The Chrysanthemum and the Eagle

Sato, Ryuzo

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Is Japan Really a Technological Superpower?

Product Innovation versus Process Innovation. Has Japan really become such a technological superpower that it can, as Shintaro Ishihara claims, twist America and Russia around its little finger by controlling the flow of its high-tech exports? Or is Japan's technological status still comparatively minor? Is the U.S. criticism that Japan is weak in the area of basic research still justified, and is the argument that, when it comes to technology, Japan has had a "free ride" correct? Both these views are probably right, but both are also probably wrong.

Technological development should be thought of as a flow or a cycle that has two phases. The first is the discovery of new technology in the true sense of the term, that is, technology that leads to new products. This is what is known as "product innovation." The second is technological progress made by improving
upon or refining product innovations. This is called "process innovation." Roughly speaking, the world economy has seen two waves of technological development since World War II—the twenty-year period of product innovation during the 1950s and 1960s that was centered in the United States, and the twenty-year period of process innovation in the 1970s and 1980s that built on this earlier period and was centered mainly in Japan.

What can we expect to happen in the 1990s and the early twenty-first century? Of course, this is only a guess, but most experts seem to feel that few technological breakthroughs will be made during this period and that the coming decades will not be an era of product innovation. Newspapers may claim that nuclear fusion, biotechnology, and superconductivity will lead to product innovations, but judging from current technological trends, it will not be quite that simple. In the case of television and computers, for example, it took nearly a hundred years before these technologies could be commercialized and enter our lives. Despite successes in the laboratory, it is premature to think that nuclear fusion and superconductors will soon have much impact on manufacturing or the economy or everyday living.

In thinking about U.S.–Japan relations from the perspective of technology, the structure of the frictions in this area becomes clearer if we make a distinction between product innovation and process innovation. Simply put, the cause of the frictions can be traced to the methods Japan has traditionally adopted: Japanese corporations have taken the product innovations devel-
Japan's Future Course

oped in the United States, made radical improvements to them, and then exported the finished products back to America. America's dissatisfactions arise from the fact that, even though the United States has heavily financed basic research and new product development, Japan has always been the one to reap the rewards. This has been true in the case of cars, television, and transistor radios, and Americans are consequently fearful that if they let Japan in the door, it will steal the entire house.

From a historical perspective, however, the basic research and development stage of technology has usually occurred in one country and the application and improvement stage somewhere else. All technologies have taken this route before being disseminated worldwide. Thus, although one can sympathize with America's feelings of disappointment, one cannot fault Japan and claim that it has been underhanded. On the contrary, by improving the technology it has received, Japanese process innovation has made a significant contribution to the world and to the human race.

When it comes to the question of who wins and who loses, however, America is clearly the loser and Japan is clearly the winner. This has been a cause for American anger and has contributed to the deterioration of U.S.–Japan relations. The fact is that huge amounts of money are needed for basic research and the development of product innovations. These are also very risky areas where the prospects of success may be virtually nonexistent. But someone has to do basic research and develop new products, for without product innovation there would be no process innovation.
What made the product innovation of the 1950s and 1960s possible was World War II. Patents and innovative technologies that Germany had possessed flowed into America, Britain, and Russia along with Jewish scientists fleeing Nazi persecution, not to mention the German scientists who emigrated after the war. We should not forget that nuclear energy, chemical products, and new materials such as plastics were all technologies developed for military use. In fact, without a war, it is very difficult to develop truly innovative technologies. At least, that has been the case historically.

Seen in this light, the view of some experts that the 1990s and the early twenty-first century will be a dark age for technology may well be correct. As long as the world continues to be relatively peaceful, the technological mainstream will be process innovation, that is, the gradual improvement of technologies that already exist. Thus, we perhaps should not expect too much in the way of product innovations on the magnitude of computers, communications technology, and nuclear energy that have radically changed our lives.

If, however, in the years leading up to the twenty-first century breakthroughs are made in space technology and the other areas of basic research in which the United States has been investing vast sums of money for the past forty years, then we may see a period of product innovation centered in America like that of the fifties and sixties. Needless to say, this would be desirable not only for the United States but for Japan and the rest of the world. If a new wave of product innovation does not come out of America and the present trend of process innovation based on existing tech-
nologies continues, then inevitably all eyes will turn to Japan, which has had outstanding success in this area. If that happens, Japan may very well find that the anger and irritation of America and the criticisms of the rest of the world will grow even stronger.

_Fostering Basic Research._ There are many kinds of technology—technology for popular consumption, such as the consumer electronics in which Japan prides itself, and large-scale space and military technology like the NASA space shuttle. As Shintaro Ishihara takes pride in pointing out, Japanese silicon chips are enormously superior to those of any other country, but microchips are not all there is to technology. As for his argument that Japan could have changed the balance of power by withholding its chips from the United States and selling them to the Soviet Union, it completely misses the broader issues. If Ishihara is trying to say that the Japanese should have more confidence and pride in their country’s technology, then he has a point, but statements like his have provoked anti-Japanese feelings among the American people and have caused great damage to U.S.–Japan relations.

Cutting off the supply of Japanese microchips to the United States would certainly cause a temporary dislocation, but it would hardly be a fatal blow. As I mentioned earlier, America has any number of ways it could retaliate. It could cut off supplies of oil, natural resources, and food to Japan as it did to the former Soviet Union under the provisions of COCOM during the cold war. It could also cut off the flow of technology. Ironically, as Akio Morita of Sony said, if worse came to worst, the United States could get along without Japan,
but Japan could not get along without the United States. That is no reason, however, to downgrade Japanese technology. Considering how far Japan has gotten after starting out from nothing slightly more than forty-five years ago, we Japanese should feel very proud and give credit where credit is due. But we must also not forget the fact that much of our success is due to friendly relations between Japan and the United States.

Because Japanese process innovation has been so successful, Japan has been the target of the half-envious criticism that the Japanese people are copycats who lack creativity. Are the Japanese people somehow naturally unsuited for product innovation? As history makes clear, that is not at all the case. In the Edo period (1600-1868), Japanese developed a type of electricity and the wadokei, a clock unlike any developed elsewhere in the world. Although the length of night and day varies with the seasons, the wadokei was devised to read the same time each day at sunrise and at sundown. It did so by adjusting the length of the units of time depending on the season of the year. In winter, for example, when the nights are long, an hour would be considerably longer than an hour in the daytime when the period between sunrise and sunset is short. Conversely, in the summertime an hour during the day would be longer than an hour at night. The concept and the technology that went into producing the wadokei are true examples of Japanese originality.

Since the war, however, the Japanese have had no need to demonstrate this sort of originality. Japanese companies have been able to produce a steady stream of new products simply by making improvements to American product innovations. Moreover, these goods
have met with enormous commercial success. That in itself is no cause for criticism nor should its importance be downplayed. If France or Britain had thought to do what Japan was doing, they too could have made use of American technology. But they did not do so. Japan deserves to be given credit for what it has been able to accomplish.

But skill in process innovation will not be sufficient in the future. If Japan wants the rest of the world to stop calling it a copycat, let alone acknowledge it as a technological superpower, it must pour at least as much money and effort into basic research and product innovation as it currently spends on process innovation. The government and the private sector must join forces to insure that basic research receives ample financial support as it has in the United States.

The greatest stumbling block to developing product innovation in Japan is its educational system. A standardized system that aims at uniformity cannot foster originality. But the problem is rooted even more deeply in Japanese society itself, where a nail that stands out is beaten down and any expressions of individuality are thwarted. Originality is unlikely to evolve except in a society like America that respects individuality and makes allowances for lone wolves and eccentrics. This tolerance and acceptance encourage the exceptionally talented to excel in their areas of expertise instead of alienating them for their uniqueness. What is needed is a loose and flexible social framework that can give geniuses and remarkable talents the room they need to flourish.

I was quite impressed by what I saw several years ago when I dropped in on Professor Marvin Minsky's
laboratory at MIT. Professor Minsky is the number-
one authority on artificial intelligence in America. His
students are unconventional, to say the least. One was
taking a nap in the lobby in front of the lab, holding a
computer in his lap; another was sitting cross-legged
and meditating. At first glance it did not seem like a lab
at all. When Professor Minsky called for his assistant,
the latter was nowhere to be found. A friend appeared
and said that the assistant had gone out to lunch and
had not yet come back. It was well after four o'clock,
but Minsky seemed quite unperturbed. The whole
group, in fact, was a bit odd. In Japan such people
would be treated at best as eccentric, at worst as crazy.
But America is a society that tolerates unconventional
behavior and respects originality. At IBM ordinary em-
ployees wear suits and ties, but those who work in the
laboratory are allowed to wear whatever they want and
come and go as they please. Only from such freedom
can originality arise.

Japan, in contrast, is a strongly group-oriented soci-
ety that does not tolerate displays of individuality. As
I've already discussed, being late is not allowed. More-
over, employees who do not faithfully follow the rules
laid down by their company regarding morning exer-
cises or calisthenics are ostracized.

When my children were of school age, every spring
they went to school in Japan, and in the fall they came
back to the United States and attended school here.
They thus experienced the compulsory education sys-
tems of both countries. As they grew older, they com-
plained about how much they disliked the group com-
petition in Japanese schools, one of the more stifling
aspects of standardized education. In Japanese schools children are divided into groups, and every opportunity is seized to encourage group competition. What my children found most difficult were tests in kanji, the Chinese characters used in the Japanese writing system. Because of their double life, they could not keep up with their Japanese classmates in areas like writing kanji that require constant repetition. For that reason, the groups my children belonged to always lost. The other students began to boycott them and exclude them from their groups.

The worst part of the situation was that the losing group had to kneel on the floor for thirty minutes or spend fifteen minutes filling buckets with water using only their hands. Because this physical punishment was inflicted on the entire group, my children felt humiliated beyond endurance. “We could have taken it if we were the only ones punished,” they later told me, “but it is really an absurd system to make other people suffer because of our mistakes.”

Compulsory education in Japan is, I imagine, much the same today as it was then. To hope for originality from such a system is impossible. It may be all right for process innovation, but it is certainly not suited for product innovation.

*National Emergencies Strengthen Japan.* It has been commonly acknowledged that each time Japan has faced a national emergency over the past several decades it has emerged the stronger for it and has used the experience as a springboard for rapid growth. This was true, as we have already seen, with the upward
revaluation of the yen in the 1980s, but the most striking example was Japan's response to the oil shocks of the 1970s.

Japan emerged from the two oil shocks as a major world power both economically and technologically. The international balance of payments clearly reveal this fact. At the time of the first oil shock in 1973, Japan’s international balance of payments plummeted. Three years later, however, Japan had moved back into the black. The same was true of the second oil shock in 1979: Japan’s balance of payments returned to the black within two years, and this surplus position has continued practically unchecked ever since. How were the Japanese able to survive the oil shocks so successfully? First of all, theirs was a triumph of energy-reduction technology. Before the oil shocks, Japan earmarked 3 to 4 percent of its GNP to pay for oil imports; in 1991 the figure was only 0.9 percent. In short, Japan took advantage of the opportunities provided by the oil shocks to become a technological and economic superpower.

On the other hand, no one even by way of flattery could claim that America came through the oil shocks successfully. In some ways, it might even be said that the United States has still not completely recovered from the experience. Many Americans still operate as if gas and oil will always be in cheap supply. When Ross Perot proposed a surtax on gasoline during the 1992 presidential election campaign, the American public was outraged. Despite the fact that the price of gas in the United States is approximately one quarter of the price in Japan, many Americans refuse to recognize or admit that gasoline is a nonreplenishable re-
source that must be rationed as such. Today the United States, which accounts for 5 percent of the world's population, consumes 25 percent of the total global energy output.

Unlike Japan, where most homes still use space heaters in each room and relatively few houses are centrally heated, in most parts of the United States every house has a central heating unit that uses up enormous amounts of heating fuel. Such extravagant use of oil is not necessarily a bad practice, however. This is related to a concept in economics called "the minimum cost principle," which says that the best plan is to use large quantities of whatever is cheapest. Thus, if oil is the cheapest form of energy, it is proper to use it. But once the propensity to use great quantities of oil has been established, it is hard to respond if the price goes up or the supply is suddenly cut. The American public's very first reaction to the oil shock in the 1970s was that it was a trick by the oil companies. Once they realized it was no trick, they began to demand that the government do something.

I vividly remember the televised appeal to conserve energy that President Nixon made during the winter of the first oil crisis. He asked Americans to lower the temperature inside their homes by a mere three or four degrees and to maintain an economical speed when driving. But the Oval Room of the White House, from which he was speaking, was obviously comfortably heated, and those who watched him were more than likely sitting in their shirtsleeves in equally warm rooms. Until then most Americans had never tried to conserve oil.

At one time during the oil shock, kerosene stoves
were popular among Americans who wanted to cut down on their oil bills. Due to differences in state laws, however, they cannot be used everywhere. At that time I was living in Rhode Island, where their use was legal, so when I learned that kerosene stoves were being sold at a department store in neighboring Massachusetts, I decided to buy one. “If you buy this space heater,” the salesclerk told me, “you can’t use it in Massachusetts.” The stove was being sold in Massachusetts, but it could not be used there because state law forbids the indoor use of any appliance that emits a flame on the grounds that this poses a fire hazard. Even if many Americans had been willing to conserve energy by using kerosene stoves, state laws prevented them from doing so. Thus, no matter how earnestly the President may appeal for cooperation, it is not as easy for Americans to fall into line as it is for the Japanese.

Although slow to respond, some three or four years after the first oil shock the U.S. government finally launched an energy-conservation policy. Under the energy credit system, money spent to conserve energy was tax deductible. For example, if a home owner spent $4,000 to install insulation, replace windows and doors, and make other home improvements to keep out the cold, that amount could be deducted from his or her income tax. An appeal to the pocketbook will stir even Americans into action. So an energy-reduction program at last got under way.

Japan responded to the oil shocks in the 1970s in several ways. The Japanese public immediately cut back on spending and started saving a larger proportion of their disposable income. To counter this decrease in domestic consumption Japan launched an
"export drive" to raise enough funds to pay for the higher oil prices. The Japanese labor force was willing to work harder, and this boost in productivity compensated for the decreased use of energy. The Japanese government then stepped in by increasing public investment expenditures for energy-saving capital formation and infrastructure investment. Energy-saving technology was developed such as a new generation of quiet, energy-efficient air conditioning units that can be used to both heat and cool a room.

America was not just slow in investing in energy-conservation technology, both the government and the private sector utterly ignored the need for such technology. This was because America is a people-centered society that prefers to spend money on policies that will keep the public happy rather than on technologies to conserve energy. In this regard, too, the responses in the United States and Japan were completely different.

The differences between the two countries' responses to the oil shocks are very great. When faced with this unprecedented national emergency, Japanese corporations froze wage increases, and even the labor unions went along with the decision. In America, however, when energy costs went up because of the oil shock, labor unions demanded pay raises on the grounds that rising costs had made life more difficult. Japanese companies used the crisis to strengthen themselves, but U.S. companies were weakened by it. If we factor in the development of energy-conservation technology, then it is obvious why Japan rapidly became a creditor superpower in the 1980s while America slumped to the status of the world's biggest debtor nation.
Can Japan Avoid International Isolation?

The Folly of Voluntary Restraint. As an economist I am an advocate of free trade, but I do not believe that trade is everything. Top priority must be given to a country’s overall prosperity and its continued survival. Considered from this perspective, Japan must avoid alienating itself from the international community by incurring resentment for behavior that is considered undesirable or unacceptable to the community at large. To prevent international isolation, Japan will probably have to change its ways, and this may entail a fair amount of pain. Circumstances may even arise that will require some sacrifices in the area of trade. The foremost concern is repairing and stabilizing U.S.–Japan relations. Ways must be found that will take a form acceptable to both the United States and Japan and that will not leave Japan isolated.

America’s ideas on the subject are quite clear. The United States wants to maintain a system that allows it to buy whatever it wants without any restraints whatsoever and to sell freely whatever it wants to sell; to achieve a trade balance; and to preserve its superpower status. The long history of U.S.–Japan trade disputes has always been one of conflict over how to achieve a bilateral balance of trade. The Structural Impediments Initiative talks in 1989–90 took the form they did because America had learned its lesson from its long-standing disputes with Japan.

Take, for instance, the dispute over automobiles. During the late 1970s and early 1980s frictions arose
between the two countries over car imports. The decision in 1981 that Japan should adopt a policy of “voluntary restraint” on automobile exports was the worst possible option for the United States not only because it was contrary to the American policy of free trade, but because the situation demanded policies to strengthen an industry that had grown weak. Instead, the United States chose a policy of balanced contraction that progressively weakened the industry even further. As a result of cuts in supply, the price of Japanese cars skyrocketed, and Japanese carmakers pocketed the windfall.

If a particular company or industry seems on the verge of collapse, what options are possible? From the economist’s point of view, the correct answer in the long run is to jettison that company or industry. But such a policy would not be politically expedient, so the short-term alternative is to have the government step in to save it. In the case of the auto industry, the best policy in the short term would have been to give financial aid and preferential tax treatment to Chrysler. But, if for some reason that was impossible, the second-best policy would have been to save the auto industry as a whole. Since that would have cost too much, the third-best method would have been to protect the American auto industry by slapping tariffs on cars entering from Japan. The worst possible choice was to have Japanese carmakers voluntarily agree to limit the number of cars they exported.

From the perspective of economics, these are the four available options in descending order of desirability. But from the political perspective the order is just the reverse. To the economist, a Chrysler bailout is the
best and least expensive policy, but given the nature of American society, choosing that option would raise serious problems politically. American public opinion would not tolerate the government's use of tax money on behalf of a particular commercial enterprise. Japanese find this all very puzzling. If a company in the private sector is in a bit of a slump, what is wrong with using American taxpayers' money to bail it out? The answer to this question is simple. If President Reagan had ignored the American people's antipathy to the idea of a bailout, he would not have been re-elected. The second-best policy, saving the entire automotive industry, was also unacceptable to the American public because of the huge expense that this would entail. The third-best option was raising tariffs, but Reagan, being by nature a free trader, resisted abandoning his own policies and placing tariffs on Japanese cars. Free trade, which has been U.S. policy since the end of the war, has come to symbolize the very essence of the American way. Reagan could not disown it, so that option too was out.

That left only what economists would consider the worst possible choice—voluntary restrictions on exports. The actual phrase used, "voluntary restraint," sounded quite good. After all, if Japan wanted to limit its automobile exports of its own free will, there was nothing more to be said. Politically, it was the most expedient option, and Reagan, of course, jumped at it. But in the final analysis voluntary restraint was a restriction on free trade, nonetheless. And it has had the worst possible consequences for the United States. First, as supply contracted, car prices doubled. This price rise breathed new life into Chrysler and the other
American carmakers, but consumers found themselves having to pay high prices for cars. Secondly, when prices rose and American carmakers began to make money again, they did not bother to capitalize on the situation. Instead of laying plans to increase their competitiveness while the supply of Japanese cars was limited, they were content to sit back and relax.

Japan’s voluntary restraint on exports, therefore, had no beneficial results whatsoever. Americans soon learned that encouraging voluntary restraint was a form of economic suicide. For that reason, during the last round of trade talks, the U.S. side shifted gears and began to say to Japan, “we will not put restrictions on Japan’s exports, so don’t put any restrictions on American exports.” In short, Japan has to open its markets.

When the dispute over automobiles arose, Japan ought to have said “no” to voluntary restraints. It should have explained all the disadvantages and pointed out that adopting such a policy would further undermine American competitiveness. Thanks to Japan’s obliging “yes,” efforts to solve the underlying problems were postponed, and the result was a further deterioration in U.S.–Japanese relations. What makes the situation even worse is that Japanese carmakers profited from the voluntary restraint agreement because they could sell their allotted quota practically without any effort. Negligible marketing costs, coupled with the low yen/high dollar exchange rate current at the time, meant that Japanese carmakers could just sit back and rake in the profits.

Voluntary restraints also meant the creation of an export cartel. Toyota, Nissan, and Honda were able to
export a predetermined number of cars without competing with one another. But instead of relaxing their efforts they decided to make even more money by shifting to the high end of the line, that is, from cars for the masses to luxury automobiles. This decision meant even greater losses for the U.S. car industry.

America now realizes this and has decided to fight Japanese exports with American exports. It may not be able to win with cars, but there are other areas where American competitiveness is still strong. Threatening to invoke the Super 301 clause while launching an export offensive in the areas of satellites, supercomputers, and lumber is probably a natural turn of events.

Now Is the Time to Create a Japan with a Human Face. Since the mid to late 1980s the key word in Japan has been *kokusaika* (internationalization). But though the word is on everyone's lips, Japan's internationalization has hitherto been directed exclusively outward, and few people in Japan seem to have reflected on the frictions this has caused. I recall reading a *New York Times* article about five years ago which made the scathing comment that the internationalization the Japanese talk so much about is nothing more than young people eating Italian pasta on the Ginza, dating *gaijin* (foreigners), and paying high prices to see Michael Jackson and Madonna live; worst of all, they buy condominiums in Manhattan and think this is internationalization—an observation not far off the mark.

Japan is becoming more and more isolated. If this trend is to be reversed, the *kokusaika* that Japan must now aspire to is the second stage in the process: a
true internationalization from within. Just as Japanese goods, money, and people have hitherto flowed freely overseas, Japan will now have to accept the influx of goods, money, and people from abroad. If an internal internationalization can be fully realized, Japan-bashing, U.S.–Japan trade disputes, and the Japan-is-different argument will all evaporate.

Allowing Japanese companies to go on buying American companies, but not allowing Japanese companies to be sold to Americans—by virtue of the fact that institutional investors, especially cross-shareholders, are unwilling to sell their holdings at any price—is in the same spirit as Japan’s refusal to import a single grain of rice. As Japan proceeds with the second half of its internationalization process, it must remember that as long as its economic logic does not correspond with that of the rest of the world, international isolation will be unavoidable.

One extreme scenario for the future is that trade frictions will continue until Japan becomes America’s fifty-first state. This may be a gross exaggeration, but if Japan accedes to all of America’s demands, that is in essence what will happen. Making the flow of people, money, and goods between the United States and Japan absolutely free and imposing exactly the same social and economic rules on both countries would amount to just that. Under those circumstances, what would happen to Japan’s culture and traditions? Would Silicon Valleys spring up in the rice-producing districts of Akita and Niigata? Would the rice fields become overgrown with weeds and the festivals in which villagers pray for a good harvest be replaced with high-
tech inspired holidays? Perhaps so. That would certainly put an end to U.S.—Japan disputes and prevent Japan from becoming isolated internationally.

But whether such changes would be a good thing, whether they would make the Japanese people happy, is a different question. A country that does not have its own culture and traditions cannot survive. What, then, is to be done? I believe Japanese should comply firmly and willingly if not to America’s demands, then to the intentions that underlie them.

Japan-bashing in America is inevitable because the United States has two serious dissatisfaction with Japan. The first is its trade deficit with Japan that runs close to $50 billion a year. The second is the over-presence of “Japan money” that in the late 1980s flooded into the country buying up American companies and real estate. The United States would like to make these two complaints disappear by fighting Japanese exports with U.S. exports and by countering “buying America” with “buying Japan.” If this happens, if the two countries achieve a bilateral trade balance and parity in their direct investment activities, disputes between the United States and Japan would spontaneously disappear. These goals should not be too difficult to achieve.

For example, Japan’s trade surplus with the United States is now close to $50 billion a year, roughly three-quarters of which, some $37.5 billion, comes from car sales alone. If car exports stopped, the American trade deficit would immediately shrink to one-quarter of its present size. The impact would be enormous. Japanese carmakers would be furious, of course, but Japan has gone on exporting manufactured goods for too long,
and the Japanese industrial world has made too much conspicuous profit from automobiles. It seems a small price to pay compared with exchanging Japan’s traditional culture for “high-tech inspired holidays.”

In other words, if Japan is not willing to submit tamely to becoming America’s fifty-first state, it must sharply reduce its exports to the United States and sharply increase its imports. Then, when a trade balance is achieved, if Japanese want to buy property in America, Japan should recognize the right of Americans to buy an equivalent amount in Japan. A relationship in which one neighbor is free to go into another’s yard and rearrange the shrubbery and paving stones, but tells his neighbor to “stay out of my yard” can no longer be sanctioned. Moreover, Japan should start moving in a more consumer-oriented direction. It needs to raise its standard of living to Western levels and give the Japanese people an “affluence dividend” so they do not have to save so much. It needs to reform its money games such as land speculation and its money politics—the political scandals over influence peddling such as the Recruit affair and more recently the Sagawa Kyubin incident—that have given the country such a bad image abroad. And finally it needs to put a stop to the self-aggrandizement of those mysterious legal entities that call themselves corporations.

Although not the “Amerippon” concept that Brzezinski proposed, such moves would gradually help to create a human face for Japan that would facilitate cooperation with the United States. It certainly would help keep Japan from international isolation. But as long as the Japanese people identify themselves more closely with the corporations they work for than with their
country as a whole; as long as they regard the corpora-
tion and not the state as the ultimate source of their
“life, liberty, and the pursuit of happiness,” then the
corporations will continue to speak for Japan, the Japa-
nese people will remain disassociated from interna-
tional politics, and Japan will find itself increasingly
isolated from the rest of the world.

*Japan in the World: Global You-ism.* Not only must Ja-
pan take up the domestic task of enacting internal re-
forms, it must also meet the challenge of dealing with
global issues. Japan has long been a silent, faceless
nation in international affairs. Few Japanese are either
willing or able to speak to the world. Whenever a major
crisis arises, there is a great deal of irresponsible, unre-
alistic discussion in Japan but few substantive propos-
als of how Japan might become involved in a solution.
Usually the government comes up with the funds to
make up for its paucity of effort and imagination. No
wonder people regard Japan as a country that deals
with diplomatic issues with high-sounding words and
checkbook in hand. Japan must reverse the main cause
for its negative image, its parochialism. Today the
“group” upon which the happiness of the Japanese
people ultimately depends is a far cry from the village
of old or the corporation of yesterday; it is the world
community—all the countries on the face of the globe.

In the field of economics, Japanese-style capitalism,
the so-called “Japanese model,” is frequently cited as
an example of unprecedented economic success. The
Japanese economy, however, is now being forced to
make major policy changes and will have to make a
gradual shift away from the Japanese model to a more
mature Western style of capitalism. If that is the case, will the Japanese model that has won such acclaim simply vanish into thin air? Is it nothing more than an idle flowering that can only bloom in the soil of a country others regard as “different” and “unfair”? I do not think so.

The Japanese model should function quite effectively in South American countries like Brazil and Argentina, for example, that cannot seem to escape from their enormous international debt. Or in Eastern European countries like Hungary, Czechoslovakia, and Poland that have renounced communism and rushed headlong into free trade but have yet to discover ways to rebuild their economies. Of course, it could also be introduced and applied in the five dragons—Korea, Taiwan, Singapore, Hong Kong, and Thailand: then, in Indonesia and the Philippines; and perhaps in the future even in China. In fact, it is probably reasonable to believe that the model would work even more effectively in these Asian countries because their values and ways of thinking are similar to Japan’s. But if Japan does try to introduce the principles of Japanese-style management into Asia, it must proceed cautiously and with the full understanding and cooperation of these countries so that it does not repeat the mistakes of the old Greater East Asia Co-prosperity Sphere.

Even if the present Japanese model can continue to live on in other countries, in what direction should the Japanese economy itself proceed? To put it bluntly, Japan has gotten too much of a free ride from the international system. Although it has become a major economic power, it has also acquired an image in international society as an egocentric country that is only
concerned with its own interests. If Japan is to win world approval, it must shed its parochial image and start showing a spirit of altruism. In contrast to the traditional group-mindedness of Japan—its “we¬ism”—it must develop a new spirit of “global you¬ism.”

The first key area in a program of global you¬ism is the environment. Japan should play a leading role in efforts to protect against, control, and reverse environmental damage. By contributing money and manpower to environmental problems, Japan would emerge as the guardian of our planet. If it does not play a role of this magnitude, it will not be able to reverse its unfavorable image. There are five major problems facing the global environment: global warming, acid rain, the thinning of the ozone layer, the disappearance of the rain forests and the ecological disruption this is causing, and the pollution of the oceans. What makes matters most difficult is that these five problems are intricately interrelated. If Japan could meet the enormous challenge of solving these problems, or at least make serious efforts to do so, the world’s image of Japan would change from negative to positive.

The second key area is hunger. It is unconscionable in this day and age that so many people still die of hunger worldwide. Now is the time for Japan to develop a foreign aid policy that treats rice as an international public good. To be more precise, Japan should buy large quantities of foreign rice and ship it directly from the United States or elsewhere to countries where people are starving, thereby circumventing the Staple Food Control Act that forbids rice imports to Japan. By so doing Japan would be able to respond to criticism on two counts: its efforts to open its markets and its
contributions to international society. Japan is now a major provider of official development assistance. But Japan's financial aid in this area is actually used by recipient nations to buy plant, technology, and products from Japan. The beneficiaries of Japan's ODA policies have been Japanese trading houses and manufacturers. However, it is now time to review Japan's agricultural policy with two objectives in mind: first, permitting the purchase of rice from Thailand, the United States, and other countries to be used abroad for humanitarian purposes; and, second, using ODA to assist the domestic agricultural sector by moving away from the current system of paying farmers not to grow rice and instead allowing them to produce as much rice as they want and using any surplus as part of Japan's overseas aid program. This would indeed be a plus-sum solution that would please the United States and other rice-exporting countries and help Japanese farmers increase their productivity.

The third key area is basic research. After the war, the Japanese government and Japanese corporations sent large numbers of their most talented engineers and researchers to study in the labs at MIT and other American universities. Japan was able to do this because America willingly accepted foreign students. In Japan, however, most research is done not in universities but in the laboratories of Japan's leading corporations, which are reluctant to open their doors to receive the world's students and researchers or to share research information on the grounds that such information constitutes trade secrets. Such a one-way street will not be tolerated much longer. Japan will have to make up for the research-related losses that America
has suffered. It will have to be magnanimous and give the world a "free ride" on Japanese research.

Unless Japan is isolated internationally and shut out of the international marketplace, it will probably go on making money and running up surpluses. The future of Japan will be determined by how it uses those surpluses. Japan's egocentric attitudes must change as the world grows smaller and all countries share the same fate.