong unifying unit in its hierarchical structure.

It is a fact that the section chief plays the aforementioned important role in a Japanese business organization. However, it seems that, heretofore,

these activities of the section chief have been played up and even over-emphasized.

In a Japanese industrial organization, the utilization rate of the divisional system is low and the inclination toward a functional setup is strong, in contrast to the scant usage of inconsistent divisional organization. From a functional standpoint, the section chief and the department chief up to the responsible managing director perform a type of integrating function peculiar to their respective levels, although linked together hierarchically. At the same time, the section, department and functional headquarters form a stratified functional group and compete, manifestly and latently, with other functional groups.

The process of formulating operational plans serves as a unifying action. In accordance with the basic guidelines laid down by the top echelon, the section, department and headquarters work, vertically and horizontally, while consolidating, to draw up the midterm plans, objectives and budget estimates. The main office staff members canvass the various departments and sections to gather information and to unify.

#### Functional Strategy and Corporate Strategy

The foregoing situation is reflected in the formulation and deployment of operational strategy. In other words, in the operational strategy of Japanese enterprises, rather than the corporate strategy which controls the "enterprise portfolio" or decides on which enterprises to start or which to terminate, the functional strategy has excelled, and the reason is apparently the above-mentioned organizational structure.

As part of that strategy, the following can be mentioned: evolution of production operations into a production strategy; formulation and use of a detailed discriminatory marketing strategy to deal with the market diversification of a mature market; formulation of an international finance strategy during a low-growth period and during rapidly changing world monetary and stock markets, etc.

In contrast, because corporate strategy is concerned with the establishment of new industries as well as the abolition of existing industries, it is probably not fully associated with the foregoing organizational peculiarities.

Since the oil shock, the decisionmaking body of operational strategy has shifted from the managing directors' meeting, made up of directors responsible for the respective functional fields, to the management council, and the planning and strategy staffs which assist it have been strengthened. This might be an indication that many Japanese enterprises are trying to get away from the above-mentioned organizational restrictions.

However, among post-World War II Japanese enterprises in various industries, those that developed corporate strategy meeting the actual and potential market and technological opportunities ahead of others were those that relied on the strong leadership and strategy selection capability of the top elite (see

this author's article, "Grand Strategy of Japanese Enterprises," CHUO KORON special issue on management problems, summer of 1981). Many other enterprises followed this example.

It might be said that, today, in the formulation and deployment of corporate strategy, a more organized mechanism is being tried. In addition to the aforementioned establishment of the management council and strengthening of the strategic staff, clearly recognizable developments are the systematizing of the identification procedures and proposals concerning strategic problems, bringing the strategic concept to management planning, strategic operations of R&D activities, etc. These might be considered as nurturing and expanding the strategic capability of Japanese industries. How will this development be integrated with the inclination toward functional grouping and the past trait of belonging to an organization? At this time, only the problem is being pointed out, and thoughtful consideration will be given to the matter on another occasion.

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