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# Understanding Japan

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# History of Japan

## JAPAN'S SUCCESS: A PERSPECTIVE

Japan's history is not only the record of the country's advancement to a leading position among the world's economies, it also involves the evolution of certain tendencies that help to explain that movement.

Practical, pragmatic leadership of predominantly military elites gave Japanese development a goal-oriented, problem-solving orientation. The urban economy grew steadily throughout Japanese history, however, creating a mass market even before the modern period. This growth put strains upon the dominance of the military elite. Despite many periods of drastic change, Japan's cultural homogeneity and pride have assured that there were always strong forces tending toward the preservation of traditional values. Nevertheless, imported techniques and ideas were periodically introduced under the sponsorship of the elites, and were controlled and applied by them. The new ideas, however, eventually escaped elite control, bringing new values.

The outside world has been both shunned and welcomed by the Japanese. Periods of intense receptivity have alternated with partial or total isolation from foreign influences. This rhythm of openness and closure has given Japanese society nearly equal measures of cosmopolitanism and intense self-awareness.

Table 1 is a summarized chronology of Japanese history from 20,000 B.C. to 1868 A.D.

# History of Japan

Table 1

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Non-earthen-ware age (Pre-Jomon)	20,000 B.C.	Hunting and fishing with stone implements made by striking
Jomon Period	8,000 B.C.	Hunting and fishing with stone implements made by grinding; straw-rope patterned earthenware used
	300 B.C.	Rice cultivation begins
Yayoi Period	57 A.D.	King of the country of Na in Japan offers tribute to Later Han
	188 A.D.	Himiko becomes queen of country of Yamatai
	300	The Yamato Court unifies Japan
Kofun Period	391	Japanese army fights three Korean countries
Asuka Period	538	Buddhism introduced
	604	Constitution of 17 Articles
	607	Horyuji Temple constructed
	630	First envoys dispatched to T'ang
	645	Taika Reforms
Nara Period	710	Nara established as capital
	712	<u>Kojiki</u> (Record of Ancient Matters) compiled
	720	<u>Nihonshoki</u> (Chronicles of Japan) compiled
	741	Imperial edict for construction of <u>kokubun-ji</u> and <u>kokubun-niji</u> (state-established provincial temples and convents); ( <u>Manyoshu</u> compiled)
Heian Period	794	Kyoto established as capital
	805	Saicho introduces Tendai sect
	806	Kukai introduces Shingon sect
	828	Kukai establishes Shugai-shuchi In (first public educational institution)
	857	Fujiwara power over Court increases

(Continued)

# History of Japan

Table 1 (Continued)

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Heian Period (Continued)	905	<u>Kokin Wakashū</u> , poetry anthology
	1000	<u>Makura no Soshi</u> ( <u>The Pillow Book</u> ) written
	1011	<u>Genji Monogatari</u> ( <u>Tale of Genji</u> ) completed
	1086	In (government by an ex-emperor) begins; <u>Samurai</u> power increases
	1167	Taira no Kiyomori becomes Dajo-daijin (Prime Minister)
	1180 to 1185	Battles between the Minamoto and Taira; Taira destroyed
	1190	Eisai propagates Rinzai sect of Zen
	*Kamakura Period 1192	Minamoto no Yoritomo establishes Kamakura Shogunate
	1219	Minamoto no Sanetomo assassinated
	1224	Jodo-shin-shu sect spreads
	1227	Dogen introduces Soto sect of Zen
	1253	Nichiren preaches the Lotus Sutra
	1274	First Mongol invasion
	1281	Second Mongol invasion
	1331	Court splits into Northern and Southern Courts ( <u>Nan-boku Chō</u> begins)
	to 1333	War between Emperor Go-Daigo <sup>1331</sup> and Kamakura Shogunate Kamakura Shogunate destroyed
	Muromachi Period 1338	Ashikaga Takauji establishes Muromachi Shogunate
	1392	Unification of Northern and Southern Courts
	1406 (?)	Zeami completes <u>Kaden-shō</u> ( <u>Quintessence of Noh</u> )
	1467 to 1477	Onin War; The Age of Civil Wars begins; Frequency of agrarian uprisings increases
	1543	Introduction of firearms from Portugal
	1549	Introduction of Christianity
	1573	Oda Nobunaga banishes Ashikaga shogun; Ashikaga Shogunate destroyed

(Continued)

# History of Japan

Table 1 (Continued)

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Azuchi Momoyama Period	1573	Nobunaga assumes hegemony
	1582	Nobunaga assassinated; Christian feudal lords send young envoys to Rome
	1585	Toyotomi Hideyoshi unifies country; Tea ceremony becomes popular
	1587	Christianity prohibited
	1600	Battle of Sekigahara
	1603	Ieyasu Tokugawa establishes Tokugawa Shogunate in Edo; Kabuki plays performed
	1614	Battle of Winter
	1615	Battle of Summer
	1637	Shimabara Rebellion
	1639	National isolation policy enacted
	1682	<u>Koshoku Ichidai Otoko (The Man who Spent his Life at Love Affairs)</u>
	1693	<u>Narrow Road to the Deep North</u> written by Basho
	1702	Forty-seven loyal ronin avenge their lord's death
	1703	<u>Ningyo-joruri (bunraku)</u> by Chikamatsu Monzaemon performed
	1853	Commodore Perry lands in Japan
	1854	Japan concludes amity treaties with United States, Great Britain, and Russia
	1855	Japan concludes amity treaties with France and the Netherlands
	1867	Tokugawa Shogunate destroyed
Meiji Period	1868	Meiji Restoration

Source: The East Magazine, 1983

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## ORIGINS: MAKING A MICRO-CHINA

### Earliest Importations of Foreign Culture

By A.D. 400, the horse-riding, aristocratic warriors whose clans dominated Japan came under the conscious, direct influence of Chinese civilization, filtered through Korea. Korean and Chinese artisans emigrated to Japan, bringing the latest in pottery, weaving, and other skills.

In the early sixth century, the Buddhist religion, Chinese writing system, and Chinese Confucian ideas of the state arrived on Japanese shores.

Supporters of the old native religion (later called Shinto) resisted Buddhism, but the prestige of China was enough to defeat them and replace them at court.

### Building A Chinese-Style State

During the seventh century the old military clans of early Japan were challenged by reforms that aimed to set up a full-scale Chinese-model state system, essentially a transition as follows:

<u>From</u>	<u>To</u>
a tribal state based on localism and hereditary authority	a bureaucratic state based on centralization in a capital and abstract principles of authority

This movement represents Japan's first experience of modernization, an experiment controlled exclusively by court nobles and the Buddhist clergy.

In A.D. 710, Japan's first permanent capital was established at Nara. The eighth century was the age of China's greatest influence upon Japan, in thought, art, and politics. Japan became part of a great international Buddhist culture stretching from India to Central Asia to the Far East.

<u>From</u>	<u>To</u>
an archaic warrior elite (fifth century)	a cosmopolitan Buddhist culture (ca. 680)

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## Strains Upon the Adaption of the Chinese System

The Chinese experiment met with difficulties from the beginning, as follows:

- Attempts to uniformly tax and administer all farmland were frustrated by large tax exemptions given to aristocrats, the Buddhist church, and farmers who cleared new land.
- An attempt to create a conscript army failed because of popular resistance.
- Descendants of the old warrior clans began to create a hereditary aristocracy based on their tax-free country estates.

Still enriched by Chinese culture, Japan began to retreat from the model of the Chinese state. It began to turn inward in the ninth century.

## The Capitol at Kyoto

In A.D. 794, Japan's capital moved to the city of Heian (now Kyoto), where it officially remained until 1868. Here Japan's emperors resided and held their ceremonies, while real power came into the hands of a series of lesser figures: regents, shoguns, and military bureaucrats.

## COURTLY JAPAN

### A Golden Age of Good Taste

The culture created by the Kyoto court between A.D. 800 and A.D. 1100 represents classical Japanese civilization, the civilization to which all subsequent ages looked for models of refinement and high achievement in the arts.

The courtiers of this era, insulated in their capital city from the rest of Japan, developed a way of life remarkable for its refinement and grace. Poetry served as a near-universal medium of communication and self-expression. Elegant dress and perfect manners were passionately cultivated.

Literature of other types flourished as well, with many of Japan's prose and poetic masterpieces being produced by women. Tale of Genji by Lady Murasaki (ca. A.D. 1000), the highest achievement of Japanese prose, is also the world's first psychological novel.

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## Decentralization and Growth in the Countryside

The large agricultural estates that supported the court and its refinements were located throughout Japan. Despite the Kyoto court's monopoly upon culture and its general disregard for areas that lacked the refinement of the capital, it was not long before the estates themselves became powerful economic units. Local markets developed, transportation improved to some degree, and the estate managers (who, unlike the absentee aristocrats, actually lived on the land) developed into shrewd, practical administrators and defenders of the estates.

## The Samurai Enter History

The estate managers and other persons of responsibility in the estate system soon realized the necessity of organizing militarily for security against banditry, etc. Soon they had developed tough, efficient military bands in many places throughout Japan, but especially in the fertile eastern region (the Kanto) where Tokyo is now located. The central government recruited eastern warriors for service against the Ainu aborigines in the northern part of Honshu. These soldiers stepped into the vacuum created by the failure of universal military conscription mentioned previously.

From these bands evolved the distinctive Japanese military class referred to as samurai ("servants, those who serve"), whose battles, ethics, tastes, and requirements dominated Japanese development for 750 years.

## The End of the Aristocracy

When succession disputes brought eastern military bands into the Kyoto capital in the mid-to-late twelfth century, the beautiful old city became the scene of savage fighting and was burned several times. By A.D. 1185, a military house, not the Imperial Court, was the real ruling power in Japan.

## FEUDAL JAPAN: FROM THE SWORD TO THE GUN

### The Legacy of Military Rule

Between A.D. 1185 and A.D. 1600, Japan was ruled by a succession of active military houses. Always claiming to be servants of the emperor in Kyoto, they nonetheless went about the business of governing Japan

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without consulting him or anyone else in the old aristocracy. The samurai warrior class learned the cultural sophistication of the court, but also imposed their own values upon the country.

## Samurai Values

The military class epitomized the following values:

- Hierarchical orientation (efficiency of command in battle)
- Loyalty to superiors
- Determination to distinguish oneself (often overriding loyalties)
- Intense self-discipline and self-denial
- Emphasis upon deeds rather than words, distrust of eloquence
- A discriminatory view of trade and moneymaking (in theory)

## Japan's First High-Technology Exports

In one sense, the dominance of the military class rested upon the excellence of its chief weapon, the three-foot, curved-blade sword. Sometimes referred to as the samurai's "soul," the Japanese sword was, especially in the twelfth and thirteenth centuries, the finest such weapon in the world. The fame of these weapons spread beyond Japan, so that by 1483, 67,000 swords were shipped to China. Siam was another eager market for Japanese weaponry and armor in the medieval period.

## From Order to Disorder

Despite the theoretical orderliness and self-discipline of the military class, they were, after all, warriors, and their battles among themselves eventually brought Japan to near-anarchy. Especially after the mid-fifteenth century, there was an increasing tendency for local lords to build up powerful miniature states (somewhat like feudal kingdoms in Europe) and to ignore the directives of the shoguns (national military leaders) who were supposedly their superiors. A century of brutal warfare ended in 1590, when Japan was temporarily unified under Hideyoshi.



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## Guns and God From the West

In the mid-sixteenth century, Japan was visited by Portuguese sailors and priests. The sailors brought firearms; the priests, Christianity. Both European imports did well in Japan. By 1575, a typical army might include 10,000 gunners. In 1600, Japan had approximately 300,000 Christians, and there were churches or cathedrals in every province. By 1615, the number was probably half a million.

## THE TOKUGAWA REACTION

### Social Dynamite Defused

Late feudal warfare escalated major Japanese social changes so that by 1600:

- Huge peasant armies had replaced elite warrior bands.
- Great cities had grown up as banking and provisioning centers.
- Peasants had risen into the samurai class, even to leadership.
- Christianity had acted to disturb traditional loyalties.
- An urban merchant class had begun to thrive.
- An active foreign trade (weapons, copper, iron ore) had made Japan a presence in Asia and had given it a window on the world.

In 1600, Ieyasu Tokugawa, a former ally of the unifier Hideyoshi mentioned previously, defeated the last of his rivals and took power. He and his successors set about deliberately reversing these trends and giving Japan permanent peace and changeless order.

### The Tokugawa Order

Ieyasu Tokugawa ruled as a shogun, and he was without doubt the most effective and strongest shogun of any in Japanese history. Under his house, Japan enjoyed 250 years of peace. The price of peace was isolation from the outside world and strict discipline at home. Tokugawa policy included:

- Expulsion of non-samurai from the military class
- Severe restrictions upon merchant activities

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- Prohibition of firearms
- Expulsion of Christianity
- Virtual elimination of foreign trade (the Dutch and Chinese were excepted), and a ban on Japanese travel abroad
- Promotion of Confucian ideas and repression of Buddhism (which had a strong popular and even anti-authoritarian coloration in Japan)
- Severe laws against social mobility of any kind. The Tokugawa hierarchy was:

- samurai
- farmers
- artisans
- merchants
- outcasts

Theoretically, movement between these groups was impossible.

- Relocation of Tokugawa's former enemies to locations far from the Tokugawa capitol (Edo, now known as Tokyo)
- Various rules for the control of the feudal houses and the avoidance of further warfare

## CHALLENGES TO THE TOKUGAWA ORDER

### The Reality of the Economy

Despite Tokugawa prejudices, the Japanese merchant class had pushed the economy ahead and built great cities as a base for their own cultural self-expression. Osaka in particular was a great merchant metropolis, but Edo (Tokyo) and even Kyoto, the traditional aristocratic capital, had vigorous merchant-class cultures quite independent of samurai values, if not of samurai supervision. The smaller castle towns, headquarters of the various feudal states, were vital sources of goods and credit for members of the samurai class, who were forbidden to engage in economic

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activity. Soon it was obvious that samurai indebtedness to urban merchants was one of the major problems facing the Tokugawa rulers. Eventually, a vigorous economy chafed under restrictions against foreign trade and repressive social policy. Official reforms tried to limit merchant activities and rescue the samurai from debt, but such measures could not turn back the course of history.

## The Reality of the World

In 1853, Commodore Matthew Perry of the U.S. Navy succeeded in his efforts to overawe the Japanese authorities. By March 1854, Japanese seclusion was broken by a treaty with the United States.

Reaction in Japan was immediate and intense. Anti-foreign and anti-Tokugawa elements rallied around the Imperial Court, denouncing the opening of the country and calling for an end to the shogunate. Between 1853 and 1867, Imperial Loyalists opposed the shogunate forces verbally and violently. Feudal domains in southwestern Japan (descendants of Tokugawa's old enemies) led the opposition. The anti-shogunate forces came increasingly under the influence of European military techniques, however.

## MEIJI JAPAN: TOWARD A MODERN STATE (1868-1912)

### From Anti-Foreignism to Modernization

One of the greatest paradoxes of modern Japanese history is the fact that the anti-foreign, anti-Tokugawa forces who finally dismantled the Tokugawa system became the modernizers who were open to the West. In the Meiji Period they worked to establish a modern European-style state, modeled to a great degree upon Prussia.

The modernizers were themselves samurai, and as practical military men, they could not ignore the material and military superiority of the West. Their rule was carefully balanced between political conservatism and technical innovation.

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## The Meiji Rush Forward

The pace and vigor of Japan's modernization can best be shown chronologically:

- 1873--Western calendar adopted; Mitsubishi shipping line founded
- 1874--Kobe-Osaka railway service
- 1877--Elimination of old-guard samurai opposition to reforms
- 1878--Jules Verne's Around the World in 80 Days translated into Japanese
- 1880--Two million pupils in government primary schools
- 1882--New Criminal Code in force
- 1885--First cabinet meets
- 1889--Meiji Constitution promulgated
- 1890--First Diet (Parliament) convened

## The Meiji Reactionaries

The Meiji leaders were thorough conservatives and militarists who promoted a rich country and a strong army above all other goals. Their advocacy of a constitution and a parliament was aimed at controlling political opposition rather than encouraging it.

Their strong government support for industry was tied into military growth.

## War and Growth

Japan embarked upon a vigorous program of empire building, in emulation of, and competition with, the Western powers:

- 1894--Japan goes to war with China over Korean territory.
- 1896--Japan's victory in Korea gives it possession of Chinese territory; massive upgrading of army and munitions spurs heavy industry.

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- 1905--Military victory over Russia confirms Japan's control of Korea and establishes it in Manchuria.
- 1907--Tokyo has two million people; electric railways; telegraph, telephone, and electrical service; waterworks; and hundreds of factories.

## TAISHO JAPAN (1912-1926)

### A "Good" War

The reign of the Emperor Taisho, who succeeded the Meiji emperor, began auspiciously with Japan's participation in World War I, on the Allied side. Japan seized German holdings in China, and strengthened its position with regard to that country. It solidified its holdings in Manchuria and gained a foothold in the Pacific as well, by occupying former German colonies among the islands of the North Pacific. These activities set the stage for more extensive conquests in the thirties and forties.

### Liberalism at Home

The early twenties saw a succession of moderately liberal prime ministers who attempted to curb the strength of the rising army. In addition, the Left grew after World War I. Its prewar anarchism gave way to a more organized, ideological body of leftist thought, especially with the foundation of the Japan Communist Party (1921). The Universal Manhood Suffrage Law of 1925 increased the Japanese electorate from 3 million to 13 million; unfortunately, however, the same year saw the passage of the Peace Preservation Law, providing harsh penalties for extreme forms of political opposition.

### The Tokyo Metropolis

After a disastrous earthquake in 1923, Tokyo had to be rebuilt almost from the ground up. The city that emerged was strikingly more modern-looking than its predecessor, and the prosperity that followed World War I helped to create a mass society of enthusiastic consumers. Radio, motion pictures, and the automobile, as well as Japan's magazines and newspapers, helped turn Tokyo residents into thoroughly modern city dwellers in the twenties and thirties.

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## The Countryside

Japan, however, was still a rural nation in the Taisho Period. A trade recession, following postwar boom-time inflation, hit Japan's rice-growing and silk-producing farmers hard, particularly the 50 percent who were tenants.

Young military officers, many of peasant background, began to attack big business, finance, and parliamentarianism from a right-wing point of view. They called for a return to a wholly agricultural nation under direct Imperial rule. They also called for increased overseas expansion to ease market pressures on Japan's farmers.

Their opinions became a key element in the expansionist nationalism that dominated Japan in the thirties.

## JAPAN AT WAR (1927-1945)

### The China Tangle

By 1930, Japanese ultranationalists, both military and civilian, were obsessed with Japan's economic interests in China and Manchuria.

While Japan was coming out of the 1929-1930 trade slump brought about by the world depression, foreign efforts to limit Japan's military and naval forces were branded by nationalists as discriminatory and conspiratorial.

At the same time, civilian government efforts to create a conciliatory China policy seemed to the same parties a betrayal of Japan's true interests, something like the conciliatory policy of the Tokugawa shoguns toward the West after Admiral Perry's visit.

Calling for a "New Restoration" of Imperial power, these nationalistic elements waged a campaign of assassination and intimidation against liberal politicians.

In 1931, rightist military elements precipitated the takeover of Manchuria by local commanders; the Tokyo government was forced to accede.

In 1936, a rightist coup d'etat was put down by the regular military in Tokyo.

Thereafter, military influence upon the Japanese government and its policies grew steadily. As its price for suppressing the ultraright within its ranks, the military demanded a greater role in policy.

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When China was invaded in 1937, again on the impetus of local commanders, the Tokyo government supported the action wholeheartedly.

## The Logic of the Pacific War

Japan's war of conquest in China forced Japan to reach these conclusions:

- Japan's military forces needed raw materials for the China war: rubber, tin, and petroleum.
- These commodities were available in Southeast and island Asia.
- Japan's hefty trade with these areas was menaced by the United States. The United States also opposed Japan's China moves and discriminated against Japanese immigrants.
- American power in the Pacific was concentrated in the Philippines.
- The Philippines were supplied from the U.S. base at Pearl Harbor.

## Benefits of World War II

The Pacific War devastated Japan's cities and savaged her people, but it had some beneficial results for Japan and for Asia:

- The Japanese industrial plant was destroyed, hence it could be rebuilt and modernized from the ground up.
- Wartime production gave Japan experience in areas that became its postwar mainstays: shipbuilding, electronics, optics, and autos.
- Reparation payments to the nations of Southeast Asia helped establish Japanese economic ties that went deeper than Japan's former imperialist ties.
- Japanese rule in Asia hastened the breakdown of European empires and promoted Asian nationalism (Indonesia, Burma, India, and Vietnam).

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## POSTWAR JAPAN

### The Occupation (1945-1952)

#### Japan Prostrate

At the close of the Pacific War, the toll was heavy for Japan:

- 8 million Japanese killed or wounded, versus 50,000 U.S. combat deaths
- 2-1/2 million dwellings in ruins in Japan
- 800,000 buildings of all types destroyed in Tokyo
- Prewar Tokyo population of 6.7 million reduced to 2.8 million
- Imports at a standstill
- Average adult consuming only 12 ounces of food per day

#### Reform and Reconstruction

On August 28, 1945, the first U.S. Occupation troops landed at Atsugi Air Base near Tokyo. Among them was General Douglas MacArthur, Supreme Commander for Allied Powers (SCAP). Under his command, the Allied Occupation of Japan took on several distinctive characteristics:

- The Occupation became almost 100 percent American.
- It was dominated by MacArthur's aristocratic bearing, which was highly popular and comforting to the Japanese.
- Japan was not governed directly by SCAP, but through the Japanese bureaucracy.
- The Occupation staff included New Dealers interested in Japan as a social experiment in reform.
- It also included military hard-liners, intent first on
  - Punishing Japan.
  - Building up Japan as a bulwark against Communism in Asia.



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## Reverse Courses

The central story of the Occupation is the way it changed around 1949. Prior to 1949, it concentrated upon reforming Japanese institutions on the U.S. model. After 1949, it changed in the direction of policies aimed at strengthening the Japanese economy, limiting dissent, and building up Japan as a base and staging area for U.S. armed forces.

Following the Treaty of Peace and Mutual Defense Treaty (1952), the Occupation ended, and the Japanese continued the reversal of certain Occupation reforms. They also began to build a powerful economy based on a military alliance with the United States.

This alliance, necessary for Japan's prosperity, had some uncomfortable corollaries for Japan, such as:

- It required Japan to identify itself with the West.
- It limited Japan's trade approaches to mainland China.
- It seemed to contradict the spirit of Japan's "Peace Constitution".

## SCAP and Labor

Under Occupation promotion, the Japanese labor movement, moribund during the war, enjoyed a huge revival, as follows:

- 5,300 unionized workers at war's end (August 1945)
- 385,677 unionized workers by end of 1945
- 4,849,329 unionized workers by end of 1946
- A 100,000 percent increase in 16 months

A combination of vastly increased labor strength, postwar shortages, inflation, and social dislocation led to a wave of strikes, plant takeovers, and demonstrations in 1946. The Japanese Cabinet, under Occupation advisement, responded with a tough ordinance to ensure public order, an ordinance that included a ban on paying wages to striking workers.

Labor groups responded with plans for a General Strike on February 1, 1947. On January 31, SCAP prohibited the General Strike, and it was called off.

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This response marked the turning point away from SCAP's using the labor movement as an instrument of reform and toward controlling labor's disruptive tendencies.

## SCAP and Business

The mid-Occupation tendency to turn from reform toward retrenchment was also visible in business policy, as follows:

- November 1945: Big Four Zaibatsu (Combines)--Mitsui, Mitsubishi, Sumitomo, Yasuda--voluntarily disbanded under SCAP pressure.
- April 1947: Anti-Monopoly Law passed.
- December 1947: De-Concentration Law passed.
- 1948: An increasing number of exemptions from De-Concentration Law leaving only 18 firms under its rules.
- 1949: Occupation financial policy called for reduction of government regulations and the granting of government subsidies for business.

The government-business relationship in Japan both:

- Continued prewar trends
- Renewed itself under American sponsorship

## Rearmament Questions

Japan's 1947 Constitution, written by Occupation staffers, included the famous Article 9, Chapter 11, in which Japan "renounces war as an instrument of national policy." Although the Constitution as a whole has not been popular with the Japanese, public opinion has generally held to Article 9. This American-dictated provision became a point of contention between the United States and Japan in 1950, when U.S. Secretary of State Dulles urged full Japanese rearmament, given cold-war conditions. Japan's Premier Yoshida, a staunch U.S. ally, refused, reaffirming Japan's intention to let its foreign policy be guided by trade, not military concerns.

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## From the Peace Treaty to the Tokyo Olympics (1952-1964)

### The Peace Treaty (1952)

Japan contracted for peace with the United States and the other major Allies (with the notable exception of the U.S.S.R.) on September 8, 1951, in the old San Francisco Opera House. Provisions included:

- Economic concessions to Japan
- No restrictions upon Japanese shipbuilding (vital later in the country's economic growth during the sixties)
- Japanese exemption from rearmament (despite U.S. desires)
- U.S. administration of Okinawa for the present
- Recognition of Taiwan as the legitimate Chinese Government

### Rising Nationalism and Self-Confidence (1952-1960)

Following the signing of the peace treaty and the termination of the Occupation, Japan entered another of its periodic eras of self-confidence and self-examination, pulling back to a degree from the outward-looking enthusiasms of the Occupation period. Anti-American feeling from both Left and Right increased on the grounds that:

- The Peace Treaty, by excluding the U.S.S.R. and forcing recognition of Taiwan, limited Japan's freedom to maneuver.
- The Mutual Defense Treaty (signed with the United States in early 1952) maintained American bases on Japanese soil, in effect prolonging the Occupation.
- The Security Forces (a paramilitary corps established in 1950, ostensibly to keep public order after Occupation forces withdrew) was an American imposition that violated Japan's "Peace Constitution."

The Right wanted to revise the Constitution to allow rearmament; the Left wanted disentanglement from the entire U.S. alliance; Moderates sought to maintain the alliance while avoiding rearmament as such. The Moderates won, and Japanese development went forward without large defense outlays (considered as a percentage of GNP).

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## Happy Days are Here Again (1955-1956)

Japanese economic recovery seemed assured in 1955, when the price of black market rice fell below the price of government-rationed rice. Other indications were:

- The level of consumption had returned to prewar standards.
- The sale of washing machines increased from 100,000 in 1953 to 400,000 in 1955.
- Japan was in the midst of a television boom, with some 150,000 sets in the nation by 1956; dependence on imports of U.S. television receivers had ceased.

Japan had reached the end of the "Postwar Era."

## The Kishi Years (1957-1960)

Following the 1955 organization of the Liberal-Democratic Party (LDP) from two conservative parties, and the subsequent elevation of Nobusuke Kishi to the position of Prime Minister, the following elements of Japan's political structure began to take shape:

- The LDP reached out to small- and middle-size business for electoral support.
- The LDP made overtures to women's groups on consumer issues.
- Both the LDP and the opposition Socialists courted agriculture; the LDP eventually gained its support.

These efforts were responses to the growing power of mass movements and pressure groups in Japanese society, and augmented the already strong ties between the LDP and big business.

Prime Minister Kishi also inaugurated measures to move Japan toward the welfare state, with laws establishing National Health Insurance and Death Annuities.

Kishi also emphasized a strong, highly political foreign policy based on the Japan-U.S. alliance. In 1960 the U.S.-Japan Mutual Defense Treaty was up for renewal. Kishi supported renewal, provided the treaty was revised. Revisions provided for a more liberal treaty that would promise to consult Japan before Japan-based U.S. troops were committed to battle, and would provide for review of the treaty in 1970. Accordingly, Kishi pushed ratification through the Diet.

# History of Japan

Overwhelmingly negative reaction to the treaty forced Kishi's resignation in 1960; demonstrations rocked Japan, forcing the cancellation of a planned visit by U.S. President Eisenhower.

## The Ikeda Years (1960-1964)

Learning from the political fate of Kishi, Hayato Ikeda, Japan's next Prime Minister, changed course. Ikeda stressed:

- Conciliation with the opposition
- Improvement of relations with China and the U.S.S.R.
- Economic development and trade (reviving Yoshida's ideas)
- Promotion of economic bureaucracies (MITI, Finance) into leadership
- Promotion of technical education
- Limited rearmament to help Japan become independently credible in diplomacy
- A policy of "income doubling" (a promise that the income of the Japanese people would double by the end of the sixties)

## After the Olympics: Growing Pains

### Tokyo Olympiad

In 1964 Japan hosted the summer Olympic Games. The first Japanese Olympics had been scheduled for 1940, but the rush toward war had forced their cancellation. This Olympiad came as the capstone of Ikeda's "income doubling" period. It was not only the symbol of Japan's success, but to the Japanese mind, it also marked a transformation. Before the Olympics, Japan had been growing for itself; after 1964, Tokyo became a world metropolis, and Japan came into the spotlight.

### Income Quintupling

Ikeda had promised that national income would double between 1960 and 1970. The real growth resembled the following:

- 1960-1965: national income grew 2.1 times
- 1965-1970: national income grew an additional 2.5 times

# History of Japan

The problem for the Japanese finance bureaucracy was how to make accurate predictions of economic growth. Nearly every prediction was outstripped in practice.

## Sato and Social Capital (1964 - 1972)

The priorities of Prime Minister Eisaku Sato compared to those of predecessors are shown in Table 2.

Table 2

### COMPARISON OF SATO'S POLICIES WITH THOSE OF HIS PREDECESSORS

<u>YOSHIDA</u> <u>1948-1954</u>	<u>HATOYAMA</u> <u>1955-1957</u>	<u>KISHI</u> <u>1957-1960</u>	<u>IKEDA</u> <u>1960-1964</u>	<u>SATO</u> <u>1964-1972</u>
Free trade; confrontational politics; wary acceptance of U.S. alliance	Conciliation; "open door" to all views	Strengthen U.S. alliance; welfare state; confrontational politics	Political emphasis on growth; conciliation	Deal with social costs of growth; hands-off attitude toward Vietnam War

Source: DATAQUEST

In U.S. relations, Prime Minister Sato was forced to deal with three realities:

- Japan's policy of nonintervention in foreign disputes
- Japan's close ties with the United States and Western bloc
- Anti-American feeling that was growing in Japan because of Vietnam

In domestic affairs, Japan was suffering from the costs of growth:

- Inadequate housing
- Environmental pollution

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# History of Japan

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- Depopulation of the countryside and consequent massive urban crowding
- Inflation
- Erosion of the LDP's rural vote base

The government responded by:

- Criticizing U.S. Vietnam policy while providing facilities for U.S. troops
- Heavy investment in social capital: schools, roads, hospitals, housing projects

## Continuing Problems

The issues that confronted Sato have continued to plague LDP leaders and their cabinets in the seventies and early eighties. Japan had five prime ministers in the ten-year period from 1972 to 1982.

## Post-Sato Prime Ministers

Rakuei Tanaka (1972-1974) - Tanaka proposed a grandiose plan for rebuilding the Japanese islands. However, his land deals and involvement in the Lockheed bribery scandal in 1976 generally discredited his plans.

Takeo Miki (1974-1976) - Japan's stagnating growth cost the LDP major support. Miki tried to regain conservative strength, but his involvement in the Lockheed scandal caused an electoral disaster for the LDP in 1976; the party held onto a Diet majority by a very narrow margin.

Takeo Fukuda (1976-1978) - In an evenly divided Diet, Fukuda had to compromise between growth advocates in his own party and no-growth forces in the Socialist and Communist opposition. He advocated that "permanent residential zones" (housing areas that could not legally be converted into factory land) be interspersed with new industrial areas.

Masayoshi Ohira (1978-1980) - Ohira promoted a "pastoral cities" scheme that would establish middle-size cities in the countryside to ease urban congestion and revitalize the rural economy.

Zenko Suzuki (1980-1982) - Suzuki enjoyed a more comfortable margin of electoral support than his two immediate predecessors, but citizen pressure groups as well as the opposition continued to call for clean government, growth limits, and a more citizen-responsive government and bureaucracy.

# History of Japan

## The Years Ahead

Along with the perennial problems of urbanism sketched above, we believe that Japan will be faced with other dilemmas in the future, including:

- An older population, and the consequent drain on public welfare moneys - In 1978, 8.6 percent of the population was over 65. In 2010, the projection is 18 percent.
- Continuing dissatisfaction with Japan's higher education "rat race" and its effect on adolescent psychology
- The necessity for more concentrated urbanism as Japan advances further into a service-oriented, post-industrial economy - Since 1963, 50 percent of the GNP has been in the service sector. By the mid-1980s, this is projected to be 57 to 65 percent.
- Political apathy, due to the electorate's wavering confidence in the LDP and the inability of the Opposition to offer attractive alternatives
- Stagnation in the heavy-industrial sector, in common with the other industrial powers - In 1982, Yawata Steel was at only 70 percent capacity, and steel pipe exports to the United States were down 52 percent.
- Continuing conflict with the Western nations over auto exports and agricultural imports - U.S. efforts in 1982 to get import quotas on beef and oranges lifted met with stiff resistance from Zenchu, the National Association of Agricultural Co-ops.
- Social dissatisfaction and frustration if growth should turn negative over the long run, as has occurred in the United States - Since 1969 to 1974, manufacturing's share of the GNP is down by one-third. Japanese National Railways (JNR) supports 400,000 active workers and 350,000 pensioners. JNR lost about \$8.4 billion in fiscal year 1982.

## LESSONS FOR AMERICAN BUSINESS

Japanese culture is of great antiquity compared to our own. The Japanese have made many sacrifices over the years to preserve their national identity. They may compromise with the outside world, but it is usually in order to effect this preservation. They are not mere



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# History of Japan

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imitators, but heirs of a nationhood that means everything to them. Approaches to Japan that denigrate the country or fail to consider its national pride will not work.

Japanese stubbornness or recalcitrance in dealing with foreigners is not an aberrant psychological factor, but a response conditioned by centuries of self-awareness and awareness of the great power of neighbors. Attitudes toward the United States are still, inevitably, colored by Japan's defeat and dependence after World War II.

The Japanese "free ride"--military protection by the United States that allows unprecedented development of the consumer sector and technological equality in many areas with the United States--should not be criticized by Americans, since both Japanese disarmament and Japanese participation in a military alliance with the United States were dictated by the United States when Japan was in no position to refuse. The United States called for Japanese rearmament when American foreign policy, not Japanese popular opinion, required it.

The intimate relationship between business and government (sometimes stigmatized as "Japan, Inc.") was promoted by U.S. Occupation policies.

No matter how prosperous the Japanese become, and they will become prosperous, they cannot help being aware of the fragility of their economic institutions throughout most of their history, and of the struggles and sacrifices involved in becoming an economic superpower. Americans have had a much easier road, and should not expect the Japanese to easily give up hard-won gains in the name of an abstract fairness.

In all dealings with the Japanese, an awareness of the points listed above will promote goodwill and ease tension. Conversely, an attempt to treat the Japanese "like anyone else," ignoring the unique difficulties and traumas of their experiences, will set up quiet but firm roadblocks to progress.

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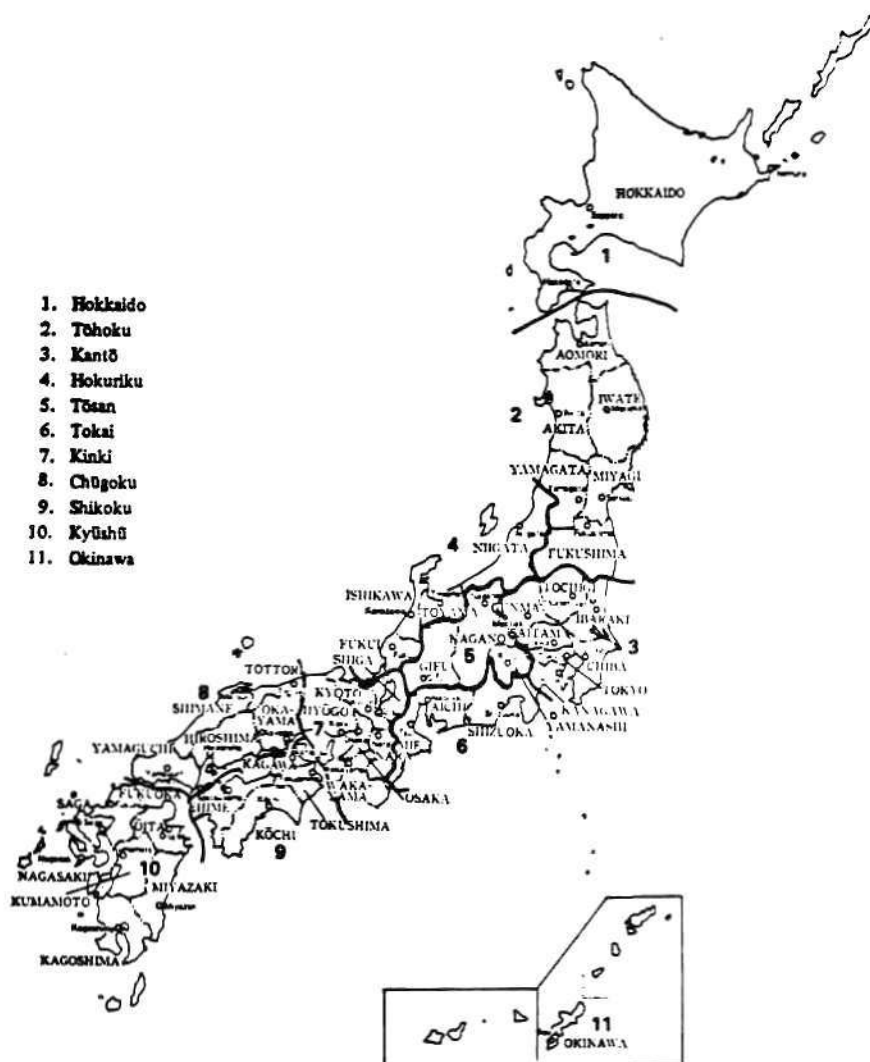
## Geography and Demographics

## INTRODUCTION

Figure 1 is a map of the major Japanese regions, each of which consists of several prefectures. Table 1 lists the main cities and populations of each of the 47 prefectures, along with a breakdown of each prefecture's industrial and agricultural revenues for 1981.

**Figure 1**

### MAP OF MODERN REGIONS



Source: Sakamoto, Taro, Japanese History, Tokyo: Int'l  
Society for Educational Information Press, 1980  
DATAQUEST

# Geography and Demographics

Table 1

## PREFECTURAL STATISTICS (100 Million Yen)

Prefecture	Industrial Production						Main Cities and Populations (10,000 Persons)
	1981	1981	1981	1981	1981	1981	
1 Hokkaido	51,258	5,932	3,275	7,894	541	18,112	Sapporo* (145.1), Asahikawa (35.9), Makodate (32.0), Kushiro (21.7)
2 Aomori	8,705	1,182	868	264	242	3,635	Aomori* (29.0), Rachineho (24.0), Hirotsuki (17.6)
3 Iwate	10,876	1,492	2,747	388	438	2,761	Morioka* (23.1)
4 Miyagi	24,129	2,908	5,829	3,190	603	6,786	Sendai* (65.7), Ishinomaki (12.3)
5 Akita	9,156	1,285	2,486	737	493	1,153	Akita* (28.6)
6 Yamagata	13,197	1,748	4,757	622	1,308	1,971	Yamagata* (23.7)
7 Fukushima	25,993	2,400	9,746	2,633	1,931	2,052	Iwaki (35.2), Koriyama (29.0), Fukushima* (26.5)
8 Ibaraki	67,456	14,775	23,138	10,970	943	7,413	Mito* (22.1), Maebashi (20.6)
9 Tochigi	47,311	6,900	23,071	2,912	2,289	4,802	Utsunomiya* (39.0)
10 Gunma	41,854	4,470	22,316	1,681	2,198	4,736	Maebashi* (27.1), Takasaki (22.7), Kiryu (13.3), Ota (12.8)
11 Saitama	101,087	15,514	43,111	8,559	3,044	6,138	Kawaguchi (39.2), Urawa* (36.5), Omiya (36.2), Kawagoe (26.7)
12 Chiba	103,202	26,016	12,752	42,865	789	11,228	Chiba* (75.7), Funabashi (46.9), Matsudo (41.2), Ichikawa (37.6)
13 Tokyo	175,724	18,215	71,280	11,165	3,682	13,740	Tokyo* (815.1), Machioji (39.9), Machida (30.1), Fuchu (18.9)
14 Kanagawa	218,365	23,970	107,391	54,004	1,453	15,896	Yokohama* (286.8), Kawasaki (102.9), Yokosuka (42.7)
15 Niigata	33,472	4,839	7,578	5,991	3,637	4,279	Niigata* (45.7), Niigata (18.0), Joetsu (12.7)
16 Toyama	26,379	9,480	4,947	3,896	2,453	1,243	Toyama* (30.7), Takaoka (17.7)
17 Ishikawa	18,559	1,024	5,402	356	3,763	1,170	Kanazawa* (41.2), Komatsu (10.6)
18 Fukui	12,437	871	3,462	1,050	4,521	549	Fukui* (24.3)
19 Yamanashi	10,554	755	5,090	57	709	1,400	Kofu* (20.0)
20 Nagano	36,718	2,788	21,575	537	1,127	4,223	Nagano* (32.7), Matsumoto (19.0), Ueda (11.4)
21 Gifu	33,490	3,445	8,607	1,801	5,586	2,462	Gifu* (40.8), Gifu (14.3)
22 Shizuoka	101,838	11,042	40,445	12,739	3,082	12,525	Hamamatsu (50.1), Shizuoka* (46.1), Shimizu (24.2), Numazu (20.9)
23 Aichi	218,529	33,230	107,677	18,270	13,311	16,160	Nagoya* (205.8), Toyonashi (31.2), Toyota (28.9), Ichinomiya (25.3)
24 Mie	48,009	4,309	14,987	16,412	2,251	3,779	Yokkaichi (25.8), Suzuka (16.0), Tsu (14.6)
25 Shiga	20,817	3,070	12,302	1,970	3,800	1,815	Otsu* (22.2)
26 Kyoto	41,380	3,128	15,365	2,187	7,543	5,488	Kyoto* (146.1), Uji (15.7)
27 Osaka	197,171	44,973	57,970	11,370	14,323	12,831	Osaka* (253.5), Sakai (80.7), Higashiosaka (49.9), Toyonaka (39.6)
28 Hyogo	116,184	27,739	23,940	16,774	3,747	18,752	Kobe* (127.0), Amagasaki (50.7), Himeji (44.7), Nishinomiya (40.1)
29 Nara	14,840	1,540	4,700	723	2,064	1,470	Nara* (31.1)
30 Wakayama	28,385	7,809	1,305	12,601	2,722	1,129	Wakayama* (40.3)
31 Tottori	9,710	444	1,808	62	857	1,262	Tottori* (13.2), Yonago (13.0)
32 Shimane	6,361	1,126	1,490	155	694	832	Matsue* (13.9)
33 Okayama	39,558	9,810	12,468	23,001	4,369	4,125	Okayama* (55.0), Kurashiki (41.0)
34 Hiroshima	63,012	10,559	30,450	3,649	2,710	5,252	Hiroshima* (89.8), Fukuoka (35.5), Kure (23.3), Onomichi (10.4)
35 Yamaguchi	44,202	5,353	4,368	24,312	501	3,166	Shimonoseki (26.2), Ube (17.0), Yamaguchi* (11.6), Iwakuni (11.3)
36 Tokushima	9,490	641	1,352	2,069	682	1,447	Tokushima* (25.0)
37 Kagawa	20,315	3,136	4,332	5,376	1,133	2,641	Takamatsu* (30.0)
38 Ehime	29,212	3,289	6,961	8,102	2,175	2,552	Matsuyama* (41.2), Mihama (13.5), Imabari (12.5)
39 Kochi	5,157	518	1,186	67	414	655	Kochi* (30.4)
40 Fukuoka	60,911	16,272	11,914	9,736	1,356	6,739	Fukuoka* (108.2), Kitakyushu (105.5), Kurume (21.8), Omuta (16.3)
41 Saga	9,067	855	1,538	1,112	489	2,493	Saga (16.7)
42 Nagasaki	10,669	739	5,919	78	538	1,960	Nagasaki* (44.6), Sasebo (25.2)
43 Kumamoto	13,859	13,859	4,211	1,110	990	2,766	Kumamoto* (52.0), Yatsushiro (11.0)
44 Oita	20,066	6,838	2,366	5,565	362	1,779	Oita* (26.8), Beppu (13.4)
45 Miyazaki	8,673	408	619	2,156	785	2,463	Miyazaki* (26.6), Mobeoka (14.0), Miyakonojo (13.1)
46 Kagoshima	11,188	504	1,206	151	680	5,926	Kagoshima* (51.2)
47 Okinawa	4,279	416	30	3,156	52	1,504	Naha* (30.2)
Total	2,247,119	354,750	731,402	366,422	112,153	241,319	

\*Prefectural Capital

Source: Complete Atlas of Japan, Tokyo:  
Teikoku Shoin Co. Ltd., 1982  
DATAQUEST

# Geography and Demographics

## LOCATION

Japan is a country comprising four major islands (Hokkaido, Honshu, Kyushu, Shikoku) and more than 3,000 smaller ones running in a convex arc along the eastern edge of the continent of Asia. It lies in the temperate zone, between 20° and 46° north latitude. Its nearest neighbors are the Soviet Union (north and northeast) and South Korea (west).

In Figure 2, a map of Japan is superimposed on that of the United States to give a rough idea of the country's extent.

Figure 2

### JAPAN SUPERIMPOSED ON THE UNITED STATES



Source: Reischauer and Fairbank, East Asia: The Great Tradition, Boston: Houghton Mifflin, 1958  
DATAQUEST

## Geography and Demographics

### POPULATION DENSITY: AVERAGE

Japan has a total land area of 145,824 square miles inhabited by 118 million people (1981 estimate), which equals an average population density of 810.97 persons per square mile.

Comparing Japan with countries that have similar land areas produces the following population density comparisons:

<u>Country</u>	<u>Area (sq. mi)</u>	<u>People/sq. mi</u>
Japan	145,824	810.97
N. Zealand	102,883	30.80
Norway	125,057	34.00
Zimbabwe	150,873	48.96

Looking at Japan with reference to countries having similar-sized total populations yields the following population density comparisons:

<u>Country</u>	<u>Total Population</u>	<u>People/sq. mi</u>
Japan	118,000,000	810.97
Pakistan	89,000,000	262.00
Bangladesh	93,100,000	1,608.32
Brazil	124,700,000	35.00

It can be seen that Japan is a middle-sized country with a population that corresponds to that of a large country.

### POPULATION DENSITY: REAL TERMS

Average population density means little in Japan, however, because 80 percent of the country is only sparsely inhabited. Habitable Japan is actually a small country (30,000 square miles) occupied by a population half that of the United States. Hence, the true Japanese population density is approximately 4,000 persons per square mile in crowded areas.

The habitable 20 percent of Japan is mostly located on several plains and their associated uplands, generally in coastal areas. On these relatively narrow bands of low land huddle nearly all of Japan's cities.

# Geography and Demographics

## CHARACTERISTICS OF JAPANESE GEOGRAPHY

The majority of the sparsely populated Japanese land is mountainous. Mountain chains generally run along the axis of the Japanese islands, dividing them down the middle. Japanese mountain land is of three types:

- Low, completely forested hills
- High, craggy peaks in central Honshu (Japan Alps)
- Volcanoes, which remain active, in both the southern and northern extremities of Japan

The division of Japan by numerous mountain chains has tended to promote localism and to create obstacles to the integration of Japan as a modern state. For example, reception of the national TV channels is difficult in many areas and must be augmented by a large number of microwave relay stations on mountaintops.

Mountains, rivers, and plains--narrow plains at the ocean's edge--determine Japanese development. Typically, the plains are planted with wet rice, the uplands irrigated for rice or planted with dry crops, the "diluvial fans" planted with mulberry trees (for silk culture), and the mountains lumbered. There are many regional variations of these practices. Cities--and most of the population--huddle on the plains.

Japanese rivers are typically short and rapid, having great seasonal variations in the volume of water. These characteristics render them uneconomical for extensive transportation, but useful for crop irrigation and hydroelectricity. Banks cut by Japanese rivers are often terraced into fields in an effort to gain more food-producing land. Deposits of sediment made as rivers emerge from mountain areas are also often planted and cultivated.

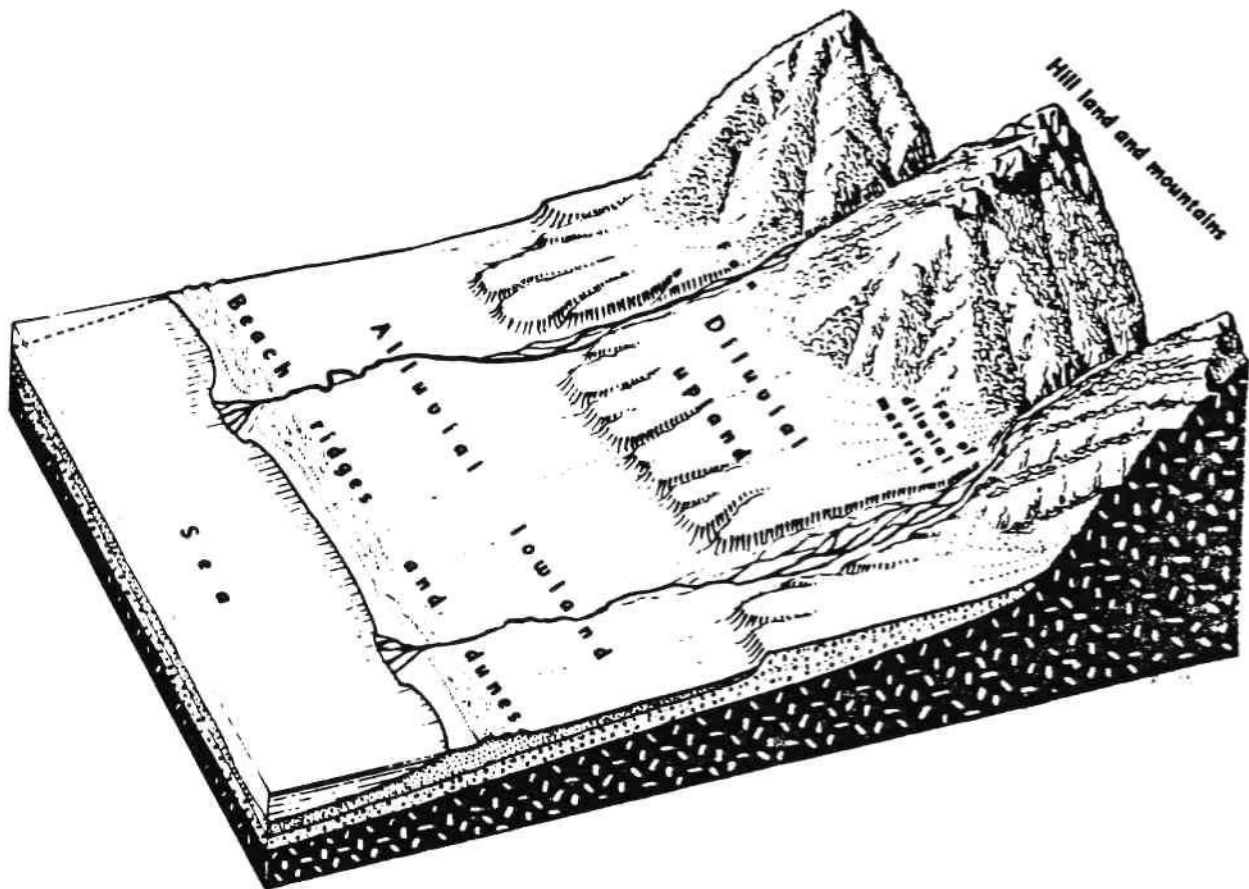
Plains must bear the burden not only of Japanese urbanism but also of the majority of the nation's food production. It is these plains that provide prime land for paddy-field or wet-rice agriculture as well as the natural sites for residential and industrial complexes. (Figures 3 and 4 together demonstrate the correlation between lowland areas and population agglomeration.) Important plains include:

- The Kanto region, upon which Tokyo and Yokohama are located. This is the largest area of continuous lowland in Japan and the most crowded, with 30 percent of the Japanese population upon it.
- The Kansai region, at the eastern edge of the Inland Sea. This plain supports the city of Osaka and is Japan's second largest industrial district.
- The Nobi region, dominated by Nagoya, Japan's third largest city. Nagoya is a gateway between the other two regions.

# Geography and Demographics

Figure 3

## FEATURES OF JAPANESE TERRAIN



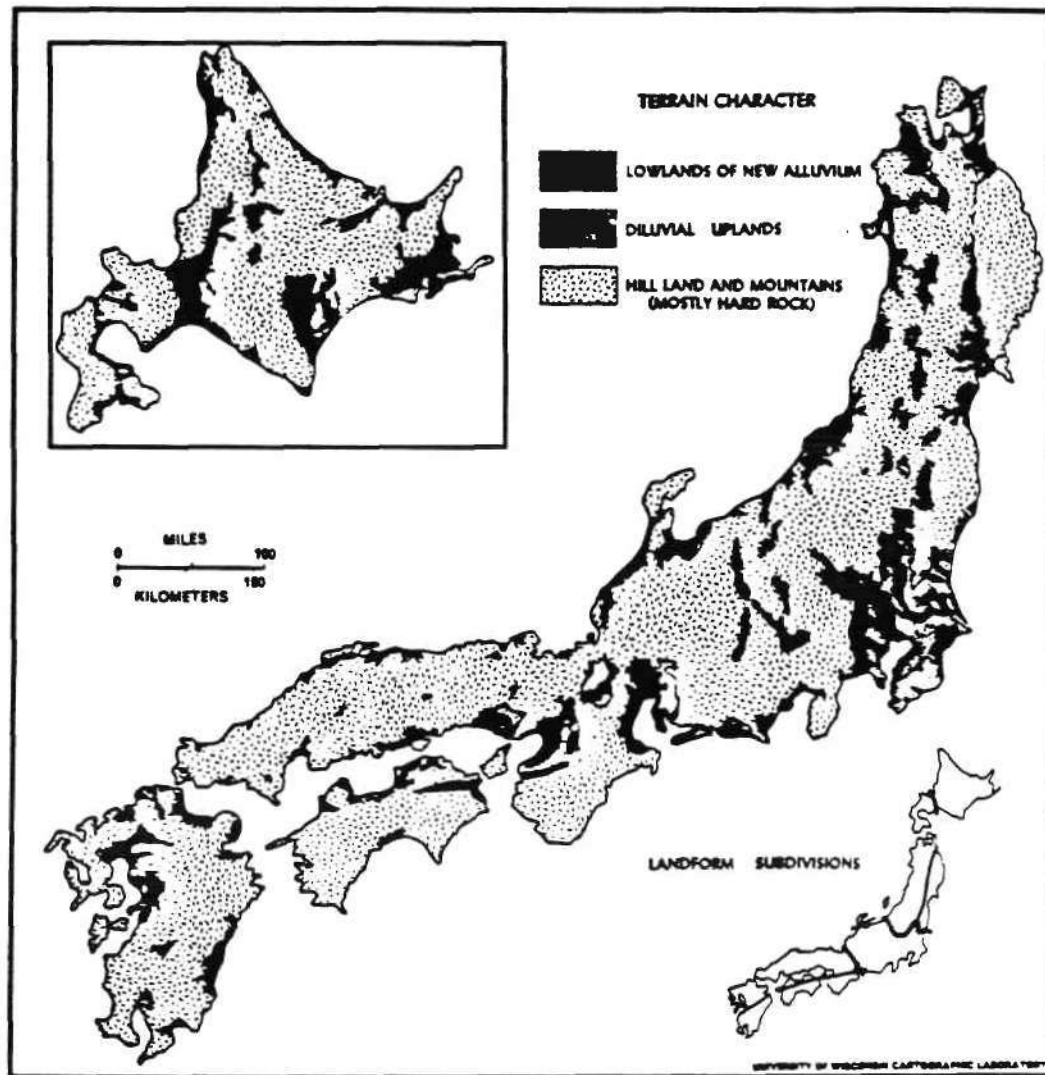
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# Geography and Demographics

Figure 3 (Continued)

## FEATURES OF JAPANESE TERRAIN

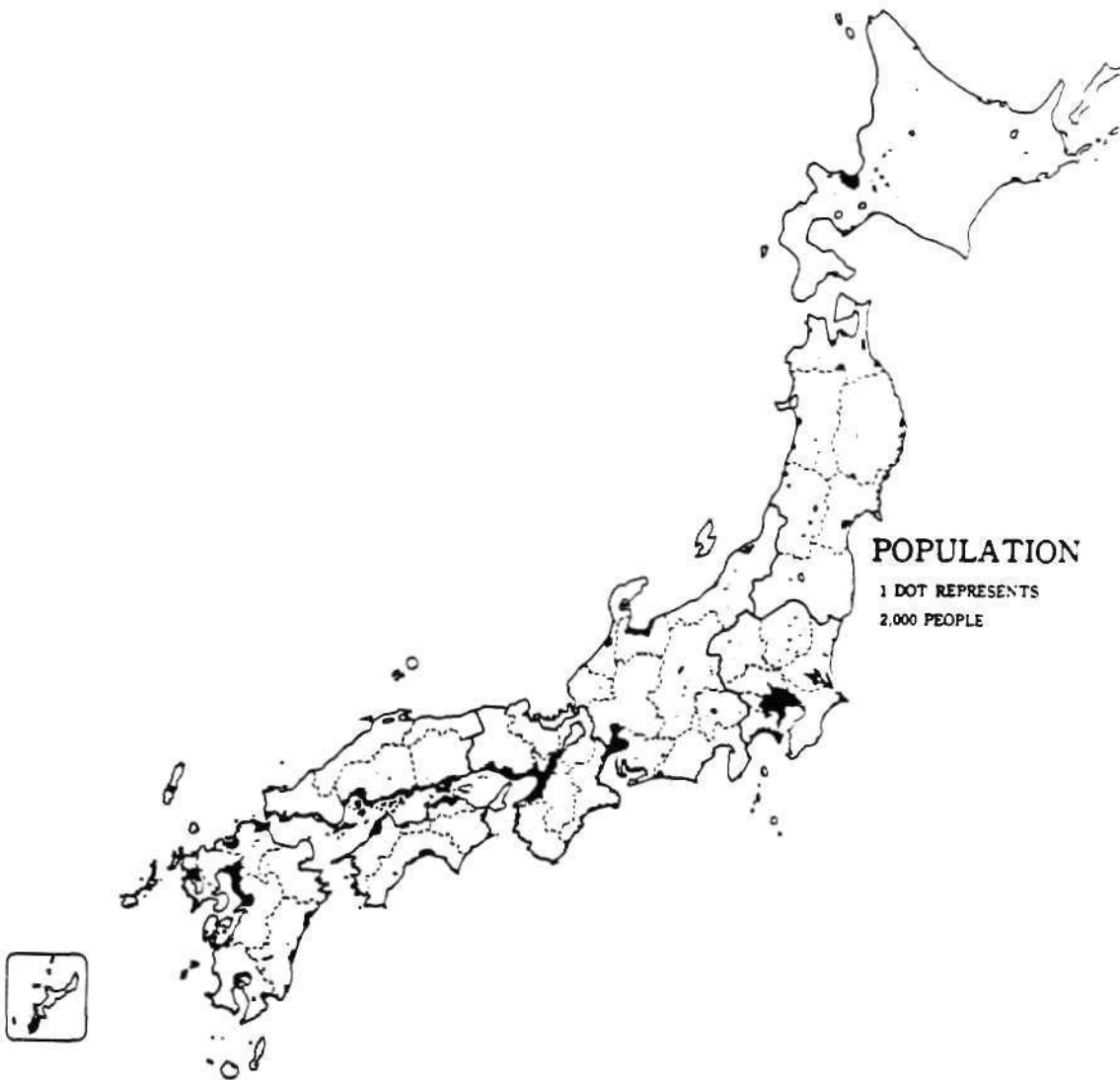


Source: Trewartha, Japan: A Geography, Madison:  
University of Wisconsin Press  
DATAQUEST

## Geography and Demographics

Figure 4

### JAPANESE POPULATION DENSITY MAP



Source: Complete Atlas of Japan, Toyko,  
Teikoku-Shoin Co. Ltd., 1982  
DATAQUEST

## Geography and Demographics

These three dominant plains, along with the Inland Sea region and North Kyushu, make up Japan's urban and industrial corridor.

### CLIMATE AND ITS DANGERS

The Japanese climate is determined by the following factors:

- Japan's location in the temperate zone, which gives it four distinct seasons
- The winter monsoon, which blows off the Asian continent bearing cold air and heavy snow to the Japan Sea side of the country
- The summer monsoon, which brings humid, rainy weather to the urban corridor on the Pacific side of Japan
- Typhoons, which visit the Pacific side between July and September
- Two ocean currents, the Kuroshio (warm), which flows south to north along Japan's Pacific coast and moderates temperatures, and the Oyashio (cold), which flows in the opposite direction from the Siberian coast, chilling northern Japan

Japan's climate, while not uniformly harsh, combines with the land forms to bring about difficulties and disasters of many kinds:

- Monsoon rains can wash out roadbeds and bridges.
- Typhoons may blow past the main Japanese islands in a southwesterly curve, but can also come inland and cause destruction.
- Earthquakes are common; Japanese seismographs register 5,000 shocks per year. Approximately 30 of these are noticeable.
- Earthquake-caused tidal waves (tsunami) may swamp low-lying coastal plain settlements.
- Heavy snowfall on the Japan Sea side often slows or disrupts transportation and communication.
- In dry regions, strong winds spread fires rapidly during the summer months.

# Geography and Demographics

Natural conditions, in addition to the population pressures on scarce land, have forced the Japanese to become well organized, cooperative, and adaptable in keeping their lives on an even keel.

## NATURAL REGIONS

Japan is divided into 11 natural regions or groups of prefectures. Since each of these regions has distinct characteristics, a survey of them provides a summary of the geography of the country. The regions are used for administrative purposes and in everyday reference (see Figures 1 and 5), and are briefly described below.

### Hokkaido

Japan's northernmost island, also its most sparsely populated, has a population density about one-fifth the national average. It is highly untypical of Japan, with large farms five times the average size. Many of these are devoted to dairy farming, the expansion of which reflects changing Japanese consumption patterns (more milk and butter). Mining and fishing are also important.

### Tohoku

Traditionally Tohoku is an underdeveloped region prone to hard times. Predominantly agricultural, it is Japan's granary for rice (20 percent of the national crop). Fast-flowing rivers generate a large amount of hydroelectric power. Industry is mostly food-processing-related; there are no coastal industrial belts.

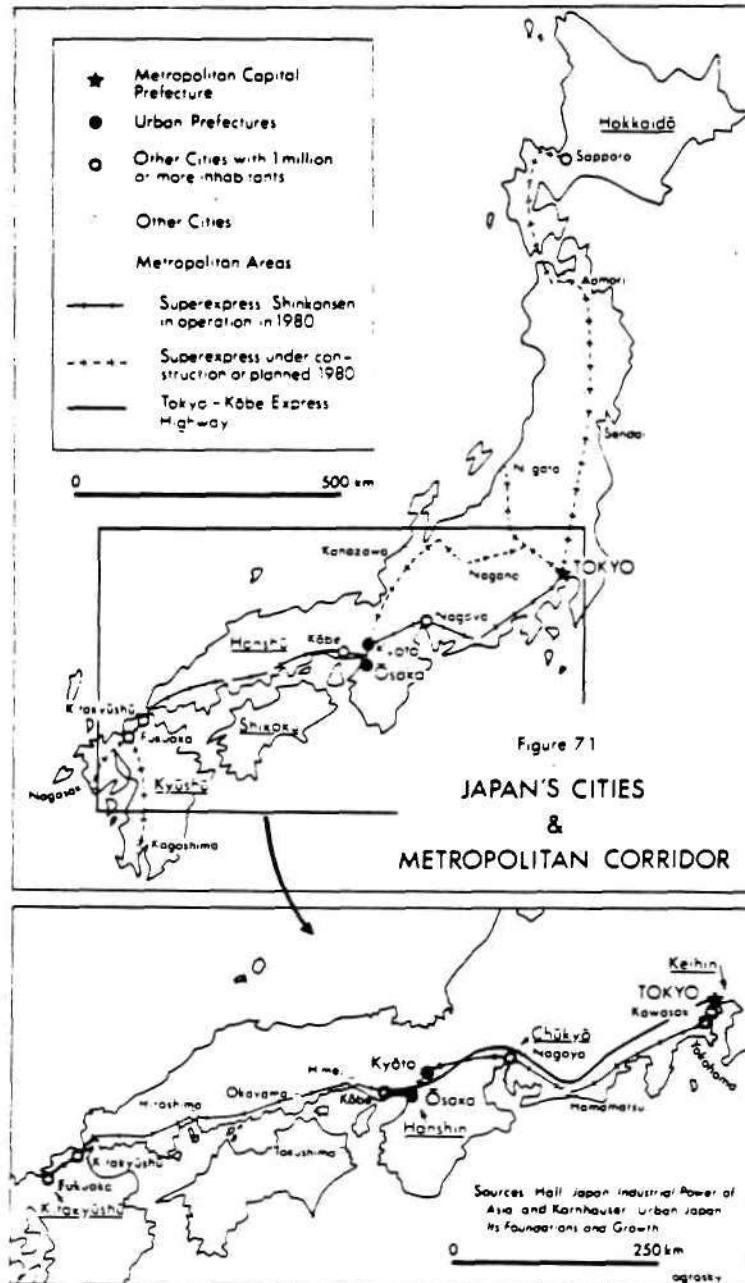
### Kanto

Japan's largest region, Kanto, supports the political, cultural, economic and intellectual center of the country--Tokyo. At Tokyo begins the great industrial and commercial belt that runs through Nagoya, Osaka, and the Inland Sea area to North Kyushu. With explosive industrial growth, the metropolitan areas of the Kanto region have been encroaching more and more upon ricelands, as well as reclaiming land from the sea. This region is the most densely populated of all Japan, and the visiting traveler immediately sees the social cost of the very high economic growth that it has been experiencing. As an example, at most major subway stations there are people employed by the Japan National Railway whose sole purpose is to help pack the trains to three times capacity.

# Geography and Demographics

Figure 5

## MAJOR JAPANESE CITIES AND METROPOLITAN CORRIDOR



Source: Burks, Ardath, Japan: Profile of a Post-Industrial Power, Boulder: Westview, 1981  
DATAQUEST

## Geography and Demographics

### Hokuriku, Tosan, and Tokai

Often grouped together as Chubu (The Middle), this triple region reflects differing ways of life: 1) on the Japan Sea coast, 2) in the central highlands, and 3) on the Pacific coast.

- Hokuriku: An area very similar to Tohoku and often considered an extension of it. Eighty per cent of the arable land is in rice culture. This region is inundated yearly by heavy snows.
- Tosan: Located in the central highlands midway between Hokuriku and Tokai, Tosan is a traditional center of mulberry growing and silk spinning. With the decline of the silk industry, precision machine factories have been established.
- Tokai: Dominated by Nagoya, this region feels the economic influence of both Tokyo and Osaka. In the Shizuoka region, tea and oranges are dominant agricultural products, and it is the orange growers in particular who have sought and received protection by limits upon the importation of U.S. oranges.

### Kinki (or Kansai)

The Kinki region contains the ancient "home provinces," home of the Imperial capital Kyoto and the great mercantile center of Osaka. The center of this region, the Kansai Plain, contains heavy settlement, and both the northern and southern portions are relatively sparse. This ancient region has never quite acquiesced to the dominance of Tokyo, and still represents Japan's second largest industrial zone. It is a magnet for immigrants from southern Japan.

### Chukoku and Shikoku

Together these regions encompass the Inland Sea, a beautiful waterway that was anciently a major transport route from the Kinki to Kyushu. Coal mined from Kyushu gave the Inland Sea its industrial start in the late nineteenth century. The majority of the region's population hugs the Inland Sea coast, and the area is now one continuous industrial belt, emphasizing chemicals, oil refining, automobiles, and shipbuilding.

## Geography and Demographics

### Kyushu

Northern Kyushu is a continuation of the Inland Sea industrial belt and contains two-thirds of the island's population. It is also becoming a center for the high-technology industries, particularly semiconductors. Southern Kyushu has a subtropical climate, is highly volcanic, and is dotted with worked-out coal mines. In more ways than one, southern Kyushu is reminiscent of America's Appalachia. There has been a steady emigration from this area to Northern Kyushu and the other regions of Japan's industrial heartland.

### Okinawa

A truly subtropical island, producing figs, sugar, and pineapple, Okinawa reverted to Japan in 1971 after being a U.S. military protectorate. Many American installations remain here.

### KYUSHU

#### Overview

Under the guidance of MITI, Kyushu--the most western and southern of the four main islands (see Figure 6)--is developing into Japan's major high-tech island for the 1980s. Mitsubishi Electric Corporation was the first to notice the favorable conditions on Kyushu, specifically in Kumamoto prefecture.

The island has seven prefectures--Fukuoka, Kagoshima, Kumamoto, Miyazaki, Nagasaki, Oita, and Saga. Spanning an area of 16,000 square miles, it is home to 13 million people and accounts for approximately 11 percent of both the land area and population of Japan.

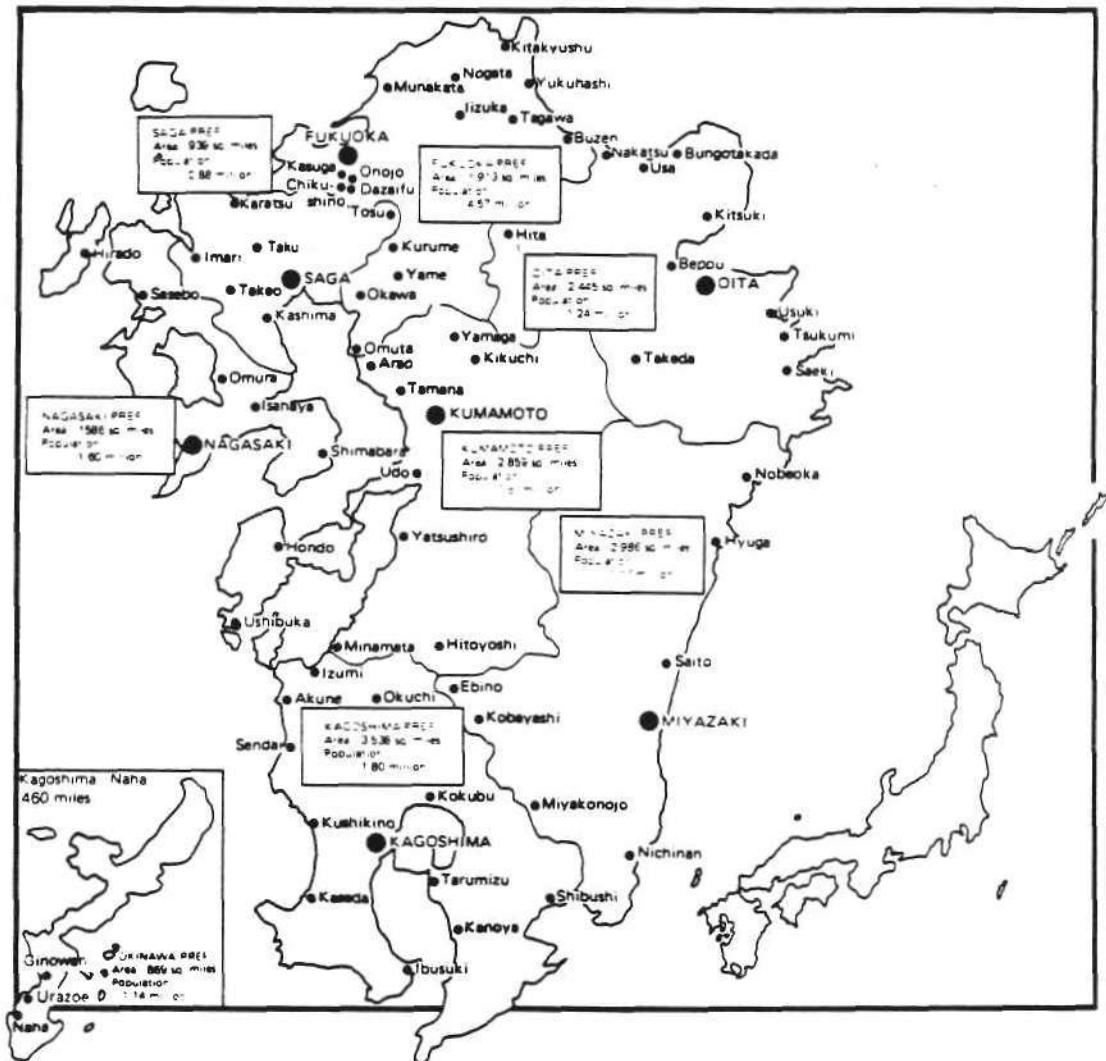
A look at the island's economic activity shows that Kyushu accounts for about 16.5 percent of the nation's agriculture production, 5.9 percent of its industrial shipments, and 7.5 percent of its sales of commercial lumber, textiles, etc. Table 2 is an analysis of Kyushu by prefecture.

During the 1970s, new industrial plants began to spring up. Mitsubishi Heavy Industries built a plant at Koyaki; Hitachi built a shipbuilding plant; Nippon Steel built its huge Yawaka plant; Nissan Motors built a truck plant; and Honda built a motorcycle plant. Now there is a rush to build MOS IC plants.

# Geography and Demographics

Figure 6

## KYUSHU ISLAND



Source: "Kyushu in Japan"  
 Kyushu International Investment  
 Exchange Conference,  
 Kyushu 1983  
 DATAQUEST



# Geography and Demographics

Table 2

## KYUSHU INDUSTRY

<u>Prefecture</u>	<u>Number of</u> <u>Businesses</u>		<u>Employees</u>		<u>Volume of</u> <u>Shipments of</u> <u>Mfg. Goods</u> <u>(Millions</u> <u>of Yen)</u>		<u>Amount of</u> <u>Value Added</u> <u>(Millions</u> <u>of Yen</u>	
	<u>(1981)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>
Fukuoka	32,790	35.7	1,566,000	37.8	5,959,000	44.3	2,191,000	47.3
Saga	4,500	4.9	278,000	6.7	918,000	6.8	347,000	7.5
Nagasaki	10,223	11.1	479,000	11.6	1,068,000	7.9	414,000	8.9
Kumamoto	13,434	14.6	551,000	13.3	1,484,000	11.0	530,000	11.4
Oita	10,507	11.4	387,000	9.4	2,011,000	14.9	509,000	11.0
Miyazaki	8,247	9.0	363,000	8.8	880,000	6.5	291,000	6.3
Kagoshima	12,162	13.3	517,000	12.4	1,148,000	8.6	352,000	7.6
Total	91,863	100.0	4,141,000	100.0	13,468,000	100.0	4,634,000	100.0
Nationwide	1,186,899		42,454,000		229,934,000		76,223,000	

Source: Kyushu Electric Power Company, Inc.,  
Regional Promotion Office, March 1985

## Geography and Demographics

Kyushu is an ideal location for the semiconductor industry for a number of reasons:

- Plentiful clean water, filtered by the lava fields
- Availability of labor due to softening in older industries
- Access to world markets via six large airports and a well-organized network of roads, railroads, and ports
- Local prefecture government support

Most important, Kyushu is an integral part of the technopolis planning of MITI. The technopolis concept aims to provide for high-technology transfer to many geographically separate regions throughout all of Japan. At the core of these centers will be a complex of high-technology industries, academic institutions, and government research, development, and administrative centers. MITI, specifically the Agency of Industrial Science and Technology (AIST), is currently conducting 19 feasibility studies on this concept. In addition to promoting the technopolis concept among Japanese businesses, the government is actively seeking foreign investment. The Fairchild Camera & Instrument subsidiary of Schlumberger has taken advantage of this government-sponsored program to develop an IC factory in Nagasaki Prefecture. See Table 3 for the case study of Fairchild prepared by the Industrial Location Guidance Division of MITI.

In 1971, the first IC plant was built, and by 1983, 25,000 people were working in eight principal plants plus a large number of small assembly plants. Texas Instruments has been manufacturing ICs (principally bipolar) for 12 years in Oita prefecture on this island. Incredibly, Kyushu now accounts for 40 percent of Japan's and 18 percent of the world's production of ICs (see Figure 7); however, these plants are not for design and development but rather only for wafer fabrication, assembly, and test.

Because of the depressed nature of Kyushu's basic industries of shipbuilding, steel, iron making, and chemicals, the local people are determined to see that the technopolis concept becomes reality.

# Geography and Demographics

Table 3

## FAIRCHILD CASE

### Outline of Fairchild

Headquarters:	Schlumberger Ltd. 277 Park Avenue, New York, New York 10172		
	<u>Capital</u>	<u>Employees</u>	<u>Product</u>
	US\$307.21 million	Approx. 82,000	Oil detecting and exploration equipment
Japanese subsidiary:	Fairchild Japan 1-15-21 Shibuya-ku, Tokyo		
	<u>Capital</u>	<u>Employees</u>	<u>Product</u>
	¥457.5 million	Approx. 85	Semiconductor products

### Factory construction plan in Japan

Plant location:	Isahaya Core Industrial Park, Tsukuba-cho Isahaya City, Nagasaki Prefecture
Size of land:	97,637 m <sup>2</sup>
Products:	Phase 1--Assembly of logic IC and linear IC Phase 2--Integrated production of IC including wafer fabrication
Construction:	Commenced February 1983
Operation:	Commenced November 1983
Equipment Investment:	Phase 1--¥6.5 billion (approx.) Phase 2--¥20 billion (approx.)
Number of employees:	Phase 1--200 at start (eventually 250)

### Choice of factory location

April 1980	Fairchild chose to locate in Japan. Major reasons for location:
	<ul style="list-style-type: none"> <li>• To comply with the demand created by expansion of Japanese market, and to improve services to Japanese customers</li> <li>• To establish a base for South Asian market</li> <li>• To take advantage of technology, labor, management techniques, and labor management systems in Japan</li> </ul>

(Continued)

# Geography and Demographics

Table 3 (Continued)

## FAIRCHILD CASE

May 1980	Establishment of Fairchild Japan  Required conditions for location: <ul style="list-style-type: none"><li>• Availability of land where factory construction can be done at the earliest opportunity (industrial park or existing empty factory, etc.)</li><li>• Industrial water</li><li>• Young male labor force</li><li>• Airport (within 1 hour's travel) or accessible to an express highway (7-8 hours to Tokyo)</li></ul>
July 1982	Screening of 30 candidate locations  Required conditions: <ul style="list-style-type: none"><li>• Availability of excellent labor and continuous employment</li><li>• Good quality of water and land</li><li>• Convenient city functions and availability of educational facilities</li></ul>
1981	Possible locations reduced from 30 to 3
January 1982	Decision of locational point decisive factor  City government became the main body to construct the industrial water system
February 1983	Start of construction work
November 1983	Planned start of manufacturing

### Supports and incentives of the Central and Local Governments

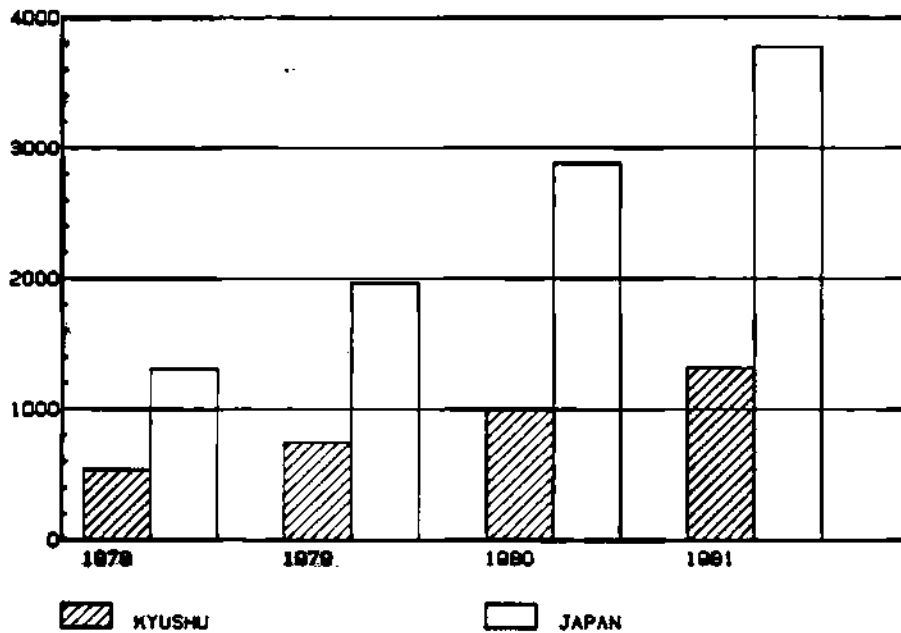
- Central Government--Special depreciation system is applied to production equipment by the Special Taxation Act. Furthermore, a loan was made by the Japan Development Bank for factory construction and an Industrial Relocation Promotion Subsidy was made for construction of R&D training facilities, etc.
- Local Governments (prefectures and towns, etc.)--In December 1982, a joint supports committee for the Fairchild location was established. It consisted of government and related organizations. Furthermore, various incentives were made available, such as exemption from real estate, corporated business, and fixed asset taxes; grants of employment promotion subsidies; and subsidies to construct environmental facilities.

Source: Industrial Location Guidance Division,  
MITI

## Geography and Demographics

Figure 7

### KYUSHU/JAPAN IC PRODUCTION (Millions of Units)



Source: Fukuoka Bureau of MITI  
DATAQUEST

### Prefecture Analysis

Kumamoto prefecture, which ranks second in number of employees (13.5 percent) and third in number of employers, will be a major force in ICs, as there now exist five semiconductor factories set down among the rice paddies. These are:

- Nippon Electric Kyushu
- Nippon Electric Kumamoto
- Mitsubishi (first factory)
- Mitsubishi (second factory)
- Kanebo Kikuchi Denshi (Mitsubishi subsidiary)

## Geography and Demographics

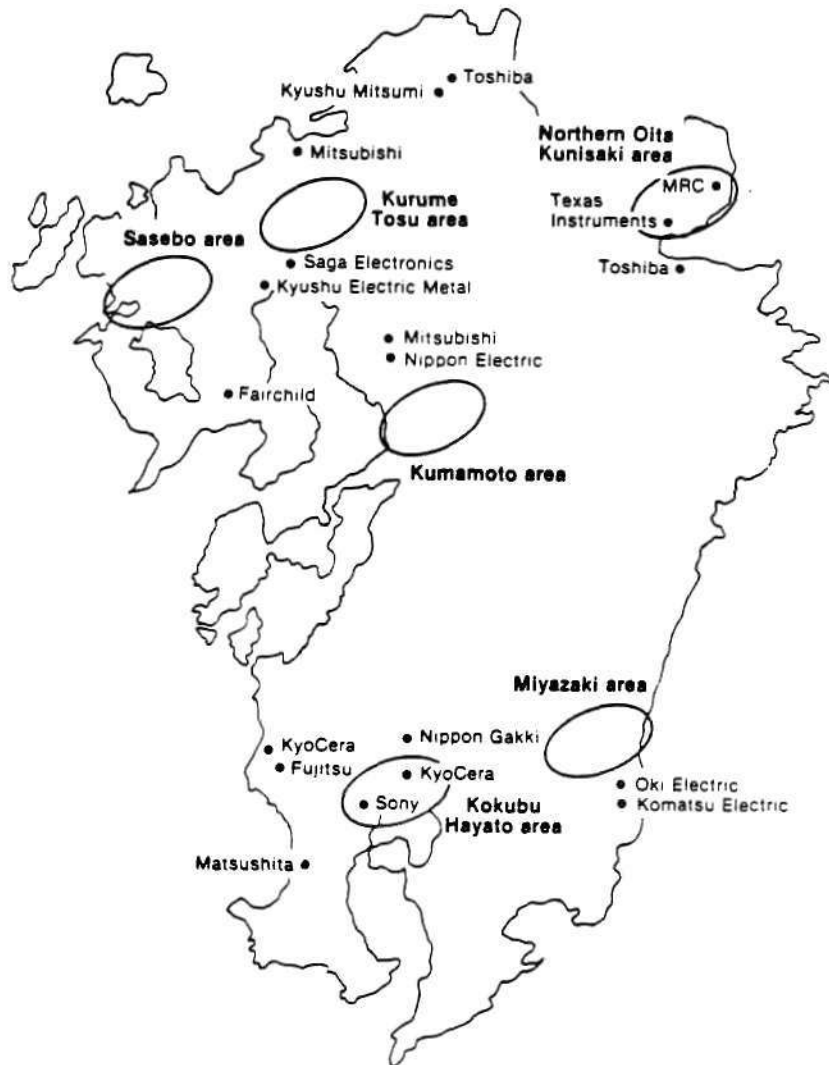
Figure 8 shows the overall location of the electronics companies and their proximity to MITI's planned technopolis sites.

Fukuoka, which contains the largest population of Kyushu's seven prefectures, has the largest number of businesses (35.9 percent), the largest number of employees (39.1 percent), the largest value of shipments of manufactured goods--¥6.1 trillion (45.3 percent), and the largest value added--¥2.2 trillion (49.4 percent). This situation is primarily due to the growth of Nissan Motors, which manufactures 34,000 Datsun trucks per month, 2,000 Sylvia passenger cars per month, and up to 5,000 Gazelles per month in the prefecture.

## Geography and Demographics

Figure 8

KYUSHU PLANT LOCATIONS AND FUTURE TECHNOPOLIS SITES



Source: "Kyushu in Japan"  
Kyushu International Investment  
Exchange Promotion Conference,  
Kyushu, 1983.  
DATAQUEST

## **Geography and Demographics**

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# Education

## OVERVIEW

Japanese students study longer and harder than American students. The Japanese Government actively supports quality education. Teachers are dedicated to assuring that all their students achieve, at the very least, a required level of competency. Parents, especially mothers, are intensely involved and supportive of their children's studies. These combined efforts produce Japanese youths who outperform American students and students of comparable age in other industrial nations, in mathematics and the sciences.

However, we question whether the Japanese educational system produces graduates that are qualitatively better than those produced by the U.S. educational system. Japan's educational system may not necessarily give the Japanese an educational competitive "edge" over the United States.

## JAPANESE STUDENTS IN ELEMENTARY AND SECONDARY SCHOOLS

A Japanese student enters elementary school at age 6 and is required by law to remain in the Japanese school system for 9 years, or until he or she finishes junior high school. However, more than 90 percent of all Japanese children attend senior high school.

Even as early as elementary school, Japanese students study longer than American students. A Japanese student attends elementary and secondary school six days a week, two months longer every school year than an American student. Furthermore, the average Japanese elementary and secondary school student is absent and truant less than his or her American counterpart.

This extra classroom time is accompanied by long hours of homework after school. Japanese elementary schools require approximately 1 to 2 hours a day of homework, junior high school requires 2 to 2-1/2 hours a day of homework, and senior high school requires more than 3 hours a day of homework.

The school curriculum is rigorous and stresses math and science courses. A standard senior high school program includes physics, chemistry, biology, geology, and four mathematics courses. The program also includes courses in a foreign language (usually English), history, art, and social studies.

In addition to regular school, more than half of all Japanese students attend a preparatory school after regular school hours and on Sunday, their only "free" day. These schools, or juku, drill students for the competitive exams necessary to enter college and lower-level schools. While most juku are geared to tutor students for college

# Education

entrance exams, some juku tutor students for exams necessary to enter the better high schools. A few juku prepare three and four year olds for entrance exams to the coveted university-affiliated kindergartens. There were nearly 50,000 juku for elementary and secondary school students in Japan in 1977. Whether the juku student's goal is entrance to a prestigious kindergarten, high school, or college, he or she has additional homework to do aside from homework for regular school.

## Teachers

### Quality

Along with intense student preparation, the Japanese educational system maintains uniform teacher quality. Japanese teachers are certified nationwide, whereas teacher qualifications in the United States vary from state to state. Furthermore, all Japanese teachers must pass an examination before being allowed to teach in any public or private elementary or secondary school. This examination was devised by the Japanese Ministry of Education and is conducted nationally with uniformly high results. Because the certification standard is national, teaching quality in Japan remains fairly uniform. More Japanese high school science teachers are trained in the sciences in college than are American high school teachers.

Once certified and hired, teacher quality remains high. Japanese elementary and secondary teachers continue to maintain and upgrade their knowledge. Teachers attend a training program financed by the Japanese Government immediately after they are hired, and again after five years and ten years on the job. Teachers also attend special programs and seminars sponsored by the government.

Teaching standards are also kept high due to the Japanese national support for all of Japan's elementary and secondary public school districts. The Japanese Government provides special subsidies to the more geographically remote and to the poorer school districts in the country. The government also provides special allowances and housing for teachers. Furthermore, it provides additional facilities and equipment in these areas to attract teachers and to maintain a high quality of education. As a result, schools throughout Japan do not vary significantly in their facilities and financial allocations, and the quality of education, as measured by the literacy level (nearly 100 percent nationally) varies minimally among the school districts of Japan.

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## **Education**

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### **Dedication**

The Japanese educational system is unique in the degree of teacher dedication to their elementary and secondary school students. A Japanese teacher's involvement with his or her students exceeds that of his or her American counterpart.

A Japanese elementary or secondary school teacher feels responsible not only for the in-class performance of his or her students, but also for their behavior and personal lives outside the classroom.

The teacher customarily foregoes a vacation during the school break. Instead the teacher generally reports to school two or three times a week to check on his or her students' studying progress by meeting with them or their parents.

American teachers may give up on the more difficult to teach students. Conversely, Japanese teachers enlist the help of others, including parents and fellow students, to tutor such students and help them reach the required level of knowledge by the end of the school year.

The Japanese teachers' dedication to their students is admirable; however, their tendency to oversee their students' lives outside school has certain aspects that Americans would consider unacceptable and overly intrusive. For example, Japanese teachers have forbidden their students to wear hair styles that they consider overly elaborate and insist that female students do not socialize with the male students. There have been cases where before school vacation time, teachers have told their students' parents where they should or should not take their children on holiday for the children's best development.

### **PARENTAL INVOLVEMENT**

Another manner in which the Japanese educational system differs from that of the United States is the degree of parental involvement in their children's pre-college education.

Parents of elementary and secondary school students commit themselves to aiding their children to obtain the best possible formal education. Their efforts are aimed toward getting their children admitted to the more prestigious colleges. Admission to these colleges virtually assures their children excellent livelihoods for their working lifetimes.

## Education

Since competition is keen for the relatively few freshman openings at these universities, parents help their children prepare for exams at an early age.

Traditionally, the mother is intensely involved with guiding and supervising the children's exam preparation and study. A mother helps her children with their daily homework from the time they enter elementary school at age 6. Because the content of the coursework has changed since the time a mother has attended school, mothers must themselves study in order to help their children. To prepare, mothers read their children's textbooks, other books, and get tutoring.

When the children's coursework exceeds the mother's educational level, she takes additional work or trims the family budget to pay for outside tutoring for her children.

Also, years in advance, a mother begins cultivating people who may be influential in getting her children into college. Because they are so intensely involved in their children's college entrance examinations, it sometimes appears that Japanese mothers are also preparing for college.

Applications for college admission are given out in person during a period of two to three days each year. Mothers stand in line to apply for admission for their children, sometimes waiting overnight. Mothers and occasionally fathers accompany their children to each college entrance exam and wait in a room near the testing room. In a typical college admission process, a student takes two or three exams over a period of 8 to 10 days.

### RESULTS

The combined efforts of family, teacher, students, and government support have yielded positive results. Approximately 97 percent of all Japanese students entering high school finish the curriculum, compared to only 79 percent of American students who start and finish high school. In addition, in the sciences, Japanese students ranked far above American students in a 19-country comparative study of scientific education at the secondary school level.

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### EDUCATION: A MEANS OF PASSING THE COLLEGE ENTRANCE EXAMINATIONS

Japanese primary and secondary school education is geared toward preparation for college entrance examinations. Graduation from a prestigious university assures a student a job with a top Japanese firm or even a position with a government ministry. These employers recruit only students graduating from the prestigious universities. Once employed, a student's future is set until retirement age. Large companies and civil service retain their employees until retirement. Lateral movement into a company rarely occurs, so once employed, a student has "lifetime security."

The only means of entry into these top firms is through a prestigious university, and the way into the university is by passing and scoring well on an objective examination.

The college entrance exams affect all Japanese students, not just the future business leaders and civil servants. The exams not only identify the individuals who will become the Japanese business and government elite, but they also identify individuals who will not enter the prestigious universities and instead take the lesser white collar jobs, become the blue collar laborers, or become part of the unskilled labor force.

American colleges admit students based on criteria other than examination scores--including recommendations from teachers and civic leaders, presence of significant and worthy extracurricular activities, leadership potential, and disadvantaged status. These criteria are simply not major factors in a Japanese university's decision to admit a high school senior to the freshmen class. Instead, its decision turns on the passing and ranking of the college entrance exams.

The number of openings available for freshmen as well as the number of prestigious universities are limited. With about twice as many Japanese students trying to attend college as all French or British college applicants combined, the competition for college entrance is fierce.

The college entrance examinations are crucial to determine the future of Japanese primary and secondary students. Pre-college education is keyed to studying, passing, and scoring high on the college entrance exams. Except for vocational high schools, practically all high schools design their curricula and teaching to prepare their students for the college entrance exams. Many schools have a system where American-type textbook-based teaching in the major subjects is abbreviated and

## Education

completed by the second year. The rest of the student's time in high school is spent drilling from drill books containing past examination questions. Most students take a series of exercise tests in order to improve their test taking abilities. This examination-oriented schooling has been criticized for destroying secondary education and stunting the Japanese students' personal, social, and intellectual growth.

Examination-oriented education is also evident at the elementary school level. Education in primary school and in preparatory school emphasizes drilling the students on the information necessary to prepare them for the tests required to enter the better high schools. Certain high schools have successful track records for placing graduates in prestigious universities. For example, one-third of all Tokyo University freshmen graduated from 10 private high schools in Japan.

### NEGATIVE EFFECTS OF EXAMINATION-ORIENTED EDUCATION

Examination-oriented schooling at the primary and secondary school level has been criticized as providing less than a full education for Japanese students. The emphasis placed on scoring high on exams and the resulting pressure placed on elementary and secondary students have retarded much personal, social, and intellectual growth.

Since many Japanese students study every day, very few engage in leisure activities that are a part of an American student's adolescence and contribute to the development of social and personal maturity. For example, few students date, go to movies, or engage in sports.

Also, a Japanese student's single-minded devotion to doing well on a test discourages intellectual creativity and individuality.

The pressure accompanying test performance has led to suicides, violence, and runaways. A significant number of Japanese students refuse to attend school at all.

### COLLEGE ENTRANCE EXAMINATIONS

In January of each year, high school seniors and graduates take a national college entrance examination at universities and other designated testing sites throughout Japan. The examination tests proficiency in the Japanese language, science, mathematics, English, and social studies.

## Education

This national test is taken by all students who wish to enter public universities. Students who intend to enter private colleges take an examination given by the individual private college. For those students who desire to enter a public university, this national exam is just the first exam; they must also take an exam given by each public university they hope to attend. Typically, students do not limit their chances for a college education to a single university. They may take 3 or 4 exams at different universities in the space of 8 to 10 days.

### NEGATIVE ASPECTS TO THE COLLEGE ENTRANCE EXAMINATIONS

The process of college placement through examination raises questions regarding social equity and fairness. Intellectual preparation for these examinations takes time and money. Despite parental dedication and support, many intelligent Japanese students may not be able to pursue higher educations because of lack of money for extra tutoring and educational materials. Due to the practice of lifetime employment by large Japanese firms, these students do not have much hope for futures as Japan's elite business leaders or civil servants.

These examinations appear to perpetuate an elite class. A disproportionately high number of admittees to top Japanese universities come from the higher than average income families. Despite the avowed impartial competition for positions in universities, the sons and daughters of the business and government elite appear to be destined to continue in their parents' footsteps.

Occasionally, there also have been instances where the financial situation of a student's family has directly influenced the decision to admit a student to a university. A few years ago, it was discovered that the parents of several high school seniors paid sums of money to obtain copies of the questions and answers for a Waseda University entrance exam. In addition, there have been some reported instances in private and public universities where "gifts" or "donations" from parents to the universities and their officials got their children into college when they might not have been able to enter otherwise. A 1977 survey indicated that such "donations" averaged from US\$42,000 to US\$56,000 for the professional schools. It was found that the lower the college entrance examination scores, the larger the donation.

Entry to a university by examination bars many Japanese students from the lower economic classes from entering and achieving a status better than their parents. Unlike the United States, Japanese colleges have no affirmative action programs. There are no special programs to accommodate, for instance, Burakumin, Ainu, Korean, or other children from groups subject to social discrimination in Japan.

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Moreover, the college entrance examinations do not accommodate individuals who develop skills and maturity later in life. The examinations also work unfavorably for those who are not adept at objective test taking.

### JAPANESE UNIVERSITIES

While Japan boasts of approximately 382 colleges and universities, most of these schools would have limited, if any, interest to a student hoping to enter the business world as an engineer, as an executive, or as a member of the civil service. Most of the colleges in Japan have limited curricula or are otherwise unattractive due to location in rural areas, e.g., regional colleges; one-specialty colleges; junior colleges; colleges designed for the traditionally female curricula; or technical colleges. In fact, less than 10 universities (predominantly public and former imperial universities) are considered ultra-desirable to students hoping to enter the business world or the bureaucracy. For these schools, there are at least 10 applicants for each opening in the freshman class.

The universities are ranked in pyramid order, with Tokyo University alone at the pinnacle, other government universities on the next level with some of the more selective private universities, and at the bottom of the pyramid, the private universities with the average teacher/student ratios of 1:120.

### Tokyo University

The ultimate goal of every Japanese elementary and secondary school student is Tokyo University, a public university. Tokyo University graduates are assured a future with the cream of Japanese firms, government ministries, and the legislature.

Four out of every five civil servants are Tokyo University graduates. Eight of the last Japanese prime ministers, including the present prime minister, Yasuhiro Nakasone, have been Tokyo University graduates. Approximately one-third of all representatives in the Japanese legislature and almost 50 percent of the business elite are Tokyo University graduates.

The top Japanese firms and ministries recruit heavily from Tokyo University graduates. While they may also recruit from other selective prestigious universities, they will almost certainly recruit from Tokyo University. Consequently, entry into Tokyo University guarantees access to job offers to the most desired companies and government ministries in Japan.



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Entry into Tokyo University is also important for the friendships formed there. Graduates form an interpersonal network with individuals from their graduating school. These networks are important since graduates call upon former classmates or fellow school graduates for guidance or assistance in business. Access to Tokyo University's network is highly desirable since it is the most influential and gives a Tokyo University graduate access to assistance and advice from fellow graduates in the top companies, civil service, legislature, academia, and the law.

Entrance to Tokyo University is important to a science or engineering student's job prospects. Tokyo University has the lowest teacher/student ratio of any university in Japan, with an average of 1 teacher to every 4 students. By contrast, there is an average of 1 teacher to every 8 students at other government universities, and 1 teacher to every 29 students at private universities. Thus an engineering student benefits from engaging in a more personal relationship with his or her teachers. This personal contact between student and teacher is important because companies in Japan contact university teachers for names of students to recruit. A Japanese student does not initiate contact with a firm for desired employment--the firm contacts the student.

For scientific and engineering positions, Japanese firms rely more heavily upon the recommendations of a would-be applicant's former professor in the hiring decision than they do when filling a managerial position.

### Private and Public Universities

Japan's universities and colleges are divided between public and private schools. Three-fourths of all universities are private. These private universities take four-fifths of all Japanese college students. Unlike the United States, entry into one of Japan's public colleges is considered more desirable than admittance to the private universities.

The budgets of private universities are meager compared to the public universities. Public universities like Tokyo University are heavily endowed and are given financial support from the national budget. The Japanese budget allocated approximately 2.8 billion dollars for public universities in 1976. Private colleges are funded by tuitions and receive only small government subsidies.

Private universities charge their students three times more tuition than public universities, and spend only one-third as much on their students. They are not very desirable for engineering or science students. Instead, the private universities emphasize teaching the social sciences because these subjects do not require expensive

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## **Education**

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equipment. When they do teach the natural sciences, their equipment is more than likely to be outdated and scanty. Indeed, there are more science majors enrolled in public universities than in private, despite the fact that three-fourths of all Japanese college students attend the private universities.

Furthermore, the teaching quality is more diluted in a private university than a public one. The average ratio of teacher to students is 1:29 in private universities, compared to 1:8 in public universities.

### **QUALITY OF JAPAN'S COLLEGE EDUCATION**

While a Japanese student may study longer and harder than his or her American counterpart from elementary school to high school graduation, an American college student may catch up to the educational level of a Japanese student, thus equalizing their educational backgrounds and knowledge.

After the intense preparation and careful supervision by teachers and parents demanded of students to enter college, many Japanese students find the quality of their education and teaching plummets when they finally attend a university.

Personal contact with teachers may be almost nonexistent. In some universities, Japanese students attend classes in overcrowded classrooms and hear lectures from microphones. Students have complained that they did not meet a university professor in the entire four years they spent at the university.

Moreover, once in college there is no pressure on Japanese students to study and maintain a minimum academic level to stay in college as there is in American colleges. Once admitted, a Japanese college student automatically progresses toward graduation. Japanese universities consider graduation of its students to be an obligation. Often students do not bother to attend classes.

Japanese college students who do attend classes find little coursework that will be directly applicable to their careers as executives with a company or as civil servants. Such students take an undergraduate major in law or economics. They do not pursue postgraduate educations with specialized coursework in business administration or international relations as do many American students with business or civil service aspirations.

## Education

Companies view business as a subject to be taught on the job through first-hand experience rather than through academic study. If the company perceives a need for formal academic training for one of its employees, it will send that employee to school either in Japan or abroad. For example, a student might attend Stanford's Business School to learn the American methods of business management. Companies prefer to hire a generally educated Japanese with an undergraduate degree. Findings of a 1969 survey indicate that few individuals with postgraduate training reach the top firms. Of approximately 400 surveyed executives of top Japanese companies, 90 percent possessed college degrees, 4 percent had masters-level educations, and only 6 percent possessed Ph.D.-level educations.

### A Special Educational Problem--Engineering Education

The academic college education of any entry-level Japanese executive or civil servant is less demanding as well as less specialized than that of an entry level American executive or civil servant. However, the educational discrepancy is considerably more in the area of engineering education.

More Japanese graduated with engineering degrees in 1981 than did Americans (87,000 versus 63,000). However, compared to the United States, engineering education in Japanese universities is outdated and old-fashioned.

Japanese engineering students concentrate on learning abstract principles of science and on rote learning, and have little in the way of the hands-on training that is a part of the education of an American college engineering student.

In the United States, industry and academia have cooperated to allow U.S. engineering students opportunities to work with some of the new technologies. Japan has not followed the U.S. example due to lack of funding and due to the reluctance of the university engineering departments to dilute their authority over the college curricula.

Japanese engineering students also lack access to new equipment or teachers familiar with the newer technologies. At Tokyo University, the engineering department's facilities have had only slight improvements since the 1950s. Moreover, the faculty, hired until retirement, has increased only slightly in the past 20 years.

## Education

Japanese high-technology industries that hire engineering students recognize the deficiencies of a university engineering education and have instituted company on-the-job training. At Sony Corporation, for instance, a new engineering graduate receives up to six months formal training in the company classroom, as well as on-the-job training and supervision by experienced engineers.

To expose engineers to training outside their job experience and, hopefully, to give engineers the necessary intellectual breadth to create new products, high-technology companies such as Nippon Electric, Sony, and Hitachi are setting up semiformal educational institutes. Nippon Electric, for instance, has sent more than 5,000 of its engineers over a 10-year period to an intensive, specially designed course at the Hitachi Institute of Technology.

Although a recently graduated U.S. engineer may have benefitted from a high-quality education, he or she may not long enjoy the educational superiority over his or her Japanese counterpart. With on-the-job training, the Japanese engineering student's initial deficiencies are erased over time. Eventually there will be a point where a Japanese engineer will reach a level of education and knowledge that equals that of a U.S. engineer upon college graduation.

### JAPAN'S EDUCATIONAL SYSTEM--SUMMARY

The Japanese educational system produces primary and secondary students who are academically superior to students of comparable age in the United States and other industrial nations. However, the Japanese educational system has grave deficiencies at the college level. Consequently, whatever educational edge the Japanese secondary school student may have over an American student of comparable age is usually lost by the time he or she graduates from college.

In our opinion, the Japanese educational system has many negative aspects and social disadvantages that would make it unattractive in the United States.

## Education

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# Japanese Legal System

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## OVERVIEW

The Japanese legal system is a good example of Japan's ability to take from foreign cultures and adapt certain features to fit its needs. The present Japanese legal system is a mixture of legal concepts from China, Germany, France, and the United States.

Japan first took the Chinese legal system and adapted it to fit its customs. After its exposure to European nations in the late nineteenth century, Japan incorporated many aspects of European legal systems.

During the postwar Allied occupation, the Japanese constitutional, civil, commercial, and criminal codes were revised to reflect concepts from the American legal system. While a few elements from other legal systems remain, the Japanese system structurally follows the American system.

In operation, however, the system is uniquely Japanese. For instance, unlike Americans, the Japanese avoid using lawyers and going to court to resolve disputes. They prefer to resolve civil and labor disputes by reasoned discussion, conciliation, and mediation. The Japanese are not comfortable with the adversarial method of resolution that Americans practice both in the courtroom and in domestic business negotiations.

Instead of turning to litigation, parties who cannot agree call in an individual whom all parties respect to act as advisor and mediator. Rarely do civil disputes reach litigation, which is generally reserved for criminal cases.

As a result of this attitude the number of court cases in Japan is small. For every 20 lawsuits brought in the United States in 1980, there was one lawsuit brought in Japan. The total number of civil actions brought in all Japan was approximately one-half the number brought in the state courts of California alone.

There are far fewer attorneys per capita in Japan than in the United States. In 1982, there was one attorney for every 10,000 Japanese versus one attorney for every 400 Americans. In that year, the United States had approximately 535,000 lawyers; the state of California had 70,000; and Japan had about 12,000.

The Japanese do not use attorneys as much as Americans do. Many transactions that would involve an attorney in the United States do not require the services of a Japanese attorney. The Japanese rarely consult lawyers to purchase their homes, file their tax returns, or get a divorce.

# Japanese Legal System

The custom of informal consultation between business and government known as "administrative guidance" eliminates the need for numerous private attorneys to interpret laws, give advice, and represent private business in compliance with government regulations and actions. For Japanese corporations, those law-related tasks that do not involve trial work are performed, in most instances, by individuals who are not lawyers.

## JAPANESE CORPORATE LEGAL SECTIONS

The law-related tasks of Japanese corporations, with the exception of trial work, are handled by corporate legal departments, designated as "General Affairs Sections," "Business Sections," or "Archive Sections." These sections are usually staffed by employees who have learned corporate legal practice through their experience with the company. They are familiar with laws relating to business transactions, although few are attorneys and some may not have been familiar with business law before employment. These sections handle law-related tasks for the corporation, including the preparation of domestic contracts. When a matter must be litigated, the staff then passes the matter along to a practicing attorney or law professor.

Although the corporate legal departments may handle international as well as domestic contracts, international contracts are often handled by separate sections known as "Overseas Business Sections," or "International Trade Sections." These, too, are staffed by nonattorneys.

In the United States, it is common to find attorneys for one or all parties present at a business meeting. In Japan, it is considered inappropriate for an attorney to be at a business meeting unless the attorney is also a business executive and is present and acting in that capacity. To the Japanese, the presence of a lawyer indicates a lack of trust by the party bringing the attorney, since lawyers are traditionally used for litigations. Business negotiations may cease or become more difficult because an attorney is present.

## JAPANESE LEGAL EDUCATION

Japanese legal education differs radically from that in the United States.

# Japanese Legal System

## Undergraduate Law Education

Many private and public universities in Japan have law departments and offer an undergraduate degree in law. Japanese undergraduate law programs, however, are principally geared to educate future business and government leaders and not to train future lawyers. Graduates with a undergraduate law degree from a prestigious university are heavily recruited by large firms and government ministries, and the top personnel of large Japanese companies and government ministries are almost exclusively persons with law degrees. Less than 1 percent of law undergraduates continue on to become practicing Japanese attorneys.

## Graduate Law Education

The United States boasts a multitude of law schools that educate its lawyers. In Japan there is only one law school, the National Legal Training and Research Institute, run by the Supreme Court of Japan. To become an attorney, judge, or public prosecutor in Japan, one must take and pass an examination for this institute that is far more rigorous than any American bar examination.

After passing the examination and being admitted to the institute, the admittee begins a two-year training program and chooses one of three career paths: practicing attorney, judge, or public prosecutor. While attending the institute, admittees are paid a salary from government funds out of the government's budget. Law professors who have taught at public universities (as opposed to private institutions) for at least five years are exempted from training at the National Legal and Research Institute.

The examination for entrance to the institute is given once a year for the 500 places available. In 1982, approximately 30,000 Japanese took the examination. Very few who take the examination pass it, and it is rare to pass the first time, if at all. Often, applicants attempt to pass the exam four or five times before passing or giving up. In 1975, 472 of 27,791 applicants or 1.7 percent of those who took the examination passed. This rate is extremely low when compared to the pass rates of American bar examinations. For instance, the pass rate for the Winter 1982 California Bar Examination, one of the most difficult state bar examinations in the nation, was 47.5 percent.

The institute entrance examination has both written and oral parts, and it tests many areas, including constitutional law, civil law and procedure, commercial law, criminal law and procedure, administrative law, labor law, international law, conflict of laws, bankruptcy, political science, economics, accounting, and psychology. The graduation



# Japanese Legal System

exams from this institution are, on the other hand, a mere formality, and the success rate is almost 100 percent. Thus, in Japan, the weeding out is done up front, whereas in the United States it occurs both during and at the end of the legal education.

## DIFFERENCES FROM THE AMERICAN LEGAL SYSTEM

The modern Japanese legal system, although essentially modeled after the U.S. system, lacks a few of its prominent characteristics. For instance, there is currently no trial by jury in Japan. All decisions are made by a judge. Jury trials were attempted for a short time in Japan, but did not fit into the Japanese concept of justice and were later discarded.

Furthermore, Japanese jurisprudence has no concept of legal precedent. In American law, a court decision is binding until another court challenges the court's reasoning. Under Japanese practice, each case is applicable only to the parties involved. Judges hearing cases with the same issues can decide differently; prior decisions have no binding effect.

The Japanese legal system has a characteristic that is uniquely Japanese and not present anywhere in the American legal system: Apology plays a prominent role in the Japanese legal system. If private individuals or corporations are found at fault in civil or criminal cases, they often apologize publicly for their behavior. A public apology by an offending company is often a part of a court settlement. For example, the Chisso Corporation, a chemical manufacturer, was ordered by the court to apologize to individuals and their families who were harmed by its dumping chemical sewage into Minimat Bay.

The act of apologizing is also significant with regard to punishment. A Japanese judge sets the punishment of an offending individual or company after considering factors, including whether or not they have tendered any apologies for their actions.

## JAPANESE CONTRACTS

The Japanese take a different attitude toward contracts than do Americans. The Japanese believe that it is difficult to anticipate and contract for all possible situations that can emerge from a business relationship. They feel that a single written document cannot possibly cover all contingencies. Furthermore, they believe that if the parties

## Japanese Legal System

involved in a business relationship are mutually sincere and trustworthy, any problems that might arise can and indeed should be solved through cooperative efforts.

Consequently, Japanese business executives tend to shy away from detailed and numerous legal provisions in their contracts. They find American contracts with a multitude of provisions to be too rigid. And most Japanese executives value flexibility and a certain resulting vagueness in their contracts.

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## **Japanese Legal System**

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# Japanese Working Women

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## OVERVIEW

A significant development in Japanese society since World War II is the marked increase of women in the work force. The number of working women has nearly doubled in the past 10 years. Despite their increased presence in the work force and the existence of equal opportunity laws, however, Japanese women do not have job opportunities, pay, training, or promotions equal to their male co-workers.

One major reason for the disparity in treatment is the attitude of Japanese management toward working women. Japanese management is almost exclusively male. Less than 1 percent, actually 0.3 percent, of all managerial posts in the top Japanese companies are held by women.

Japanese management prefers to hire female employees, of whatever educational background, for nonprofessional jobs. A typical job that a woman is shuttled into is the job of "Office Lady" or "O.L." An "O.L." pours tea for male workers, runs errands, answers the telephones, cleans rooms, and makes copies.

Japanese management resists hiring women for professional positions, and most male company executives wonder whether women are serious about having careers. As one executive stated, they believe that a woman's goal in life is to marry and have children:

Women receive a basic education at school, learn about society through employment experience, and then quit their jobs to get married and bear and care for children. This is a truly worthwhile life. The results of the efforts of Japanese women are reflected in Japan's economic achievements. Thanks to the strict discipline of their mothers' upbringing, Japan's workers are among the most hard-working and best quality in the world.

Consequently, management does not consider it cost-effective to place women in professional positions and invest time and training on them when they will leave as soon as they marry or have a child. Management's rationale can be bolstered by statistical data. Nine out of ten female employees leave their jobs before age 25 to raise a family. However, management practices play a major role in forcing women employees to depart from their jobs.

Management denies Japanese women the same career avenues, pay, training, or promotions available to male workers. It is therefore not surprising that women faced with the lack of a career future become discouraged and leave their jobs at their first opportunity.

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## **Japanese Working Women**

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Japanese business shuns hiring Japanese women who have college educations. Although about one-third of all college students in Japan are women, about one-fourth of the women with four-year college educations cannot find work. Furthermore, approximately 15 percent of women with a junior college education cannot find work.

In the United States, generally speaking, the more education a woman has, the more likely she is to be in the labor force and the less likely she is to be unemployed. In Japan, the converse is true. The more education a woman has, the less likely she is to find a job. Japanese business consciously avoids hiring educated female workers. Management shuns hiring women for professional positions. In addition, Japanese business is reluctant to hire college-educated women for nonprofessional positions because employers believe, quite rightly in many cases, that a college-educated woman will not be content to work as "Office Lady" and will cause trouble at the company.

### **JOB OPPORTUNITIES**

When Japanese management does hire women, it separates them from the male employees and shuttles them into nonprofessional-type positions in a very overt manner.

Applications for managerial or professional positions often have the words "male only" on the first page. Companies have separate hiring windows, one for male and another for female applicants.

Such hiring practices are not limited to private industry. The Japanese civil service, until very recently, openly excluded and discouraged women applicants from managerial and other professional-type positions.

For example, the Japanese tax department used to give two separate job qualifying exams; one for women and one for men. The exam the male applicants took qualified them for tax work. After being hired, the male employees were sent for extensive training and were given their first raise after six months. Women applying to the same department were given the "female" exam, which admitted them only to general office work. Once hired, they began working without training and had to wait one full year before their first raises.

As a result of these past practices, Japan ranks second from the bottom of industrial nations, behind only Pakistan, in the percentage of women in nonclerical positions in government civil service.

# Japanese Working Women

## PAY

Women are paid less than men in Japan, even when they have the same education. In a 1978 government survey, only 27 percent of Japanese businesses gave the same salary to men and women with the same education. There is a large differential between male and female earnings in Japan, larger than in most industrial countries.

In addition to getting less pay than men, Japanese women are also often excluded from receiving the various fringe benefits that make up a significant part of a male employee's wage. For example, the family allowances given to male employees with families are often withheld from female employees who also support their households.

Women workers also lose out when "efficiency pay" is given to employees, usually receiving substantially less than men. Efficiency pay is given to reward Japanese workers on the basis of their ability. However, women employees, with few exceptions, receive less than men because Japanese management presumes that they have less ability than male employees.

## TRAINING AND PROMOTION

In Japan, on-the-job training is the key for an employee to achieve the necessary job skills and be promoted to higher professional positions. Without the appropriate training, an employee will have little, if any, upward mobility within a company.

Women employees are usually excluded from the training opportunities available to male employees simply by being channeled out of the professional track and into clerical or other sub-professional jobs. Once on that nonprofessional track, women are not promoted as quickly as men.

## EARLY RETIREMENT

Japanese working women also receive unequal treatment in the area of retirement. They are asked to leave their jobs at a substantially earlier age than their male co-workers.

## Japanese Working Women

The retirement age for Japanese male employees is 55 or 60. Employers expect their female employees to retire when they marry or have their first child, or when they reach the "ripe old age" of 27 or 30. This practice of early departure is referred to as "early retirement."

The employer's rationale for early retirement for women employees is based on an argument of diminished productivity. Employers are said to feel that a married woman who works will have divided loyalties between work and home and will be "only half a person" at work. They have stated that their female employees will have less energy to devote to their jobs because they have to do housework at home.

Moreover, many employers feel that women should "retire" at 27 or 30 from a job because their decorative value to a company is diminished beyond those ages. As one company vice president stated in defense of firing a 30-year-old female employee, "At thirty, women lose their beauty and ability."

This early retirement is enforced by work rules, contracts, and practice. Although courts have found such early retirement illegal, this management practice continues. Management relies upon the fact that in Japanese society, going to court is an extreme step that few Japanese women are willing to take.

Furthermore, companies can bring pressure upon female employees and make their lives so unpleasant that a woman, initially reluctant to quit her job, will give up and accept early retirement. For example, companies have swiftly transferred their reluctant female employees to different working locations, separating them from their families. In addition, Japanese women forced into boring, repetitious, menial jobs become discouraged by the little chance to progress in their companies and willingly leave.

Japanese women rarely receive encouragement and support from their labor unions to fight early retirement practices. Unions usually agree with management on early retirement. The top union leadership is, like top company management, almost exclusively male.

Even though a company may refrain from overtly forcing its female employees into early retirement, it may do so covertly. In a Japanese Ministry of Labor study, nearly three-fourths of the firms surveyed stated that they had a uniform retirement age for both men and women. However, 60 percent of the women workers had taken early retirement.

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## **Japanese Working Women**

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Early retirement damages working women economically. Under early retirement a female employee has her vested pension rights cut short. She is given an abbreviated lump sum payment that represents her acquired rights in the company's retirement system. The sum is based on the number of years she has worked. Since the female employee is retiring considerably earlier than her male counterpart, her pension will be a mere fraction of a male's.

When a female employee re-enters the job market after early retirement, she will, with few exceptions, be hired as a part-time or temporary employee. As a part-time or temporary worker, she may do the same work and keep the same hours as a permanent employee, but she will receive none of the benefits of a permanent employee. She will also be paid less. Even if she returns to the same position with her original employer, she will be paid a fraction of her former salary. It is unlikely that she will be promoted to other jobs.

The practice of early retirement is affecting a growing number of women, since an increasing number of women are returning to work after marrying and raising a family. There are more married women than single women in the work force. With high mortgage payments and expensive tutoring for the children, it is often necessary to have both spouses work to keep afloat in Japan.

### **FUTURE OF WORKING WOMEN**

Japanese female employees facing discriminatory treatment by their employers do not have many options to pursue. Although an increasing number of women are suing their employers for discriminatory practices, most Japanese women are reluctant to do this. Japanese culture views litigation with some distaste, and mediation is the preferred form for resolving a labor dispute in Japan. However, mediation also presents a problem. In Japan, mediation is geared to arrive at a decision between equal parties. Since male-dominated management regards women as inferior, it is difficult to achieve a settlement in the absence of a change in management attitudes, attitudes that originally caused the dispute.

More women are effecting changes in discriminatory practices, however, by publicizing their cases in the newspapers and getting female legislators to pressure the employers.



## Japanese Working Women

Nevertheless, it is more likely that management practices will change because a shortage of male employees in certain fields will open opportunities for women. For example, a shortage of male software engineers has prompted many electronics companies to recruit women college graduates. Fujitsu hired 25 female college graduates as software engineers in 1979, an additional 75 in 1980, and another 30 in 1981. Small as these numbers may seem, if this trend of hiring women for professional positions continues, the role of women in the Japanese work force will increase dramatically.

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# Marriage and the Family

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## OVERVIEW

Contemporary American society has generated some very innovative changes and arrangements in the American family. Among them are: living together without marriage, marriage contracts that allocate work and family obligations between husband and wife, two-career marriages, and separated living arrangements for a temporary period so that spouses can pursue their individual careers in different geographical areas.

It is rare for a Japanese couple to follow any of these innovative family arrangements. The Japanese still follow traditional patterns of dating and lifetime marriage.

## ARRANGED MARRIAGE

Marriage in Japan follows two patterns--the arranged marriage and the so-called love marriage. The arranged marriage is the traditional marriage. Before World War II, the marriage of a couple was arranged by the families and it was not unusual for a young person to first meet his/her spouse at the wedding itself. The names of prospective spouses were introduced to the family head by a go-between, and the choice of spouse was made by the head of the household. No marriage was legal without the permission of the head of the household.

Marriage between a man and a woman was considered a contract between family "houses" rather than between the individuals involved. A family "house" is based on Confucian principles and was the major unit of social organization in Japan. It comprised not just the living lineal members of a family, but also the dead ancestors and included the name, occupation, property, and actual house and graveyard belonging to that group. Among the upper classes some houses had a constitution that governed the behavior of their members. The house was considered of greater importance than the individuals who temporarily dwelled in it. The house had a legal personality in which duties and property rights were vested and was represented by a head or kacho.

The head was the decision maker for the house, often the oldest male member, and almost always a man. A woman could succeed as head of house only under exceptional circumstances. The head of house had considerable powers. His consent was required in matters of marriage and divorce. The head of house would decide what occupations the family members would have and where they would live. His authority was backed by the old warrior institution of expulsion from the family--which was a formal act of removing the offender's name from the family register and his decision was final.

## Marriage and the Family

When the head of house was also a parent, he could force the dissolution of a marriage of a son until he was age 30 and of a daughter until she reached age 25. The pattern of the Japanese "house" system reflected Confucian ideas of respect and obedience toward one's parents, especially toward one's father and the observation of rank within the family.

The law regarding marriage changed under the Allied Occupation of Japan. The "house" system was abolished. Individuals became legally free to marry whomever they wished without approval of their head of household.

Nevertheless, the use of a go-between for the introduction of spousal candidates remained popular in Japan. In the modern arranged marriage, the only arranged element is the introduction of the parties by a go-between. The shy, the cautious, those with a proud family history, and those who can not find a spouse on their own (known as urenokori or "leftovers") utilize the services of a go-between. Others, for instance, those who have lived abroad for a time, use a go-between because they have had little opportunity to meet suitable members of the opposite sex.

The go-between is a middle-aged individual who is well respected in the community. Increasingly, the go-between for professionals in business and the bureaucracy is a company or section chief. Being a go-between has become one of the unofficial duties of a senior business executive or bureaucrat.

Bold individuals may approach their employer directly to solicit their services as a go-between. Typically, however, the Japanese ask their parents to help them find a spouse. The parents, usually the mother, will then approach an appropriate go-between. Japanese young people enlist the help of their parents because they have little confidence in their ability to find an appropriate spouse.

Accepting the task of being a go-between is entirely discretionary. However, the role of a go-between is not unwelcome. The Japanese regard the duty of acting as a go-between as a public service. There is a proverb that says that everyone should serve as a go-between three times in one's life.

If the go-between accepts the task, he or she will obtain a picture and brief background history of the individual seeking a spouse. The go-between then consults friends for possible candidates, makes a selection, and obtains their pictures and personal family histories.

These personal and family histories include such information as the name, age, health, education, occupation, and marital status of the prospective spouse and all his or her family members.

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## Marriage and the Family

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The go-between follows some customary guidelines in choosing spousal candidates. The woman should be younger and have less education than the man. She should not have dated more than two or three men, since she may be considered too worldly to be a good wife. Also, the virtue of a woman who has lived alone or with others who were not her relatives and unable to chaperone her is considered suspect. She may easily be rejected as a potential spousal candidate for that reason alone. Furthermore, although foreign travel enhances the desirability of a Japanese man as a spouse, it has the reverse effect for a Japanese woman.

When a prospective groom is being sought, the go-between may check up on his career possibilities. The go-between will usually visit and talk to the prospective groom's boss, or, in a very large company, to the personnel department. The boss and company expect this behavior and do not consider it to be an intrusion; they give the requested information freely. If the prospective groom is not an employee of a large company, his future is considered somewhat uncertain. The go-between may then investigate other signs of financial stability, such as the size of his bank account and any possibilities of inheritance, to determine a candidate's desirability.

Where the employer is the go-between, he goes to less trouble in selecting spousal candidates for women employees than for men. The rationale is that women have a shorter career span and a lower occupational status, so they merit a smaller investment of company resources.

After making a selection, the go-between presents a field of eligible candidates to a young person and his or her family. The young person looks over the pictures and histories and chooses those that look pleasing. From these initial picks, the family will either ask the go-between to further investigate their backgrounds and the backgrounds of the family members, or hire a private detective agency. The investigation will be more detailed and will utilize public records as well as talk with neighbors about any mental or physical illness, crimes committed, and personal habits of the spousal candidate and family members.

If nothing unseemly turns up, the go-between arranges for the prospective couple to meet, typically in a private room of a restaurant. Both mothers are often also present at the meeting, which makes the atmosphere additionally awkward and tense.

The prospective couple converse and if the impressions are favorable at this meeting, the parties will date again. If impressions are unfavorable, arrangements are made to meet the next candidate.

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## **Marriage and the Family**

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The parties date, on the average, about twice a month for five to six months before becoming engaged. There is pressure for a quick decision as there is a feeling that one should not waste time or money on an individual that one is not going to marry. There is some urgency, too, if the parties are nearing the ages at which marriage prospects become less choice. Men past 28 and women past 24 are considered less desirable as marriage candidates and will find it increasingly more difficult to marry well as they pass those ages.

Dating in Japan tends to be more closely marriage motivated than in the United States. It is not considered decent to date for friendship, and it is assumed that if a couple is dating they intend to get married. Since so few engagements are broken, once engaged, a couple is as good as married.

Mothers have a great influence on the choice of spouse for their children. Many times, the choice is a shared decision between the child and mother. The willingness of children to let their mothers take an active part in their choice of spouse has been linked to the close mother-child relationship in Japan.

Japanese children are dependent upon their mothers from birth until adulthood to an extent not usually found in American families. Japanese children depend upon their mothers for company and affection through their youth and adolescence. School-age children do little of the socializing that American children enjoy. Instead of recreational sports, parties, and dating, Japanese children are usually studying for college entrance examinations. In preparation for these exams, mothers and their children spend a great deal of their time together.

In contrast a father's input into his child's choice of spouse is not as influential as a mother's. Japanese fathers are virtual strangers to their children. Fathers are almost always at work and are not usually available to their children except on weekends. Japanese children are extremely susceptible to the advice and opinions of their mothers. Rarely does a mother need to insist that her children follow her choice out of duty to her. She can often achieve the same result by merely raising doubts as to the wisdom of her children's choice and questioning her children about what they might do if something went wrong in the marriage.

### **LOVE MARRIAGE**

As an outgrowth of the popularity of Western ideas brought with the Allied Occupation, the Japanese began to meet and marry without the intervention of a third-party go-between. These marriages are called "love marriages" in Japan.

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## **Marriage and the Family**

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In the early 1950s arranged marriages continued to be the main type of marriage. The percentage of love marriages has been steadily increasing, however, according to 1971 statistics, love marriages comprise 60.3 percent of all marriages in large cities, 59.5 percent of those in medium-size cities, and 35.8 percent of those in villages. College educated women are more likely to marry in a love marriage than an arranged marriage.

In approximately 75 percent of love marriages, couples meet each other at work. There are really few other chances for prospective couples to meet in Japan. Unlike Americans, Japanese young people do not have the opportunity to meet each other at parties in the homes of friends or relatives, or at church functions.

A couple in a love marriage generally know each other better and for a longer period before marrying than do a couple in an arranged marriage. In love marriages, a couple dates, on the average, more than four times as often and more than three times longer than a couple in an arranged marriage, and love marriages either succeed more gloriously, or fail more miserably, than arranged marriages, perhaps because in arranged marriages the couples have very few expectations.

### **MARRIED LIFE**

In the United States among younger couples, especially two-career couples, there is a growing trend in couples sharing household chores and child care. Once married, the Japanese couple has a distinct division of labor. In Japan, the husband works and earns a salary and the wife stays at home and takes care of the household. A Japanese housewife spends an average of 5 hours and 54 minutes a day on housekeeping and childcare. A Japanese husband spends approximately 7 minutes a day.

One reason a Japanese husband spends so little time helping out is that he is so rarely at home. Typically, a Japanese man leaves for work very early and works very late. He eats supper with his co-workers and arrives home long after the children have gone to bed. He spends much of his recreational time with his male co-workers. For many men, the home becomes merely a lodging place to sleep and to commute to the real home, the company workplace. The words for the workplace acknowledges this. A worker speaks of his company as uchi no kaisha, quite literally "company home."

## Marriage and the Family

A Japanese couple spends less time together as a couple after marriage than an American couple. Japanese marriages are heavily oriented toward parenthood. In arranged marriages, the marriage does not become complete until children arrive. A Japanese gets married less to become a husband or wife than to become a father or mother. Many partners in arranged marriages find emotional satisfaction with their children. Often dissatisfied with their conjugal lives, many wives look forward to becoming mothers, and receiving emotional and social satisfaction from their children. Once children arrive, a couple may begin to call each other "Father" or "Mother." When couples do things together it is with and for the sake of the children rather than for the pleasure obtained from mutual companionship.

Japanese housewives develop lives independent of their husbands. They have their own friends and activities. They devote themselves to their children. After their children are in school, some housewives return to work. Others devote themselves to volunteer activities such as civic or consumer groups.

A number of Japanese housewives are made unhappy by the isolation from their husbands. Those who cannot find solace in their children sometimes resort to alcoholism, have nervous breakdowns, or desert the home.

This intra family isolation takes a social toll on the husbands, too. In some cases, Japanese couples develop such completely separate lives over the years that when the husband retires from work and is suddenly now at home, he is at a loss. He may quickly realize how alienated he has become from his wife and family. It is difficult for a man whose daily existence has revolved around the workplace to re-establish a relationship with his family, especially when it has been functioning quite ably without him.

Often purposeless, depressed, and acutely present in a home that is scarcely larger than an American living room, these husbands are a bit of a nuisance for their wives. They have become known by the uncomplimentary phrase sodai gomi or "bulk trash," so called because their wives desire to bundle them up and toss them out of the house. An increasing number of Japanese couples are divorcing when the husband retires or nears retirement age and the youngest child has left the home.

The Japanese divorce rate is nevertheless substantially less than that of the United States. A couple in the United States is five times more likely to divorce than a Japanese couple. In 1979, the U.S. divorce rate was 5.4 per 1000 persons; Japan's divorce rate was 1.17 per 1,000.

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## Marriage and the Family

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Divorce is not very popular in Japan. It carries a social stigma, and divorced individuals find it difficult to remarry. Furthermore, divorce is not economically practical for women. There is no alimony under Japanese law, and although there is some provision for child support, this sum is low. Public assistance is less than adequate. Since the wages for women are low, a divorced woman who returned to work would face economic hardship.

The pattern of the traditional family is gradually changing, however. A growing number of young husbands are becoming disenchanted with a life spent entirely devoted to work. They are spending more time with their wives and children, and are beginning to share responsibilities like childcare jointly with their wives. Some young fathers married to working women have even organized themselves into groups and are pressing for childcare leave for men. Nevertheless, any changes in the traditional family are apt to be slow in coming.

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## **Social Problems in Japan**

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Adequate housing is a critical social problem in Japan. Prices for condominium apartments and single-family houses have increased four- to five-fold in the last 10 years. Rental housing has similarly increased in price.

Americans would find it physically and mentally difficult to live in Japanese apartments and houses. A Japanese apartment is smaller than the average American living room. The single-family houses are scarcely better. Although larger than apartments, they are so physically limited that they have been described as "rabbit hutches" by Westerners.

The population density in Japan has led to severe overcrowding and construction of housing quarters of miniature physical proportions. In terms of population in livable land area, Japan is 26 times denser than the United States, 6.6 times denser than France, and 3.4 times denser than Britain. (See Geography and Demographics chapter for illustrations of this.)

The population density of the Tokyo area and of other large cities is approximately 3.4 times Japan's average. High land prices have prompted private developers to build concrete high-rise condominium apartments, called manshon, on sites as small as 200 to 300 square meters, resulting in toy box size apartments.

An average two-bedroom apartment in one of these high rises consists of two rooms, one measuring 9 x 12 feet, the other 9 x 9 feet, plus a small kitchen, toilet, and bath. The physical limitations of their living quarters force the Japanese to be creative in their use of space. One of these rooms is used as both the living room and bedroom. The Japanese futon bedding, placed on the floor at night, is rolled up and stored in the closet in the daytime.

These concrete high-rise apartments have become the prime source of housing in the large cities. Due to the physical limitations of the individual apartments, occupants of these apartment buildings desire to leave them and move to a single-family house with a garden.

Affordable single-family housing is almost impossible for Japanese professionals to obtain in a metropolitan area. To purchase housing that is relatively affordable, the Japanese must resign themselves to purchasing in the far suburbs with as much as a one and one-half hour commute to the work place.

## Social Problems in Japan

Even in these suburbs, house prices are high. The average single family house of 710 square feet cost approximately ¥15 million in 1979. With livable geographical space limited in the entire country, land prices alone are extremely high. Japan's 1976 land prices were about 10 times greater than those of the United States. According to a 1970 survey, it would have taken an average Japanese worker 6 years and 149 days to acquire 1,633 square feet (1/25 acre) of land within a 40 minute commuting distance from work. For the same amount of land at the same distance from work, an average American worker would have had to work only 45 days.

Monthly house payments come to approximately 25 to 28 percent of the income of a Japanese male worker. Many business executives are able to purchase their homes through low-interest loans granted them by their companies. Even with a low-interest loan, however, these payments place a great strain on the family budget. Many Japanese wives have to return to work to assist on the payments. Commonly, the family recreational habits are severely curtailed in order to meet the payments. Even so, some Japanese lose their homes because they cannot afford the monthly house payments.

Those Japanese who cannot afford to purchase condominium apartments or single-family houses turn to rental housing. However, rental housing is scarce as well as undesirable for long-term occupancy.

The number of rental housing units has been steadily declining year by year since the 1970s. In 1979, fewer than 30 percent of the total housing built in Japan comprised rental units. Since land prices and building costs have outpaced rental increases, developers have found it unprofitable to build rental units.

Rental units are not suitable for long-term habitation. The units are usually in very old buildings and are small. The units are not soundproof and are often defective in fire protection.

Although public housing exists, there are too few units for the demand, and the gap between applicants and units available is growing. Furthermore, the prices for many private rental units are simply unaffordable to low- and middle-income workers.

Some Japanese companies supply company apartments and company dormitories for their workers. However, employees do not find them satisfactory for very long. Company apartments and dormitory rooms are small, and with exclusive occupancy by company employees, the tenants have no privacy since there is no clear separation of private life from work.

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## Social Problems in Japan

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The cramped housing conditions affect the daily habits and social lives of the Japanese. Japanese kitchens are miniature and lack storage space as well as room for large appliances. Consequently, Japanese housewives must shop daily for their food. Moreover, the cramped quarters make entertaining at home impractical. Most entertaining and socializing is done out of the home, at restaurants, bars, cabarets, and coffee shops.

The limited physical dimensions of the Japanese home constrains family size. The modern Japanese couple living in a small apartment does not plan for a large family; the ideal number of children is two.

Despite Japan's economic growth in the world marketplace, an increasingly large segment of its citizens must give up hope of ever owning their own homes. Due to high land prices and construction costs, Japanese professionals who live in condominium apartments, single family homes, or rental housing live in physical conditions that would be unacceptable to their American colleagues. With over 40 percent of all Japanese dissatisfied with their present living conditions, it is not surprising that the Japanese consider housing to be the most backward aspect of their society.

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## **Social Problems in Japan**

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# Japanese Language

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## OVERVIEW

When trying to communicate orally with a Japanese colleague or trying to keep abreast of Japanese scientific developments by reading Japanese technical journals, an American is faced with a truly formidable barrier, the complex Japanese language.

## SPOKEN JAPANESE

Although easier to learn than written Japanese, spoken Japanese is difficult for a Westerner to learn unless he or she is willing to invest a disproportionate amount of time in learning its social subtleties.

Japanese is a somewhat unique spoken language because there are so many choices in speech patterns that must be made by social rank. Every time one Japanese speaks to another, he or she must choose to speak either as an equal, as a superior, or as an inferior, and use the appropriate words. The choice of words depends upon the perceived social relationship between the parties and the subject of the conversation as well as the formality of the situation.

For example, a Japanese speaker will choose the so-called "plain" level of speech to address a person in a close, friendly relationship, such as a fellow student or a family member who is close to his age. On the other hand, the Japanese speaker will choose the "deferential" level of speech to address a social superior, e.g., his boss.

The choice of words depends upon social and psychological factors. There are no rigid rules. For example, an outgoing, friendly Japanese may get along with many people and extensively use the plain way of talking. On the other hand, a shy person may use the deferential level to almost everyone.

A Japanese who fails to accurately appraise a situation and makes an incorrect choice of words will be considered inept and foolish. Understanding the subtleties of what words are appropriate in particular situations is a skill learned over a long time, even for the Japanese. It is not a skill that can be quickly acquired by an individual just beginning to learn spoken Japanese.

Japanese is also sex differentiated. The Japanese language has words and speech patterns that only males use. A Westerner learning the language must be able to recognize and use them, if he is a male. Using "women's language" would make a man appear ridiculous. The male speech patterns are also keyed into the relative social ranks of the parties engaged in a conversation.

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# Japanese Language

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Spoken Japanese may be otherwise difficult to learn because its sentence structure is so very different from that of English. Word order is awry by American standards. In Japanese, all the modifying phrases to a word precede the word they modify. Furthermore, the modified word is sometimes missing, making long sentences difficult to understand. There are also more verb tenses in Japanese than in English.

Japanese is also difficult to learn because the Japanese use their language differently than an American uses English. The Japanese avoid making a clear "yes" or "no" type statement. Instead, they prefer ambiguous general statements. Blunt statements create hostility or rejection in Japan. The Japanese typically seek agreement with as many individuals as possible as part of their consensus decision-making style. Consequently, Japanese is not used to articulate a position too positively because it would create discord. Indeed, the Japanese use open-ended statements that are somewhat vague and open in order to invite agreement.

The Japanese language, itself, assists in this. In the Japanese sentence structure, a speaker can break halfway through a sentence without committing to either an affirmative or negative position on a subject.

## WRITTEN JAPANESE

Even with its many required choices of appropriate words and forms, learning spoken Japanese is relatively easy for the non-Japanese compared to the monumental task of learning written Japanese. The Japanese written language is a formidable one to learn, even for the Japanese. It takes a Japanese the first six years of schooling to learn 881 Chinese characters; these are a fraction of the written Japanese language.

Japanese differs from English in that it has three different written forms: kanji, hiragana, and katakana. All three forms must be learned in order to read a Japanese newspaper or magazine.

Kanji are Chinese characters that the Japanese adopted to use as their written language in the ninth century. The Japanese use the Chinese characters, each of which is a stylized and intricate picture, to represent a single phonetic sound.

As a result of using kanji, the written language required an extensive recall and knowledge of literally thousands of characters. There are at least 48,000 Chinese characters that have been used at one time or another in the Japanese language. Not surprisingly, written Japanese based on kanji alone was too time-consuming for ordinary Japanese to learn. In addition, the use of Chinese characters to

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## Japanese Language

represent phonetic sounds of the Japanese language was too inefficient as a writing system. Consequently, the Japanese created the hiragana and katakana syllabaries to represent the phonetic sounds of words.

Both hiragana and katakana contain 48 basic characters, each character representing a phonetic sound. Hiragana is currently used for all Japanese words not written in kanji and for word endings. Katakana is used to indicate words of non-Japanese origin.

Despite many attempts to do away with kanji, the Japanese continue to cling to them. The latest attempt to abolish kanji was during the Allied Occupation of Japan in 1945. General Douglas McArthur seriously considered abolishing kanji, but decided against doing so because he felt it would create too much of a cultural shock. However, he did pressure the Japanese government into paring down the number of Chinese characters that are used in common publications to 1,850.

Even with this reduced number of kanji to learn for everyday use, a Japanese needs to know more kanji to read beyond the level of Japanese newspapers and popular periodicals. With a formidable number of characters to memorize, for even the newspaper level of reading, the Japanese population's literacy rate of almost 100 percent is an exceptional educational accomplishment.

Since a large number of symbols make up the Japanese written language, typing for business use is notably inefficient. With 1,850 "essential" kanji, a number of katakana, hiragana, Arabic numerals, and other assorted symbols, the Japanese typewriter is an awesome machine to view and to operate. It is larger than a chessboard. Touch typing is not possible since the typewriter contains more than 2,000 characters. Typing is therefore kept to a minimum in Japanese business; most letters are written by hand.

The numerous Chinese characters in the written language coupled with the subtle social nuances in the spoken language make Japanese a language that a Westerner has difficulty acquiring. Indeed, many Japanese feel that only a native-born Japanese can master the language.

### PROBLEMS CONVERSING WITH ENGLISH-SPEAKING JAPANESE

Almost every Japanese is familiar with English, since English is taught in junior and senior high schools in Japan. Because English is one of the primary subjects tested in college entrance examinations, most students get additional tutoring in it outside the classroom. For the amount of time they have spent in studying English, however, Japanese are not as fluent as they should be.



## Japanese Language

One reason for this situation is the quality of English language teachers in Japan. Most of the approximately 50,000 English teachers in Japan are themselves not very skilled in the use of modern, spoken English. Their knowledge is confined primarily to grammar, since memorized knowledge of grammatical English and not oral competency is tested on the college entrance examinations.

There is also a cultural bias involved. The Japanese do not approve of individuals who speak English too well. These individuals are called Eigo-ya or Eigo-zukai, which translates to the slightly derogatory "English monger."

Nevertheless, many Japanese companies feel that it is important for their executives to learn to speak English well. They send their employees to English language schools or to their own in-house English teachers to sharpen their abilities to converse in English.

### JAPANESE SCIENTIFIC PERIODICALS

Although Westerners may desire to keep abreast of the new scientific developments of their Japanese colleagues, very few can read technical Japanese competently enough to do so.

There are many technical journals published in Japan that might be of interest to American scientists. There are also approximately 2,000 scientific journals published in Japan. The "Japan Science Review," which covers the electrical engineering field, is one of the journals that may provide insight for a non-Japanese scientist into what may be some of the current Japanese innovations in the electrical engineering field.

A Western scientist is not left completely in the dark as to the content of the articles in the journals. The official international language of science is English and although the articles are written in Japanese, the scientific journals commonly provide the title in English as well as an English precis of the article's content.

Furthermore, the Japanese Information Center for Science and Technology partially alleviates the Japanese language barrier for a Western scientist. Established by the Japanese government in 1957, the Center provides translation services from Japanese to English.

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# Japanese Characteristics

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## HIERARCHICAL SOCIETY

Unlike American society, where Americans tend to treat each other as equals, in Japanese society, the Japanese may see themselves as either junior, senior, or equal in rank to one another. The Japanese are extremely aware of where they stand in relation to one another, and are constantly aware of their place in society, both at work and in their everyday affairs. A Japanese cannot speak, sit, or eat without subtly acknowledging his or her place in society.

A Japanese identifies his or her rank by the language used. Japanese address one another using speech patterns that vary according to the relative social positions of the individuals in society. For example, a Mr. Yamada may be addressed by another Japanese as "Yamada-san," "Yamada-kun," or simply "Yamada" with no suffix. "Yamada-san" is used if Mr. Yamada is one's senior; "Yamada-kun" is used if Mr. Yamada is one's junior; and "Yamada" is used if Mr. Yamada is one's equal.

The Japanese also arrange themselves at a table according to their social rank. In Japan, where one sits at a table in a business meeting and in a home is determined by one's social position. In the traditional Japanese home, the highest-ranking individual sits in the center position at the table, in front of the alcove where there usually is a painted scroll and a flower arrangement. The lowest-ranking individual sits nearest the room's entrance. The meal is also served according to rank, with the highest-ranking member served first and the lowest-ranking member served last. It is possible to identify the relative ranks of the people present either by looking at the table positions or by watching the serving order of the meal.

The Japanese are always aware of their social rank, so that when they get together in a group, each individual automatically places him or herself in the appropriate social position. Any given group has a single ranking order, which remains unchanged despite differing conditions or situations.

One of the most common rank orders is that determined in the workplace. The work ranking order is based on the worker's length of time with the company and age rather than on the individual abilities of the people in the group. For example, a Japanese worker is ranked junior to another who has been with the company longer even though the former may be the more capable worker.

This rank consciousness determines Japanese business behavior. In business meetings, the most senior business executive will often be found to virtually monopolize the discussion while his juniors may be relegated to merely listening. Since social etiquette requires a Japanese to be

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## Japanese Characteristics

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respectful and deferential to the opinions of his seniors, the conversation will tend to be rather one-sided, at least initially. Any disagreement or suggestion made by junior members is usually couched in the most deferential and diplomatically agreeable fashion.

The work ranking order continues into the private life of a Japanese. A Japanese treats his boss as his superior whether he is at work or accidentally meets him away from work. This rank consciousness is also observed by the wives of Japanese working men. When company wives meet, they behave toward one another in accordance with the relative ranks of their husbands, using the appropriate language and social behavior to acknowledge the social relationship existing between their husbands.

The rank system creates organizational inefficiencies in business. In this system, it is considered inappropriate for a person of junior rank to directly approach a senior company employee without first consulting his or her direct superior. Any company communication must be first transmitted to the employee's direct superior. Failure to do so would be regarded as insulting to the higher senior employee as well as to the employee's own chief. Lack of firsthand information, as well as delayed communications to the senior employee, is the price of observing the ranking order.

### JAPANESE WORK GROUPS

Americans value their individuality--those qualities that make one stand out from the crowd. The Japanese value belonging to a group. The Japanese proudly identify themselves by their groups and minimize their own uniqueness.

One of the more significant Japanese groups existing prior to World War II was the traditional ie or household. The ie was more than just an ordinary family unit. It was a collection of individual members who functioned for the interests of the group, sacrificing their own personal desires for its benefit.

In return, the ie took care of its members: marriages were arranged; needy members were given financial assistance. Rules governed the relationship of family members. Behavior among the members was based on the rank within the ie, with the head of the household as the highest ranking member. After World War II, the traditional ie system was legally abolished. Family members migrated away from the household and the importance of the ie as a significant social unit rapidly declined. However, the Japanese company has increasingly taken the place of the ie as one of the most significant social units for the Japanese.

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## Japanese Characteristics

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Indeed, the Japanese company has taken on many of the functions that the ie had in the past. The company takes a great responsibility for the monetary and social needs of its employees and their families, much as the head of the ie used to do. For example, many companies provide low-interest loans to their employees to purchase homes. They may also provide resort houses in the mountains and seashore for their vacationing employees. Senior company executives often act as go-betweens and introduce their employees to their future spouses. Some companies advise their employees on personal matters, including family planning.

In turn, the modern Japanese worker identifies himself by his company. He or she will wear the company uniform, badges, or company insignia, emphasizing unity with the company.

A Japanese worker may be affiliated with groups outside of work. However, although the individual may be a member of more than one group, his or her principal loyalty will lie with one group. Commonly, that group will be the company he or she works for.

Because a Japanese worker so closely identifies with the company, his or her individuality is sometimes obscured. Private life and working life often appear to merge. Company employees see each other constantly. Japanese workers socialize with their co-workers after hours. Company employees often live close together, housed in the same complex of apartment buildings or dormitories. Japanese men and women often meet their future spouses at work.

Within the company, each Japanese employee works daily with a certain group of individuals. As a part of this group, a Japanese feels pressure to suppress his individuality. In order for the group to function effectively, especially in consensus decision making, each member, including the leader of the group, must work as a "group player" rather than as a "star."

### LEADERS

A group's ability to function well depends on its leader's skill at motivating his talented subordinates to act capably. Through his personality, a leader gets group members, who have differing temperaments and capabilities, to work harmoniously with each other. In Japan, a leader is chosen because of his ability to understand his subordinates and attract their loyalty.

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## Japanese Characteristics

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In modern corporate Japan, with its deference to rank and seniority, a leader is typically in his 50s or 60s, rarely younger. His own abilities may be quite ordinary. He often may leave the details of running the company completely to his subordinates in order to concentrate on maintaining a happy working relationship among his employees.

A working group functions successfully because of the leader's charisma. The incentive for a group member to do well comes partially from the reflected satisfaction in contributing to a successful collective effort, but also from the desire to do well for the sake of one's leader.

In Japan, there is often an emotional commitment between a leader and his subordinates that is not as commonly found in the American workplace. The emotional dedication of subordinates to their leaders is far more intense than the usual American employer-employee relationship. An extreme example of such an emotional relationship stems from feudal times, with the story of the 47 ronin.

The 47 ronin is probably the most popular story in Japan and portrays the ideal paternal relationship between leader and subordinates. In the story, the 46 subordinates were so completely devoted to their leader, that they left their families to follow him on his course of revenge, fully knowing that by so doing they would violate the Japanese social code of the time and be forced to commit suicide in atonement.

This emotional relationship between subordinates and a leader has its foundation in Japanese feudal society. Under that morality, a man who was a part of this type of relationship should not be emotionally involved with a woman since all his emotional needs would have been met and expended in this man-to-man type relationship.

Leadership is not hereditary in Japan. Loyalty extends only to an individual and not to his family. Consequently, it is not uncommon to find a father in a leadership position nominating one of his direct subordinates as his successor rather than his own son. The son may then leave the company or even remain with the company as a subordinate to the man who succeeded his father.

The group structure has practical advantages to a Japanese worker. It offers social and emotional security. Since they socialize with the same group of co-workers after work, Japanese workers are rarely, if ever, lonely. Although married female workers have much less time to socialize, when they do so it is more often with their co-workers than with their relatives or neighbors. The group structure serves to support a Japanese. If he or she encounters any problems, the group members give their ready support. Indeed, if a Japanese makes a mistake, his or her

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## Japanese Characteristics

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friends in the group will act to protect him or her. Even in the most serious case, where no reasonable excuse could seemingly justify the individual's actions, the group will act to protect him or her by fabricating some irrational and emotional justification.

Members of the group are on his or her side, not necessarily because the worker is right, but because he or she is one of them, and they are tolerant and sympathetic. There are many cases where a Japanese has committed an error so serious (e.g., broken the law) that he or she might have lost his job in another society, but in Japan remained on the job despite the error, due to group protectiveness. At the very most, the errant Japanese might be temporarily transferred to another position or location until the publicity died down. However, he or she would not lose his or her job.

However, there are also drawbacks to the group structure. Many Japanese feel stifled in a group. Some desire to initiate actions that are different from those of the group, and feel frustrated in not being able to carry out their ideas. In fact, group etiquette pressures them into not openly disagreeing with the consensus-decided course of action.

Another frustration may lie in the lack of public recognition of individual abilities. Any credit for a group deed is supposed to go to the group as a whole and not to the specific individuals who contributed most significantly. Should an individual's accomplishments be singled out as praiseworthy, he or she will usually face great hostility and jealousy from the other members of the group.

If the individual member is unhappy with his or her group, there is virtually nowhere else to go. It is usually not possible to transfer to another company and keep the same position. Lateral entry into a company is rare; most companies allow new employees to enter at the bottom level only. Consequently, if a Japanese quits to go to another company, he or she risks losing both status and the accompanying level of pay.

Unhappy as he or she may be, a Japanese worker will most likely stay with his or her job, not only because of the risks in leaving but also because of the features of automatic promotion and pay raises. In most large Japanese companies, a worker is assured of automatic promotion even though his or her talents and abilities may begin to decline.

The strain of subduing one's individualism for the sake of the group drives many Japanese businessmen to the bars after work. Each evening after the offices close, many male office workers stop off at bars and remain there drinking until it is time to catch the last train home. It is not the alcohol that is attractive, but the opportunity to relax and say whatever one wants. A sizable amount of bar conversation centers on work topics.

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## **Japanese Characteristics**

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Since bar life is not acceptable as a form of female recreation in Japan, Japanese women find release from the strain of belonging to a group in other settings with their families and friends.

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# Government Overview

## POLITICAL CULTURE

Japan's political values and attitudes are deeply rooted in its pre-feudal past. In contrast to the United States, where egalitarian concepts and individual rights have prevailed since the eighteenth century, Japan patterned its political institutions along Confucian lines in the sixth century. Table 1 compares Japanese and U.S. political traits. This system emphasizes obedience to one's superior. This ruler/subject relationship was strengthened during the feudal period with the rise of the samurai ethic of loyalty (bushido) and a rigid class system. Despite the westernization of its institutions since the post-World War II occupation, Japanese politics reflect its Confucian and feudal origins.

## Island Mentality

Japan is characterized by an insular, small-country outlook. Politicians and public spokesmen often refer to Japan as one large family and use the term "we Japanese" to describe their feelings of uniqueness and isolation from the rest of the world. This insularity contributes to the country's intense self-consciousness and unity of purpose and its feelings of inferiority. Recently, however, its success in international markets has given the Japanese a feeling of pride and, in some cases, a superiority complex.

## Absorptive Culture

Despite their insularity, the Japanese have a great capacity to assimilate ideas and institutions from other countries--from China in the sixth century, Europe in the late nineteenth century, and the United States since World War II. Their eagerness to learn is tempered, however, by their desire to preserve Japanese values (Western technology/Eastern thinking).

## Paternalistic Hierarchy

Paternalism and hierarchy are deeply ingrained in Japanese society. The mainspring of Japanese interpersonal behavior is the oyabun-kobun (mentor-protégé, superior-subordinate) relationship, which is based on Confucian tenets of filial piety and obedience to superiors. In the political world, the party leader assumes responsibility and obligations for his followers, who are expected to show obedience and loyalty. Oyabun-kobun relationships are conspicuous in government ministries, such as MITI and Finance, where potential leaders are groomed by high-ranking

# Government Overview

superiors and supported by their followers. When a new minister assumes office, there is a complete reshuffling of ministry officials according to oyabun-kobun relationships.

Table 1

## COMPARISON OF POLITICAL TRAITS

<u>National Level</u>	
<u>Japan</u>	<u>United States</u>
• Island mentality ("We Japanese vs. foreigners")	• "Melting-pot" society; continental outlook
• Shift from inferiority complex ("catch up with the West") to superiority complex ("Japan as No. 1")	• Post-World War II world leadership ("We are No. 1") and confidence shaken ("Are we second rate?")
• Intense self-consciousness and unity of purpose ("sink-or-swim together")	• Diverse, competing interests ("Each man for himself")
• Power centralized in Tokyo	• Power decentralized throughout country (New York., Washington, D.C.; Los Angeles; Chicago; etc.)
• Increasing internationalism ("Export or perish")	• Alternating isolationism and internationalism
• Intense competition for limited resources and positions	• Tradeoffs among competing goals ("zero-sum society")
• Strong conservative government with active, but weak, left-wing opposition	• Competing middle-of-the-road parties with strong anti-Communist bent
<u>Group Level</u>	
<u>Japan</u>	<u>United States</u>
• Group oriented, conformist ("The protruding nail gets hammered down")	• Individualistic ("Watch out for No. 1")
• Obedience to authority (Confucian origin), hierarchical	• Challenge authority (eighteenth century philosophers, American Revolution), egalitarian
• Harmonious, conciliatory, accommodating	• Adversarial, confrontational, legalistic
• Indirect, reserved ( <u>enryo</u> )	• Direct, open, forthright
• Formal, traditional	• Informal, casual, easy-going, familiar
• Personal, one-to-one ties over long-term	• Contractual, impersonal, short-term ties
• Emotional, sentimental	• Dry, factual, logical ("Let the facts speak for themselves")

Source: DATAQUEST

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# Government Overview

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## Group Orientation

Japan is a group-oriented society. In contrast to the United States where individuality and independence are highly valued, the Japanese stress organizations and groups. In government and politics, most people are active members of factions or cliques. These relationships have different origins, the strongest being personal ties through kinship, marriage, schooling, or hometown. Prior to World War II, financial, bureaucratic, and military cliques exercised great power, but the financial and military cliques were abolished after the war. Individuals aspiring to high political or business posts must have the necessary family status, pedigree, and education (preferably Tokyo University). Go-betweens often arrange marriages to cement business and political ties. Thus, high-ranking officials, politicians, and executives are often related through a vast network of personal and group connections. One consequence of this interlocking arrangement is that conformity is highly valued and change comes slowly.

## Emotionalism

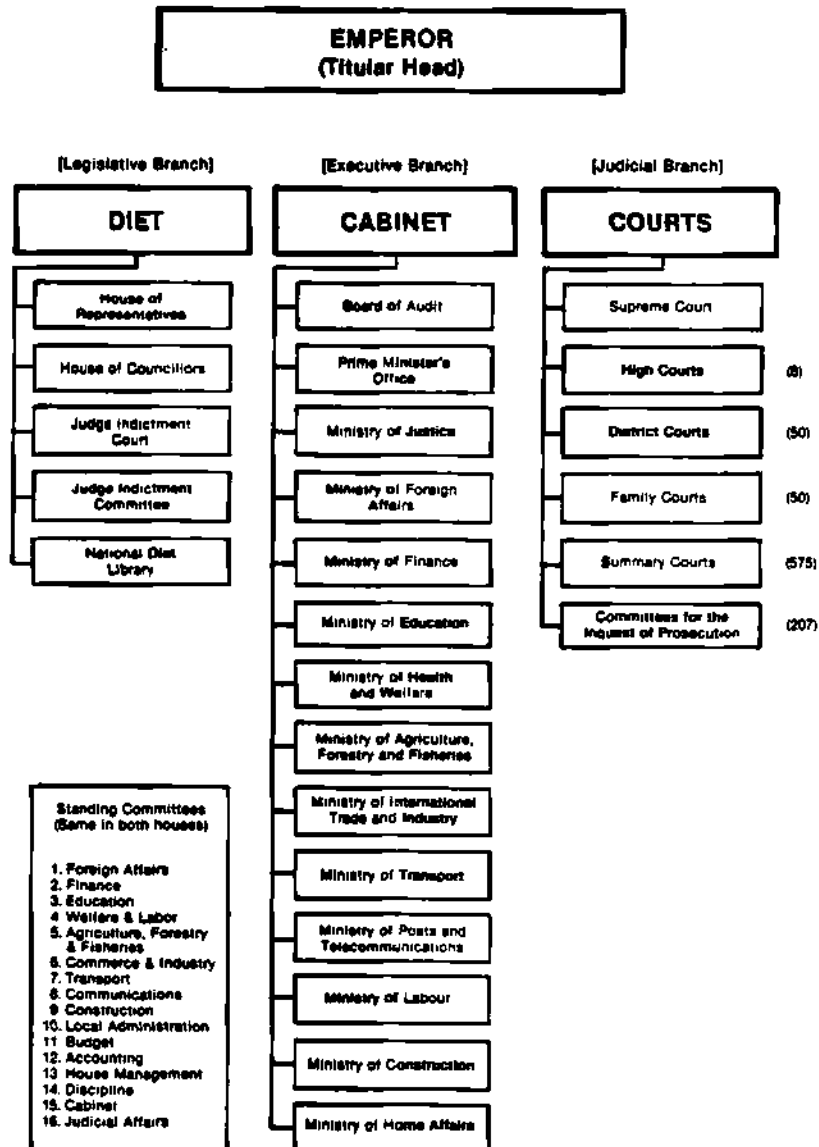
Japanese view human feelings as a counterbalance to obligation and duty. In their everyday activities, one is expected to show great restraint and consideration for others. However, in the oyabun-kobun relationship, the follower is allowed to show dependence and affection to the leader for the latter's protection. This controlled expression of emotion is also reflected in the Japanese preference for close, stable relationships in contrast to the short-term, contractual, and often impersonal ties common in the United States.

## GOVERNMENTAL PROCESSES

The Japanese government comprises three branches: the executive (Prime Minister, Cabinet, and the ministries), the legislative (the Diet), and the judicial. (See Figure 1.) Since World War II, the Emperor has played a symbolic role similar to that of the Queen of England.

# Government Overview

Figure 1  
GOVERNMENTAL STRUCTURE



Source: DATAQUEST

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# Government Overview

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## Executive Branch

### Prime Minister

The Prime Minister is chosen from the House of Representatives, which has the final decision. The two largest parties designate their chairmen as candidates for the office of Prime Minister. Since voting follows party lines, the majority Liberal Democratic Party (LDP) candidate automatically becomes Prime Minister and forms a Cabinet. Recently, however, presidential primaries have been held by the LDP to reach its party members.

### Cabinet

The Cabinet consists of the Prime Minister and 21 ministers, selected primarily from the House of Representatives, but with several from the House of Councillors. The ministers retain their Diet membership while serving as ministry heads. The Cabinet thus acts as the leader of the Diet and the ministries.

### Ministries

For a full discussion of this topic, see section on Ministries.

## Legislative Branch (The Diet)

### House of Representatives

The members are elected from 117 electoral districts, which send three to five members each. The four-year term is never completed, however, since the Cabinet usually dissolves the House every three years.

### The House of Councillors

The House of Councillors resembles the U.S. Senate. Councillors are generally well-known people recruited from broad constituencies; 150 members are elected from prefectures and 100 from the country at large. Councillors serve six-year terms, with half elected every three years.

### Diet Committees

Diet Committees serve as the chief forum for debates between the majority and opposition parties. Since the majority party (LDP) controls the committees through straight party voting, the debate is usually perfunctory. However, Cabinet members must appear at committee hearings and are often grilled by the opposition parties. Consequently, the LDP is frequently forced to take conciliatory measures to maintain its

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## **Government Overview**

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control. Committee chairmanships are assigned among parties in proportion to their number in the House. Management committees resemble the Rules Committee in the U.S. House of Representatives since they handle the scheduling of debate and House operations.

### **Legislative Process**

Bills are passed by both Houses and signed by the Prime Minister, and generally follow the same procedure as that of the U.S. Congress. However, there are some significant differences.

- Most bills originate in the ministries, not the Diet
- The Cabinet's Bureau of Legislation formally prepares bills
- The Prime Minister submits the bills to the Diet
- The Diet generally "rubberstamps" legislation (due to the LDP majority)
- The sponsoring ministry and the Emperor must approve the bill

Upon passage, the bill is published in the Official Gazette (Kampo) along with ministry decisions.

### **Judicial Branch**

The Japanese legal system is Western in origin; Japanese laws and courts are modeled after those in France and Germany where the judge plays a major role. However, the Japanese judicial system and process is unique in that:

- Judges and prosecutors dominate the legal process
- Lawyers play a minor role; most defendants in summary courts do not have lawyers to represent them
- The use of juries is limited
- Mediation, conciliation, and informal settlements, not adversarial-style litigation, are preferred to resolve disputes
- University graduates do much of the legal work performed by lawyers in the United States
- Civil rights cases (which are Anglo-Saxon in origin) usually are not pleaded by lawyers

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# Government Overview

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## Administrative Process

The decision-making process (ringisei) in Japanese ministries is lengthy and involved. Plans and proposals are initially drafted into a document by a low-ranking official, and circulated among officials within the agency for their approval. The process is referred to as a "piling up" system since up to 50 personalized seals may be stamped onto the document. The ringisei has some merit since all section, bureau, and division chiefs are informed of proposed actions.

The advantages include:

- Personal sense of involvement
- A "bottom up" process
- Strong commitment to ultimate decisions
- Rapid enactment of decisions

The disadvantages include:

- Slow, time-consuming decisions
- Dispersed responsibility
- No open disagreement, friction, or originality ("group think")
- Executive leadership and initiative are inhibited

Once the minister receives the document, he is often assisted by an advisory board of academics, journalists, and other outsiders on particular policy problems. In addition, the Minister of Finance will be sought to discuss budget outlays and financing problems, and the LDP will form ad hoc committees to generate support for the decision or plan. Proposed bills are then routed through the legislative process.

## GOVERNMENT/BUSINESS INTERACTION ("JAPAN, INC.")

The term "Japan, Inc." frequently is used to describe the close interaction between Japanese government and business. However, this relationship is not a centralized bureaucracy (such as MITI) issuing commands and directives, but a participatory partnership between the two sectors operating toward generally agreed upon goals.

## Government Overview

The key attributes of this interaction include:

- A vast network of personal connections through group affiliations and mentor-protégé (oyabun-kobun) relationships (see page 1)
- The retirement of bureaucrats into business, politics, and public corporations (amakudari)
- National economic planning and industrial policy
- Administrative guidance of industry by ministries and public corporations
- Political contributions
- Big business (zaikai) involvement in advisory committees, legislation, research, and lobbying
- Consensus decision-making in the ministries
- Large number of Liberal Democratic Party (LDP) businessmen in the Diet

These factors interact to establish economic goals and to guide and direct businesses in achieving them.

### Zaikai

Big business is organized into four major business groups. This concentration of political power facilitates consensus on issues and policies of interest to industry, and shapes basic economic and political trends. These groups include:

- Keidanren - Federation of Economic Organizations (FEO) consists of the elite of Japanese businesses, including national trade associations and major corporations.
- Nikkeiren - Federation of Employers' Association (JFEA) focuses mostly on labor issues, union demands, and legislation. It consists of national trade and employers' associations, and prefectural and local employers' associations.
- Keizai Doyukai - Japan Committee for Economic Development concentrates on research and policy formulation.
- Nissho - Japan Chamber of Commerce and Industry lobbies for small- and medium-size enterprises.



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## Government Overview

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The zaikai gets involved in policymaking long before the legislative process begins. The four groups periodically issue statements and submit proposals to initiate government action. They are frequently consulted and serve on advisory committees, and submit reports and recommendations on important issues. Big business is so involved in all stages of legislation and policymaking that lobbying is unnecessary.

Career Paths and Amakudari - Government and business are intertwined since many business executives begin their careers in the ministries. This link is depicted in the idealized career path shown in Figure 2. The college graduate, preferably from Tokyo University's department of law or economics, enters a key ministry (Finance, MITI, etc.) and rises to section chief, bureau chief, division chief, vice minister, then minister. At the age of 55, if not promoted to a top position, the person retires and goes into business (amakudari or "descent from heaven"), politics, a public corporation, or a public policy organization.

### Hierarchy of Amakudari Routes

<u>Ministry</u>	<u>Landing Spot</u>
MITI	Big business
Finance	Public corporation
Agriculture, Finance	Politics
Education, Foreign Affairs	Auxiliary agencies (e.g., Japan Productivity Center)

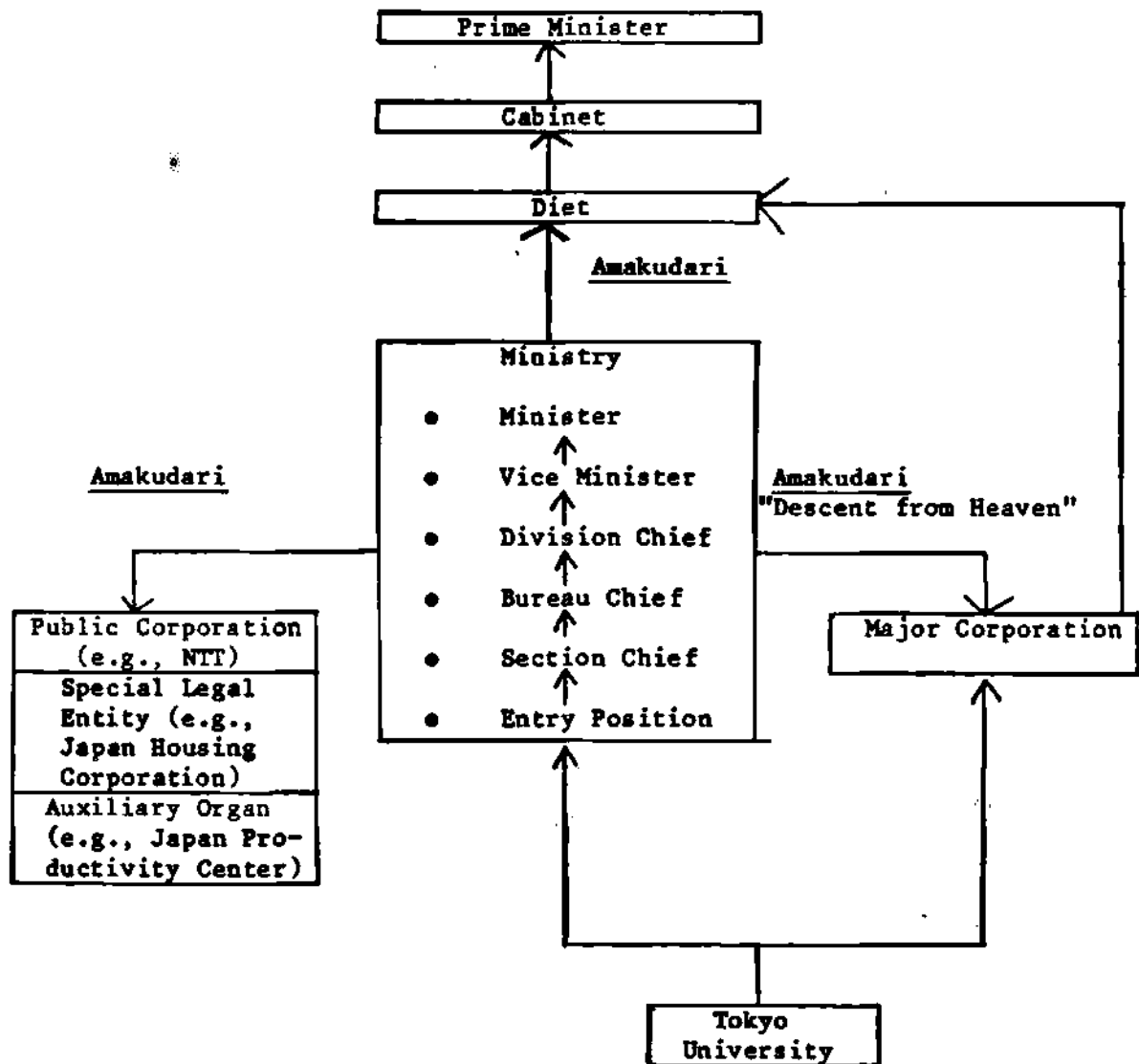
There are two legal restrictions on amakudari:

- Article 103 of the National Public Service Law, which requires a two-year waiting period before entering business
- An amendment to the Election Law prohibiting bureaucrats from entering the first House of Councillors election after retirement. However, these laws have not appreciably stopped the practice of amakudari.

# Government Overview

Figure 2

IDEALIZED CAREER PATH AND AMAKUDARI



Source: DATAQUEST

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# Government Overview

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## IMPLICATIONS FOR HIGH-TECHNOLOGY BUSINESSES

DATAQUEST believes that American semiconductor firms will encounter the following obstacles in doing business with the Japanese:

- Slow Opening of Markets - Despite the recent GATT Agreements and market opening measures, the Japanese market will open slowly due to administrative inertia and vested interests. However, this should not be viewed as "stonewalling," but as a result of Japanese decision-making processes.
- Differing Perceptions and Attitudes - Japan will seek harmonious relations while Americans will perceive a calculated "trade war" or "export attack" directed by MITI and the zaikai. The recent FBI sting operation in California's Silicon Valley dramatically contrasts the two attitudes: Americans took an adversarial, legalistic, and direct approach to resolve trade problems; while the Japanese reacted in a highly emotional, self-scrutinizing, and accommodating manner.
- Follow-the-Leader - Japanese semiconductor firms enter markets and product areas jointly, with MITI guidance, whereas American firms usually seek to penetrate markets on their own. With increasing Japanese competition, however, American firms are organizing joint research and seeking assistance from the federal government to offset the risks of large R&D investments. Thus, firms in both countries will pursue a more cautious follow-the-leader approach.
- Made-in-Japan Complex - American firms will find it difficult to penetrate the Japanese market at first, since Japanese consumers and distributors believe that their products are of higher quality and reliability.
- Weak Short-Term Earnings - American firms seeking quick profits from their Tokyo operations will be disappointed since Japanese skepticism over short-term, contractual relationships will slow progress with government officials and distributors.
- Awkward or Puzzling Joint Ventures - American firms entering joint ventures with Japanese firms will encounter significant cultural and language barriers. Japanese contracts, for example, are less specific and detailed than American contracts because of the Japanese mistrust of impersonal, contractual relationships. Also, the Japanese are less forthright and adversarial during negotiations. Trust and confidence must be built over a long term, and involve years of hard work.

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## Government Overview

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Despite these formal and informal barriers, DATAQUEST believes that there are many ways to penetrate the Japanese market:

- Enter into joint ventures and licensing agreements with Japanese companies, especially newcomers into the semiconductor field
- Make a long-term commitment to open offices in Japan and hire Japanese nationals
- Participate in joint research with Nippon Telegraph and Telephone (NTT) and other government agencies
- Open production plants in Japan, especially in Technopolis zones, and seek low-interest loans from the Japan Development Bank (JDB)
- Develop a strong service network, especially for application-specific ICs (ASICs)

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# Government Overview

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## GLOSSARY OF JAPANESE TERMS

<u>Habatsu</u>	Faction, clique
<u>Gakubatsu</u>	Clique of persons from same school, college, university
<u>Kyodobatsu</u>	Clique of persons from same region, prefecture or hometown
<u>Keibatsu</u>	Clique through family ties and marriage
<u>Zaibatsu</u>	Financial clique (abolished after World War II); replaced by <u>Zaikai</u> (big business group)
<u>Kambatsu</u>	Bureaucratic clique from same agency or ministry
<u>Gumbatsu</u>	Military clique (abolished after World War II)
<u>Oyabun/ Kobun</u>	Teacher/student, mentor/protégé relationship based on Confucianism. Person of authority ( <u>oyabun</u> ) assumes obligation ( <u>on</u> ) and responsibility for subordinate ( <u>kobun</u> ) who reciprocates with strong loyalty and duty ( <u>giri</u> ).
<u>Giri</u>	Duty, compliance or obedience
<u>On</u>	Moral obligation imposed by benevolent actions of parents and patrons which must be repaid by <u>giri</u>
<u>Ninjo</u>	Human feelings (which soften the demands of <u>giri</u> )
<u>Iyegara/ kenami</u>	Family status/pedigree. Necessary qualifications for high social membership and positions of prestige and influence.
<u>Ha</u>	Political faction
<u>Amae</u>	Desire for warm dependency
<u>Enryo</u>	Personal restraint or reserve
<u>Nakodo</u>	Go-between, 3rd party intermediary
<u>Sempai</u>	Superior (in position)

(Continued)

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# Government Overview

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## GLOSSARY OF JAPANESE TERMS (Continued)

<u>Seiwa</u>	Sponsor, guarantor
<u>Sensei</u>	Teacher (however carrying the Confucian connotation of master or superior)
<u>Ringisho</u>	Document circulated during decision-making process to seek consensus from all parties

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## Political Parties

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### POSTWAR TRENDS

When World War II ended, Japanese politics were in turmoil. The key conservative leaders were removed by the U.S. Supreme Commander for the Allied Powers (SCAP), the zaibatsu was abolished, a series of political reforms were enacted, and a new Constitution was drafted. Power was scattered among five national parties (see Figure 1) and 350 local parties, based on oyabun-kobun relationships. Diet members were mostly newcomers who served short terms.

By late 1949, a multiparty system developed around three parties with roots in the pre-war period: the Liberals (conservatives), the Democrats (progressives), and the Socialists. The Communist Party was purged by SCAP in 1946, but survived intact. A Socialist-led coalition governed under Tetsu Hatayama (1947-1948), but split up due to internal feuds. Shigeru Yoshida of the Liberal Party then formed his Second Cabinet in 1948--the starting point for prolonged conservative rule.

In late 1955, the warring factions of Socialists reunited to form the Japan Socialist Party (JSP), alarming big business and the bureaucracy. To counter this coalition, the Liberals and Democrats joined to form a single conservative party--the Liberal Democratic Party (LDP)--which has controlled Japanese government to the present. Until recently, the LDP has maintained a majority in the Diet (see Figure 2).

The Socialist Party split again in 1960 over the revision of the Japan-U.S. Security Treaty, with right-wing dissidents forming the Social Democratic Party (SDP). In addition, the Soka Gakkai, an offshoot of the Buddhist Nichiren sect, organized a political arm, the Komeito ("Clean Government" Party) in 1964. The Communist Party (JCP) has increased its parliamentary strength by adopting more-flexible, less doctrinaire policies and by organizing at the grassroots level.

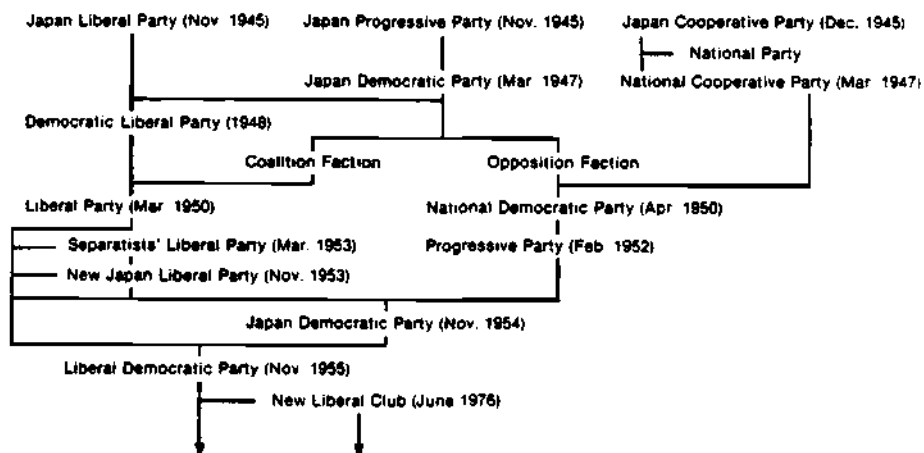
Under stable conservative rule led by LDP Prime Ministers Kishi (1957-1958), Ikeda (1960-1963), and Sato (1964-1972), the Japanese economy experienced a high growth rate of 10 percent annually. Since the 1973 oil crisis, however, the LDP has lost parliamentary strength due to public criticism of its "money power politics," spiraling prices, pollution, and the Lockheed affair. LDP Prime Ministers Kakuei Tanaka (1972-1974), Takeo Miki (1974-1976), Takeo Fukuda (1976-1979), Zenko Suzuki (1980-1982), and Yasuhiro Nakasone (1983-present) have pursued slow-growth policies and attempted to modernize the LDP structure.

## Political Parties

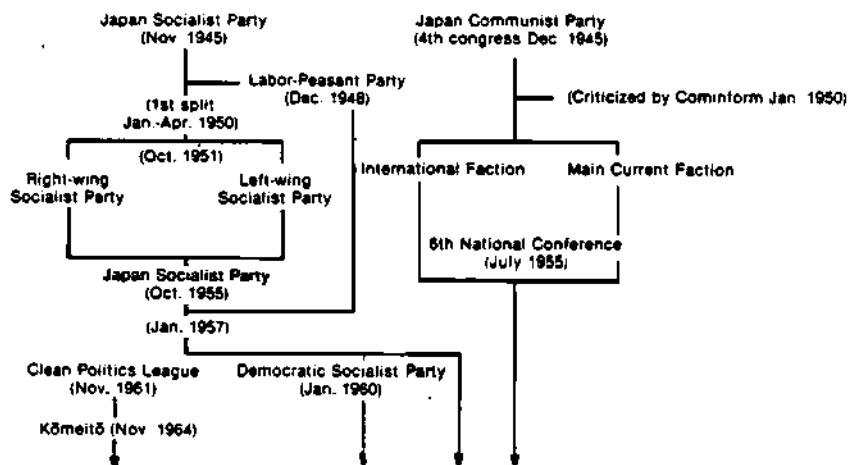
**Figure 1**

## EVOLUTION OF POSTWAR JAPANESE POLITICAL PARTIES

### Conservative Parties



### Reform Parties



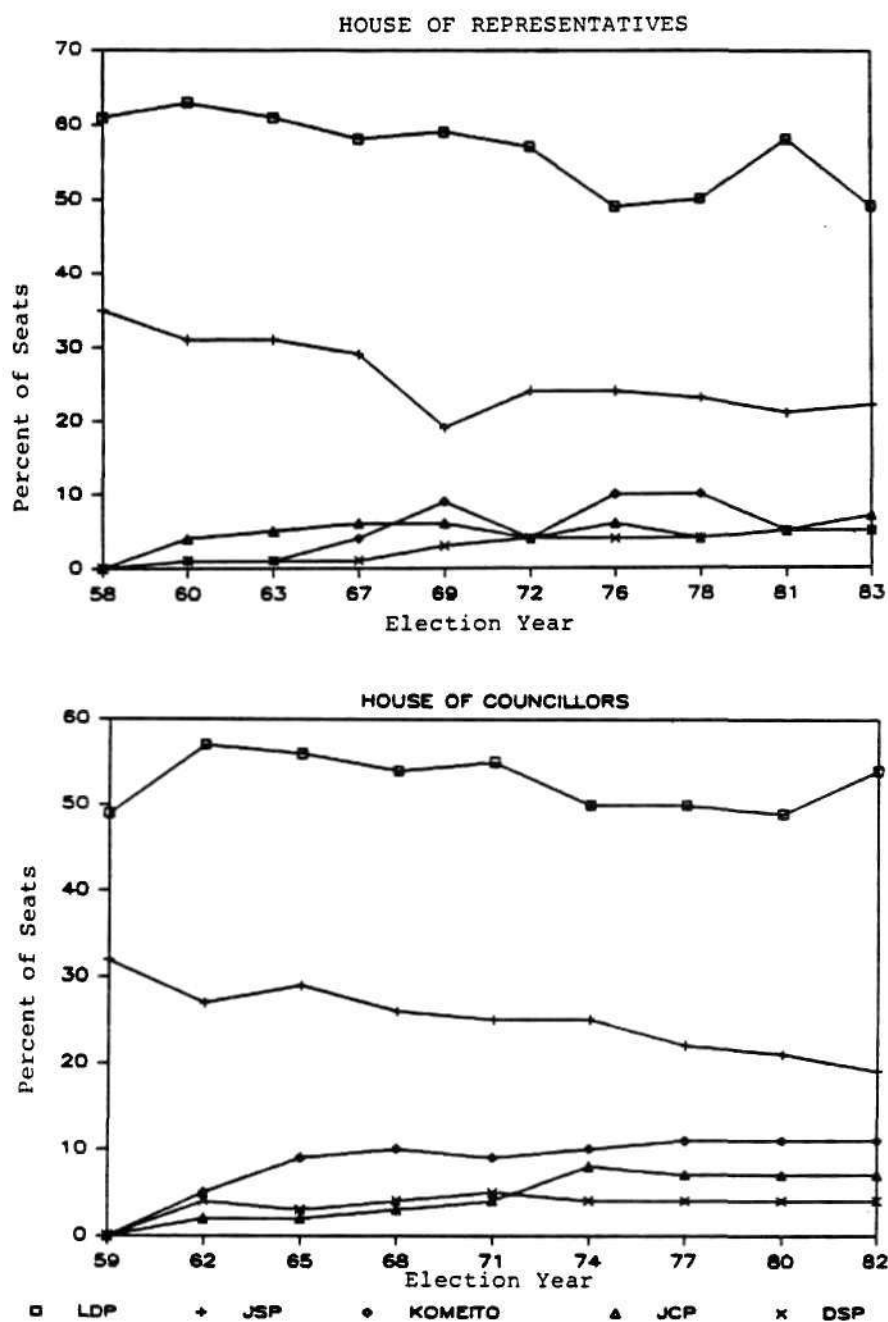
Source: Kishimoto, Koichi, "Politics in Modern Japan," *Japan Echo*, 1977  
DATAQUEST



# Political Parties

Figure 2

## PARTIES IN THE JAPANESE DIET



Source: DATAQUEST

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# Political Parties

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## MAJOR PARTIES

Five political parties dominate the Japanese political scene--the Liberal Democratic Party, the Japan Socialist Party, the Japan Communist Party, the Democratic Socialist Party, and the Clean Government Party.

### Liberal Democratic Party (LDP)

The LDP (the conservative party) has ruled Japan since 1955. Backed by big business, industry, and farm interests, it has pushed through price supports for agriculture and fiscal and monetary policies favorable to business. The party is heavily represented by Tokyo University graduates and bureaucrats who form the LDP-business-bureaucracy triumvirate. The five major factions within the party--Nakasone, Tanaka, Fukuda, Suzuki, and Komoto--constantly battle for control. LDP members dominate the key advisory councils that make policy recommendations to the ministries:

- Economic Advisory Council
- Council on Industry Structure
- Council on Financial Policies
- Council on Foreign Investment

During the 1970s, there was growing disenchantment with the LDP's factional politics and the Lockheed scandal. Recently, however, the party has regained a majority in the Diet.

### Japan Socialist Party (JSP)

The JSP is closely aligned with the Marxist-oriented General Council of Trade Unions (Sohyo) and Socialism Association. The party consists of teachers, railway workers, and telecommunications workers from public employee unions as well as left-wing intellectuals. Its policy goals are:

- The abrogation of the Japan-U.S. Security Treaty
- The signing of a mutual nonaggression pact with China, the U.S.S.R., Korea, and the United States
- The abolition of the Japanese Self-Defense Forces

The JSP's parliamentary strength has declined since 1967 due to factional infighting, rigid doctrines, excessive dependence on Sohyo, and lack of grassroots support.

## Political Parties

### Japan Communist Party (JCP)

The JCP has shown remarkable growth since the mid-1950's. Originally a violence-oriented Marxist group, the JCP pursued a "soft line" policy after 1958 under Kenji Miyamoto. Its basic goals are:

- The abolition of the Japan-U.S. Security Treaty
- The breakup of big-money politics
- Opposition to remilitarization

The JCP has attracted a wide range of university graduates, professionals, white-collar workers, and executives because of its focus on concrete local problems such as pollution, taxes, inflation, and traffic. Through its "daily activities" program (nichijo katsudo), it has earned the image of a nonviolent, open, and law-abiding party.

### Democratic Socialist Party (DSP)

The DSP is an anti-Marxist splinter group that left the JSP in 1960. Patterned after the European social democratic parties, the DSP relies heavily on the Japan Confederation of Labor (Domei), a federation of middle-of-the-road enterprise unions. DSP's goals are:

- Promotion of a welfare state
- Opposition to Marxism-Leninism
- Displacement of the LDP
- Maintenance of friendly relations with all nations

Due to its unexciting, industry-bound image and frequent support of LDP legislation, the DSP has not attracted fresh blood nor increased its parliamentary strength.

### Clean Government Party (Kohmeito)

Kohmeito emerged as the political arm of the Value Creation Society (Sohka Gakkai), a Buddhist sect consisting of small merchants, shopkeepers, nonunion laborers, and other marginal, lower-middle class people who missed out on Japan's rising prosperity. The party expounds "humanistic socialism," but is basically anti-Marxist. Its policy goals are:

- Defense of the Constitution and parliamentary democracy

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## Political Parties

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- Peaceful, independent, and neutralist foreign policy
- Protection of the disadvantaged and promotion of social welfare

Komeito is organized through a network of "citizens livelihood discussion centers" and--like the Communist Party--provides professional help to citizens on local problems. Since 1972, however, the party has lost seats in the House of Representatives because of a major financial scandal and public criticism that it plays on fears and insecurity.

### THIRD NAKASONE CABINET

In November 1984, pro-West conservative Yasuhiro Nakasone retained his post as Liberal Democratic Party (LDP) president and prime minister of Japan, making him the first Japanese prime minister to serve more than two years since the administration of Eisaku Sato (1964-1972). He succeeded in building a working coalition after a last-minute challenge to his incumbency by Susumu Nikaido, party vice president and supporter of former prime minister Kakuei Tanaka. Nikaido's challenge was significant because it was an attempt to oust Nakasone by booting Tanaka out of power. Despite his conviction in the Lockheed Scandal, Tanaka still retains enormous clout, evidenced by the fact that his faction dominates the Nakasone cabinet--which the Japanese press calls the "Tanakasone Cabinet."

The line-up of the third Nakasone cabinet, shown in Table 1, reflects the strength of Tanaka and the competing LDP factions:

- Six of the top 20 positions come from the Tanaka faction; the Fukuda and Suzuki factions have four positions each
- Shintaro Abe (Foreign Affairs/Fukuda faction) and Noboru Takeshita (Finance/Tanaka faction) retained their positions
- Shigeru Ishimoto (Environmental Protection Agency) is the first woman cabinet member in over 20 years
- The new cabinet is younger, with a median age of 61 years
- MITI's new minister, Keijiro Murata, is relatively unknown, reflecting MITI's declining influence
- Hiraku Matsunaga (Education) is a Nakasone supporter, reflecting the high priority given educational reform

# Political Parties

Table 1

## THE THIRD NAKASONE CABINET

<u>Position</u>	<u>Name</u>	<u>Age</u>	<u>Faction</u>
Prime Minister	Yasuhiro Nakasone	66	Nakasone
Justice	Hitosni Shimasaki	61	Suzuki
Foreign Ministry	Shintaro Abe	60	Fukuda
Finance	Noboru Takeshita	60	Tanaka
Education	Hikaru Matsunaga	55	Nakasone
Health and Welfare	Hiroyuki Masuoka	61	Suzuki
Agriculture, Forestry, & Fisheries	Moriyoshi Sato	62	Tanaka
International Trade, & Industry	Keijiro Murata	60	Fukuda
Transportation	Tokuo Yamashita	65	Komoto
Posts and Telecommunications	Megumu Sato	60	Tanaka
Labor	Toshio Yamaguchi	44	NLC
Construction	Yoshiaki Kibe	58	Nakasone
Home Affairs	Toru Furuya	75	Fukuda
Chief Cabinet Secretary	Takao Fujinami	51	Nakasone
Okinawa Development Agency	Toshio Komoto	73	Komoto
Administrative Management & Coordination Agency	Masaharu Gotoda	70	Tanaka
Defense Agency	Koichi Kato	45	Suzuki
Economic Planning Agency	Ippei Kaneko	71	Suzuki
Science & Technology Agency	Keiichi Takeuchi	58	Tanaka
Environmental Protection Agency	Shigeru Ishimoto	71	Fukuda
National Land & Hokkaido Development Agencies	Kakuzo Kawamoto	67	Tanaka
Director, Cabinet Legislative Bureau	Takashi Mogushi	64	"
<u>Liberal Democratic Party Positions</u>			
President	Yasuhiro Nakasone	66	Nakasone
Vice President	Susumu Nikaide	75	Tanaka
Secretary General	Shin Kanemaru	70	Tanaka
Chairman, Executive Council	Kiichi Miyazawa	65	Suzuki
Chairman, Policy Affairs Research Council	Masayuki Fujio	67	Fukuda
Acting Secretary General	Michio Watanabe	61	Nakasone

Source: Liberal Star  
(Liberal Democratic  
Party Newsletter)

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## Political Parties

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The third Nakasone cabinet maintains the political status quo, although Japanese observers believe it may be the last cabinet dominated by the Tanaka faction. LDP party positions were reshuffled in response to the challenge by Nikaido, the party's vice president. Kiichi Miyazawa (Suzuki faction) will be chairman of the Policy Affairs Research Council, and Shin Kanemaru will be the Secretary General. During the second Nakasone administration, the following issues will have major priority:

- Reorganization of Nippon Telegraph and Telephone (NTT)
- Liberalization of the telecommunications market (value-added networks)
- Software protection/semiconductor copyright
- Educational reform
- Administrative reform
- Continuation of fiscal austerity
- Medical insurance reform
- Increased military spending

Prime Minister Nakasone favors increased defense spending and freezes or cuts in nondefense spending, but Article 9 of the Japanese Constitution (which prohibits defense spending to exceed 1 percent of the GNP) will keep a lid on military expenditures.

Under LDP rules, Nakasone cannot run for a third term. In 1986, three candidates are likely to run for the position of prime minister: Shintaro Abe (Foreign Ministry), Kiichi Miyazawa (Executive Council Chairman), and Noboru Takeshita (Finance). All three men have considerable experience and would pave the way for a new generation of Japanese leaders.

## Political Parties

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## **Political Parties**

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# Ministries

## GENERAL STRUCTURE

National administration in Japan is carried out by the Prime Minister's office and the 12 ministries under the Cabinet (see Figure 1). In addition, the Prime Minister's office has eight state ministries under it that handle specific tasks not covered by the cabinet ministries. The Prime Minister appoints all ministers and state ministers to his Cabinet, generally on the basis of Diet seniority and factional ties.

Each ministry has one Administrative Vice Minister, who assists in supervising the bureaus and divisions, and one Parliamentary Vice Minister, who participates in policy making and program planning. Exceptions to this structure are MITI (Ministry of International Trade and Industry), Finance, and Agriculture, which have two Parliamentary Vice Ministers each.

Due to frequent Cabinet reshuffling, ministers usually serve only one year, half of which is spent learning their jobs. Consequently, ministry secrets and policies are tightly controlled by the vice ministers and other high-ranking bureaucrats. Ministers usually have no firsthand knowledge of an issue, little time to study it, and less time to establish working ties with their counterparts in foreign countries. Thus, negotiations are more protracted than necessary, and by the time an issue is being decided the minister is often gone.

The key ministries and agencies that directly influence policies for the semiconductor industry include:

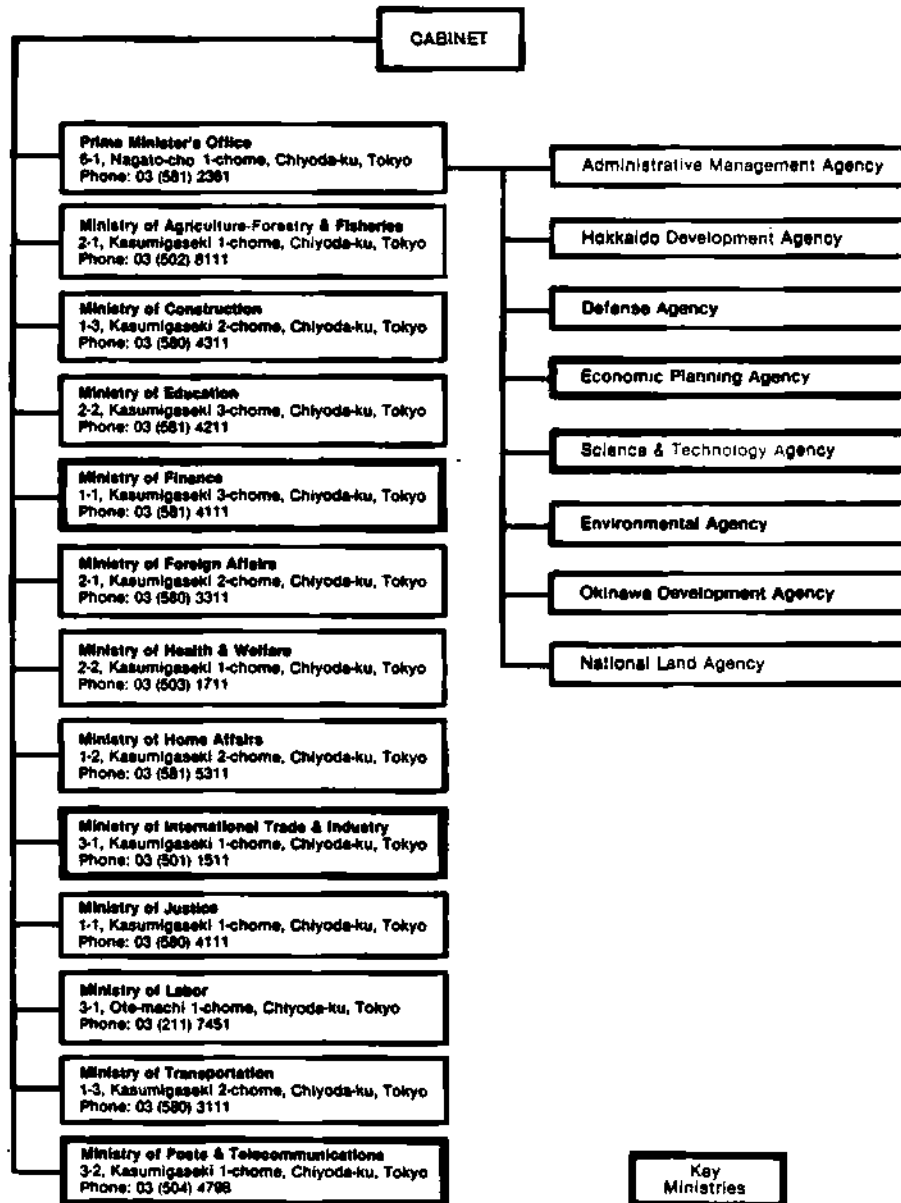
- Ministry of International Trade and Industry (MITI)
- Ministry of Finance (MOF)
- Ministry of Posts and Telecommunications (MPT)
- Economic Planning Agency (EPA)
- Science and Technology Agency (STA)

As discussed in the Industry section, Administrative Guidance of Industry, these ministries have great latitude over the coordination and direction of government policies.

# Ministries

Figure 1

## NATIONAL MINISTRIES



Source: Science & Technology  
in Japan  
DATAQUEST

# Ministries

## MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)

MITI is the key ministry behind Japan's challenge in the semiconductor field. Established in 1949 to direct postwar reconstruction efforts, MITI has evolved into the "general staff" for developing industrial policies (sangyo seisaku) and promoting foreign trade. Its programs have far-reaching impact on the Japanese economy, ranging from the close scrutiny of joint ventures to the setting of electric power rates. Its counterpart in the United States would be the Defense Department, which also maintains a strategic, goal-oriented outlook. Indeed, the close business-government ties associated with "Japan, Inc." are similar to those binding together America's "military-industrial complex."

MITI's major activities include:

- Promoting new industries and technologies
- Encouraging scientific and technological research
- Monitoring international trade
- Guiding business investments
- Regulating foreign exchange
- Overseeing industrial proprietary rights
- Encouraging international economic cooperation

In recent years, MITI's focus has shifted from promoting exports to opening Japan's markets and resolving balance-of-payments and currency problems, and promoting basic research (see the EIEJ Newsletter, "MITI's Take-lead Strategy Shifts into High Gear," dated October 26, 1984).

MITI is organized into the Minister's Secretariat, seven bureaus, and five extra-ministerial bureaus (see Figure 2). The key bureaus affecting the semiconductor industry include:

- International Trade Policy Bureau--Plans and implements Japan's trade policies, conducts surveys on overseas markets, and provides the following services through the MITI Information Office:
  - News releases
  - Background information on Japanese industry
  - Press conferences

## Ministries

- Seminars and meetings
- Industrial tours
- International Economic Affairs Department--Prepares basic policies on international trade and currency for the General Agreement on Tariff and Trade (GATT) negotiations and handles the tariff system
- International Trade Administration Bureau--Organizes expositions and trade fairs, supervises the Japan External Trade Organization (JETRO) branches, inspects import and export transactions, and issues import licenses
- Industrial Policy Bureau--Promotes MITI's semiconductor industry policies, oversees business mergers and tie-ups, recommends Japan Development Bank loans for plants and equipment, regulates taxes on industry, and handles foreign investments and technical assistance contracts
- Machinery and Information Industries Bureau--Plans and promotes comprehensive policies for electronics and data processing through the following divisions:
  - Electronics Policy
    - . Conducts surveys and plans programs on the use of electronic machinery
  - Data Processing Promotion
    - . Promotes computer use, development of software technology, and data processing service businesses
  - Industrial Electronics
    - . Handles import and export of electronic equipment, electric measuring devices, communications equipment, and, most importantly, computers and semiconductors
  - Electrical Machinery and Consumer Electronics
    - . Handles import and export of home electronic equipment

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## Ministries

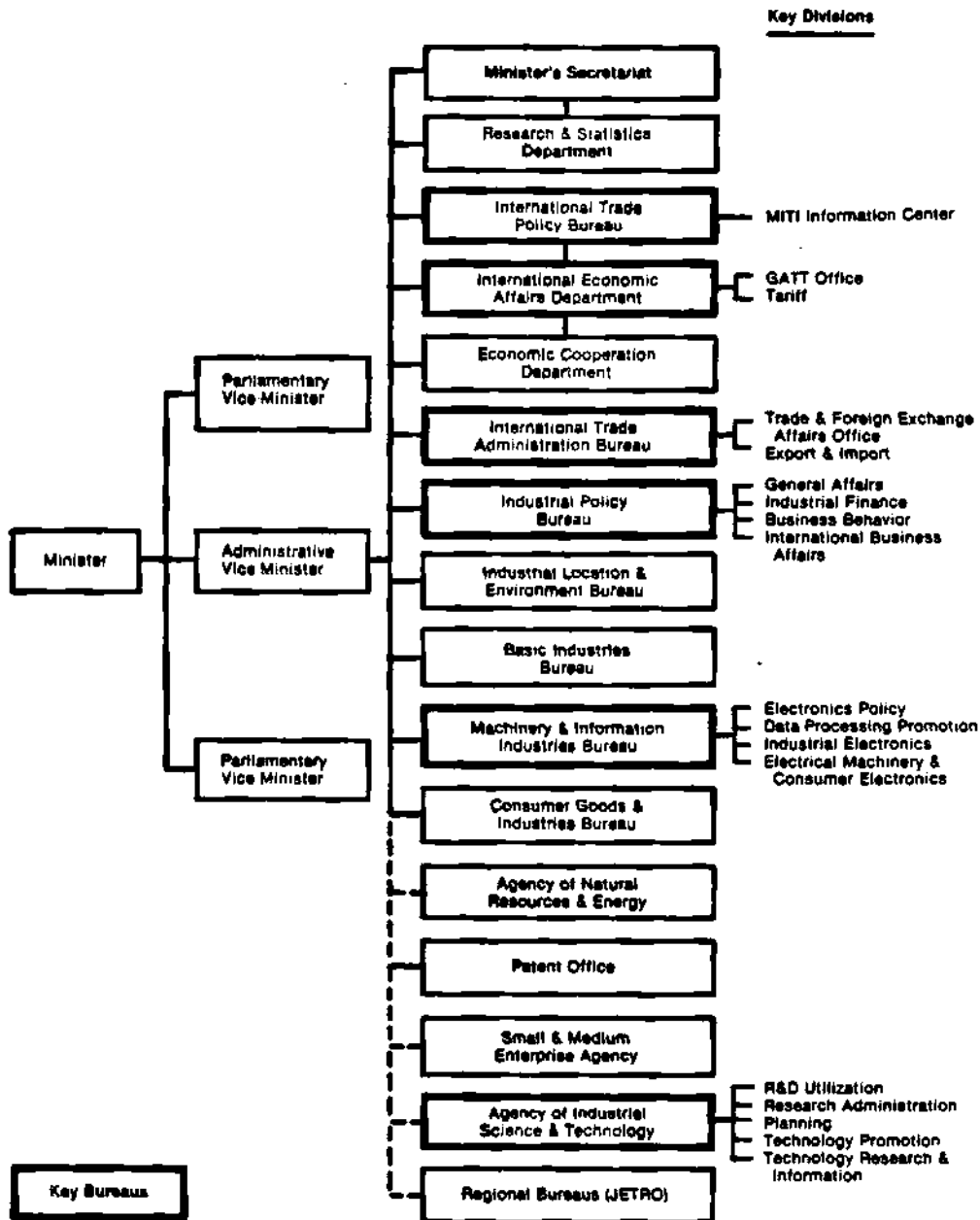
- Agency of Industrial Science and Technology (AIST)--Promotes MITI's technology policy of transforming Japan's industrial structure into a "knowledge-intensive" one by operating a system of national R&D projects (including 16 research institutes) and fostering R&D activity in the private sector through subsidies. Key divisions include:
  - R&D Utilization Office
    - Patents MITI's research findings and makes contracts with business firms; handles joint research projects, technical guidance, and research under consignment
    - Promotes computer use by the government and investigates technical problems
  - Research Administration Office
    - Coordinates laboratory research programs and conducts joint research projects with private business
  - Planning Division
    - Plans the national system of laboratories and research institutes and oversees their transfer to the Tsukuba Science City
  - Technology Promotion Division
    - Grants subsidies and tax preferences to encourage industrial R&D
  - Technology Research and Information Division
    - Monitors research trends, conducts joint research programs with international organizations, and disseminates information on industrial science and technology

This agency is separate from the Science and Technology Agency.

# Ministries

Figure 2

## MITI'S ORGANIZATIONAL STRUCTURE



Source: DATAQUEST

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## Ministries

MITI's internal hierarchy differs from that of other ministries in that the Vice Minister, not the Secretariat, is the highest post. The high status accorded the Industrial Policy Bureau is a carryover from the 1960s when the industrial (domestic) faction dominated. Since the 1970s, the international bureaus have taken over. The internal MITI ranking is as follows:

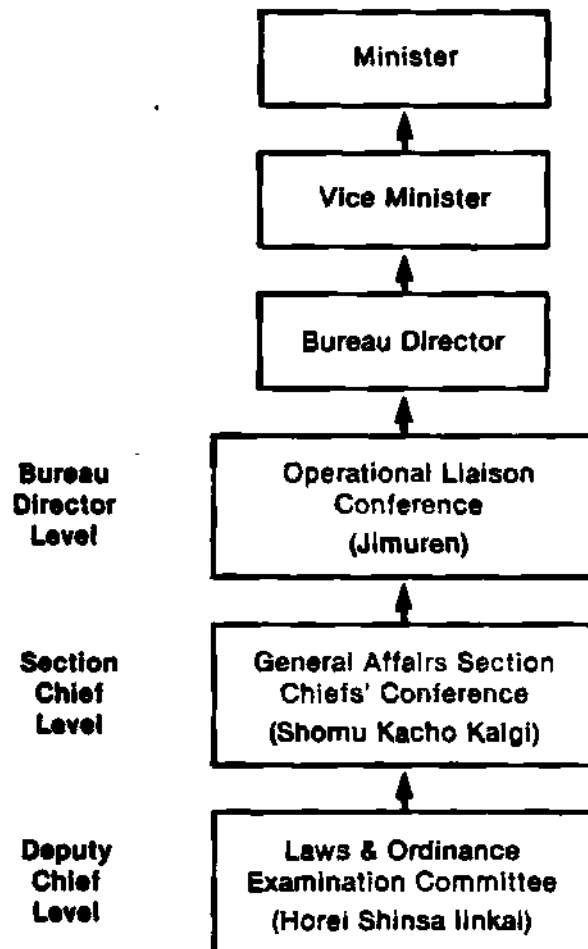
1. Vice Minister
2. Chief, Industrial Policy Bureau
3. Director-General, Natural Resources and Energy Agency
4. Director-General, Medium and Smaller Enterprises Agency
5. Director-General, Patent Agency
6. Chief, International Trade Policy Bureau
7. Chief, Machinery and Information Industries Bureau
8. Chief, Minister's Secretariat
9. Chief, Basic Industries Bureau
10. Chief, Industrial Location and Environmental Protection Bureau
11. Chief, Consumer Goods Industries Bureau
12. Chief, Trade Bureau

MITI gives much authority to its younger officials, who generate most of the new ideas. Many policy proposals originate in informal brainstorming sessions late at night. They are routed up the MITI organization as shown in Figure 3.

Before major policies are approved, the Industrial Structure Council (Sangyo Kozo Shingikai)--MITI's channel to the business community--is consulted for recommendations and advice. The council consists of MITI's old boy network of retired vice ministers and key executives.

# Ministries

Figure 3  
POLICY APPROVAL PROCESS



Source: DATAQUEST



## Ministries

MITI has used its extensive licensing and approval authority (kyonin kaken) to "guide" key industries in the international market. Since the war, the focus of its industrial policies has shifted as shown below:

- 1950s--Steel, electric power, chemicals
- 1960s--Automobiles and appliances
- 1970s--Advanced electronics, high-density dynamic RAMs
- 1980s--Computers, software, robots, and new energy sources

In July 1979 MITI released its "Vision for the 1980s," a master plan for economic and energy security. The key to MITI's vision is the computer, as outlined below:

- The computer industry is projected to expand rapidly.
- The computer will be key in revitalizing Japan's depressed industries (shipping, auto production, steel).
- The semiconductor and computer will be essential in new industries (telecommunications, aircraft and aerospace, robotics, ocean development, bioengineering, laser optics).
- The computer will be a means of enhancing the quality of life (electronic data links).

Since 1976, MITI has spent more than \$480 million for basic research in high-technology areas (see Table 1). Approximately \$101 million was spent in fiscal 1984.

Table 1

### JAPANESE GOVERNMENT R&D PROJECTS (Millions of Dollars)

Project	Fiscal Year							To Date	Projected Total Budget	YTD Percent
	1976-78	1979	1980	1981	1982	1983	1984			
Supercomputer	-	-	-	\$ 0.1	\$ 3.3	\$ 6.7	\$ 9.8	\$ 19.9	\$100.0	20%
Optoelectronics	-	\$ 0.2	\$ 4.3	10.9	13.0	14.4	10.1	52.9	\$ 78.3	68%
Next-Generation Industries	-	-	-	12.3	19.1	24.9	25.8	82.1	\$452.2	18%
Fifth-Generation Computer	-	-	-	0.1	1.7	11.6	22.3	35.7	\$450.0	8%
Fourth-Generation Computer	\$93.1	38.9	25.7	28.1	22.5	12.2	8.7	229.2	\$229.2	100%
Computer Security	-	-	-	-	-	-	0.1	0.1	N/A	N/A
Software Development	-	-	-	-	10.5	27.7	24.2	62.4	N/A	N/A
<b>Total</b>	<b>\$93.1</b>	<b>\$39.1</b>	<b>\$30.0</b>	<b>\$51.5</b>	<b>\$70.1</b>	<b>\$97.5</b>	<b>\$101.0</b>	<b>\$482.3</b>		
Exchange Rate (% = US\$1)		¥ 221	¥ 225	¥ 221	¥ 250	¥ 235	¥ 230			
1976	¥ 296									
1977	¥ 266									
1978	¥ 206									

Source: Ministry of International Trade  
and Industry (MITI)

DATAQUEST

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## **Ministries**

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### **SCIENCE AND TECHNOLOGY AGENCY**

#### **Agency Bureaus**

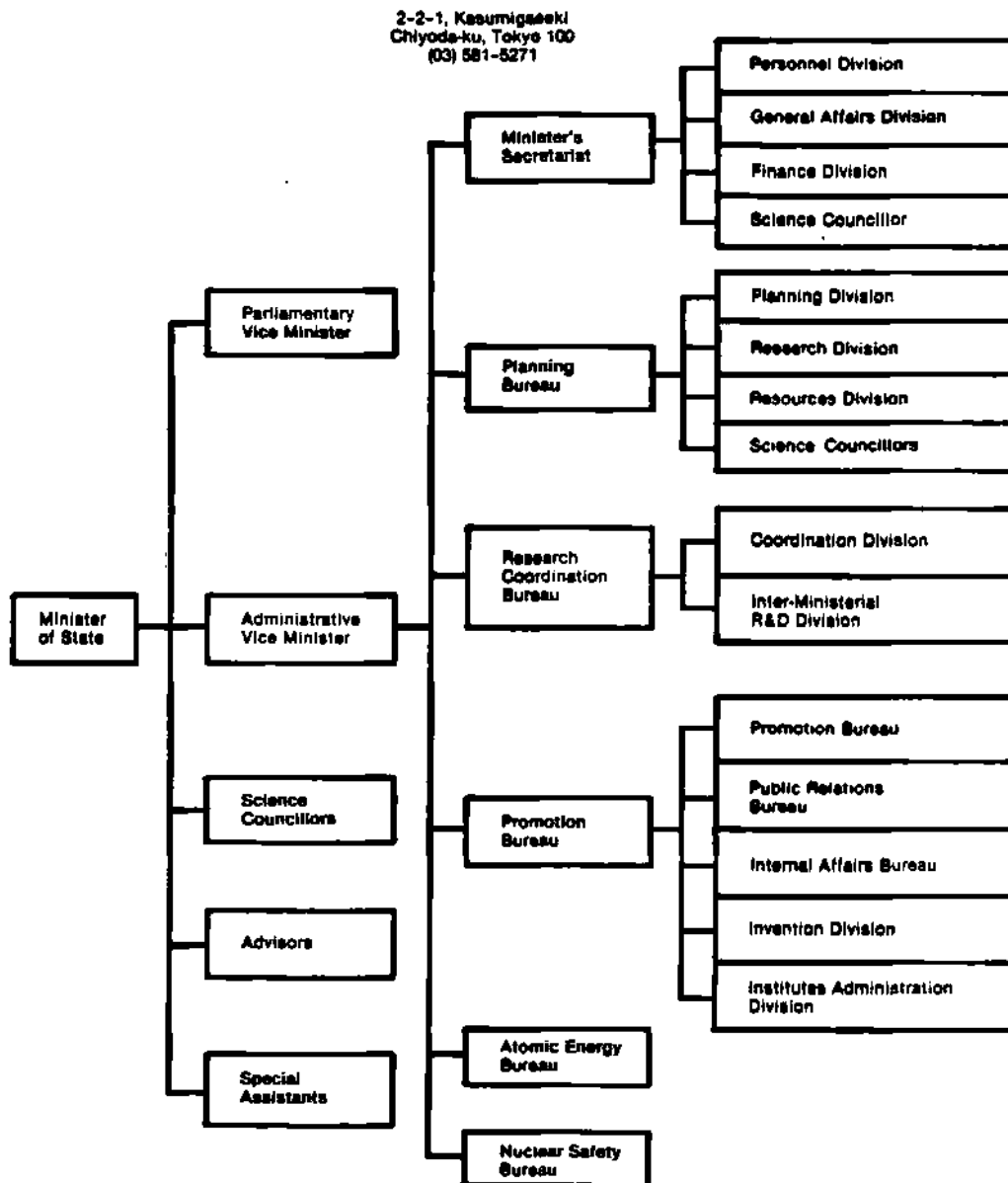
The Science and Technology Agency, a major entity reporting to the Prime Minister's office, is responsible for planning and promoting basic scientific and technological research. It is organized into 6 bureaus, which are divided into 29 divisions (see Figure 4). Bureaus with primary responsibility for semiconductor research include:

- Planning Bureau--This bureau coordinates the formulation of national policies by ministries and agencies such as MITI and Nippon Telegraph and Telephone, promotes basic research activities, and monitors research trends abroad.
- Research Coordination Bureau--Joint research and development projects are promoted through this bureau's Inter-Ministerial Research and Development Division, including participation by private semiconductor firms.
- Promotion Bureau--This bureau disseminates research findings through the Japan Information Center for Science and Technology and coordinates joint research projects (such as the fifth-generation computer) through its International Affairs Division.

# Ministries

Figure 4

## SCIENCE AND TECHNOLOGY AGENCY



Source: Science & Technology  
in Japan  
DATAQUEST

## Ministries

### Tsukuba Science City

One of this agency's monumental tasks is the operation and promotion of the Tsukuba Science City, located 40 miles northeast of Tokyo. This effort has taken 17 years and a total construction cost of more than \$5.5 billion. Currently, 30 of the top 98 national research institutes are located there, making it one of the world's principal science cities with a total of 46 research institutes. It has approximately 11,500 research employees. The key research institutes in the high-technology field and their specialties are as follows:

- Tsukuba Telecommunication Construction Engineering Development Center (Nippon Telephone and Telegraph) is developing the technology required for an outdoor telecommunications system. The center will be used by NTT and related industries and contractors.
- Electrotechnical Laboratory (MITI) is the largest electronics research organization in Japan, specializing in solid-state electronics, information processing, energy, and standards. It is one of the 16 institutions of MITI's Agency for Industrial Science and Technology.
- Tsukuba Administration Office (MITI) oversees the planning and coordination of the 16 laboratories and research institutes under MITI's jurisdiction and, through its Agency for Industrial Science and Technology, promotes large-scale technological research and development projects.

The Planning Bureau encourages the exchange of research among the institutes at Tsukuba and promotes interdisciplinary research projects through two councils:

- Liaison Council for Research and Other Institutions of Tsukuba Science City (1980)--Consortium of directors from 53 research institutes that promotes mutual cooperation
- Research Committee on Commonly Usable Facilities of Tsukuba Science City (1964)--Survey, assessment, and announcement of related reports

In 1978 the Tsukuba Center for Institutes was established to encourage contact among researchers. It supports the 22 research societies presently operating, publishes a community newspaper and a "Who's Who List" of researchers, and offers training courses and lectures.

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## Ministries

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Currently, there are 136,000 people in Tsukuba Science City. Through this science city, the Science and Technology Agency and MITI hope to consolidate research facilities for strategic industries. A comparison of the world's principal science cities is shown in Table 2. The Tsukuba Expo 85 is being held this year to celebrate Japanese advances in high-technology fields. The exposition is located in the western portion of the city.

Table 2

## COMPARISON OF THE WORLD'S PRINCIPAL SCIENCE CITIES

<u>Name</u>	<u>Tsukuba Science City</u>	<u>Research Triangle Park (U.S.)</u>	<u>Novosibirsk Science City (U.S.S.R.)</u>	<u>South Ile de France Science City (France)</u>	<u>Sophia Antipolis Science City (France)</u>	<u>Louvain University Science City (Belgium)</u>	<u>Remarks</u>
Area	2,700 ha. approx.	2,300 ha. approx.	1,300 ha. approx.	3,500 ha. approx.	2,400 ha. approx.	900 ha. approx.	1) The Louvain University Science City was cited as an example since cities of this type are common in the U.S., U.K., W. Germany, E. Germany, Italy, Portugal, Holland, Denmark, Sweden, and other countries.
Designed (ha.) scale							
Population	Approx. 136,000	Approx. 50,000	Approx. 50,000	Approx. 112,000	N/A	Approx. 50,000	
Objectives	Alleviation of overconcentration of population and industrial plants in Tokyo area and construction of a "brain city" with an ideal environment through concentration of research institutions	Fostering of industries that demand higher levels of technology, creation of job opportunities, and promotion of local industrialization	Creation of set-up for pursuing elementary to applied research in order to develop Siberian natural resources	Construction of science city through concentration of research institutions, private industries, etc.	Construction of international city for promotion of education, science, and technology (to be completed in 1990s)	Establishment of a new setup for promotion of education through respective languages to eliminate cultural disputes arising in the country because of language differences	
Core institutions	44 national or quasi-governmental research organizations and 2 universities	More than 35 governmental, academic and private research institutions	20 national research institutions and universities	26 organizations comprising research institutions, universities, etc.	49 organizations comprising research institutions, universities, etc.	Catholic University of Louvain, IBM Research Center	2) Although they are not shown in this table, there are more than 150 research parks (such as Stanford Industrial Park in Palo Alto, California, in the U.S.)
Number of employees	About 11,000 employees of research organizations About 31,000 including families	More than 8,000 employees of research organizations	About 18,000 employees of research organizations About 45,000 including families	About 13,000 employees of research organizations	About 2,800 employees of research organizations	About 500 employees of research organizations	
Distance from capital or large city	About 60 km from heart of Tokyo	11 km from Raleigh, NC, (population about 130,000); 23 km from Chapel Hill, NC, (population about 35,000); and 24 km from Durham, NC, (population about 110,000)	About 25 km from Novosibirsk (population about 1,000,000)	About 15 km from Paris	Situated between Nice and Cannes; about 22 km from Nice	About 10 km from Brussels	

Ministries

N/A = Not Available

Source: Science & Technology  
in Japan  
DATAQUEST

# Public Corporations

## GENERAL STRUCTURE

Japan's 110 public corporations<sup>a</sup> are extremely effective vehicles for implementing the government's industrial policies. More flexible and efficient than the ministries, these corporations are pre-eminent on the cutting edge of technology. Nippon Telephone and Telegraph (NTT), Japan Air Lines (JAL), and Japan Broadcasting System (NHK), for example, are among the leaders in their respective industries internationally.

Public corporations in Japan perform a variety of activities including the following:

- Stabilize prices
- Generate revenues through self-supporting services
- Conduct research and development
- Control licensing and approval of private businesses
- Provide administrative guidance for businesses
- Make loans to implement industrial policies
- Strengthen the industrial infrastructure

There are eight types of public corporations in Japan (see Table 1). Categories with particular relevance to the semiconductor industry, from the viewpoint of R&D support, financing, and procurement, include:

- Kosha--Introduced after the war to provide services on a self-supporting basis. Their capital is fully financed by the government and their budgets are subject to Diet approval. Nippon Telephone and Telegraph is a major purchaser of semiconductor equipment through its telecommunications procurement programs.
- Jigyodan--Instruments for implementing public policies, with a secondary emphasis on commercial activities. They focus primarily on the development of new technologies, international technical cooperation, management consulting for small businesses, and price stabilization.
- Koko--Supplements to commercial banks that finance specific industrial activities at government-fixed interest rates. They are key financiers for small start-up electronic firms. Their budgets are approved by the Diet.

# Public Corporations

Table 1

## TYPES OF PUBLIC CORPORATIONS

<u>Type</u>	<u>Purpose</u>	<u>Examples</u>	<u>Supervisory Ministry</u>
Kosha	Public service oriented	Nippon Telephone & Telegraph* Japanese National Railway	Posts & Telecommunication Transportation
Kodan	Public works projects	Japan Railway Construction Public Corporation New Tokyo International Airport Authority	Transportation Transportation
Jigyodan	Economic and social programs	Research Development Corp. of Japan*	Science and Technology
Koko	Finance corporation	Small Business Finance Corp. Finance Corp. of Local Public Enterprise	MITI, Finance Home Affairs, Finance
Ginko	Export and project financing	Japan Development Bank*  Export-Import Bank of Japan*	Finance  Finance
Kinko	Financing of Cooperatives	Central Bank for Commercial and Industrial Cooperatives	MITI, Finance
Tokushu Gaisha	Special companies	Japan Air lines Kokusai Denshin Denwa Co.*	Transportation Posts & Telecommunications
Others	Associations and research institutes	Japan External Trade Organization (JETRO)* Japan Information Center of Science & Technology* Japan Society for the Promotion of Science	MITI  Science & Technology Education

\*Key public corporations for semiconductor industry

Source: Administrative Management Agency,  
Organization of the Government of Japan,  
Tokyo, September 1980  
DATAQUEST



## Public Corporations

- Ginko--Similar to the koko, but larger and more autonomous. The Japan Development Bank and Export-Import Bank of Japan are key sources of construction and export financing for semiconductor firms.
- Tokushu Gaisha--Joint stock corporations with strong corporate autonomy. Their capital is financed by the national government and private parties. Kokusai Denshin Denwa (KDD) is the key corporation for Japan's international telecommunications network.

Each corporation has a president and chairman of the board of directors, who preside over its operations. Most of the key officers are ex-bureaucrats, who are retired from ministries and agencies (the practice of amakudari or "descent from heaven"). In this way, public corporations maintain close ties with ministry officials and corporate executives who served in the same ministries.

Public corporations serve a number of functions for the national government:

- Concentration of Capital and Technology--In 1961 MITI established the Japan Electronic Computer Company (JECC) as a joint venture to bolster manufacturers by buying their computers and leasing them to end users. In 1970, the Information Technology Promotion Agency was created by MITI to develop new computer programs and software. Both corporations are financed by the Japan Development Bank and involve private manufacturers.
- Separate Budgeting--Since the imposition of the fiscally stringent "Dodge Line" by the Supreme Commander for the Allied Powers (SCAP) in 1949, Japan has maintained three national budgets (see Section 45 National Budget). Public corporations enable the government to separate program costs from the general account budget and the investment (Fiscal Investment and Loan Plan) budget.
- Insulation from Politics--Japan has created public corporations to insulate activities from parliamentary, ministry, and union politics. Under the orders of SCAP, for example, the Japanese government set up NTT as an independent corporation in 1949 to shield it from crippling labor strikes.
- Political Compromises Between Ministries--The Japan External Trade Organization (JETRO) was originally incorporated as an association in 1951. MITI tried to convert it to a worldwide market intelligence service in 1958, but encountered opposition

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## Public Corporations

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from the Ministry of Finance. Finally, JETRO was set up under MITI's supervision as an independent public corporation whose principal role today is three-fold:

- Promotion of Japanese exports
- Information services to foreign businesses
- Resolution of import and export problems through its Office of Trade Ombudsman

### NIPPON TELEGRAPH AND TELEPHONE

NTT is a government-owned corporation established in 1952 under the jurisdiction of the Ministry of Posts and Communications. The Public Telecommunications Law of 1953 granted it a legal monopoly over Japan's domestic telephone, telegraph, and data communications lines and switching networks. Its budget, policies, tariffs, and top officials are approved by the government (see NTT company profile in JSIA binder).

In fiscal 1984, NTT had \$18.9 billion in revenues and \$18.5 billion in expenses for net earnings of \$0.5 billion. Despite the recession NTT held its telephone rate constant and reduced expenses by streamlining its operations.

Since 1953, NTT has pursued a policy of technological innovation through a series of five-year plans. Initially, its goal was to modernize the nation's telecommunications system; now NTT is seeking to develop advanced technologies. Currently, R&D is being conducted at four Electrical Communications Laboratories:

<u>Laboratory</u>	<u>Research Activities</u>
Musashino	Electronic switching systems, memory equipment, future communications systems, information processing systems
Yokosuka	Data Information Processing System (DIPS) Data Communications Network Architecture (DCNA)
Ibaraki	Cable communications systems, optical fiber, and coaxial cable systems
Atsugi	Semiconductors

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## Public Corporations

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During the sixth five-year program (1978-1982), NTT has aggressively pursued research in the following areas:

- Integrated Services Digital Network (ISDN)
- Optical fiber cable transmission system
- Information processing systems (DIPS and DCNA)
- Visual communication
- Mobile radio communication
- Satellite communication
- Information terminal devices
- Communication cable construction technologies
- Network digitization

A major goal of NTT is to establish a communication network called the Information Network System (INS), which will lead Japan into the twenty-first century. A model system is being tested in the Musashino/Mitaka area and the INS terminal equipment will be installed in Japan's major cities by 1987 (see Table 2).

NTT designs its own equipment, which is built to specification by private vendors--known as the "NTT Family"--which grew out of NTT's closed procurement systems. The family includes 200 firms, including the "Big Four" A-makers (Fujitsu, Hitachi, NEC, and Oki) and the "Second 9" B-makers (Hasegawa, Iwatsu, Kanda, Nakayo, Nitsuko, Taiko, Takamisawa, Tamura, and Toyo). During fiscal year 1980, 48 percent of NTT procurement came from the "Big Four" and 14 percent from the six leading medium-size firms. The "NTT Family" provides employment for retired NTT officials. Generally, NTT selects research partners with advanced technology, then appoints them as suppliers. In 1984, NTT opened its laboratories to join R&D with foreign firms.

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# Public Corporations

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Table 2

NTT'S INFORMATION NETWORK SYSTEM (INS)

INS is a comprehensive digital network combined with information processing centers.

<u>Component</u>	<u>Outline of Service</u>
Integrated centralized extension system	A switcher for business and other telephone and non-telephone terminals
Video conference service	Enables conferences between several distant points in color picture with high-quality voice transmission
Ultra-high-speed facsimile	Sends one A4-size document in only three seconds
Teletex service	Transmits written Japanese and coded messages between terminals
Video transmission service	Transmits moving-picture images
Data network service	Provides digital data transmission (DDX) circuit switching service and DDX packet switching service
Multi-media communications service	Connects various types of terminals together in one subscriber line, enabling simultaneous or switch-over multiple communications
Communications processing service	Provides communications at various speeds between various types of terminals and also provides multi-address calling
Digital still picture	A high-performance Character and Pattern Telephone Access Information Network System (CAPTAIN) having voice transmission capability
Digital telewriting service	Simultaneously transmits voice and handwriting
Digital facsimile	Provides low-cost, high-speed, and high-performance facsimile terminals
Facsimile communications network service	Provides high-performance communications network services with storage and transform capabilities
Digital telephone	Provides digital telephone terminals with displays to show caller's telephone number, charges for the call, and other information

. Source: DATAQUEST

## Public Corporations

Until recently, foreign suppliers had been excluded from NTT's procurement activities. However, as a result of the 1980 U.S.-Japan accord, NTT opened its procurement of telecommunication equipment to foreign suppliers in January 1981. U.S. firms winning contracts with NTT include:

<u>Procedure</u>	<u>U.S. Firms</u>	<u>Equipment</u>
Track I - Competitive Bidding	Memorex Corp.	Magnetic tapes for information processing
	Graham Magnetics	Magnetic tapes for information processing
	Wiltron Co.	20 GHz-bank frequency response measuring equipment
	Advanced Semi-Conductor Materials	Low-pressure CVD (chemical vapor deposition) equipment
	Calma	Graphic design systems
	Applicon	Graphic design system
	Perkin-Elmer Corp.	Projection mask alignment system
	Digital Equipment	Computer system (off-line)
	Varian Associates	Magnetron sputtering equipment
		Digital echo suppressor
Tracks II/III - AT&T Procurement	Andrew Corp.	30/20 GHz earth station
	Motorola	Automobile telephones
	Plantronics	Lightweight head sets
	AMP Inc.	Polyethylene cable connectors
	IT&T	Transportable digital switching systems for energy use
	Eaton	Joint development of Ion beam equipment
	ROLM Corp.	Computer-controlled private branch exchange

## Public Corporations

Despite liberalization of NTT procurement procedures under the GATT Agreements, several trade issues still remain:

- NTT's procurement favoritism for Japanese firms from the "NTT Family"
- NTT's strict regulation of data transmission services
- NTT divestment of its local companies and spinoff as private entities
- Change of NTT status to private company (part of current Administrative Reform discussions)
- Foreign participation in the deregulated value-added network (VAN) market

### INTERNATIONAL TELEGRAPH AND TELEPHONE (KDD)

Kokusai Denshin Denwa (KDD) is NTT's international affiliate that handles telephone and telex networks to and from Japan. KDD was established in 1952 with facilities and staff from the Ministry of Communications, the predecessor of the current Ministry of Posts and Telecommunications. The Public Telecommunications Law of 1953 granted KDD exclusive control over Japanese data transmission circuits for the international market.

KDD leases domestic lines from NTT and maintains one communication line between its Tokyo headquarters and the Ibaraki Satellite Communications Center. During the last 10 years, it has instituted the following communications systems:

- 1973 Automatic Message Exchange Service (AUTOMEX)
- 1976 Customized message switching
- 1980 International Computer Access Service (ICAS)
- 1982 VENUS-P International Packet-Switched Data Transfer Service

The demand for international time-sharing services is increasing among Japanese firms. This trend is being accelerated by KDD's International Computer Access Service, which allows on-line access to U.S. data bases through value-added networks (VAN) such as TYMNET and TELENET.

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## Public Corporations

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To meet this increase in international business, KDD offers a broad range of services:

- Telephone, telex, and telegram service
- Leased circuit service
- Data telex (DATEL) service
- Data communications service
  - International Financial Information Transmission Service
  - International Airlines Data Communications Service
- Maritime communications
- Other services
  - International Program Transmission Service (PTS)
  - International Newscast Service
  - Airline Business Message Service
  - Leased Overseas Telephone Facility Service
  - International Aeronautical Radiotelephone Service
  - Expansion of international subscriber dialing (ISD)
  - ICAS expansion to Canada, Great Britain, France, Spain, and Switzerland
  - Link-up of VENUS-P with Canada, Great Britain, France, and West Germany
- Construction programs
  - Construction of new international telecommunications center in Ibaraki Prefecture for disaster planning
  - Construction of Yamaguchi Satellite Communications Center
  - Construction of ANZCAN cable (Hawaii-Canada) and ASEAN cable (Singapore-Malaysia-Thailand)
  - Construction of No. 2 microwave transmission route between Tokyo and Ibaraki

## Public Corporations

- Advanced research and development
  - Digital satellite communications system
  - Optical submarine cable
  - Cable laying and repair technologies
  - Message communications facilities
  - Teletex/telex storage and forwarding equipment
  - Digital switching systems
  - Digital video transmission systems
  - 120-channel multiplexers
  - Mix-mode and teletex terminals

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# Financial Structure

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## NATIONAL BUDGET

### Multiple-Budget System

Since 1949, when the Supreme Commander for the Allied Powers (SCAP) imposed the "Dodge Line" (named after Detroit banker Joseph Dodge, SCAP's financial adviser) to control inflation, Japan has had three separate national budgets:

- General Account Budget--The overall budget for general revenues and expenditures
- Special Accounts Budget--Temporary accounts established by law to fund specific projects
- Investment Budget (Fiscal Investment and Loan Plan or FILP)--The "second budget," which is used to finance public corporations and Special Accounts

This multiple-budget system was developed in response to Dodge's emphasis on limiting government expenditures and balancing the budget. After the war, Japanese leaders such as Hayato Ikeda (former Prime Minister and architect of Japan's high-growth policies) saw the need for an investment pool to finance the country's reindustrialization efforts. The Ministry of Finance created the Fiscal Investment and Loan Plan (discussed below) to fund the various special accounts, public corporations, and development banks that were established to finance special industrial projects. The purpose of separate national budgets was primarily threefold:

- To separate special project accounts from the general operating budget (which had to be balanced under the Dodge Line)
- To generate a high rate of personal savings through the postal savings system in order to create an investment pool
- To provide flexibility in the national budget (a long-term perspective for investments and a short-term one for special projects)

The Dodge Line also influenced the basic principles that have guided Japanese budgetary policies since the war:

- Balanced-budget rule (which was replaced in 1965 by alternative rules: that government bond issues never exceed construction expenses, and that bond issues meet the "test of market acceptance")

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## Financial Structure

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- Annual adjustment of tax schedules
- Direct borrowing by Special Accounts to finance public and private investments
- Budget appropriations that precede authorization (opposite of the United States)
- Budgetary "balance" (fair-share distribution of funds among ministries and agencies)

The budget process begins after the start of each fiscal year on April 1 (see Figure 1), when each ministry and agency begins preparing its budget request for the following fiscal year. The fiscal 1984 budget requests, for example, are prepared immediately after April 1983. The Ministry of Finance (MOF) then reviews these budget requests. After consulting with the Liberal Democratic Party's Policy Affairs Research Council and revising ministry requests at "revival negotiations," MOF prepares the budget for presentation to the Diet and the Cabinet. The General Account Budget, which is the responsibility of the Budget Bureau in the Ministry of Finance, is prepared separately from the Fiscal Investment and Loan Plan, which is handled by MOF's Finance Bureau.

### Fiscal 1985 Budget

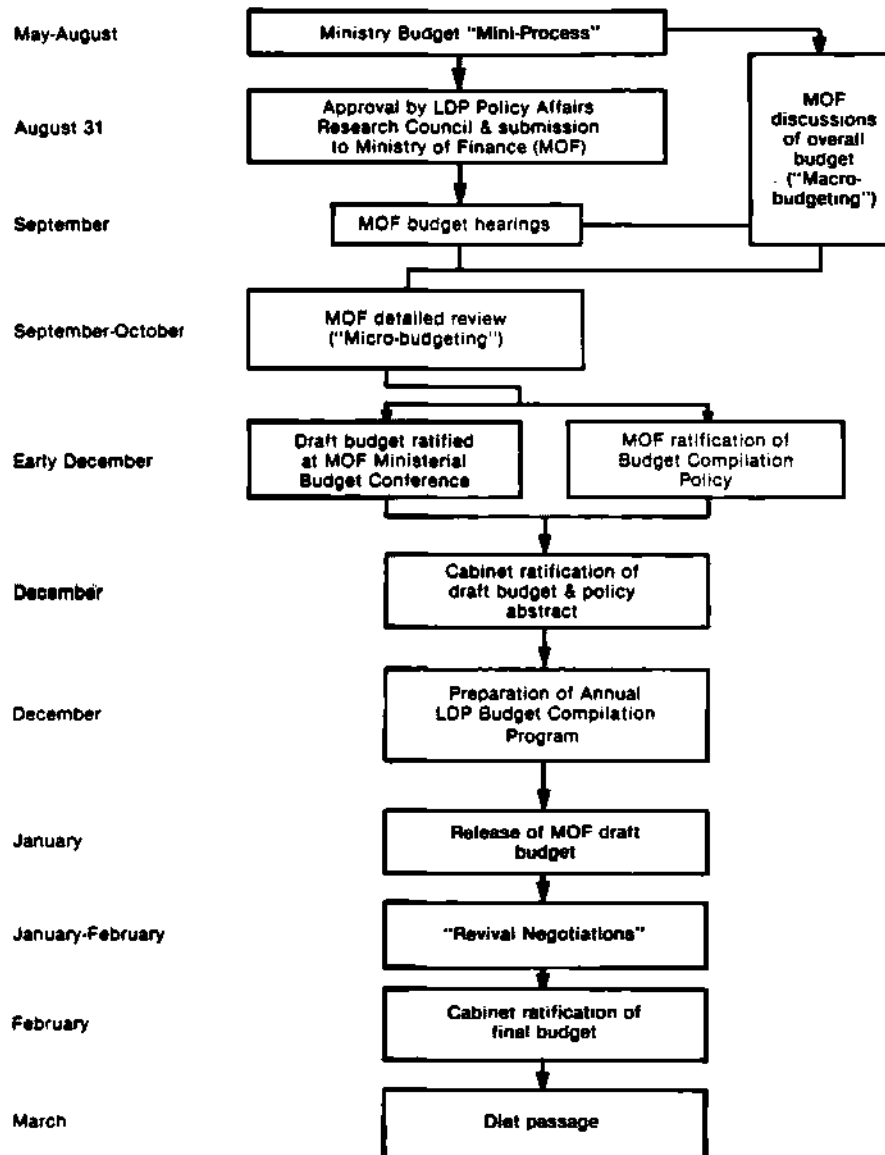
In December 1984, Prime Minister Yasuhiro Nakasone's cabinet approved the Ministry of Finance's draft budget for fiscal 1985 (beginning April 1, 1985). The "austerity" budget is 3.7 percent higher than the fiscal 1984 budget, greater than the 0.5 percent increase planned last year. As shown in Table 1, significant budget changes include the following:

- Defense spending gained 6.9 percent.
- Economic cooperation with developing countries is up 7.8 percent.
- Education, science, and technology funding were cut 1.1 percent.
- Social security outlays increased 2.4 percent.
- Direct government funding is being replaced by tax incentives for investment and research.
- Debt service increased 11.7 percent, bringing it to one-fifth of the total budget.
- Past bond issues are rapidly reaching maturity.
- Tax receipts will grow 11.4 percent to compensate for the huge decline in nontax revenues.

# Financial Structure

Figure 1

## GENERAL ACCOUNT BUDGET PROCESS



Source: DATAQUEST

# Financial Structure

Table 1

## JAPAN'S FY 1985 BUDGET (In Billions of Yen)

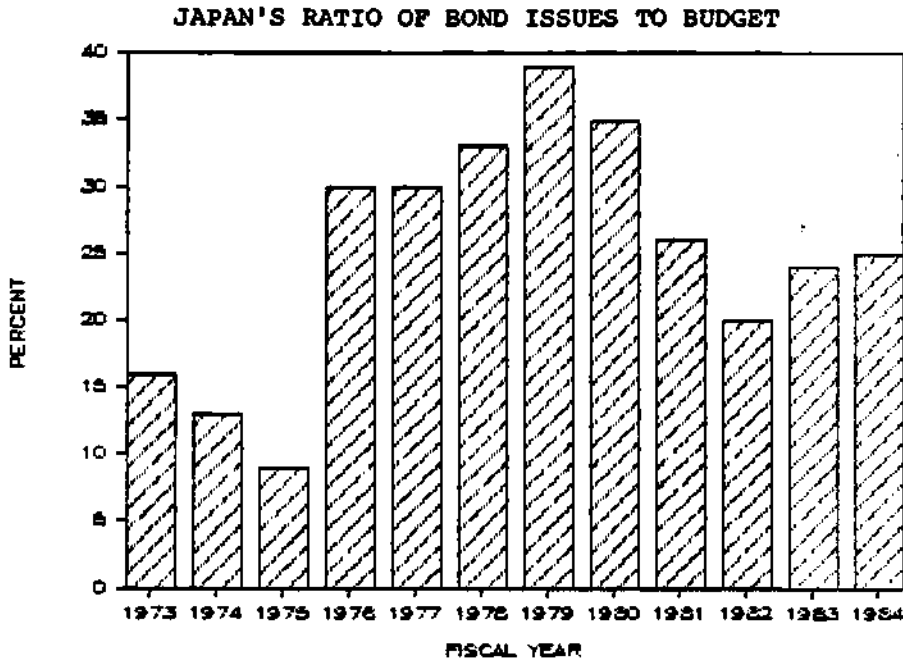
	<u>FY 1984</u>	<u>FY 1985</u>	<u>Percent Increase</u>
<b>Revenue</b>			
Tax Receipts	¥34,596	¥38,540	11.4
Non-Tax Receipts (Stamps)	3,351	2,260	(32.3)
Proceeds From Bond Issues	12,680	11,700	(7.7)
(For Deficit Financing Bonds)	<u>(6,455)</u>	<u>(9,000)</u>	50.0
<b>Total</b>	<b>¥50,627</b>	<b>¥52,500</b>	<b>3.7</b>
<b>Expenditures</b>			
Debt Service	¥ 9,155	¥10,226	11.70
Revenue Sharing	8,886	9,689	9.00
General Expenditures	32,586	32,585	(0.01)
Social Security	9,321	9,545	2.40
National Defense	2,935	3,138	6.90
Overseas Economic Aid	544	586	7.80
Education and Science	4,867	4,813	(1.10)
Energy	603	628	4.20
Pensions	1,886	1,863	(1.20)
Small Business	229	216	(5.70)
Food Control Account	813	695	(14.50)
Public Works	6,520	6,370	(2.30)
Other	<u>4,868</u>	<u>4,731</u>	(0.97)
<b>Total</b>	<b>¥50,627</b>	<b>¥52,500</b>	<b>3.70</b>

Source: Ministry of Finance

## Financial Structure

Japan's ratio of bond issues to budget is shown in Figure 2.

Figure 2



Source: Japan Economic Journal  
Industrial Review of Japan/1984  
DATAQUEST

The Japanese government is heavily in debt, with debt service accounting for one-fifth of the total budget. This huge deficit places the Japanese government in a dilemma. On the one hand, trade friction with the United States and Europe has led to calls for an aggressive fiscal policy to strengthen domestic demand. However, ballooning deficits, reduced tax revenues, and pressures for a balanced budget place severe constraints on economic "pump-priming" by the government. Continued reliance on the flotation of deficit-financing bonds would push up long-term interest rates and choke off economic growth. Thus, despite pressures from the West, Japan has followed a restrictive low-growth fiscal policy.

Japan's fiscal reconstruction program consists of the following actions:

- Slight increase in government spending (3.7 percent in fiscal 1985)

## Financial Structure

- Increased tax revenues, (11.4 percent in fiscal 1985) due to tax revision
- Elimination of duplication and waste in government
- Reduction in deficit-financing bond issues to (¥11.68 trillion or \$44.9 billion in fiscal 1985)

Japan's fiscal recovery program runs parallel to U.S. budgetary efforts, except for a smaller defense buildup (limited to 1 percent of the GNP by Article 9 of the constitution) and less tolerance of large budget deficits. In this respect, by resisting simultaneous tax cuts and a rapid defense buildup, the Nakasone administration has followed a more rigid policy of fiscal conservatism than that of the United States.

### Fiscal Investment and Loan Plan (FILP)

The Fiscal Investment and Loan Plan (Zaisei Toyushi Keikaku) is popularly known as the "second budget" and has been the key financial tool behind Japan's economic development. It was established in 1952 by the Ministry of Finance to combine existing postal savings accounts into one investment pool. To encourage personal savings, the ministry authorized highly competitive interest rates and tax exemptions on the first ¥3 million (around \$15,000) in interest income. The system has been a total success; savings totaled ¥55 trillion (\$240 billion) in 1980, or four times the assets of the Bank of America. Since 1953, FILP has been between one-third and one-half the size of the General Account Budget, and between 3 percent and 6 percent of the GNP, giving it substantial impact on the economy.

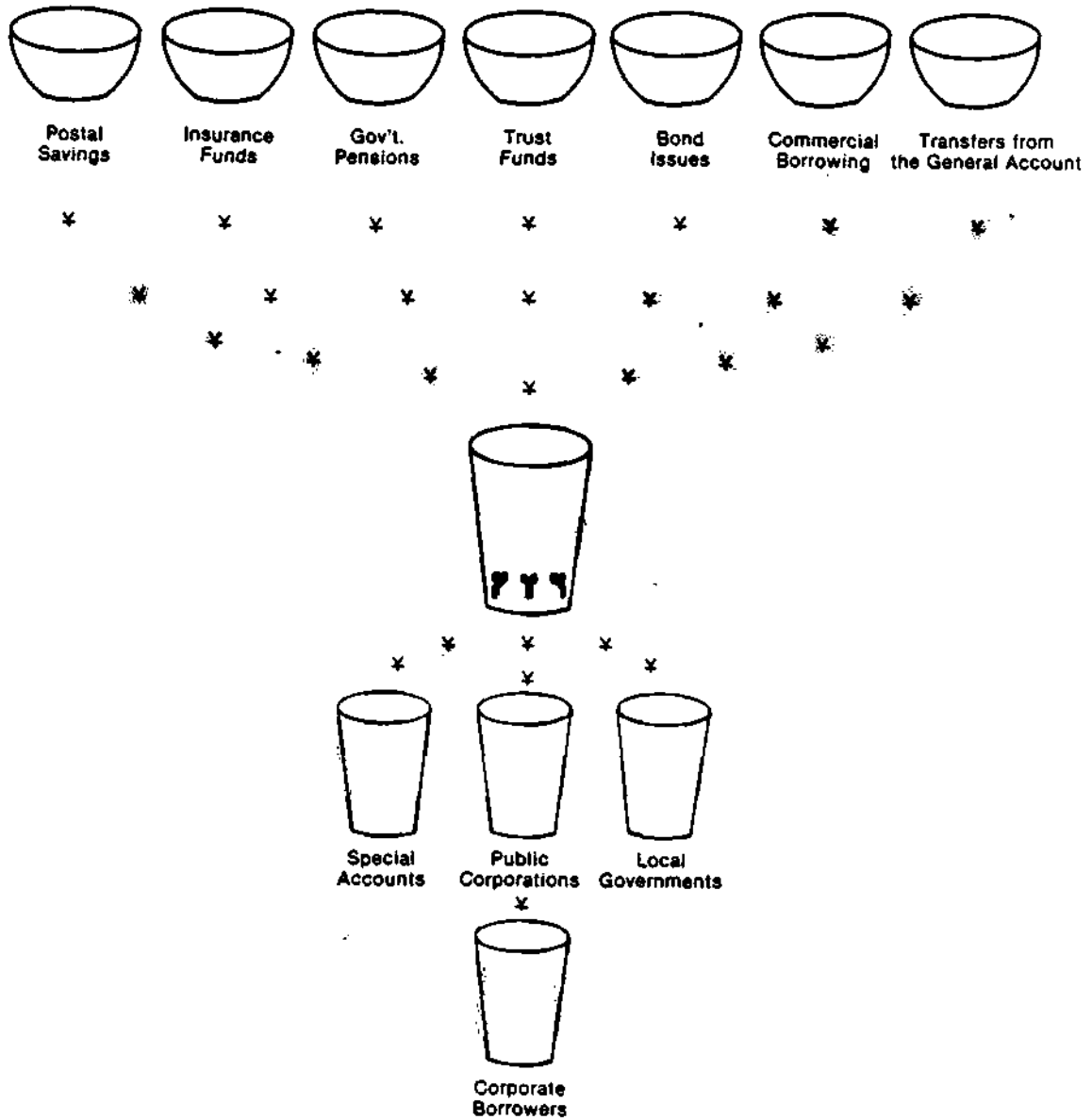
The Finance Bureau (Rizaikyoku) of the Ministry of Finance handles FILP funds, which are allocated through a "microbudgeting" process similar to that of the General Account Budget. Spending ministries submit their requests, which are cut, then appealed at revival (fukkatsu-sessho) negotiations. The funds flow is shown in Figure 3.

Major recipients are the public corporations such as Nippon Telegraph and Telephone (NTT), which provide essential services, and the Japan Development Bank, which borrows FILP funds and relends them to industrial borrowers approved by MITI. Indeed, companies that secure FILP funds--a sign of MITI's approval--can easily borrow additional funds from commercial banks. This arrangement is a key instrument in MITI's administrative guidance of industry.

# Financial Structure

Figure 3

## FLOW OF FILP FUNDS



Source: DATAQUEST

# Financial Structure

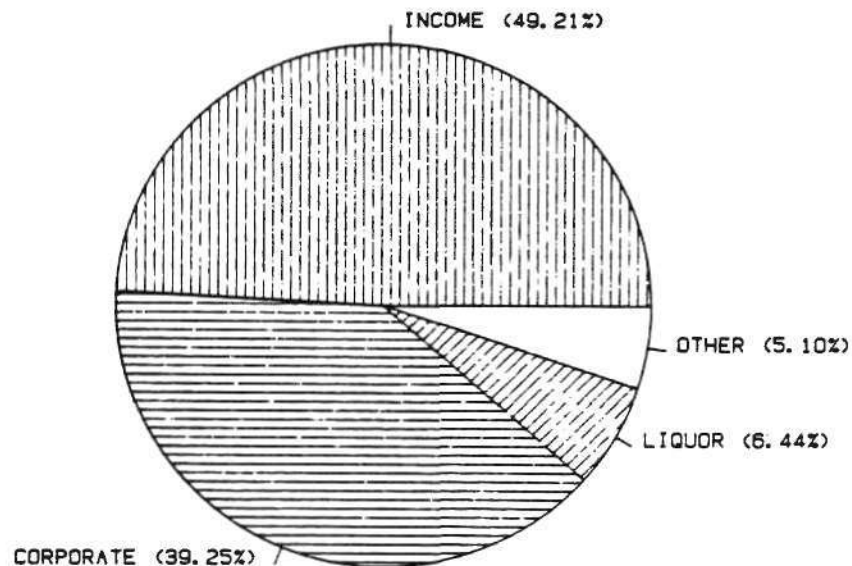
## TAX SYSTEM

### General Features

Japan's tax system is similar to that of the United States. Individual and corporate income taxes are the major sources of revenue, and payroll withholding taxes are used to finance social security benefits and the national health insurance system. Since Japan has no general sales or value-added taxes, additional revenues are generated through excise and sumptuary taxes. See Figure 4.

Figure 4

SOURCES OF FISCAL 1982 TAX REVENUES IN JAPAN  
(Percent)



Source: Ministry of Finance  
DATAQUEST



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## Financial Structure

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### Sources

Despite the similarities between the two systems, there are pronounced differences in the attitudes and policies underlying their implementation. In particular, the Japanese tax system is characterized by:

- Centralized tax authority, with limited powers delegated to the local governments
- Dual-rate corporate income tax
- Extensive use of deficit-financing bonds (1970s)
- Annual tax reductions and "indexing" to restrain government spending (1970s)
- Special tax incentives and measures to promote government economic policies
- Tax exemptions for: company-subsidized housing, recreation, and welfare benefits; retirement payments (more than \$10 million); expense accounts (25 percent over \$4 million); company low-interest loans for housing; etc.

A major feature of the Japanese tax system is the proliferation of tax exemptions and special tax measures designed to promote national economic policies. These incentives are the result of strong lobbying and political pressures applied by various interest groups during the budget process. In 1956, a tax advisory commission recommended their curtailment, but most special measures survived. Currently, the Special Tax Measures law contains hundreds of provisions. The key provisions apply to government promotion in the following areas:

- Personal saving
- Housing investment
- Business saving and investment
- Exports
- Foreign investment

Special tax measures affecting the semiconductor industry consist of accelerated depreciation, special initial depreciation, tax-free reserves, overseas market development, and overseas investment losses. These provisions are discussed below.

## Financial Structure

### Corporate Taxes

Since 1961, Japan has used a split-rate corporate tax system similar to that of West Germany. The philosophy underlying this approach is to increase the amount of equity capital vis-a-vis borrowed capital and to share the amount between shareholders and their companies. Currently, corporate taxes are set at the rates shown in Table 2.

Table 2

#### JAPANESE CORPORATE TAX RATES

	More Than ¥100 Million <u>in Capital</u>	Less Than ¥100 Million <u>in Capital</u>	<u>Special Corporations*</u>
Annual Income			
More Than ¥8 Million	42 Percent	42 Percent	25 Percent
Less Than ¥8 Million	-	30 Percent	25 Percent
Dividends	32 Percent	24 Percent	21 Percent
Liquidation Income	37 Percent	37 Percent	23 Percent

\*Public corporations, cooperative associations, etc.

Source: Ministry of Finance Tax Bureau,  
An Outline of Japanese Taxes, 1981

Although comparable to the U.S. taxes, these nominal tax rates are not representative of the relative tax burden on businesses because both countries have adopted accelerated depreciation allowances, investment tax credits, tax-free reserves, and other incentives. Under the General

## Financial Structure

Law of National Taxes of 1962, the Japanese government has implemented special tax measures directed toward economic policy goals (see Table 3). In addition, the Basic Electronics Industry Development Law of 1957 provided the following tax advantages to semiconductor companies:

- Increased initial depreciation for electronic equipment (13 percent of book value beyond normal depreciation in first year)
- Accelerated depreciation for production equipment (33 percent of book value)
- Accelerated depreciation for computer use (20 percent beyond normal depreciation)
- Deductions for R&D (20 percent of increased expenses)

In 1978 the Specific Machinery Information Industry Promotion Law (Kijoho) was enacted to foster knowledge-intensive industries. Under the provisions of this law, companies can get low-interest loans from either the Smaller Business Finance Corporation or the Japan Development Bank, to a maximum of ¥5 billion (\$22.7 million) and ¥10 billion (\$45.4 million), respectively.

As a result of these special tax measures and other incentives, the effective tax rate on Japanese semiconductor companies is less than the rates for American companies. For comparison purposes, a 1973 study by the Industry Bank of Japan (IBJ) indicated that effective tax rates were more than 50 percent of the nominal rates in the United States and about 40 percent in Japan, giving Japanese firms an advantage of 10 percent. The IBJ study suggested, however, that due to the high rate of debt financing (the average Japanese equity ratio was 28.7 percent of total assets versus 55.5 percent in the United States), the gross rate of return on stockholder's equity was twice as high in Japan as in the United States. Thus, heavy bank borrowing, not taxation, is a more important factor in explaining high rates of return on equity investment in Japan.

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# Financial Structure

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Table 3

## EXPORT-PROMOTING TAX MEASURES

<u>Date When Measure Was in Operation</u>	<u>Measure</u>
1953-1964	Export income deduction. This measure directly shielded export income from taxation.
1953-1959	Export loss reserve system. A reserve against the possibility of canceled export contracts was nontaxable.
1953-1959	Special depreciation for overseas offices of trading companies. All depreciable assets in a new office overseas were subject to a 50 percent write-off the first year.
1959 to present	Technology export income deduction. Companies are allowed to deduct from their taxable income a portion of royalties paid from abroad. The objective is to stimulate salable technology development.
1964 to 1972	Overseas market development reserve. A small portion of the revenue from current exports can be put into reserves from taxable income. Like all Japanese reserves, this must later be returned to the income stream. This provision still applies for small businesses.
1964 to present	Overseas investment loss reserve. A small percentage of current foreign investment expenditure each year can be put into reserve to insure against investment losses. This reserve fund is nontaxable.
1964-1972	Export accelerated depreciation. Accelerated depreciation was allowed on capital investment where the output was to be exported. The degree of acceleration depended on the proportion of plant and equipment devoted to export.
1968-1978	Export special depreciation. This is an overlay acceleration on the previous provision.
Early 1950s to present	Free trade zone investment loss reserve. This measure is a variation on the overseas investment loss reserve extended for free trade zones.

Source: Gresser, High Technology and  
Japanese Industry Policy:  
A Strategy for U.S. Policy Makers.

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# Financial Structure

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## BANKING SYSTEM

### Structural Differences

Japanese banks are the driving force behind the nation's industrial policies. Indeed, the Japan Economic Journal calls Japan "a bankers' kingdom" because of the heavy reliance of corporations on bank lending for up to 80 percent of their funds between 1976 and 1980. Internationally, Japanese banks have financial clout; the American Banker magazine reported that of the top 100 banks worldwide, 24 were Japanese--mostly involved in handling transactions for large Japanese multinational corporations.

This heavy dependence on bank lending has been a pattern since Japan was opened to the West. During the Meiji Restoration (1868-1912), the government supervised the development of industrial banks and the zaibatsu (financial combines) to aid in financing the country's economic development. After World War II, MITI, MOF, and the Bank of Japan encouraged lending to selected heavy industries through a variety of lending and credit policies.

As a result of this state intervention, the Japanese banking system is structurally different from the U.S. banking system. These differences are discussed below.

- Concentration of banks--Japan has only 76 regular commercial banks in contrast to 14,000 private commercial banks in the United States. Furthermore, half of all bank funds are concentrated in 13 "city banks":
  - Bank of Tokyo, Ltd.
  - Dai-Ichi Kangyo Bank
  - Daiwa Bank, Ltd.
  - Fuji Bank, Ltd.
  - Hokkaido Takushoku, Ltd.
  - Kyowa Bank, Ltd.
  - Mitsubishi Bank, Ltd.
  - Mitsui Bank, Ltd.
  - Saitama Bank, Ltd.
  - Sanwa Bank, Ltd.
  - Sumitomo Bank, Ltd.
  - Taiyo Bank, Ltd.
  - Tokai Bank, Ltd.

## Financial Structure

- High degree of specialization--In addition, Japanese banks are specialized in different financial markets. The four principal types of banks include:

<u>Type</u>	<u>Number</u>	<u>Market Served</u>
City Banks	13	Large loans ("over-lending") to major industrial and commercial firms
Regional Banks	63	Renewable short-term loans to regional firms and local governments
Long-term credit banks	3	Fixed-rate, long-term loans to corporations for capital expansion
Trust banks	7	Long-term loans to major corporations

These distinctions, however, are blurring as city banks join long-term overseas syndicates, and long-term banks offer shorter-maturity loans. These four principal bank types are complemented by mutual savings and loan banks, credit associations, and government financial institutions (see Figure 5).

- State guidance of lending--Through its "window guidance" (mado-guchi-shido) or moral suasion, the Bank of Japan directs bank lending to specific industrial sectors, such as computers, electronics, and telecommunications, according to national economic and industrial policies. Specific methods include overall lending guidelines, sectoral credits, individual rate setting and recommended funding liability, and foreign currency positions. Recently, extra emphasis is being placed on interest rates, not the quantitative flow of money.
- Tight regulation of interest rates--The Bank of Japan has followed a strategy of ensuring sufficient, low-cost funds to priority corporate borrowers by controlling the interbank market and keeping the call money rate above the short-term prime lending rate. This has channeled funds from highly liquid regional banks to the "over-lent" city banks.

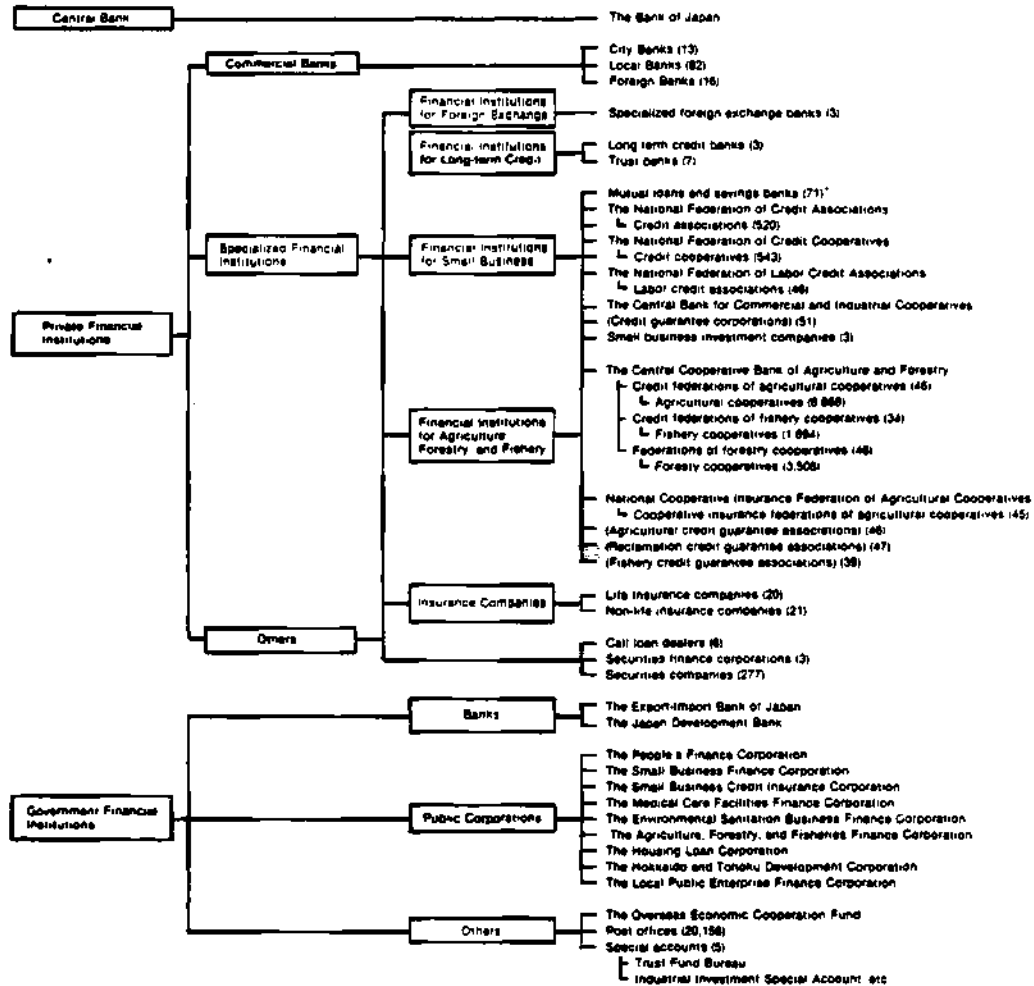
## Financial Structure

- "Over-borrowing"/"over-lending"--A key catalyst to Japan's rapid economic growth has been the country's unique system of commercial bank "over-lending" and corporate "over-borrowing" (heavy debt capitalization). This system is aided by the Bank of Japan's extremely low reserve requirements (1.0 percent to 3.5 percent for demand deposits in fiscal 1980 versus the U.S. Federal Reserve System's requirements of 9 to 12 percent), which have been used with multiple discount rates and open-market operations to guide industrial growth. However, heavy bank borrowing has meant high breakeven points and thin profit margins for corporations, forcing them to compete fiercely for market share.
- Weak securities market--A corollary to the heavy reliance of corporations on bank financing is the weakness of the Japanese securities market. Between 1976 and 1980, corporations obtained an average of only 7.3 percent of their financing by issuing corporate bonds; 90 percent came from bank loans and government-subsidized loans (see Figure 6).
- Captive market for government bonds--During the 1970s, the Ministry of Finance required commercial banks to hold more than 70 percent of government deficit-financing bonds (city banks, 38 percent; regional banks, 18 percent; long-term credit banks, 9 percent; trust banks, 6 percent). This practice, however, will be discontinued, since the government plans to reduce deficit-financing bond issues in order to reduce the large budget deficits.
- Postal savings system--Unlike the United States, Japan has a well-developed system of 22,000 postal savings branches. The Bank of Japan channels a large flow of funds into the postal savings system for investment by the government's Fiscal Investment and Loan Plan (FILP) using the following measures:
  - Higher interest rates for postal savings than for commercial bank deposits
  - Tax exemptions on interest earned by postal savings accounts
  - Restrictions on new branching by commercial banks
- Underdeveloped consumer finance--Traditionally, Japanese banks have lent the bulk of their funds to corporations. Consumer finance was left to the sarakin (salaried man loan companies), which charge high interest rates (up to 109 percent legally) and are often controlled by the yakuza (gangsters). This pattern is changing as more banks and consumer finance companies expand their operations.

# Financial Structure

Figure 5

## JAPANESE FINANCIAL INSTITUTIONS



Note: Figures in parentheses denote the number at the end of 1968

Source: JETRO, How to Succeed in Japan: A Guide for the Foreign Businessmen, Tokyo: The Mainichi Newspapers, 1974

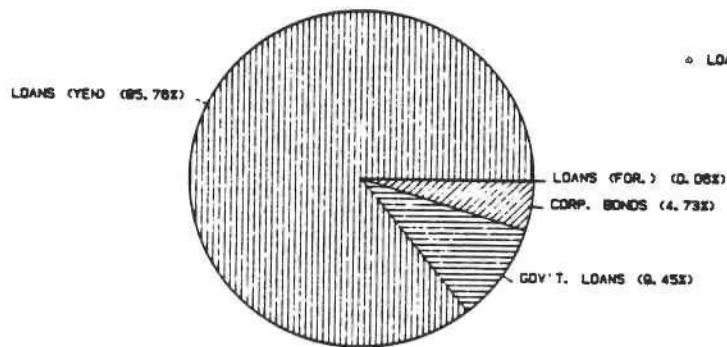


# Financial Structure

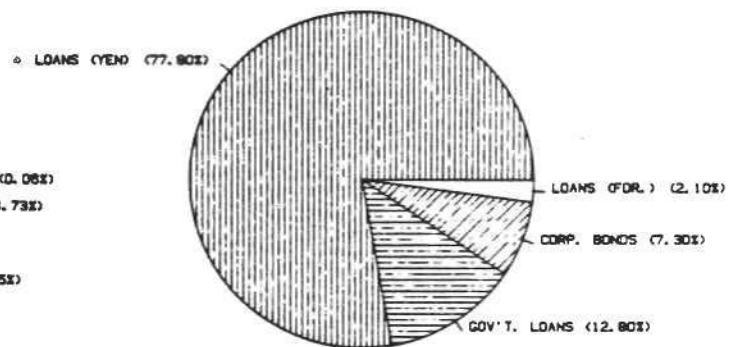
Figure 6

## TRENDS IN JAPANESE CORPORATE FINANCING

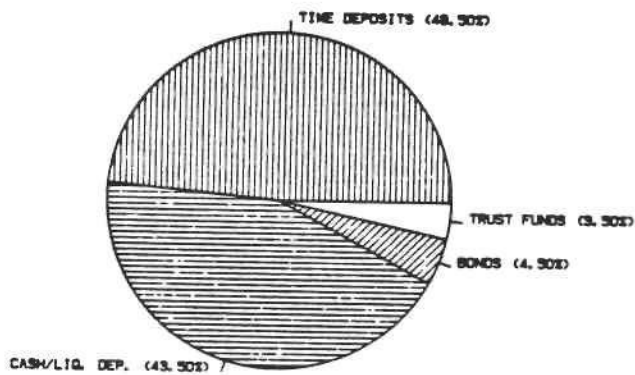
1965-1975 AVERAGE ANNUAL  
SOURCES OF FUNDS



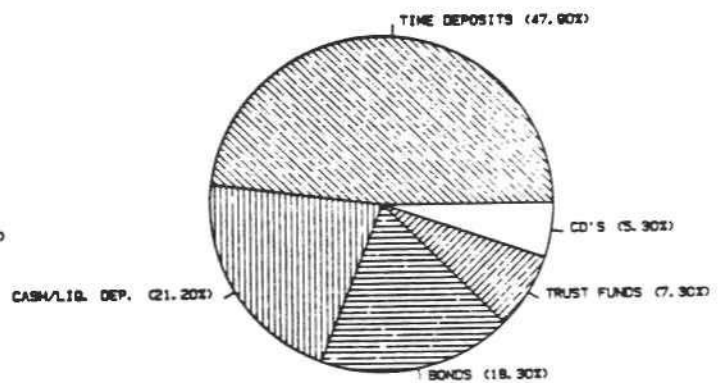
1976-1980 AVERAGE ANNUAL  
SOURCES OF FUNDS



1965-1975 AVERAGE ANNUAL  
USES OF FUNDS



1976-1980 AVERAGE ANNUAL  
USES OF FUNDS



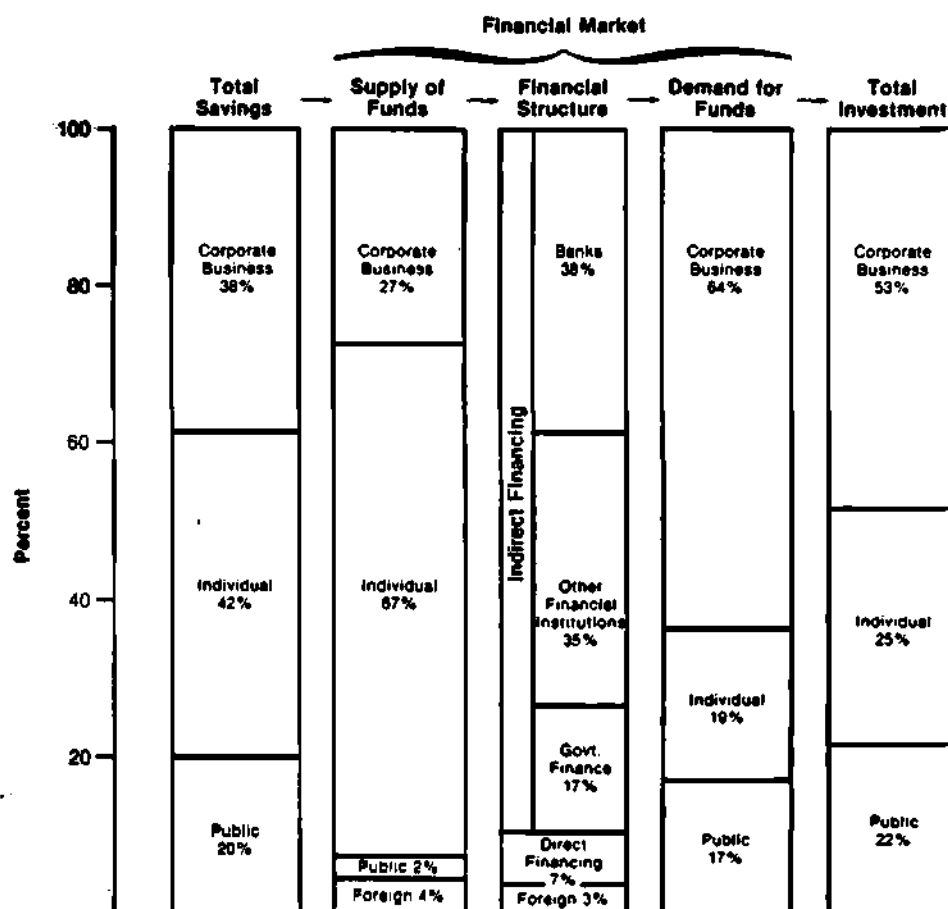
Source: Japan Economic Journal,  
Industrial Review of Japan, 1982  
DATAQUEST

# Financial Structure

In summary, the Japanese banking system is heavily corporation oriented. Individual savings are channeled into commercial banks and the postal savings system for lending to corporate borrowers (see Figure 7). Since the securities market is weak, businesses must borrow heavily from banks, which, in turn, "over-borrow" from the Bank of Japan. This system of "over-lending" and high decapitalization has been a basic source of international trade friction, since it forces Japanese companies to export aggressively to repay their loans and maintain market share.

Figure 7

## FLOW OF FUNDS IN JAPAN (1968-1970 Average)



Note: Public includes the government, government corporations, and local governments. Banks include The Bank of Japan.

Source: The Bank of Japan, "The Financial Systems of Japan," 1972.

# Financial Structure

## Current Trends

Major changes are under way in the Japanese banking system, however, which may lessen these tensions. The Ministry of Finance is gradually liberalizing banking and foreign exchange regulations, and Tokyo is becoming an international capital markets center. These trends are being reinforced by the market-opening measures proposed by the Japanese Government at the Ministerial Conference for Economic Measures and the GATT talks.

During the late 1970s, a host of banking developments occurred:

- Liberalization of interbank rates
- Issuing of negotiable certificates of deposit (NCDs)
- Open bidding system for national bond sales
- Foreign exchange liberalization
- Expanded access of foreign borrowers to domestic yen bond market ("Samurai bond market")
- Liberalization of gensaki (short for genkin sakimono torihiki) market (conditional purchase or sale of government or corporate bonds for fixed periods with resale or repurchase agreement at a specified price)
- Increasing overseas activities by Japanese banks:
  - Global commercial syndicated lending
  - Selling certificates of deposit (CDs) in foreign money centers (Singapore, New York, Europe)
  - Issuing of commercial paper through overseas subsidiaries
  - Issuing of foreign currency bonds

During the 1980s, the move toward internationalizing and liberalizing the Japanese financial system will accelerate as both overseas financial activities by Japanese banks and pressures to open the Japanese market increase. Attention will focus on the following developments:

- Relaxed administrative guidance of banks by the Ministry of Finance

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## Financial Structure

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- "CP War" between Japanese banks and securities firms over domestic sales of overseas commercial paper (CP) and certificates of deposit (CDs)
- Increasing preference of private investors for higher-yielding portfolios. New products include:
  - Date Designating Time Deposits by city and regional banks
  - Lump-sum interest payments on loan trusts
  - Market-yield trust funds
  - Compound interest rate bonds by long-term credit banks
  - Small amount savings card system
- Limits on Japanese bank lending to less-developed countries (LDCs) to reduce risk exposure
- Internationalization of the yen
  - Increased offshore yen lending
  - Deregulation of the European market
  - Increased use of yen in invoicing Japanese regional trade ("yen bloc")
- Reduced reliance on U.S. dollar for import financing
- Introduction of unsecured, unguaranteed corporate straight bond issue
- Integration of domestic and international yen markets
- Development of multicurrency monetary system (regional "currency basket")
- More domestic financial instruments for offshore investors
- Development of markets for national bonds and local-currency bankers' acceptances

## Financial Structure

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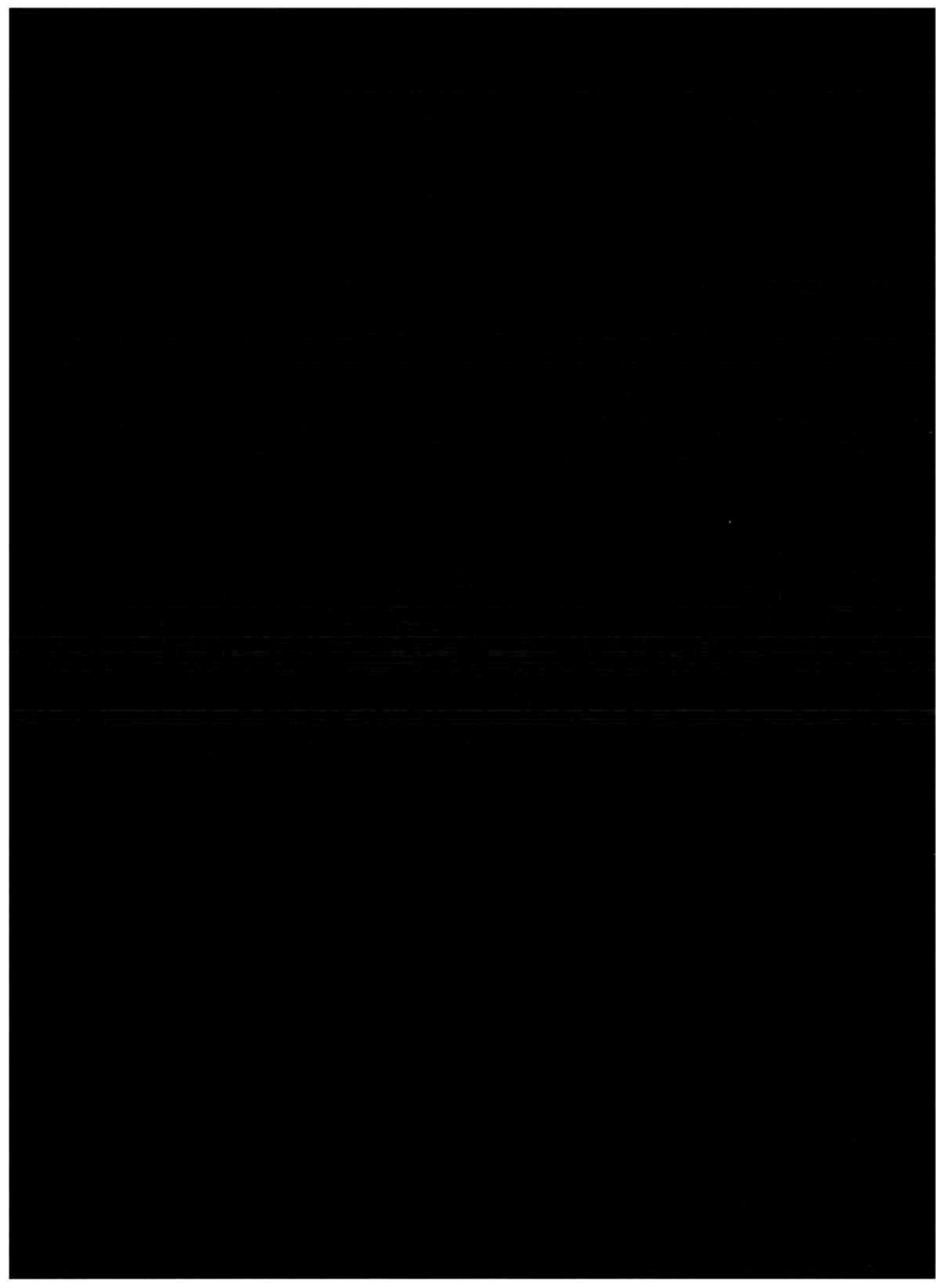
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# Understanding Japan

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# History of Japan

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## JAPAN'S SUCCESS: A PERSPECTIVE

Japan's history is not only the record of the country's advancement to a leading position among the world's economies, it also involves the evolution of certain tendencies that help to explain that movement.

Practical, pragmatic leadership of predominantly military elites gave Japanese development a goal-oriented, problem-solving orientation. The urban economy grew steadily throughout Japanese history, however, creating a mass market even before the modern period. This growth put strains upon the dominance of the military elite. Despite many periods of drastic change, Japan's cultural homogeneity and pride have assured that there were always strong forces tending toward the preservation of traditional values. Nevertheless, imported techniques and ideas were periodically introduced under the sponsorship of the elites, and were controlled and applied by them. The new ideas, however, eventually escaped elite control, bringing new values.

The outside world has been both shunned and welcomed by the Japanese. Periods of intense receptivity have alternated with partial or total isolation from foreign influences. This rhythm of openness and closure has given Japanese society nearly equal measures of cosmopolitanism and intense self-awareness.

Table 1 is a summarized chronology of Japanese history from 20,000 B.C. to 1868 A.D.

# History of Japan

Table 1

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Non-earthen-ware age (Pre-Jomon)	20,000 B.C.	Hunting and fishing with stone implements made by striking
Jomon Period	8,000 B.C.	Hunting and fishing with stone implements made by grinding; straw-rope patterned earthenware used
	300 B.C.	Rice cultivation begins
Yayoi Period	57 A.D.	King of the country of Na in Japan offers tribute to Later Han
	188 A.D.	Himiko becomes queen of country of Yamatai
	300	The Yamato Court unifies Japan
Kofun Period	391	Japanese army fights three Korean countries
Asuka Period	538	Buddhism introduced
	604	Constitution of 17 Articles
	607	Horyuji Temple constructed
	630	First envoys dispatched to T'ang
	645	Taika Reforms
Nara Period	710	Nara established as capital
	712	<u>Kojiki</u> (Record of Ancient Matters) compiled
	720	<u>Nihonshoki</u> (Chronicles of Japan) compiled
	741	Imperial edict for construction of <u>kokubun-ji</u> and <u>kokubun-niji</u> (state-established provincial temples and convents); ( <u>Manyoshu</u> compiled)
Heian Period	794	Kyoto established as capital
	805	Saicho introduces Tendai sect
	806	Kukai introduces Shingon sect
	828	Kukai establishes Shugai-shuchi In (first public educational institution)
	857	Fujiwara power over Court increases

(Continued)

# History of Japan

Table 1 (Continued)

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Heian Period (Continued)	905	<u>Kokin Waka-shu</u> , poetry anthology
	1000	<u>Makura no Soshi</u> (The Pillow Book) written
	1011	<u>Genji Monogatari</u> (Tale of Genji) completed
	1086	In (government by an ex-emperor) begins; <u>Samurai</u> power increases
	1167	Taira no Kiyomori becomes Dajo-daijin (Prime Minister)
	1180 to 1185	Battles between the Minamoto and Taira; Taira destroyed
	1190	Eisai propagates Rinzaï sect of Zen
	*Kamakura Period 1192	Minamoto no Yoritomo establishes Kamakura Shogunate
	1219	Minamoto no Sanetomo assassinated
	1224	Jodo-shin-shu sect spreads
	1227	Dogen introduces Soto sect of Zen
	1253	Nichiren preaches the Lotus Sutra
	1274	First Mongol invasion
	1281	Second Mongol invasion
	1331	Court splits into Northern and Southern Courts ( <u>Nan-boku Cho</u> begins)
	to 1333	War between Emperor Go-Daigo <sup>1331</sup> and Kamakura Shogunate Kamakura Shogunate destroyed
Muromachi Period	1338	Ashikaga Takauji establishes Muromachi Shogunate
	1392	Unification of Northern and Southern Courts
	1406 (7)	Zeami completes <u>Kaden-sho</u> (Quintessence of <u>Noh</u> )
	1467 to 1477	Onin War; The Age of Civil Wars begins; Frequency of agrarian uprisings increases
	1543	Introduction of firearms from Portugal
	1549	Introduction of Christianity
	1573	Oda Nobunaga banishes Ashikaga shogun; Ashikaga Shogunate destroyed

(Continued)

# History of Japan

Table 1 (Continued)

## CHRONOLOGICAL TABLE OF JAPANESE POLITICS AND CULTURE

<u>Period</u>	<u>Date</u>	<u>Event</u>
Azuchi Momoyama Period	1573	Nobunaga assumes hegemony
	1582	Nobunaga assassinated; Christian feudal lords send young envoys to Rome
	1585	Toyotomi Hideyoshi unifies country; Tea ceremony becomes popular
	1587	Christianity prohibited
	1600	Battle of Sekigahara
	1603	Ieyasu Tokugawa establishes Tokugawa Shogunate in Edo; Kabuki plays performed
	1614	Battle of Winter
	1615	Battle of Summer
	1637	Shimabara Rebellion
	1639	National isolation policy enacted
	1682	<u>Koshoku Ichidai Otoko (The Man who Spent his Life at Love Affairs)</u>
	1693	<u>Narrow Road to the Deep North</u> written by Basho
	1702	Forty-seven loyal ronin avenge their lord's death
	1703	<u>Ningyo-joruri (bunraku)</u> by Chikamatsu Monzaemon performed
	1853	Comodore Perry lands in Japan
	1854	Japan concludes amity treaties with United States, Great Britain, and Russia
	1855	Japan concludes amity treaties with France and the Netherlands
	1867	Tokugawa Shogunate destroyed
Meiji Period	1868	Meiji Restoration

Source: The East Magazine, 1983

# History of Japan

## ORIGINS: MAKING A MICRO-CHINA

### Earliest Importations of Foreign Culture

By A.D. 400, the horse-riding, aristocratic warriors whose clans dominated Japan came under the conscious, direct influence of Chinese civilization, filtered through Korea. Korean and Chinese artisans emigrated to Japan, bringing the latest in pottery, weaving, and other skills.

In the early sixth century, the Buddhist religion, Chinese writing system, and Chinese Confucian ideas of the state arrived on Japanese shores.

Supporters of the old native religion (later called Shinto) resisted Buddhism, but the prestige of China was enough to defeat them and replace them at court.

### Building A Chinese-Style State

During the seventh century the old military clans of early Japan were challenged by reforms that aimed to set up a full-scale Chinese-model state system, essentially a transition as follows:

<u>From</u>	<u>To</u>
a tribal state based on localism and hereditary authority	a bureaucratic state based on centralization in a capital and abstract principles of authority

This movement represents Japan's first experience of modernization, an experiment controlled exclusively by court nobles and the Buddhist clergy.

In A.D. 710, Japan's first permanent capital was established at Nara. The eighth century was the age of China's greatest influence upon Japan, in thought, art, and politics. Japan became part of a great international Buddhist culture stretching from India to Central Asia to the Far East.

<u>From</u>	<u>To</u>
an archaic warrior elite (fifth century)	a cosmopolitan Buddhist culture (ca. 680)

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# History of Japan

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## Strains Upon the Adaption of the Chinese System

The Chinese experiment met with difficulties from the beginning, as follows:

- Attempts to uniformly tax and administer all farmland were frustrated by large tax exemptions given to aristocrats, the Buddhist church, and farmers who cleared new land.
- An attempt to create a conscript army failed because of popular resistance.
- Descendants of the old warrior clans began to create a hereditary aristocracy based on their tax-free country estates.

Still enriched by Chinese culture, Japan began to retreat from the model of the Chinese state. It began to turn inward in the ninth century.

## The Capitol at Kyoto

In A.D. 794, Japan's capital moved to the city of Heian (now Kyoto), where it officially remained until 1868. Here Japan's emperors resided and held their ceremonies, while real power came into the hands of a series of lesser figures: regents, shoguns, and military bureaucrats.

## COURTLY JAPAN

### A Golden Age of Good Taste

The culture created by the Kyoto court between A.D. 800 and A.D. 1100 represents classical Japanese civilization, the civilization to which all subsequent ages looked for models of refinement and high achievement in the arts.

The courtiers of this era, insulated in their capital city from the rest of Japan, developed a way of life remarkable for its refinement and grace. Poetry served as a near-universal medium of communication and self-expression. Elegant dress and perfect manners were passionately cultivated.

Literature of other types flourished as well, with many of Japan's prose and poetic masterpieces being produced by women. Tale of Genji by Lady Murasaki (ca. A.D. 1000), the highest achievement of Japanese prose, is also the world's first psychological novel.



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## Decentralization and Growth in the Countryside

The large agricultural estates that supported the court and its refinements were located throughout Japan. Despite the Kyoto court's monopoly upon culture and its general disregard for areas that lacked the refinement of the capital, it was not long before the estates themselves became powerful economic units. Local markets developed, transportation improved to some degree, and the estate managers (who, unlike the absentee aristocrats, actually lived on the land) developed into shrewd, practical administrators and defenders of the estates.

## The Samurai Enter History

The estate managers and other persons of responsibility in the estate system soon realized the necessity of organizing militarily for security against banditry, etc. Soon they had developed tough, efficient military bands in many places throughout Japan, but especially in the fertile eastern region (the Kanto) where Tokyo is now located. The central government recruited eastern warriors for service against the Ainu aborigines in the northern part of Honshu. These soldiers stepped into the vacuum created by the failure of universal military conscription mentioned previously.

From these bands evolved the distinctive Japanese military class referred to as samurai ("servants, those who serve"), whose battles, ethics, tastes, and requirements dominated Japanese development for 750 years.

## The End of the Aristocracy

When succession disputes brought eastern military bands into the Kyoto capital in the mid-to-late twelfth century, the beautiful old city became the scene of savage fighting and was burned several times. By A.D. 1185, a military house, not the Imperial Court, was the real ruling power in Japan.

## FEUDAL JAPAN: FROM THE SWORD TO THE GUN

### The Legacy of Military Rule

Between A.D. 1185 and A.D. 1600, Japan was ruled by a succession of active military houses. Always claiming to be servants of the emperor in Kyoto, they nonetheless went about the business of governing Japan

# History of Japan

without consulting him or anyone else in the old aristocracy. The samurai warrior class learned the cultural sophistication of the court, but also imposed their own values upon the country.

## Samurai Values

The military class epitomized the following values:

- Hierarchical orientation (efficiency of command in battle)
- Loyalty to superiors
- Determination to distinguish oneself (often overriding loyalties)
- Intense self-discipline and self-denial
- Emphasis upon deeds rather than words, distrust of eloquence
- A discriminatory view of trade and moneymaking (in theory)

## Japan's First High-Technology Exports

In one sense, the dominance of the military class rested upon the excellence of its chief weapon, the three-foot, curved-blade sword. Sometimes referred to as the samurai's "soul," the Japanese sword was, especially in the twelfth and thirteenth centuries, the finest such weapon in the world. The fame of these weapons spread beyond Japan, so that by 1483, 67,000 swords were shipped to China. Siam was another eager market for Japanese weaponry and armor in the medieval period.

## From Order to Disorder

Despite the theoretical orderliness and self-discipline of the military class, they were, after all, warriors, and their battles among themselves eventually brought Japan to near-anarchy. Especially after the mid-fifteenth century, there was an increasing tendency for local lords to build up powerful miniature states (somewhat like feudal kingdoms in Europe) and to ignore the directives of the shoguns (national military leaders) who were supposedly their superiors. A century of brutal warfare ended in 1590, when Japan was temporarily unified under Hideyoshi.

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## Guns and God From the West

In the mid-sixteenth century, Japan was visited by Portuguese sailors and priests. The sailors brought firearms; the priests, Christianity. Both European imports did well in Japan. By 1575, a typical army might include 10,000 gunners. In 1600, Japan had approximately 300,000 Christians, and there were churches or cathedrals in every province. By 1615, the number was probably half a million.

## THE TOKUGAWA REACTION

### Social Dynamite Defused

Late feudal warfare escalated major Japanese social changes so that by 1600:

- Huge peasant armies had replaced elite warrior bands.
- Great cities had grown up as banking and provisioning centers.
- Peasants had risen into the samurai class, even to leadership.
- Christianity had acted to disturb traditional loyalties.
- An urban merchant class had begun to thrive.
- An active foreign trade (weapons, copper, iron ore) had made Japan a presence in Asia and had given it a window on the world.

In 1600, Ieyasu Tokugawa, a former ally of the unifier Hideyoshi mentioned previously, defeated the last of his rivals and took power. He and his successors set about deliberately reversing these trends and giving Japan permanent peace and changeless order.

### The Tokugawa Order

Ieyasu Tokugawa ruled as a shogun, and he was without doubt the most effective and strongest shogun of any in Japanese history. Under his house, Japan enjoyed 250 years of peace. The price of peace was isolation from the outside world and strict discipline at home. Tokugawa policy included:

- Expulsion of non-samurai from the military class
- Severe restrictions upon merchant activities

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- Prohibition of firearms
- Expulsion of Christianity
- Virtual elimination of foreign trade (the Dutch and Chinese were excepted), and a ban on Japanese travel abroad
- Promotion of Confucian ideas and repression of Buddhism (which had a strong popular and even anti-authoritarian coloration in Japan)
- Severe laws against social mobility of any kind. The Tokugawa hierarchy was:
  - samurai
  - farmers
  - artisans
  - merchants
  - outcasts

Theoretically, movement between these groups was impossible.

- Relocation of Tokugawa's former enemies to locations far from the Tokugawa capitol (Edo, now known as Tokyo)
- Various rules for the control of the feudal houses and the avoidance of further warfare

## CHALLENGES TO THE TOKUGAWA ORDER

### The Reality of the Economy

Despite Tokugawa prejudices, the Japanese merchant class had pushed the economy ahead and built great cities as a base for their own cultural self-expression. Osaka in particular was a great merchant metropolis, but Edo (Tokyo) and even Kyoto, the traditional aristocratic capital, had vigorous merchant-class cultures quite independent of samurai values, if not of samurai supervision. The smaller castle towns, headquarters of the various feudal states, were vital sources of goods and credit for members of the samurai class, who were forbidden to engage in economic

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activity. Soon it was obvious that samurai indebtedness to urban merchants was one of the major problems facing the Tokugawa rulers. Eventually, a vigorous economy chafed under restrictions against foreign trade and repressive social policy. Official reforms tried to limit merchant activities and rescue the samurai from debt, but such measures could not turn back the course of history.

## The Reality of the World

In 1853, Commodore Matthew Perry of the U.S. Navy succeeded in his efforts to overawe the Japanese authorities. By March 1854, Japanese seclusion was broken by a treaty with the United States.

Reaction in Japan was immediate and intense. Anti-foreign and anti-Tokugawa elements rallied around the Imperial Court, denouncing the opening of the country and calling for an end to the shogunate. Between 1853 and 1867, Imperial Loyalists opposed the shogunate forces verbally and violently. Feudal domains in southwestern Japan (descendants of Tokugawa's old enemies) led the opposition. The anti-shogunate forces came increasingly under the influence of European military techniques, however.

## MEIJI JAPAN: TOWARD A MODERN STATE (1868-1912)

### From Anti-Foreignism to Modernization

One of the greatest paradoxes of modern Japanese history is the fact that the anti-foreign, anti-Tokugawa forces who finally dismantled the Tokugawa system became the modernizers who were open to the West. In the Meiji Period they worked to establish a modern European-style state, modeled to a great degree upon Prussia.

The modernizers were themselves samurai, and as practical military men, they could not ignore the material and military superiority of the West. Their rule was carefully balanced between political conservatism and technical innovation.

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## The Meiji Rush Forward

The pace and vigor of Japan's modernization can best be shown chronologically:

- 1873--Western calendar adopted; Mitsubishi shipping line founded
- 1874--Kobe-Osaka railway service
- 1877--Elimination of old-guard samurai opposition to reforms
- 1878--Jules Verne's Around the World in 80 Days translated into Japanese
- 1880--Two million pupils in government primary schools
- 1882--New Criminal Code in force
- 1885--First cabinet meets
- 1889--Meiji Constitution promulgated
- 1890--First Diet (Parliament) convened

## The Meiji Reactionaries

The Meiji leaders were thorough conservatives and militarists who promoted a rich country and a strong army above all other goals. Their advocacy of a constitution and a parliament was aimed at controlling political opposition rather than encouraging it.

Their strong government support for industry was tied into military growth.

## War and Growth

Japan embarked upon a vigorous program of empire building, in emulation of, and competition with, the Western powers:

- 1894--Japan goes to war with China over Korean territory.
- 1896--Japan's victory in Korea gives it possession of Chinese territory; massive upgrading of army and munitions spurs heavy industry.

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- 1905--Military victory over Russia confirms Japan's control of Korea and establishes it in Manchuria.
- 1907--Tokyo has two million people; electric railways; telegraph, telephone, and electrical service; waterworks; and hundreds of factories.

## TAISHO JAPAN (1912-1926)

### A "Good" War

The reign of the Emperor Taisho, who succeeded the Meiji emperor, began auspiciously with Japan's participation in World War I, on the Allied side. Japan seized German holdings in China, and strengthened its position with regard to that country. It solidified its holdings in Manchuria and gained a foothold in the Pacific as well, by occupying former German colonies among the islands of the North Pacific. These activities set the stage for more extensive conquests in the thirties and forties.

### Liberalism at Home

The early twenties saw a succession of moderately liberal prime ministers who attempted to curb the strength of the rising army. In addition, the Left grew after World War I. Its prewar anarchism gave way to a more organized, ideological body of leftist thought, especially with the foundation of the Japan Communist Party (1921). The Universal Manhood Suffrage Law of 1925 increased the Japanese electorate from 3 million to 13 million; unfortunately, however, the same year saw the passage of the Peace Preservation Law, providing harsh penalties for extreme forms of political opposition.

### The Tokyo Metropolis

After a disastrous earthquake in 1923, Tokyo had to be rebuilt almost from the ground up. The city that emerged was strikingly more modern-looking than its predecessor, and the prosperity that followed World War I helped to create a mass society of enthusiastic consumers. Radio, motion pictures, and the automobile, as well as Japan's magazines and newspapers, helped turn Tokyo residents into thoroughly modern city dwellers in the twenties and thirties.

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# **History of Japan**

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## **The Countryside**

Japan, however, was still a rural nation in the Taisho Period. A trade recession, following postwar boom-time inflation, hit Japan's rice-growing and silk-producing farmers hard, particularly the 50 percent who were tenants.

Young military officers, many of peasant background, began to attack big business, finance, and parliamentarianism from a right-wing point of view. They called for a return to a wholly agricultural nation under direct Imperial rule. They also called for increased overseas expansion to ease market pressures on Japan's farmers.

Their opinions became a key element in the expansionist nationalism that dominated Japan in the thirties.

## **JAPAN AT WAR (1927-1945)**

### **The China Tangle**

By 1930, Japanese ultranationalists, both military and civilian, were obsessed with Japan's economic interests in China and Manchuria.

While Japan was coming out of the 1929-1930 trade slump brought about by the world depression, foreign efforts to limit Japan's military and naval forces were branded by nationalists as discriminatory and conspiratorial.

At the same time, civilian government efforts to create a conciliatory China policy seemed to the same parties a betrayal of Japan's true interests, something like the conciliatory policy of the Tokugawa shoguns toward the West after Admiral Perry's visit.

Calling for a "New Restoration" of Imperial power, these nationalistic elements waged a campaign of assassination and intimidation against liberal politicians.

In 1931, rightist military elements precipitated the takeover of Manchuria by local commanders; the Tokyo government was forced to accede.

In 1936, a rightist coup d'etat was put down by the regular military in Tokyo.

Thereafter, military influence upon the Japanese government and its policies grew steadily. As its price for suppressing the ultraright within its ranks, the military demanded a greater role in policy.



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When China was invaded in 1937, again on the impetus of local commanders, the Tokyo government supported the action wholeheartedly.

## The Logic of the Pacific War

Japan's war of conquest in China forced Japan to reach these conclusions:

- Japan's military forces needed raw materials for the China war: rubber, tin, and petroleum.
- These commodities were available in Southeast and island Asia.
- Japan's hefty trade with these areas was menaced by the United States. The United States also opposed Japan's China moves and discriminated against Japanese immigrants.
- American power in the Pacific was concentrated in the Philippines.
- The Philippines were supplied from the U.S. base at Pearl Harbor.

## Benefits of World War II

The Pacific War devastated Japan's cities and savaged her people, but it had some beneficial results for Japan and for Asia:

- The Japanese industrial plant was destroyed, hence it could be rebuilt and modernized from the ground up.
- Wartime production gave Japan experience in areas that became its postwar mainstays: shipbuilding, electronics, optics, and autos.
- Reparation payments to the nations of Southeast Asia helped establish Japanese economic ties that went deeper than Japan's former imperialist ties.
- Japanese rule in Asia hastened the breakdown of European empires and promoted Asian nationalism (Indonesia, Burma, India, and Vietnam).

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## POSTWAR JAPAN

### The Occupation (1945-1952)

#### Japan Prostrate

At the close of the Pacific War, the toll was heavy for Japan:

- 8 million Japanese killed or wounded, versus 50,000 U.S. combat deaths
- 2-1/2 million dwellings in ruins in Japan
- 800,000 buildings of all types destroyed in Tokyo
- Prewar Tokyo population of 6.7 million reduced to 2.8 million
- Imports at a standstill
- Average adult consuming only .12 ounces of food per day

#### Reform and Reconstruction

On August 28, 1945, the first U.S. Occupation troops landed at Atsugi Air Base near Tokyo. Among them was General Douglas MacArthur, Supreme Commander for Allied Powers (SCAP). Under his command, the Allied Occupation of Japan took on several distinctive characteristics:

- The Occupation became almost 100 percent American.
- It was dominated by MacArthur's aristocratic bearing, which was highly popular and comforting to the Japanese.
- Japan was not governed directly by SCAP, but through the Japanese bureaucracy.
- The Occupation staff included New Dealers interested in Japan as a social experiment in reform.
- It also included military hard-liners, intent first on
  - Punishing Japan.
  - Building up Japan as a bulwark against Communism in Asia.

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## Reverse Courses

The central story of the Occupation is the way it changed around 1949. Prior to 1949, it concentrated upon reforming Japanese institutions on the U.S. model. After 1949, it changed in the direction of policies aimed at strengthening the Japanese economy, limiting dissent, and building up Japan as a base and staging area for U.S. armed forces.

Following the Treaty of Peace and Mutual Defense Treaty (1952), the Occupation ended, and the Japanese continued the reversal of certain Occupation reforms. They also began to build a powerful economy based on a military alliance with the United States.

This alliance, necessary for Japan's prosperity, had some uncomfortable corollaries for Japan, such as:

- It required Japan to identify itself with the West.
- It limited Japan's trade approaches to mainland China.
- It seemed to contradict the spirit of Japan's "Peace Constitution".

## SCAP and Labor

Under Occupation promotion, the Japanese labor movement, moribund during the war, enjoyed a huge revival, as follows:

- 5,300 unionized workers at war's end (August 1945)
- 385,677 unionized workers by end of 1945
- 4,849,329 unionized workers by end of 1946
- A 100,000 percent increase in 16 months

A combination of vastly increased labor strength, postwar shortages, inflation, and social dislocation led to a wave of strikes, plant takeovers, and demonstrations in 1946. The Japanese Cabinet, under Occupation advisement, responded with a tough ordinance to ensure public order, an ordinance that included a ban on paying wages to striking workers.

Labor groups responded with plans for a General Strike on February 1, 1947. On January 31, SCAP prohibited the General Strike, and it was called off.

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This response marked the turning point away from SCAP's using the labor movement as an instrument of reform and toward controlling labor's disruptive tendencies.

### SCAP and Business

The mid-Occupation tendency to turn from reform toward retrenchment was also visible in business policy, as follows:

- November 1945: Big Four Zaibatsu (Combines)--Mitsui, Mitsubishi, Sumitomo, Yasuda--voluntarily disbanded under SCAP pressure.
- April 1947: Anti-Monopoly Law passed.
- December 1947: De-Concentration Law passed.
- 1948: An increasing number of exemptions from De-Concentration Law leaving only 18 firms under its rules.
- 1949: Occupation financial policy called for reduction of government regulations and the granting of government subsidies for business.

The government-business relationship in Japan both:

- Continued prewar trends
- Renewed itself under American sponsorship

### Rearmament Questions

Japan's 1947 Constitution, written by Occupation staffers, included the famous Article 9, Chapter 11, in which Japan "renounces war as an instrument of national policy." Although the Constitution as a whole has not been popular with the Japanese, public opinion has generally held to Article 9. This American-dictated provision became a point of contention between the United States and Japan in 1950, when U.S. Secretary of State Dulles urged full Japanese rearmament, given cold-war conditions. Japan's Premier Yoshida, a staunch U.S. ally, refused, reaffirming Japan's intention to let its foreign policy be guided by trade, not military concerns.

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## From the Peace Treaty to the Tokyo Olympics (1952-1964)

### The Peace Treaty (1952)

Japan contracted for peace with the United States and the other major Allies (with the notable exception of the U.S.S.R.) on September 8, 1951, in the old San Francisco Opera House. Provisions included:

- Economic concessions to Japan
- No restrictions upon Japanese shipbuilding (vital later in the country's economic growth during the sixties)
- Japanese exemption from rearmament (despite U.S. desires)
- U.S. administration of Okinawa for the present
- Recognition of Taiwan as the legitimate Chinese Government

### Rising Nationalism and Self-Confidence (1952-1960)

Following the signing of the peace treaty and the termination of the Occupation, Japan entered another of its periodic eras of self-confidence and self-examination, pulling back to a degree from the outward-looking enthusiasms of the Occupation period. Anti-American feeling from both Left and Right increased on the grounds that:

- The Peace Treaty, by excluding the U.S.S.R. and forcing recognition of Taiwan, limited Japan's freedom to maneuver.
- The Mutual Defense Treaty (signed with the United States in early 1952) maintained American bases on Japanese soil, in effect prolonging the Occupation.
- The Security Forces (a paramilitary corps established in 1950, ostensibly to keep public order after Occupation forces withdrew) was an American imposition that violated Japan's "Peace Constitution."

The Right wanted to revise the Constitution to allow rearmament; the Left wanted disentanglement from the entire U.S. alliance; Moderates sought to maintain the alliance while avoiding rearmament as such. The Moderates won, and Japanese development went forward without large defense outlays (considered as a percentage of GNP).

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## Happy Days are Here Again (1955-1956)

Japanese economic recovery seemed assured in 1955, when the price of black market rice fell below the price of government-rationed rice. Other indications were:

- The level of consumption had returned to prewar standards.
- The sale of washing machines increased from 100,000 in 1953 to 400,000 in 1955.
- Japan was in the midst of a television boom, with some 150,000 sets in the nation by 1956; dependence on imports of U.S. television receivers had ceased.

Japan had reached the end of the "Postwar Era."

## The Kishi Years (1957-1960)

Following the 1955 organization of the Liberal-Democratic Party (LDP) from two conservative parties, and the subsequent elevation of Nobusuke Kishi to the position of Prime Minister, the following elements of Japan's political structure began to take shape:

- The LDP reached out to small- and middle-size business for electoral support.
- The LDP made overtures to women's groups on consumer issues.
- Both the LDP and the opposition Socialists courted agriculture; the LDP eventually gained its support.

These efforts were responses to the growing power of mass movements and pressure groups in Japanese society, and augmented the already strong ties between the LDP and big business.

Prime Minister Kishi also inaugurated measures to move Japan toward the welfare state, with laws establishing National Health Insurance and Death Annuities.

Kishi also emphasized a strong, highly political foreign policy based on the Japan-U.S. alliance. In 1960 the U.S.-Japan Mutual Defense Treaty was up for renewal. Kishi supported renewal, provided the treaty was revised. Revisions provided for a more liberal treaty that would promise to consult Japan before Japan-based U.S. troops were committed to battle, and would provide for review of the treaty in 1970. Accordingly, Kishi pushed ratification through the Diet.

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Overwhelmingly negative reaction to the treaty forced Kishi's resignation in 1960; demonstrations rocked Japan, forcing the cancellation of a planned visit by U.S. President Eisenhower.

## The Ikeda Years (1960-1964)

Learning from the political fate of Kishi, Hayato Ikeda, Japan's next Prime Minister, changed course. Ikeda stressed:

- Conciliation with the opposition
- Improvement of relations with China and the U.S.S.R.
- Economic development and trade (reviving Yoshida's ideas)
- Promotion of economic bureaucracies (MITI, Finance) into leadership
- Promotion of technical education
- Limited rearmament to help Japan become independently credible in diplomacy
- A policy of "income doubling" (a promise that the income of the Japanese people would double by the end of the sixties)

## After the Olympics: Growing Pains

### Tokyo Olympiad

In 1964 Japan hosted the summer Olympic Games. The first Japanese Olympics had been scheduled for 1940, but the rush toward war had forced their cancellation. This Olympiad came as the capstone of Ikeda's "income doubling" period. It was not only the symbol of Japan's success, but to the Japanese mind, it also marked a transformation. Before the Olympics, Japan had been growing for itself; after 1964, Tokyo became a world metropolis, and Japan came into the spotlight.

### Income Quintupling

Ikeda had promised that national income would double between 1960 and 1970. The real growth resembled the following:

- 1960-1965: national income grew 2.1 times
- 1965-1970: national income grew an additional 2.5 times

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The problem for the Japanese finance bureaucracy was how to make accurate predictions of economic growth. Nearly every prediction was outstripped in practice.

## Sato and Social Capital (1964 - 1972)

The priorities of Prime Minister Eisaku Sato compared to those of predecessors are shown in Table 2.

Table 2

### COMPARISON OF SATO'S POLICIES WITH THOSE OF HIS PREDECESSORS

<u>YOSHIDA</u> <u>1948-1954</u>	<u>HATOYAMA</u> <u>1955-1957</u>	<u>KISHI</u> <u>1957-1960</u>	<u>IKEDA</u> <u>1960-1964</u>	<u>SATO</u> <u>1964-1972</u>
Free trade; confrontational politics; wary acceptance of U.S. alliance	Conciliation; "open door" to all views	Strengthen U.S. alliance; welfare state; confrontational politics	Political emphasis on growth; conciliation	Deal with social costs of growth; hands-off attitude toward Vietnam War

Source: DATAQUEST

In U.S. relations, Prime Minister Sato was forced to deal with three realities:

- Japan's policy of nonintervention in foreign disputes
- Japan's close ties with the United States and Western bloc
- Anti-American feeling that was growing in Japan because of Vietnam

In domestic affairs, Japan was suffering from the costs of growth:

- Inadequate housing
- Environmental pollution



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- Depopulation of the countryside and consequent massive urban crowding
- Inflation
- Erosion of the LDP's rural vote base

The government responded by:

- Criticizing U.S. Vietnam policy while providing facilities for U.S. troops
- Heavy investment in social capital: schools, roads, hospitals, housing projects

## Continuing Problems

The issues that confronted Sato have continued to plague LDP leaders and their cabinets in the seventies and early eighties. Japan had five prime ministers in the ten-year period from 1972 to 1982.

## Post-Sato Prime Ministers

Rakuei Tanaka (1972-1974) - Tanaka proposed a grandiose plan for rebuilding the Japanese islands. However, his land deals and involvement in the Lockheed bribery scandal in 1976 generally discredited his plans.

Takeo Miki (1974-1976) - Japan's stagnating growth cost the LDP major support. Miki tried to regain conservative strength, but his involvement in the Lockheed scandal caused an electoral disaster for the LDP in 1976; the party held onto a Diet majority by a very narrow margin.

Takeo Fukuda (1976-1978) - In an evenly divided Diet, Fukuda had to compromise between growth advocates in his own party and no-growth forces in the Socialist and Communist opposition. He advocated that "permanent residential zones" (housing areas that could not legally be converted into factory land) be interspersed with new industrial areas.

Masayoshi Ohira (1978-1980) - Ohira promoted a "pastoral cities" scheme that would establish middle-size cities in the countryside to ease urban congestion and revitalize the rural economy.

Zenko Suzuki (1980-1982) - Suzuki enjoyed a more comfortable margin of electoral support than his two immediate predecessors, but citizen pressure groups as well as the opposition continued to call for clean government, growth limits, and a more citizen-responsive government and bureaucracy.

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# History of Japan

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## The Years Ahead

Along with the perennial problems of urbanism sketched above, we believe that Japan will be faced with other dilemmas in the future, including:

- An older population, and the consequent drain on public welfare moneys - In 1978, 8.6 percent of the population was over 65. In 2010, the projection is 18 percent.
- Continuing dissatisfaction with Japan's higher education "rat race" and its effect on adolescent psychology
- The necessity for more concentrated urbanism as Japan advances further into a service-oriented, post-industrial economy - Since 1963, 50 percent of the GNP has been in the service sector. By the mid-1980s, this is projected to be 57 to 65 percent.
- Political apathy, due to the electorate's wavering confidence in the LDP and the inability of the Opposition to offer attractive alternatives
- Stagnation in the heavy-industrial sector, in common with the other industrial powers - In 1982, Yawata Steel was at only 70 percent capacity, and steel pipe exports to the United States were down 52 percent.
- Continuing conflict with the Western nations over auto exports and agricultural imports - U.S. efforts in 1982 to get import quotas on beef and oranges lifted met with stiff resistance from Zenchu, the National Association of Agricultural Co-ops.
- Social dissatisfaction and frustration if growth should turn negative over the long run, as has occurred in the United States - Since 1969 to 1974, manufacturing's share of the GNP is down by one-third. Japanese National Railways (JNR) supports 400,000 active workers and 350,000 pensioners. JNR lost about \$8.4 billion in fiscal year 1982.

## LESSONS FOR AMERICAN BUSINESS

Japanese culture is of great antiquity compared to our own. The Japanese have made many sacrifices over the years to preserve their national identity. They may compromise with the outside world, but it is usually in order to effect this preservation. They are not mere

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## History of Japan

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imitators, but heirs of a nationhood that means everything to them. Approaches to Japan that denigrate the country or fail to consider its national pride will not work.

Japanese stubbornness or recalcitrance in dealing with foreigners is not an aberrant psychological factor, but a response conditioned by centuries of self-awareness and awareness of the great power of neighbors. Attitudes toward the United States are still, inevitably, colored by Japan's defeat and dependence after World War II.

The Japanese "free ride"--military protection by the United States that allows unprecedented development of the consumer sector and technological equality in many areas with the United States--should not be criticized by Americans, since both Japanese disarmament and Japanese participation in a military alliance with the United States were dictated by the United States when Japan was in no position to refuse. The United States called for Japanese rearmament when American foreign policy, not Japanese popular opinion, required it.

The intimate relationship between business and government (sometimes stigmatized as "Japan, Inc.") was promoted by U.S. Occupation policies.

No matter how prosperous the Japanese become, and they will become prosperous, they cannot help being aware of the fragility of their economic institutions throughout most of their history, and of the struggles and sacrifices involved in becoming an economic superpower. Americans have had a much easier road, and should not expect the Japanese to easily give up hard-won gains in the name of an abstract fairness.

In all dealings with the Japanese, an awareness of the points listed above will promote goodwill and ease tension. Conversely, an attempt to treat the Japanese "like anyone else," ignoring the unique difficulties and traumas of their experiences, will set up quiet but firm roadblocks to progress.

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# Geography and Demographics

## INTRODUCTION

Figure 1 is a map of the major Japanese regions, each of which consists of several prefectures. Table 1 lists the main cities and populations of each of the 47 prefectures, along with a breakdown of each prefecture's industrial and agricultural revenues for 1981.

Figure 1

MAP OF MODERN REGIONS



Source: Sakamoto, Taro, Japanese History, Tokyo: Int'l Society for Educational Information Press, 1980  
DATAQUEST

# Geography and Demographics

Table 1

## PREFECTURAL STATISTICS (100 Million Yen)

Prefecture	Industrial Production						Main Cities and Populations (10,000 Persons)
	1981	1981	1981	1981	1981	1981	
1 Hokkaido	51,258	5,932	3,275	7,894	541	18,112	Sapporo* (145.1), Asahikawa (35.9), Hakodate (32.0), Kushiro (21.7)
2 Aomori	4,705	1,182	860	264	242	3,635	Aomori* (29.0), Hachinohe (24.0), Hirosaki (17.6)
3 Iwate	10,876	1,492	2,747	388	430	2,761	Morioka* (23.1)
4 Miyagi	24,129	2,909	5,829	3,190	603	6,786	Sendai* (65.7), Ishinomaki (12.3)
5 Akita	9,156	1,285	2,486	737	493	1,153	AKITA* (28.6)
6 Yamagata	13,197	1,748	4,757	822	1,308	1,971	Yamagata* (23.7)
7 Fukushima	25,993	2,400	9,746	3,633	1,931	3,052	Iwaki (35.2), Koriyama (29.0), Fukushima* (26.5)
8 Ibaraki	67,456	14,775	23,138	10,970	943	7,413	Mito* (22.1), Hitachi (20.6)
9 Tochigi	47,311	6,960	21,071	2,912	2,289	4,802	Utsunomiya* (39.0)
10 Gunma	41,854	4,470	22,316	1,681	2,198	4,736	Maebashi* (27.1), Takasaki (22.7), Riryu (13.3), Ota (12.8)
11 Saitama	101,087	15,514	43,111	8,559	3,044	8,138	Kawaguchi (39.2), Urawa* (36.5), Omiya (36.2), Kawago (26.7)
12 Chiba	103,202	26,016	12,752	42,865	789	11,228	Chiba* (75.7), Funabashi (48.9), Matsudo (41.2), Ichikawa (37.6)
13 Tokyo	175,724	18,215	71,280	11,165	3,882	13,740	Tokyo* (815.1), Machioji (39.9), Machida (30.1), Fuchu (18.9)
14 Kanagawa	218,365	23,970	107,391	54,004	1,453	15,896	Tokohama* (286.6), Kawasaki (103.9), Yokosuka (42.7)
15 Niigata	33,672	6,839	7,578	3,991	3,637	4,239	Niigata* (45.7), Nagasaki (18.0), Joetsu (12.7)
16 Toyama	26,379	9,480	4,947	3,896	2,453	1,243	Toyama* (30.7), Takaoka (17.7)
17 Ishikawa	14,559	1,024	5,402	356	3,763	1,170	Kanazawa* (41.2), Komatsu (10.6)
18 Fukui	12,437	871	3,462	1,050	4,521	849	Fukui* (24.3)
19 Yamanaishi	10,554	755	5,090	57	709	1,400	Kofu* (20.0)
20 Nagano	36,718	2,788	21,575	537	1,127	4,223	Nagano* (32.7), Matsumoto (19.0), Ueda (11.4)
21 Gifu	35,690	3,449	8,407	1,801	5,986	2,462	Gifu* (40.8), Gakai (14.3)
22 Shizuoka	101,838	11,042	40,445	12,739	3,082	11,525	Hamamatsu (50.1), Shizuoka* (46.1), Shimizu (24.2), Numazu (20.9)
23 Aichi	218,529	33,230	107,677	18,270	13,311	16,160	Nagoya* (205.8), Toyonashi (31.2), Toyota (28.9), Ichinomiya (25.3)
24 Mie	48,009	4,309	14,987	16,412	2,251	3,779	Tokushima (25.8), Suzuka (16.0), Tsu (14.6)
25 Shiga	30,827	3,070	12,302	2,970	2,800	1,815	Otsu* (22.2)
26 Kyoto	41,380	3,128	15,365	2,197	7,543	5,488	Kyoto* (146.1), Uji (15.7)
27 Osaka	197,171	44,973	57,970	31,370	14,323	12,831	Osaka* (253.5), Sakai (80.7), Higashiosaka (49.9), Toyonaka (39.6)
28 Hyogo	116,104	27,739	21,940	16,774	3,747	18,752	Kobe* (137.0), Amagasaki (50.7), Himeji (44.7), Nishinomiya (40.1)
29 Nara	14,840	1,540	4,700	723	2,064	1,470	Nara* (31.1)
30 Wakayama	28,385	7,809	1,305	12,601	2,722	1,129	Wakayama* (40.3)
31 Tottori	5,710	444	1,808	62	657	1,182	Tottori* (13.2), Yonago (13.0)
32 Shimane	6,361	1,126	1,490	155	694	832	Matsue* (13.5)
33 Okayama	59,558	9,810	12,468	23,001	4,369	4,125	Okayama* (55.0), Kurashiki (41.0)
34 Hiroshima	63,012	10,559	30,450	3,449	2,710	5,252	Hiroshima* (89.8), Fukuyama (35.5), Kure (23.3), Onomichi (10.4)
35 Yamaguchi	44,202	5,353	4,368	24,312	501	3,166	Shimonoseki (26.2), Ube (17.0), Yamaguchi* (11.6), Iwakuni (11.3)
36 Tokushima	9,490	641	1,352	2,069	682	1,447	Tokushima* (25.0)
37 Kagawa	20,315	3,136	4,332	5,376	1,133	2,641	Takamatsu* (30.0)
38 Ehime	29,212	3,289	6,961	8,102	2,175	2,552	Matsuyama* (41.2), Mihama (13.5), Imabari (12.5)
39 Kochi	3,157	518	1,186	67	414	635	Kochi* (30.4)
40 Fukuoka	60,911	16,272	11,914	9,736	1,356	6,739	Fukuoka* (108.2), Kitakyushu (105.5), Kurume (21.8), Omura (16.3)
41 Saga	9,047	855	1,536	1,112	489	2,693	Saga (16.7)
42 Nagasaki	10,469	739	5,919	78	538	1,960	Nagasaki* (44.6), Sasebo (25.2)
43 Kumamoto	13,859	13,859	4,211	1,110	990	2,766	Kumamoto* (52.0), Tatsushiro (11.0)
44 Oita	20,066	6,838	2,366	5,565	362	1,779	Oita* (36.8), Beppu (13.4)
45 Miyazaki	8,673	408	619	2,156	785	2,463	Miyazaki* (26.6), Mobeoka (14.0), Miyakonojo (13.1)
46 Kagoshima	11,188	504	1,306	131	680	5,926	Kagoshima* (51.2)
47 Okinawa	6,279	416	30	1,116	52	1,504	Naha* (30.2)
Total	2,247,119	354,750	731,402	366,422	112,153	241,319	

\*Prefectural Capital

Source: Complete Atlas of Japan, Tokyo:  
Teikoku Shoin Co. Ltd., 1982  
DATAQUEST

# Geography and Demographics

## LOCATION

Japan is a country comprising four major islands (Hokkaido, Honshu, Kyushu, Shikoku) and more than 3,000 smaller ones running in a convex arc along the eastern edge of the continent of Asia. It lies in the temperate zone, between 20° and 46° north latitude. Its nearest neighbors are the Soviet Union (north and northeast) and South Korea (west).

In Figure 2, a map of Japan is superimposed on that of the United States to give a rough idea of the country's extent.

Figure 2

### JAPAN SUPERIMPOSED ON THE UNITED STATES



Source: Reischauer and Fairbank, East Asia: The Great Tradition, Boston: Houghton Mifflin, 1958  
DATAQUEST

## Geography and Demographics

### POPULATION DENSITY: AVERAGE

Japan has a total land area of 145,824 square miles inhabited by 118 million people (1981 estimate), which equals an average population density of 810.97 persons per square mile.

Comparing Japan with countries that have similar land areas produces the following population density comparisons:

<u>Country</u>	<u>Area (sq. mi)</u>	<u>People/sq. mi</u>
Japan	145,824	810.97
N. Zealand	102,883	30.80
Norway	125,057	34.00
Zimbabwe	150,873	48.96

Looking at Japan with reference to countries having similar-sized total populations yields the following population density comparisons:

<u>Country</u>	<u>Total Population</u>	<u>People/sq. mi</u>
Japan	118,000,000	810.97
Pakistan	89,000,000	262.00
Bangladesh	93,100,000	1,608.32
Brazil	124,700,000	35.00

It can be seen that Japan is a middle-sized country with a population that corresponds to that of a large country.

### POPULATION DENSITY: REAL TERMS

Average population density means little in Japan, however, because 80 percent of the country is only sparsely inhabited. Habitable Japan is actually a small country (30,000 square miles) occupied by a population half that of the United States. Hence, the true Japanese population density is approximately 4,000 persons per square mile in crowded areas.

The habitable 20 percent of Japan is mostly located on several plains and their associated uplands, generally in coastal areas. On these relatively narrow bands of low land huddle nearly all of Japan's cities.



# Geography and Demographics

## CHARACTERISTICS OF JAPANESE GEOGRAPHY

The majority of the sparsely populated Japanese land is mountainous. Mountain chains generally run along the axis of the Japanese islands, dividing them down the middle. Japanese mountain land is of three types:

- Low, completely forested hills
- High, craggy peaks in central Honshu (Japan Alps)
- Volcanoes, which remain active, in both the southern and northern extremities of Japan

The division of Japan by numerous mountain chains has tended to promote localism and to create obstacles to the integration of Japan as a modern state. For example, reception of the national TV channels is difficult in many areas and must be augmented by a large number of microwave relay stations on mountaintops.

Mountains, rivers, and plains--narrow plains at the ocean's edge--determine Japanese development. Typically, the plains are planted with wet rice, the uplands irrigated for rice or planted with dry crops, the "diluvial fans" planted with mulberry trees (for silk culture), and the mountains lumbered. There are many regional variations of these practices. Cities--and most of the population--huddle on the plains.

Japanese rivers are typically short and rapid, having great seasonal variations in the volume of water. These characteristics render them uneconomical for extensive transportation, but useful for crop irrigation and hydroelectricity. Banks cut by Japanese rivers are often terraced into fields in an effort to gain more food-producing land. Deposits of sediment made as rivers emerge from mountain areas are also often planted and cultivated.

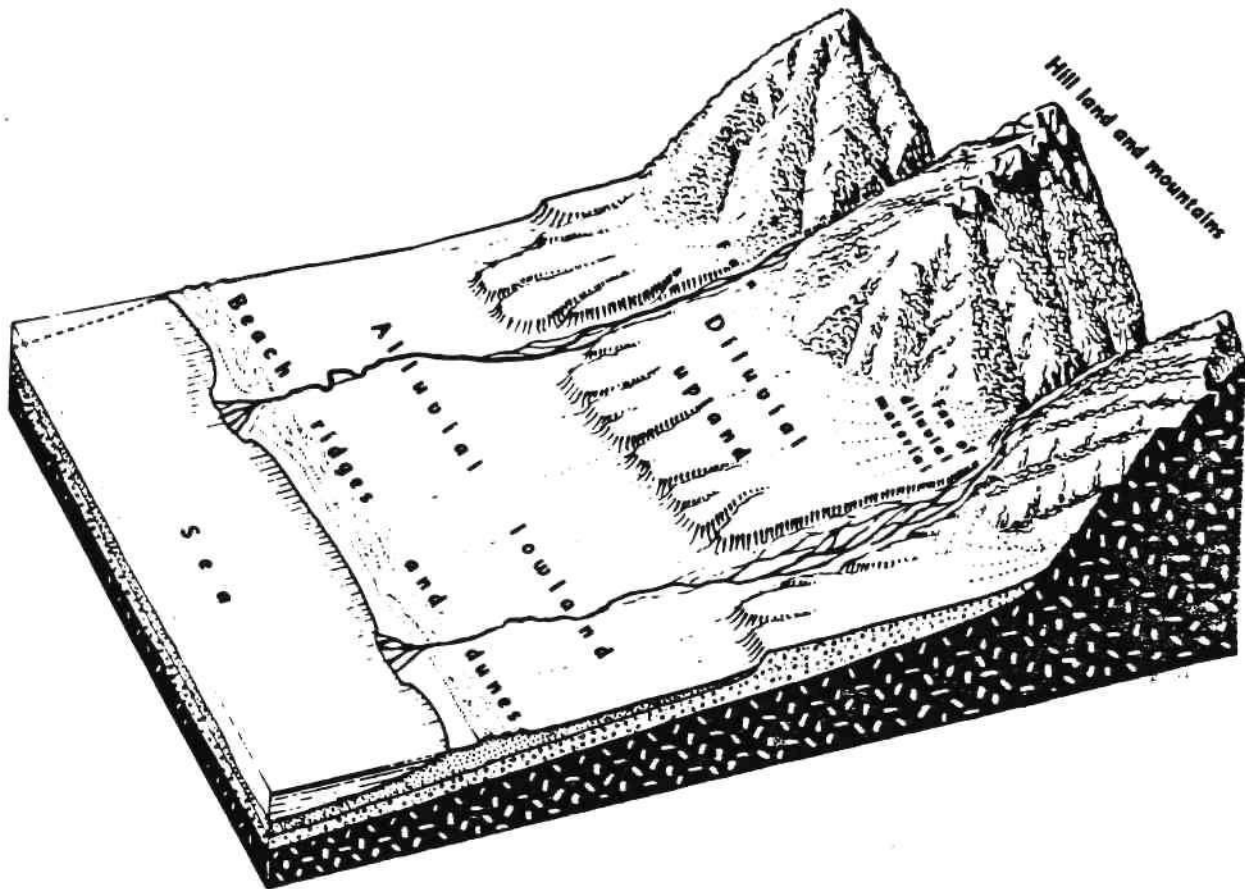
Plains must bear the burden not only of Japanese urbanism but also of the majority of the nation's food production. It is these plains that provide prime land for paddy-field or wet-rice agriculture as well as the natural sites for residential and industrial complexes. (Figures 3 and 4 together demonstrate the correlation between lowland areas and population agglomeration.) Important plains include:

- The Kanto region, upon which Tokyo and Yokohama are located. This is the largest area of continuous lowland in Japan and the most crowded, with 30 percent of the Japanese population upon it.
- The Kansai region, at the eastern edge of the Inland Sea. This plain supports the city of Osaka and is Japan's second largest industrial district.
- The Nobi region, dominated by Nagoya, Japan's third largest city. Nagoya is a gateway between the other two regions.

# Geography and Demographics

Figure 3

FEATURES OF JAPANESE TERRAIN

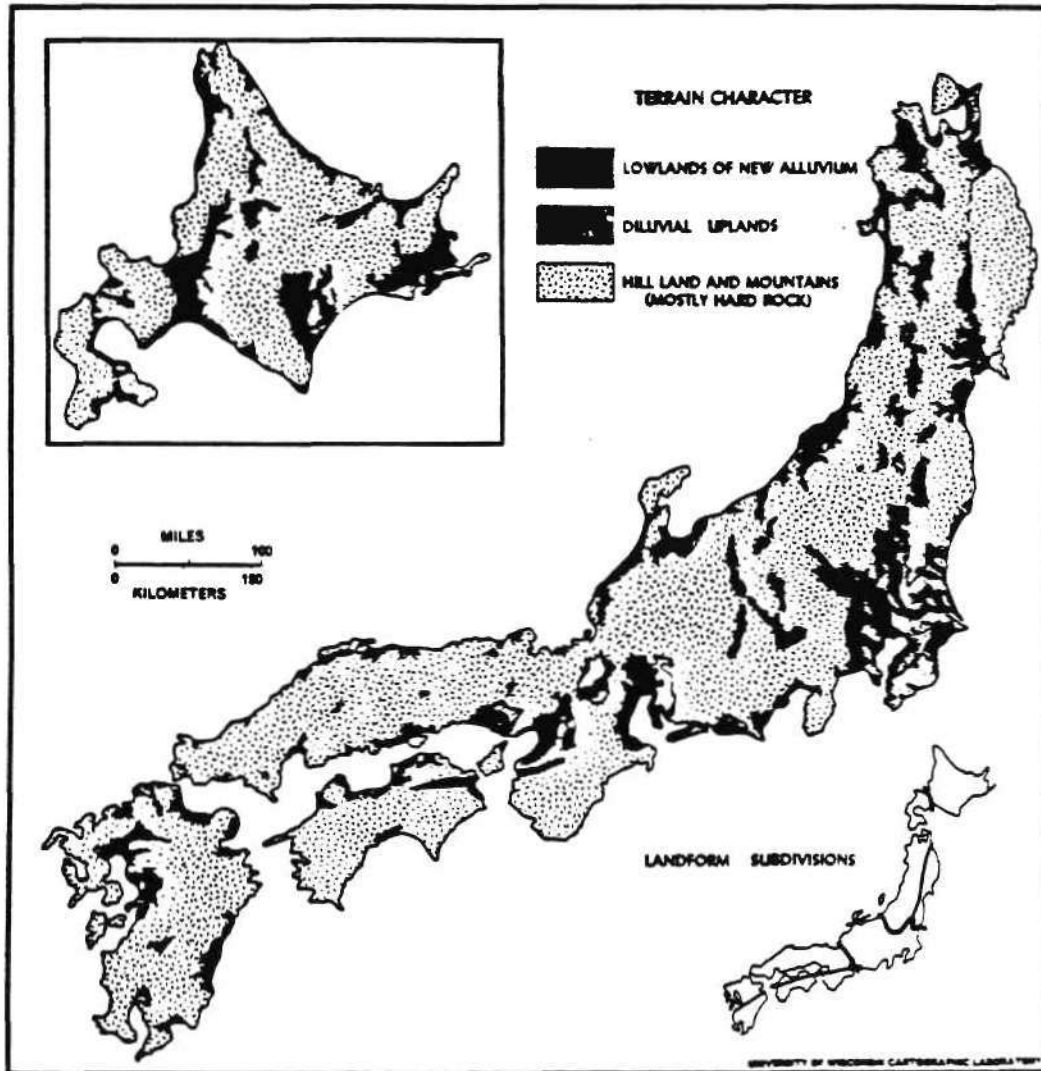


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# Geography and Demographics

Figure 3 (Continued)

## FEATURES OF JAPANESE TERRAIN

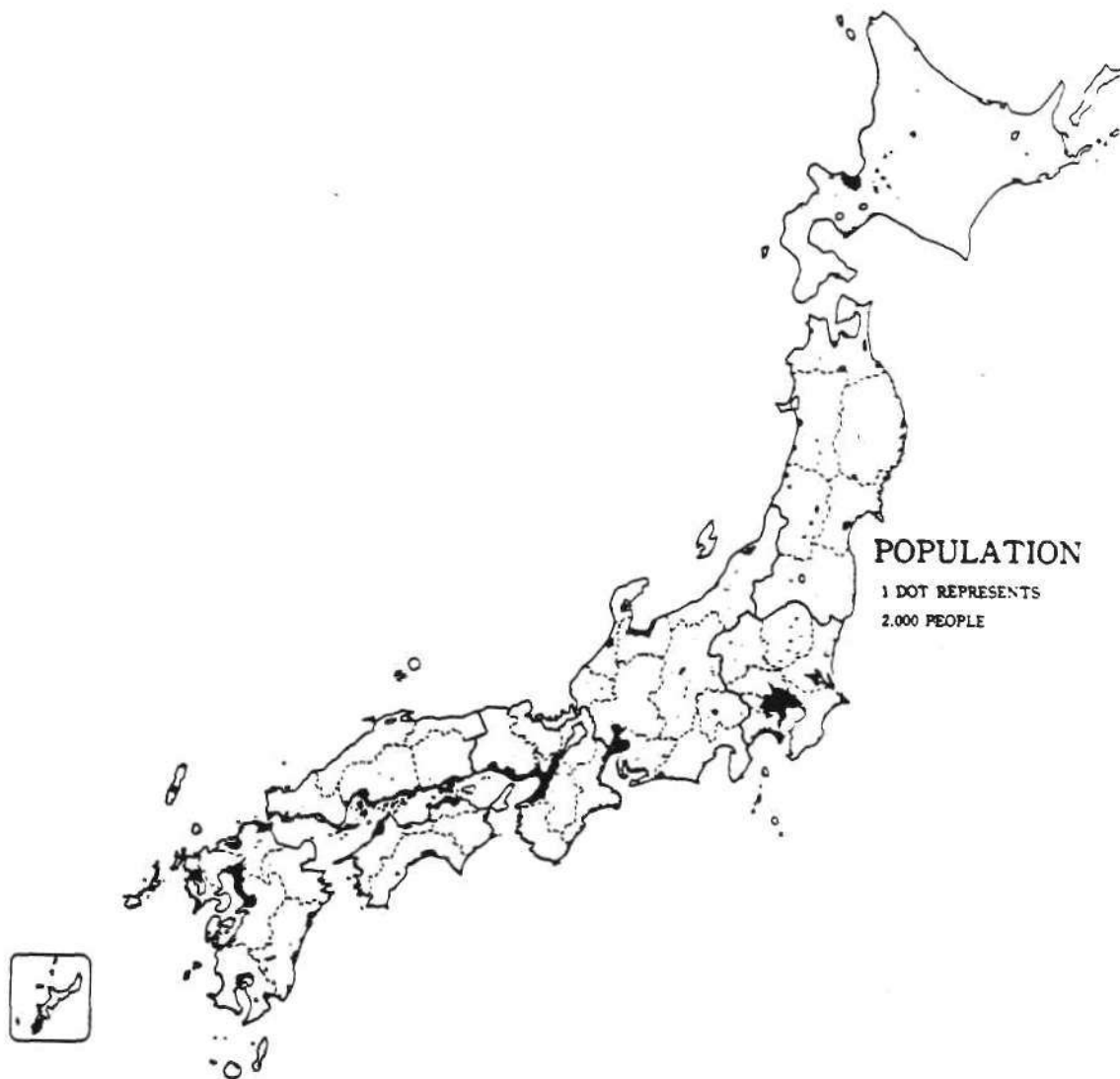


Source: Trewartha, Japan: A Geography, Madison:  
University of Wisconsin Press  
DATAQUEST

# Geography and Demographics

Figure 4

## JAPANESE POPULATION DENSITY MAP



Source: Complete Atlas of Japan, Toyko,  
Teikoku-Shoin Co. Ltd., 1982  
DATAQUEST

## Geography and Demographics

These three dominant plains, along with the Inland Sea region and North Kyushu, make up Japan's urban and industrial corridor.

### CLIMATE AND ITS DANGERS

The Japanese climate is determined by the following factors:

- Japan's location in the temperate zone, which gives it four distinct seasons
- The winter monsoon, which blows off the Asian continent bearing cold air and heavy snow to the Japan Sea side of the country
- The summer monsoon, which brings humid, rainy weather to the urban corridor on the Pacific side of Japan
- Typhoons, which visit the Pacific side between July and September
- Two ocean currents, the Kuroshio (warm), which flows south to north along Japan's Pacific coast and moderates temperatures, and the Oyashio (cold), which flows in the opposite direction from the Siberian coast, chilling northern Japan

Japan's climate, while not uniformly harsh, combines with the land forms to bring about difficulties and disasters of many kinds:

- Monsoon rains can wash out roadbeds and bridges.
- Typhoons may blow past the main Japanese islands in a southwesterly curve, but can also come inland and cause destruction.
- Earthquakes are common; Japanese seismographs register 5,000 shocks per year. Approximately 30 of these are noticeable.
- Earthquake-caused tidal waves (tsunami) may swamp low-lying coastal plain settlements.
- Heavy snowfall on the Japan Sea side often slows or disrupts transportation and communication.
- In dry regions, strong winds spread fires rapidly during the summer months.

## Geography and Demographics

Natural conditions, in addition to the population pressures on scarce land, have forced the Japanese to become well organized, cooperative, and adaptable in keeping their lives on an even keel.

### NATURAL REGIONS

Japan is divided into 11 natural regions or groups of prefectures. Since each of these regions has distinct characteristics, a survey of them provides a summary of the geography of the country. The regions are used for administrative purposes and in everyday reference (see Figures 1 and 5), and are briefly described below.

#### Hokkaido

Japan's northernmost island, also its most sparsely populated, has a population density about one-fifth the national average. It is highly untypical of Japan, with large farms five times the average size. Many of these are devoted to dairy farming, the expansion of which reflects changing Japanese consumption patterns (more milk and butter). Mining and fishing are also important.

#### Tohoku

Traditionally Tohoku is an underdeveloped region prone to hard times. Predominantly agricultural, it is Japan's granary for rice (20 percent of the national crop). Fast-flowing rivers generate a large amount of hydroelectric power. Industry is mostly food-processing-related; there are no coastal industrial belts.

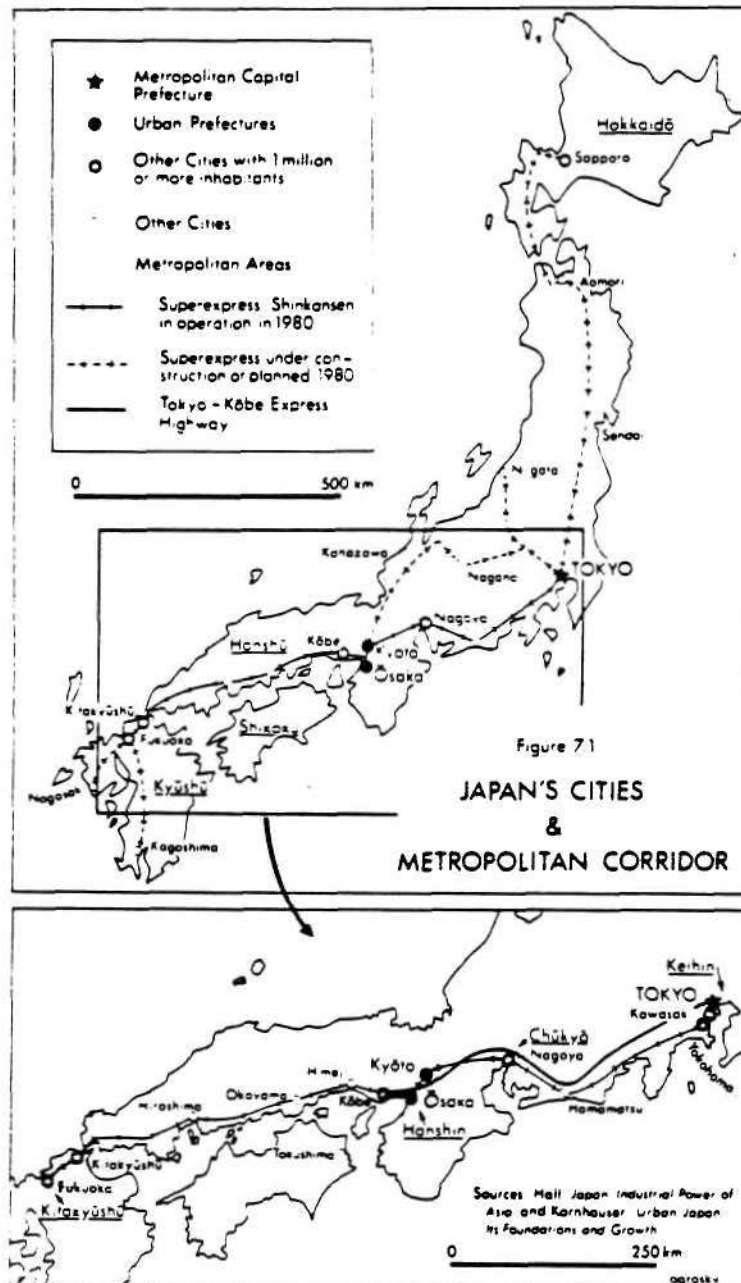
#### Kanto

Japan's largest region, Kanto, supports the political, cultural, economic and intellectual center of the country--Tokyo. At Tokyo begins the great industrial and commercial belt that runs through Nagoya, Osaka, and the Inland Sea area to North Kyushu. With explosive industrial growth, the metropolitan areas of the Kanto region have been encroaching more and more upon ricelands, as well as reclaiming land from the sea. This region is the most densely populated of all Japan, and the visiting traveler immediately sees the social cost of the very high economic growth that it has been experiencing. As an example, at most major subway stations there are people employed by the Japan National Railway whose sole purpose is to help pack the trains to three times capacity.

# Geography and Demographics

Figure 5

## MAJOR JAPANESE CITIES AND METROPOLITAN CORRIDOR



Source: Burks, Ardath, Japan: Profile of a Post-Industrial Power, Boulder: Westview, 1981  
DATAQUEST

## Geography and Demographics

### Hokuriku, Tosan, and Tokai

Often grouped together as Chubu (The Middle), this triple region reflects differing ways of life: 1) on the Japan Sea coast, 2) in the central highlands, and 3) on the Pacific coast.

- Hokuriku: An area very similar to Tohoku and often considered an extension of it. Eighty per cent of the arable land is in rice culture. This region is inundated yearly by heavy snows.
- Tosan: Located in the central highlands midway between Hokuriku and Tokai, Tosan is a traditional center of mulberry growing and silk spinning. With the decline of the silk industry, precision machine factories have been established.
- Tokai: Dominated by Nagoya, this region feels the economic influence of both Tokyo and Osaka. In the Shizuoka region, tea and oranges are dominant agricultural products, and it is the orange growers in particular who have sought and received protection by limits upon the importation of U.S. oranges.

### Kinki (or Kansai)

The Kinki region contains the ancient "home provinces," home of the Imperial capital Kyoto and the great mercantile center of Osaka. The center of this region, the Kansai Plain, contains heavy settlement, and both the northern and southern portions are relatively sparse. This ancient region has never quite acquiesced to the dominance of Tokyo, and still represents Japan's second largest industrial zone. It is a magnet for immigrants from southern Japan.

### Chukoku and Shikoku

Together these regions encompass the Inland Sea, a beautiful waterway that was anciently a major transport route from the Kinki to Kyushu. Coal mined from Kyushu gave the Inland Sea its industrial start in the late nineteenth century. The majority of the region's population hugs the Inland Sea coast, and the area is now one continuous industrial belt, emphasizing chemicals, oil refining, automobiles, and shipbuilding.



## Geography and Demographics

### Kyushu

Northern Kyushu is a continuation of the Inland Sea industrial belt and contains two-thirds of the island's population. It is also becoming a center for the high-technology industries, particularly semiconductors. Southern Kyushu has a subtropical climate, is highly volcanic, and is dotted with worked-out coal mines. In more ways than one, southern Kyushu is reminiscent of America's Appalachia. There has been a steady emigration from this area to Northern Kyushu and the other regions of Japan's industrial heartland.

### Okinawa

A truly subtropical island, producing figs, sugar, and pineapple, Okinawa reverted to Japan in 1971 after being a U.S. military protectorate. Many American installations remain here.

### KYUSHU

#### Overview

Under the guidance of MITI, Kyushu--the most western and southern of the four main islands (see Figure 6)--is developing into Japan's major high-tech island for the 1980s. Mitsubishi Electric Corporation was the first to notice the favorable conditions on Kyushu, specifically in Kumamoto prefecture.

The island has seven prefectures--Fukuoka, Kagoshima, Kumamoto, Miyazaki, Nagasaki, Oita, and Saga. Spanning an area of 16,000 square miles, it is home to 13 million people and accounts for approximately 11 percent of both the land area and population of Japan.

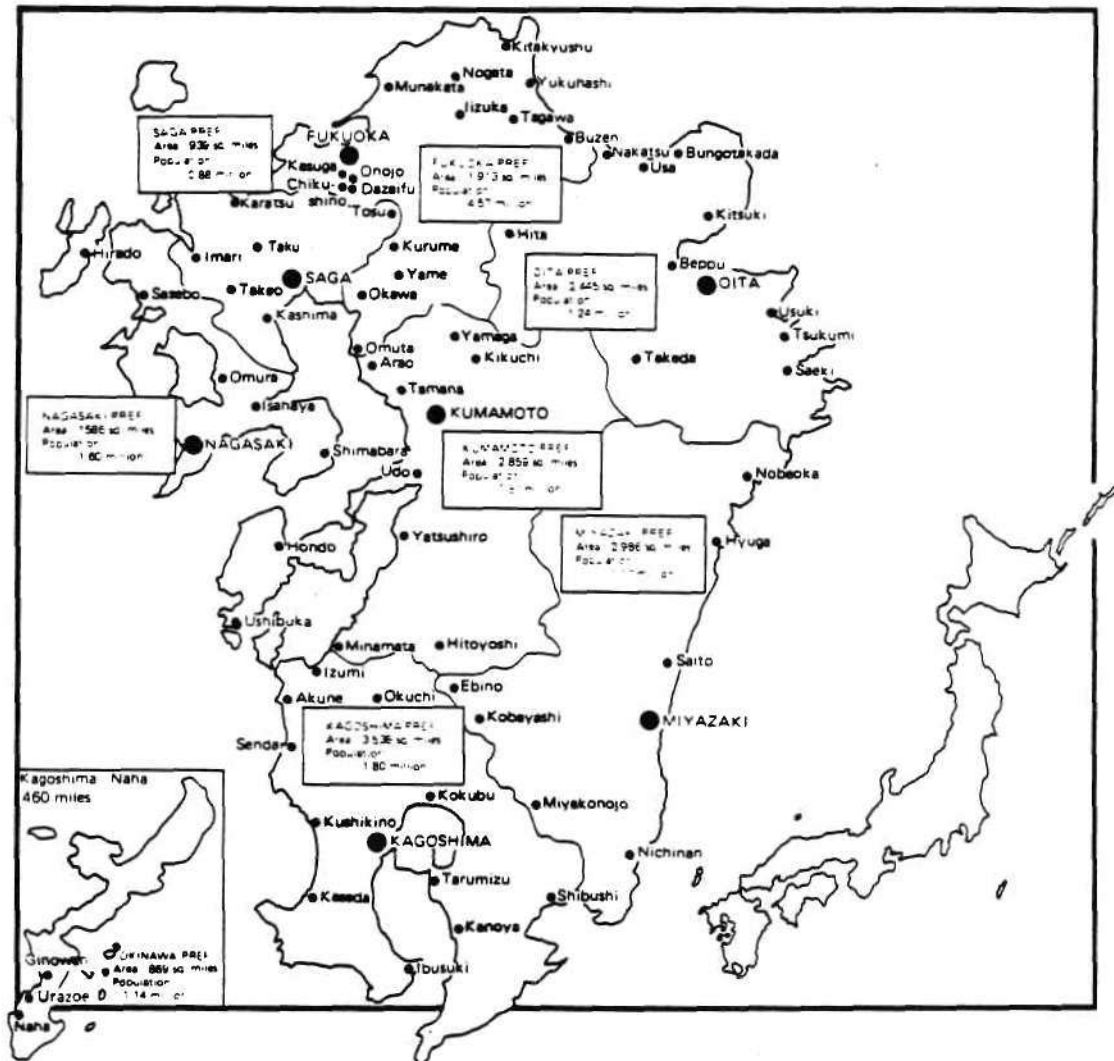
A look at the island's economic activity shows that Kyushu accounts for about 16.5 percent of the nation's agriculture production, 5.9 percent of its industrial shipments, and 7.5 percent of its sales of commercial lumber, textiles, etc. Table 2 is an analysis of Kyushu by prefecture.

During the 1970s, new industrial plants began to spring up. Mitsubishi Heavy Industries built a plant at Koyaki; Hitachi built a shipbuilding plant; Nippon Steel built its huge Yawaka plant; Nissan Motors built a truck plant; and Honda built a motorcycle plant. Now there is a rush to build MOS IC plants.

# Geography and Demographics

Figure 6

## KYUSHU ISLAND



Source: "Kyushu in Japan"  
 Kyushu International Investment  
 Exchange Conference,  
 Kyushu 1983  
 DATAQUEST

# Geography and Demographics

Table 2

## KYUSHU INDUSTRY

<u>Prefecture</u>	Number of Businesses		Employees		Volume of Shipments of Mfg. Goods (Millions of Yen)		Amount of Value Added (Millions of Yen)	
	<u>(1981)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>	<u>(1982)</u>	<u>%</u>
Fukuoka	32,790	35.7	1,566,000	37.8	5,959,000	44.3	2,191,000	47.3
Saga	4,500	4.9	278,000	6.7	918,000	6.8	347,000	7.5
Nagasaki	10,223	11.1	479,000	11.6	1,068,000	7.9	414,000	8.9
Kumamoto	13,434	14.6	551,000	13.3	1,484,000	11.0	530,000	11.4
Oita	10,507	11.4	387,000	9.4	2,011,000	14.9	509,000	11.0
Miyazaki	8,247	9.0	363,000	8.8	880,000	6.5	291,000	6.3
Kagoshima	12,162	13.3	517,000	12.4	1,148,000	8.6	352,000	7.6
Total	91,863	100.0	4,141,000	100.0	13,468,000	100.0	4,634,000	100.0
Nationwide	1,186,899		42,454,000		229,934,000		76,223,000	

Source: Kyushu Electric Power Company, Inc.,  
Regional Promotion Office, March 1985

## Geography and Demographics

Kyushu is an ideal location for the semiconductor industry for a number of reasons:

- Plentiful clean water, filtered by the lava fields
- Availability of labor due to softening in older industries
- Access to world markets via six large airports and a well-organized network of roads, railroads, and ports
- Local prefecture government support

Most important, Kyushu is an integral part of the technopolis planning of MITI. The technopolis concept aims to provide for high-technology transfer to many geographically separate regions throughout all of Japan. At the core of these centers will be a complex of high-technology industries, academic institutions, and government research, development, and administrative centers. MITI, specifically the Agency of Industrial Science and Technology (AIST), is currently conducting 19 feasibility studies on this concept. In addition to promoting the technopolis concept among Japanese businesses, the government is actively seeking foreign investment. The Fairchild Camera & Instrument subsidiary of Schlumberger has taken advantage of this government-sponsored program to develop an IC factory in Nagasaki Prefecture. See Table 3 for the case study of Fairchild prepared by the Industrial Location Guidance Division of MITI.

In 1971, the first IC plant was built, and by 1983, 25,000 people were working in eight principal plants plus a large number of small assembly plants. Texas Instruments has been manufacturing ICs (principally bipolar) for 12 years in Oita prefecture on this island. Incredibly, Kyushu now accounts for 40 percent of Japan's and 18 percent of the world's production of ICs (see Figure 7); however, these plants are not for design and development but rather only for wafer fabrication, assembly, and test.

Because of the depressed nature of Kyushu's basic industries of shipbuilding, steel, iron making, and chemicals, the local people are determined to see that the technopolis concept becomes reality.

# Geography and Demographics

Table 3

## FAIRCHILD CASE

### Outline of Fairchild

Headquarters:	Schlumberger Ltd. 277 Park Avenue, New York, New York 10172		
	<u>Capital</u>	<u>Employees</u>	<u>Product</u>
	US\$307.21 million	Approx. 82,000	Oil detecting and exploration equipment
Japanese subsidiary:	Fairchild Japan 1-15-21 Shibuya-ku, Tokyo		
	<u>Capital</u>	<u>Employees</u>	<u>Product</u>
	¥457.5 million	Approx. 85	Semiconductor products

### Factory construction plan in Japan

Plant location:	Isahaya Core Industrial Park, Tsukuba-cho Isahaya City, Nagasaki Prefecture
Size of land:	97,637 m <sup>2</sup>
Products:	Phase 1--Assembly of logic IC and linear IC Phase 2--Integrated production of IC including wafer fabrication
Construction:	Commenced February 1983
Operation:	Commenced November 1983
Equipment Investment:	Phase 1--¥6.5 billion (approx.) Phase 2--¥20 billion (approx.)
Number of employees:	Phase 1--200 at start (eventually 250)

### Choice of factory location

April 1980	Fairchild chose to locate in Japan. Major reasons for location:
	<ul style="list-style-type: none"> <li>• To comply with the demand created by expansion of Japanese market, and to improve services to Japanese customers</li> <li>• To establish a base for South Asian market</li> <li>• To take advantage of technology, labor, management techniques, and labor management systems in Japan</li> </ul>

(Continued)

# Geography and Demographics

Table 3 (Continued)

## FAIRCHILD CASE

May 1980	Establishment of Fairchild Japan  Required conditions for location: <ul style="list-style-type: none"><li>• Availability of land where factory construction can be done at the earliest opportunity (industrial park or existing empty factory, etc.)</li><li>• Industrial water</li><li>• Young male labor force</li><li>• Airport (within 1 hour's travel) or accessible to an express highway (7-8 hours to Tokyo)</li></ul>
July 1982	Screening of 30 candidate locations  Required conditions: <ul style="list-style-type: none"><li>• Availability of excellent labor and continuous employment</li><li>• Good quality of water and land</li><li>• Convenient city functions and availability of educational facilities</li></ul>
1981	Possible locations reduced from 30 to 3
January 1982	Decision of locational point decisive factor  City government became the main body to construct the industrial water system
February 1983	Start of construction work
November 1983	Planned start of manufacturing

### Supports and incentives of the Central and Local Governments

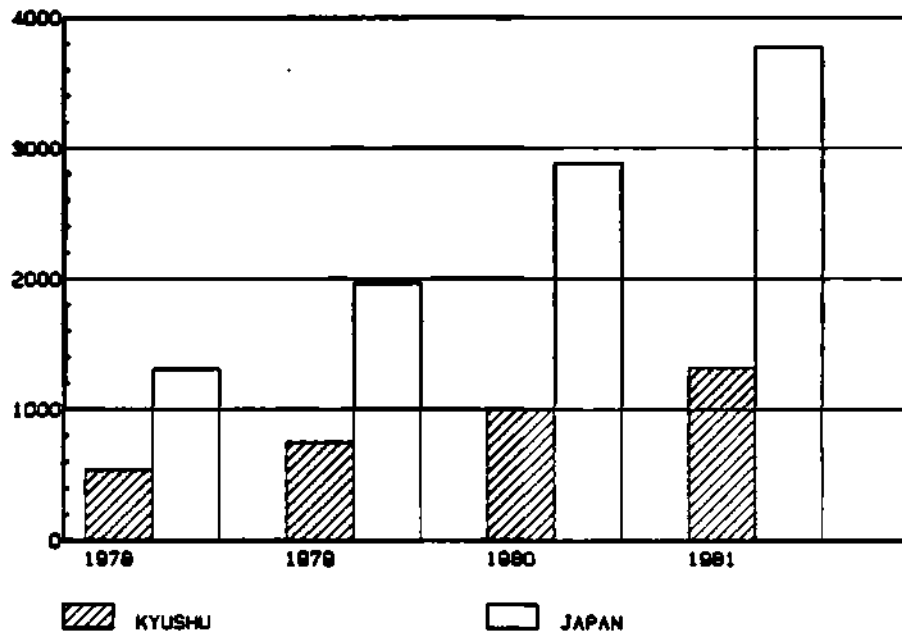
- Central Government--Special depreciation system is applied to production equipment by the Special Taxation Act. Furthermore, a loan was made by the Japan Development Bank for factory construction and an Industrial Relocation Promotion Subsidy was made for construction of R&D training facilities, etc.
- Local Governments (prefectures and towns, etc.)--In December 1982, a joint supports committee for the Fairchild location was established. It consisted of government and related organizations. Furthermore, various incentives were made available, such as exemption from real estate, corporated business, and fixed asset taxes; grants of employment promotion subsidies; and subsidies to construct environmental facilities.

Source: Industrial Location Guidance Division,  
MITI

## Geography and Demographics

Figure 7

### KYUSHU/JAPAN IC PRODUCTION (Millions of Units)



Source: Fukuoka Bureau of MITI  
DATAQUEST

### Prefecture Analysis

Kumamoto prefecture, which ranks second in number of employees (13.5 percent) and third in number of employers, will be a major force in ICs, as there now exist five semiconductor factories set down among the rice paddies. These are:

- Nippon Electric Kyushu
- Nippon Electric Kumamoto
- Mitsubishi (first factory)
- Mitsubishi (second factory)
- Kanebo Kikuchi Denshi (Mitsubishi subsidiary)

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## **Geography and Demographics**

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Figure 8 shows the overall location of the electronics companies and their proximity to MITI's planned technopolis sites.

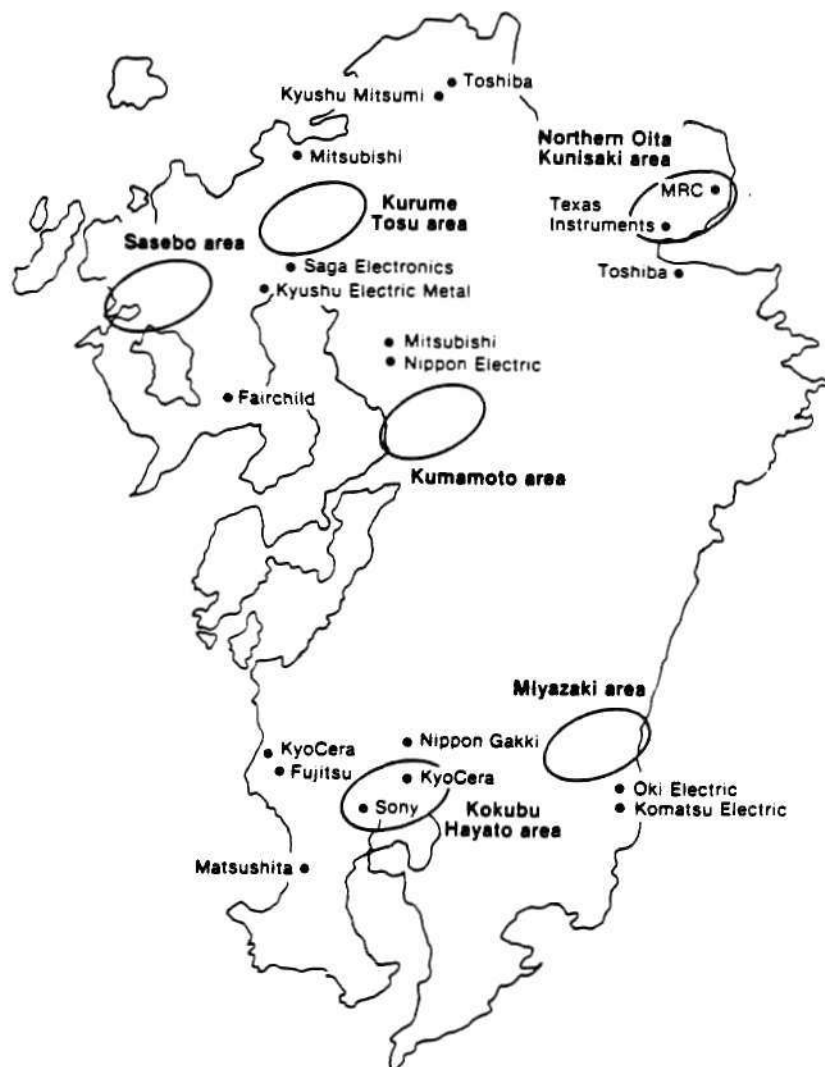
Fukuoka, which contains the largest population of Kyushu's seven prefectures, has the largest number of businesses (35.9 percent), the largest number of employees (39.1 percent), the largest value of shipments of manufactured goods--¥6.1 trillion (45.3 percent), and the largest value added--¥2.2 trillion (49.4 percent). This situation is primarily due to the growth of Nissan Motors, which manufactures 34,000 Datsun trucks per month, 2,000 Sylvia passenger cars per month, and up to 5,000 Gazelles per month in the prefecture.



## Geography and Demographics

Figure 8

KYUSHU PLANT LOCATIONS AND FUTURE TECHNOPOLIS SITES



Source: "Kyushu in Japan"  
Kyushu International Investment  
Exchange Promotion Conference,  
Kyushu, 1983.  
DATAQUEST

## **Geography and Demographics**

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# Education

## OVERVIEW

Japanese students study longer and harder than American students. The Japanese Government actively supports quality education. Teachers are dedicated to assuring that all their students achieve, at the very least, a required level of competency. Parents, especially mothers, are intensely involved and supportive of their children's studies. These combined efforts produce Japanese youths who outperform American students and students of comparable age in other industrial nations, in mathematics and the sciences.

However, we question whether the Japanese educational system produces graduates that are qualitatively better than those produced by the U.S. educational system. Japan's educational system may not necessarily give the Japanese an educational competitive "edge" over the United States.

## JAPANESE STUDENTS IN ELEMENTARY AND SECONDARY SCHOOLS

A Japanese student enters elementary school at age 6 and is required by law to remain in the Japanese school system for 9 years, or until he or she finishes junior high school. However, more than 90 percent of all Japanese children attend senior high school.

Even as early as elementary school, Japanese students study longer than American students. A Japanese student attends elementary and secondary school six days a week, two months longer every school year than an American student. Furthermore, the average Japanese elementary and secondary school student is absent and truant less than his or her American counterpart.

This extra classroom time is accompanied by long hours of homework after school. Japanese elementary schools require approximately 1 to 2 hours a day of homework, junior high school requires 2 to 2-1/2 hours a day of homework, and senior high school requires more than 3 hours a day of homework.

The school curriculum is rigorous and stresses math and science courses. A standard senior high school program includes physics, chemistry, biology, geology, and four mathematics courses. The program also includes courses in a foreign language (usually English), history, art, and social studies.

In addition to regular school, more than half of all Japanese students attend a preparatory school after regular school hours and on Sunday, their only "free" day. These schools, or juku, drill students for the competitive exams necessary to enter college and lower-level schools. While most juku are geared to tutor students for college

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## **Education**

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entrance exams, some juku tutor students for exams necessary to enter the better high schools. A few juku prepare three and four year olds for entrance exams to the coveted university-affiliated kindergartens. There were nearly 50,000 juku for elementary and secondary school students in Japan in 1977. Whether the juku student's goal is entrance to a prestigious kindergarten, high school, or college, he or she has additional homework to do aside from homework for regular school.

### **Teachers**

#### **Quality**

Along with intense student preparation, the Japanese educational system maintains uniform teacher quality. Japanese teachers are certified nationwide, whereas teacher qualifications in the United States vary from state to state. Furthermore, all Japanese teachers must pass an examination before being allowed to teach in any public or private elementary or secondary school. This examination was devised by the Japanese Ministry of Education and is conducted nationally with uniformly high results. Because the certification standard is national, teaching quality in Japan remains fairly uniform. More Japanese high school science teachers are trained in the sciences in college than are American high school teachers.

Once certified and hired, teacher quality remains high. Japanese elementary and secondary teachers continue to maintain and upgrade their knowledge. Teachers attend a training program financed by the Japanese Government immediately after they are hired, and again after five years and ten years on the job. Teachers also attend special programs and seminars sponsored by the government.

Teaching standards are also kept high due to the Japanese national support for all of Japan's elementary and secondary public school districts. The Japanese Government provides special subsidies to the more geographically remote and to the poorer school districts in the country. The government also provides special allowances and housing for teachers. Furthermore, it provides additional facilities and equipment in these areas to attract teachers and to maintain a high quality of education. As a result, schools throughout Japan do not vary significantly in their facilities and financial allocations, and the quality of education, as measured by the literacy level (nearly 100 percent nationally) varies minimally among the school districts of Japan.

# Education

## Dedication

The Japanese educational system is unique in the degree of teacher dedication to their elementary and secondary school students. A Japanese teacher's involvement with his or her students exceeds that of his or her American counterpart.

A Japanese elementary or secondary school teacher feels responsible not only for the in-class performance of his or her students, but also for their behavior and personal lives outside the classroom.

The teacher customarily foregoes a vacation during the school break. Instead the teacher generally reports to school two or three times a week to check on his or her students' studying progress by meeting with them or their parents.

American teachers may give up on the more difficult to teach students. Conversely, Japanese teachers enlist the help of others, including parents and fellow students, to tutor such students and help them reach the required level of knowledge by the end of the school year.

The Japanese teachers' dedication to their students is admirable; however, their tendency to oversee their students' lives outside school has certain aspects that Americans would consider unacceptable and overly intrusive. For example, Japanese teachers have forbidden their students to wear hair styles that they consider overly elaborate and insist that female students do not socialize with the male students. There have been cases where before school vacation time, teachers have told their students' parents where they should or should not take their children on holiday for the children's best development.

## PARENTAL INVOLVEMENT

Another manner in which the Japanese educational system differs from that of the United States is the degree of parental involvement in their children's pre-college education.

Parents of elementary and secondary school students commit themselves to aiding their children to obtain the best possible formal education. Their efforts are aimed toward getting their children admitted to the more prestigious colleges. Admission to these colleges virtually assures their children excellent livelihoods for their working lifetimes.

## Education

Since competition is keen for the relatively few freshman openings at these universities, parents help their children prepare for exams at an early age.

Traditionally, the mother is intensely involved with guiding and supervising the children's exam preparation and study. A mother helps her children with their daily homework from the time they enter elementary school at age 6. Because the content of the coursework has changed since the time a mother has attended school, mothers must themselves study in order to help their children. To prepare, mothers read their children's textbooks, other books, and get tutoring.

When the children's coursework exceeds the mother's educational level, she takes additional work or trims the family budget to pay for outside tutoring for her children.

Also, years in advance, a mother begins cultivating people who may be influential in getting her children into college. Because they are so intensely involved in their children's college entrance examinations, it sometimes appears that Japanese mothers are also preparing for college.

Applications for college admission are given out in person during a period of two to three days each year. Mothers stand in line to apply for admission for their children, sometimes waiting overnight. Mothers and occasionally fathers accompany their children to each college entrance exam and wait in a room near the testing room. In a typical college admission process, a student takes two or three exams over a period of 8 to 10 days.

### RESULTS

The combined efforts of family, teacher, students, and government support have yielded positive results. Approximately 97 percent of all Japanese students entering high school finish the curriculum, compared to only 79 percent of American students who start and finish high school. In addition, in the sciences, Japanese students ranked far above American students in a 19-country comparative study of scientific education at the secondary school level.

## Education

### EDUCATION: A MEANS OF PASSING THE COLLEGE ENTRANCE EXAMINATIONS

Japanese primary and secondary school education is geared toward preparation for college entrance examinations. Graduation from a prestigious university assures a student a job with a top Japanese firm or even a position with a government ministry. These employers recruit only students graduating from the prestigious universities. Once employed, a student's future is set until retirement age. Large companies and civil service retain their employees until retirement. Lateral movement into a company rarely occurs, so once employed, a student has "lifetime security."

The only means of entry into these top firms is through a prestigious university, and the way into the university is by passing and scoring well on an objective examination.

The college entrance exams affect all Japanese students, not just the future business leaders and civil servants. The exams not only identify the individuals who will become the Japanese business and government elite, but they also identify individuals who will not enter the prestigious universities and instead take the lesser white collar jobs, become the blue collar laborers, or become part of the unskilled labor force.

American colleges admit students based on criteria other than examination scores--including recommendations from teachers and civic leaders, presence of significant and worthy extracurricular activities, leadership potential, and disadvantaged status. These criteria are simply not major factors in a Japanese university's decision to admit a high school senior to the freshmen class. Instead, its decision turns on the passing and ranking of the college entrance exams.

The number of openings available for freshmen as well as the number of prestigious universities are limited. With about twice as many Japanese students trying to attend college as all French or British college applicants combined, the competition for college entrance is fierce.

The college entrance examinations are crucial to determine the future of Japanese primary and secondary students. Pre-college education is keyed to studying, passing, and scoring high on the college entrance exams. Except for vocational high schools, practically all high schools design their curricula and teaching to prepare their students for the college entrance exams. Many schools have a system where American-type textbook-based teaching in the major subjects is abbreviated and

# Education

completed by the second year. The rest of the student's time in high school is spent drilling from drill books containing past examination questions. Most students take a series of exercise tests in order to improve their test taking abilities. This examination-oriented schooling has been criticized for destroying secondary education and stunting the Japanese students' personal, social, and intellectual growth.

Examination-oriented education is also evident at the elementary school level. Education in primary school and in preparatory school emphasizes drilling the students on the information necessary to prepare them for the tests required to enter the better high schools. Certain high schools have successful track records for placing graduates in prestigious universities. For example, one-third of all Tokyo University freshmen graduated from 10 private high schools in Japan.

## NEGATIVE EFFECTS OF EXAMINATION-ORIENTED EDUCATION

Examination-oriented schooling at the primary and secondary school level has been criticized as providing less than a full education for Japanese students. The emphasis placed on scoring high on exams and the resulting pressure placed on elementary and secondary students have retarded much personal, social, and intellectual growth.

Since many Japanese students study every day, very few engage in leisure activities that are a part of an American student's adolescence and contribute to the development of social and personal maturity. For example, few students date, go to movies, or engage in sports.

Also, a Japanese student's single-minded devotion to doing well on a test discourages intellectual creativity and individuality.

The pressure accompanying test performance has led to suicides, violence, and runaways. A significant number of Japanese students refuse to attend school at all.

## COLLEGE ENTRANCE EXAMINATIONS

In January of each year, high school seniors and graduates take a national college entrance examination at universities and other designated testing sites throughout Japan. The examination tests proficiency in the Japanese language, science, mathematics, English, and social studies.



## Education

This national test is taken by all students who wish to enter public universities. Students who intend to enter private colleges take an examination given by the individual private college. For those students who desire to enter a public university, this national exam is just the first exam; they must also take an exam given by each public university they hope to attend. Typically, students do not limit their chances for a college education to a single university. They may take 3 or 4 exams at different universities in the space of 8 to 10 days.

### NEGATIVE ASPECTS TO THE COLLEGE ENTRANCE EXAMINATIONS

The process of college placement through examination raises questions regarding social equity and fairness. Intellectual preparation for these examinations takes time and money. Despite parental dedication and support, many intelligent Japanese students may not be able to pursue higher educations because of lack of money for extra tutoring and educational materials. Due to the practice of lifetime employment by large Japanese firms, these students do not have much hope for futures as Japan's elite business leaders or civil servants.

These examinations appear to perpetuate an elite class. A disproportionately high number of admittees to top Japanese universities come from the higher than average income families. Despite the avowed impartial competition for positions in universities, the sons and daughters of the business and government elite appear to be destined to continue in their parents' footsteps.

Occasionally, there also have been instances where the financial situation of a student's family has directly influenced the decision to admit a student to a university. A few years ago, it was discovered that the parents of several high school seniors paid sums of money to obtain copies of the questions and answers for a Waseda University entrance exam. In addition, there have been some reported instances in private and public universities where "gifts" or "donations" from parents to the universities and their officials got their children into college when they might not have been able to enter otherwise. A 1977 survey indicated that such "donations" averaged from US\$42,000 to US\$56,000 for the professional schools. It was found that the lower the college entrance examination scores, the larger the donation.

Entry to a university by examination bars many Japanese students from the lower economic classes from entering and achieving a status better than their parents. Unlike the United States, Japanese colleges have no affirmative action programs. There are no special programs to accommodate, for instance, Burakumin, Ainu, Korean, or other children from groups subject to social discrimination in Japan.

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## **Education**

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Moreover, the college entrance examinations do not accommodate individuals who develop skills and maturity later in life. The examinations also work unfavorably for those who are not adept at objective test taking.

### **JAPANESE UNIVERSITIES**

While Japan boasts of approximately 382 colleges and universities, most of these schools would have limited, if any, interest to a student hoping to enter the business world as an engineer, as an executive, or as a member of the civil service. Most of the colleges in Japan have limited curricula or are otherwise unattractive due to location in rural areas, e.g., regional colleges; one-specialty colleges; junior colleges; colleges designed for the traditionally female curricula; or technical colleges. In fact, less than 10 universities (predominantly public and former imperial universities) are considered ultra-desirable to students hoping to enter the business world or the bureaucracy. For these schools, there are at least 10 applicants for each opening in the freshman class.

The universities are ranked in pyramid order, with Tokyo University alone at the pinnacle, other government universities on the next level with some of the more selective private universities, and at the bottom of the pyramid, the private universities with the average teacher/student ratios of 1:120.

### **Tokyo University**

The ultimate goal of every Japanese elementary and secondary school student is Tokyo University, a public university. Tokyo University graduates are assured a future with the cream of Japanese firms, government ministries, and the legislature.

Four out of every five civil servants are Tokyo University graduates. Eight of the last Japanese prime ministers, including the present prime minister, Yasuhiro Nakasone, have been Tokyo University graduates. Approximately one-third of all representatives in the Japanese legislature and almost 50 percent of the business elite are Tokyo University graduates.

The top Japanese firms and ministries recruit heavily from Tokyo University graduates. While they may also recruit from other selective prestigious universities, they will almost certainly recruit from Tokyo University. Consequently, entry into Tokyo University guarantees access to job offers to the most desired companies and government ministries in Japan.

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Entry into Tokyo University is also important for the friendships formed there. Graduates form an interpersonal network with individuals from their graduating school. These networks are important since graduates call upon former classmates or fellow school graduates for guidance or assistance in business. Access to Tokyo University's network is highly desirable since it is the most influential and gives a Tokyo University graduate access to assistance and advice from fellow graduates in the top companies, civil service, legislature, academia, and the law.

Entrance to Tokyo University is important to a science or engineering student's job prospects. Tokyo University has the lowest teacher/student ratio of any university in Japan, with an average of 1 teacher to every 4 students. By contrast, there is an average of 1 teacher to every 8 students at other government universities, and 1 teacher to every 29 students at private universities. Thus an engineering student benefits from engaging in a more personal relationship with his or her teachers. This personal contact between student and teacher is important because companies in Japan contact university teachers for names of students to recruit. A Japanese student does not initiate contact with a firm for desired employment--the firm contacts the student.

For scientific and engineering positions, Japanese firms rely more heavily upon the recommendations of a would-be applicant's former professor in the hiring decision than they do when filling a managerial position.

### **Private and Public Universities**

Japan's universities and colleges are divided between public and private schools. Three-fourths of all universities are private. These private universities take four-fifths of all Japanese college students. Unlike the United States, entry into one of Japan's public colleges is considered more desirable than admittance to the private universities.

The budgets of private universities are meager compared to the public universities. Public universities like Tokyo University are heavily endowed and are given financial support from the national budget. The Japanese budget allocated approximately 2.8 billion dollars for public universities in 1976. Private colleges are funded by tuitions and receive only small government subsidies.

Private universities charge their students three times more tuition than public universities, and spend only one-third as much on their students. They are not very desirable for engineering or science students. Instead, the private universities emphasize teaching the social sciences because these subjects do not require expensive

## Education

equipment. When they do teach the natural sciences, their equipment is more than likely to be outdated and scanty. Indeed, there are more science majors enrolled in public universities than in private, despite the fact that three-fourths of all Japanese college students attend the private universities.

Furthermore, the teaching quality is more diluted in a private university than a public one. The average ratio of teacher to students is 1:29 in private universities, compared to 1:8 in public universities.

### QUALITY OF JAPAN'S COLLEGE EDUCATION

While a Japanese student may study longer and harder than his or her American counterpart from elementary school to high school graduation, an American college student may catch up to the educational level of a Japanese student, thus equalizing their educational backgrounds and knowledge.

After the intense preparation and careful supervision by teachers and parents demanded of students to enter college, many Japanese students find the quality of their education and teaching plummets when they finally attend a university.

Personal contact with teachers may be almost nonexistent. In some universities, Japanese students attend classes in overcrowded classrooms and hear lectures from microphones. Students have complained that they did not meet a university professor in the entire four years they spent at the university.

Moreover, once in college there is no pressure on Japanese students to study and maintain a minimum academic level to stay in college as there is in American colleges. Once admitted, a Japanese college student automatically progresses toward graduation. Japanese universities consider graduation of its students to be an obligation. Often students do not bother to attend classes.

Japanese college students who do attend classes find little coursework that will be directly applicable to their careers as executives with a company or as civil servants. Such students take an undergraduate major in law or economics. They do not pursue postgraduate educations with specialized coursework in business administration or international relations as do many American students with business or civil service aspirations.

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Companies view business as a subject to be taught on the job through first-hand experience rather than through academic study. If the company perceives a need for formal academic training for one of its employees, it will send that employee to school either in Japan or abroad. For example, a student might attend Stanford's Business School to learn the American methods of business management. Companies prefer to hire a generally educated Japanese with an undergraduate degree. Findings of a 1969 survey indicate that few individuals with postgraduate training reach the top firms. Of approximately 400 surveyed executives of top Japanese companies, 90 percent possessed college degrees, 4 percent had masters-level educations, and only 6 percent possessed Ph.D.-level educations.

### **A Special Educational Problem--Engineering Education**

The academic college education of any entry-level Japanese executive or civil servant is less demanding as well as less specialized than that of an entry level American executive or civil servant. However, the educational discrepancy is considerably more in the area of engineering education.

More Japanese graduated with engineering degrees in 1981 than did Americans (87,000 versus 63,000). However, compared to the United States, engineering education in Japanese universities is outdated and old-fashioned.

Japanese engineering students concentrate on learning abstract principles of science and on rote learning, and have little in the way of the hands-on training that is a part of the education of an American college engineering student.

In the United States, industry and academia have cooperated to allow U.S. engineering students opportunities to work with some of the new technologies. Japan has not followed the U.S. example due to lack of funding and due to the reluctance of the university engineering departments to dilute their authority over the college curricula.

Japanese engineering students also lack access to new equipment or teachers familiar with the newer technologies. At Tokyo University, the engineering department's facilities have had only slight improvements since the 1950s. Moreover, the faculty, hired until retirement, has increased only slightly in the past 20 years.

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Japanese high-technology industries that hire engineering students recognize the deficiencies of a university engineering education and have instituted company on-the-job training. At Sony Corporation, for instance, a new engineering graduate receives up to six months formal training in the company classroom, as well as on-the-job training and supervision by experienced engineers.

To expose engineers to training outside their job experience and, hopefully, to give engineers the necessary intellectual breadth to create new products, high-technology companies such as Nippon Electric, Sony, and Hitachi are setting up semiformal educational institutes. Nippon Electric, for instance, has sent more than 5,000 of its engineers over a 10-year period to an intensive, specially designed course at the Hitachi Institute of Technology.

Although a recently graduated U.S. engineer may have benefitted from a high-quality education, he or she may not long enjoy the educational superiority over his or her Japanese counterpart. With on-the-job training, the Japanese engineering student's initial deficiencies are erased over time. Eventually there will be a point where a Japanese engineer will reach a level of education and knowledge that equals that of a U.S. engineer upon college graduation.

### JAPAN'S EDUCATIONAL SYSTEM--SUMMARY

The Japanese educational system produces primary and secondary students who are academically superior to students of comparable age in the United States and other industrial nations. However, the Japanese educational system has grave deficiencies at the college level. Consequently, whatever educational edge the Japanese secondary school student may have over an American student of comparable age is usually lost by the time he or she graduates from college.

In our opinion, the Japanese educational system has many negative aspects and social disadvantages that would make it unattractive in the United States.

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## **Education**

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## **Education**

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# Japanese Legal System

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## OVERVIEW

The Japanese legal system is a good example of Japan's ability to take from foreign cultures and adapt certain features to fit its needs. The present Japanese legal system is a mixture of legal concepts from China, Germany, France, and the United States.

Japan first took the Chinese legal system and adapted it to fit its customs. After its exposure to European nations in the late nineteenth century, Japan incorporated many aspects of European legal systems.

During the postwar Allied occupation, the Japanese constitutional, civil, commercial, and criminal codes were revised to reflect concepts from the American legal system. While a few elements from other legal systems remain, the Japanese system structurally follows the American system.

In operation, however, the system is uniquely Japanese. For instance, unlike Americans, the Japanese avoid using lawyers and going to court to resolve disputes. They prefer to resolve civil and labor disputes by reasoned discussion, conciliation, and mediation. The Japanese are not comfortable with the adversarial method of resolution that Americans practice both in the courtroom and in domestic business negotiations.

Instead of turning to litigation, parties who cannot agree call in an individual whom all parties respect to act as advisor and mediator. Rarely do civil disputes reach litigation, which is generally reserved for criminal cases.

As a result of this attitude the number of court cases in Japan is small. For every 20 lawsuits brought in the United States in 1980, there was one lawsuit brought in Japan. The total number of civil actions brought in all Japan was approximately one-half the number brought in the state courts of California alone.

There are far fewer attorneys per capita in Japan than in the United States. In 1982, there was one attorney for every 10,000 Japanese versus one attorney for every 400 Americans. In that year, the United States had approximately 535,000 lawyers; the state of California had 70,000; and Japan had about 12,000.

The Japanese do not use attorneys as much as Americans do. Many transactions that would involve an attorney in the United States do not require the services of a Japanese attorney. The Japanese rarely consult lawyers to purchase their homes, file their tax returns, or get a divorce.

# Japanese Legal System

The custom of informal consultation between business and government known as "administrative guidance" eliminates the need for numerous private attorneys to interpret laws, give advice, and represent private business in compliance with government regulations and actions. For Japanese corporations, those law-related tasks that do not involve trial work are performed, in most instances, by individuals who are not lawyers.

## JAPANESE CORPORATE LEGAL SECTIONS

The law-related tasks of Japanese corporations, with the exception of trial work, are handled by corporate legal departments, designated as "General Affairs Sections," "Business Sections," or "Archive Sections." These sections are usually staffed by employees who have learned corporate legal practice through their experience with the company. They are familiar with laws relating to business transactions, although few are attorneys and some may not have been familiar with business law before employment. These sections handle law-related tasks for the corporation, including the preparation of domestic contracts. When a matter must be litigated, the staff then passes the matter along to a practicing attorney or law professor.

Although the corporate legal departments may handle international as well as domestic contracts, international contracts are often handled by separate sections known as "Overseas Business Sections," or "International Trade Sections." These, too, are staffed by nonattorneys.

In the United States, it is common to find attorneys for one or all parties present at a business meeting. In Japan, it is considered inappropriate for an attorney to be at a business meeting unless the attorney is also a business executive and is present and acting in that capacity. To the Japanese, the presence of a lawyer indicates a lack of trust by the party bringing the attorney, since lawyers are traditionally used for litigations. Business negotiations may cease or become more difficult because an attorney is present.

## JAPANESE LEGAL EDUCATION

Japanese legal education differs radically from that in the United States.

# Japanese Legal System

## Undergraduate Law Education

Many private and public universities in Japan have law departments and offer an undergraduate degree in law. Japanese undergraduate law programs, however, are principally geared to educate future business and government leaders and not to train future lawyers. Graduates with a undergraduate law degree from a prestigious university are heavily recruited by large firms and government ministries, and the top personnel of large Japanese companies and government ministries are almost exclusively persons with law degrees. Less than 1 percent of law undergraduates continue on to become practicing Japanese attorneys.

## Graduate Law Education

The United States boasts a multitude of law schools that educate its lawyers. In Japan there is only one law school, the National Legal Training and Research Institute, run by the Supreme Court of Japan. To become an attorney, judge, or public prosecutor in Japan, one must take and pass an examination for this institute that is far more rigorous than any American bar examination.

After passing the examination and being admitted to the institute, the admittee begins a two-year training program and chooses one of three career paths: practicing attorney, judge, or public prosecutor. While attending the institute, admittees are paid a salary from government funds out of the government's budget. Law professors who have taught at public universities (as opposed to private institutions) for at least five years are exempted from training at the National Legal and Research Institute.

The examination for entrance to the institute is given once a year for the 500 places available. In 1982, approximately 30,000 Japanese took the examination. Very few who take the examination pass it, and it is rare to pass the first time, if at all. Often, applicants attempt to pass the exam four or five times before passing or giving up. In 1975, 472 of 27,791 applicants or 1.7 percent of those who took the examination passed. This rate is extremely low when compared to the pass rates of American bar examinations. For instance, the pass rate for the Winter 1982 California Bar Examination, one of the most difficult state bar examinations in the nation, was 47.5 percent.

The institute entrance examination has both written and oral parts, and it tests many areas, including constitutional law, civil law and procedure, commercial law, criminal law and procedure, administrative law, labor law, international law, conflict of laws, bankruptcy, political science, economics, accounting, and psychology. The graduation

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exams from this institution are, on the other hand, a mere formality, and the success rate is almost 100 percent. Thus, in Japan, the weeding out is done up front, whereas in the United States it occurs both during and at the end of the legal education.

## DIFFERENCES FROM THE AMERICAN LEGAL SYSTEM

The modern Japanese legal system, although essentially modeled after the U.S. system, lacks a few of its prominent characteristics. For instance, there is currently no trial by jury in Japan. All decisions are made by a judge. Jury trials were attempted for a short time in Japan, but did not fit into the Japanese concept of justice and were later discarded.

Furthermore, Japanese jurisprudence has no concept of legal precedent. In American law, a court decision is binding until another court challenges the court's reasoning. Under Japanese practice, each case is applicable only to the parties involved. Judges hearing cases with the same issues can decide differently; prior decisions have no binding effect.

The Japanese legal system has a characteristic that is uniquely Japanese and not present anywhere in the American legal system: Apology plays a prominent role in the Japanese legal system. If private individuals or corporations are found at fault in civil or criminal cases, they often apologize publicly for their behavior. A public apology by an offending company is often a part of a court settlement. For example, the Chisso Corporation, a chemical manufacturer, was ordered by the court to apologize to individuals and their families who were harmed by its dumping chemical sewage into Minimat Bay.

The act of apologizing is also significant with regard to punishment. A Japanese judge sets the punishment of an offending individual or company after considering factors, including whether or not they have tendered any apologies for their actions.

## JAPANESE CONTRACTS

The Japanese take a different attitude toward contracts than do Americans. The Japanese believe that it is difficult to anticipate and contract for all possible situations that can emerge from a business relationship. They feel that a single written document cannot possibly cover all contingencies. Furthermore, they believe that if the parties

## Japanese Legal System

involved in a business relationship are mutually sincere and trustworthy, any problems that might arise can and indeed should be solved through cooperative efforts.

Consequently, Japanese business executives tend to shy away from detailed and numerous legal provisions in their contracts. They find American contracts with a multitude of provisions to be too rigid. And most Japanese executives value flexibility and a certain resulting vagueness in their contracts.

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## **Japanese Legal System**

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# Japanese Working Women

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## OVERVIEW

A significant development in Japanese society since World War II is the marked increase of women in the work force. The number of working women has nearly doubled in the past 10 years. Despite their increased presence in the work force and the existence of equal opportunity laws, however, Japanese women do not have job opportunities, pay, training, or promotions equal to their male co-workers.

One major reason for the disparity in treatment is the attitude of Japanese management toward working women. Japanese management is almost exclusively male. Less than 1 percent, actually 0.3 percent, of all managerial posts in the top Japanese companies are held by women.

Japanese management prefers to hire female employees, of whatever educational background, for nonprofessional jobs. A typical job that a woman is shuttled into is the job of "Office Lady" or "O.L." An "O.L." pours tea for male workers, runs errands, answers the telephones, cleans rooms, and makes copies.

Japanese management resists hiring women for professional positions, and most male company executives wonder whether women are serious about having careers. As one executive stated, they believe that a woman's goal in life is to marry and have children:

Women receive a basic education at school, learn about society through employment experience, and then quit their jobs to get married and bear and care for children. This is a truly worthwhile life. The results of the efforts of Japanese women are reflected in Japan's economic achievements. Thanks to the strict discipline of their mothers' upbringing, Japan's workers are among the most hard-working and best quality in the world.

Consequently, management does not consider it cost-effective to place women in professional positions and invest time and training on them when they will leave as soon as they marry or have a child. Management's rationale can be bolstered by statistical data. Nine out of ten female employees leave their jobs before age 25 to raise a family. However, management practices play a major role in forcing women employees to depart from their jobs.

Management denies Japanese women the same career avenues, pay, training, or promotions available to male workers. It is therefore not surprising that women faced with the lack of a career future become discouraged and leave their jobs at their first opportunity.

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Japanese business shuns hiring Japanese women who have college educations. Although about one-third of all college students in Japan are women, about one-fourth of the women with four-year college educations cannot find work. Furthermore, approximately 15 percent of women with a junior college education cannot find work.

In the United States, generally speaking, the more education a woman has, the more likely she is to be in the labor force and the less likely she is to be unemployed. In Japan, the converse is true. The more education a woman has, the less likely she is to find a job. Japanese business consciously avoids hiring educated female workers. Management shuns hiring women for professional positions. In addition, Japanese business is reluctant to hire college-educated women for nonprofessional positions because employers believe, quite rightly in many cases, that a college-educated woman will not be content to work as "Office Lady" and will cause trouble at the company.

### **JOB OPPORTUNITIES**

When Japanese management does hire women, it separates them from the male employees and shuttles them into nonprofessional-type positions in a very overt manner.

Applications for managerial or professional positions often have the words "male only" on the first page. Companies have separate hiring windows, one for male and another for female applicants.

Such hiring practices are not limited to private industry. The Japanese civil service, until very recently, openly excluded and discouraged women applicants from managerial and other professional-type positions.

For example, the Japanese tax department used to give two separate job qualifying exams; one for women and one for men. The exam the male applicants took qualified them for tax work. After being hired, the male employees were sent for extensive training and were given their first raise after six months. Women applying to the same department were given the "female" exam, which admitted them only to general office work. Once hired, they began working without training and had to wait one full year before their first raises.

As a result of these past practices, Japan ranks second from the bottom of industrial nations, behind only Pakistan, in the percentage of women in nonclerical positions in government civil service.



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# **Japanese Working Women**

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## **PAY**

Women are paid less than men in Japan, even when they have the same education. In a 1978 government survey, only 27 percent of Japanese businesses gave the same salary to men and women with the same education. There is a large differential between male and female earnings in Japan, larger than in most industrial countries.

In addition to getting less pay than men, Japanese women are also often excluded from receiving the various fringe benefits that make up a significant part of a male employee's wage. For example, the family allowances given to male employees with families are often withheld from female employees who also support their households.

Women workers also lose out when "efficiency pay" is given to employees, usually receiving substantially less than men. Efficiency pay is given to reward Japanese workers on the basis of their ability. However, women employees, with few exceptions, receive less than men because Japanese management presumes that they have less ability than male employees.

## **TRAINING AND PROMOTION**

In Japan, on-the-job training is the key for an employee to achieve the necessary job skills and be promoted to higher professional positions. Without the appropriate training, an employee will have little, if any, upward mobility within a company.

Women employees are usually excluded from the training opportunities available to male employees simply by being channeled out of the professional track and into clerical or other sub-professional jobs. Once on that nonprofessional track, women are not promoted as quickly as men.

## **EARLY RETIREMENT**

Japanese working women also receive unequal treatment in the area of retirement. They are asked to leave their jobs at a substantially earlier age than their male co-workers.

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## **Japanese Working Women**

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The retirement age for Japanese male employees is 55 or 60. Employers expect their female employees to retire when they marry or have their first child, or when they reach the "ripe old age" of 27 or 30. This practice of early departure is referred to as "early retirement."

The employer's rationale for early retirement for women employees is based on an argument of diminished productivity. Employers are said to feel that a married woman who works will have divided loyalties between work and home and will be "only half a person" at work. They have stated that their female employees will have less energy to devote to their jobs because they have to do housework at home.

Moreover, many employers feel that women should "retire" at 27 or 30 from a job because their decorative value to a company is diminished beyond those ages. As one company vice president stated in defense of firing a 30-year-old female employee, "At thirty, women lose their beauty and ability."

This early retirement is enforced by work rules, contracts, and practice. Although courts have found such early retirement illegal, this management practice continues. Management relies upon the fact that in Japanese society, going to court is an extreme step that few Japanese women are willing to take.

Furthermore, companies can bring pressure upon female employees and make their lives so unpleasant that a woman, initially reluctant to quit her job, will give up and accept early retirement. For example, companies have swiftly transferred their reluctant female employees to different working locations, separating them from their families. In addition, Japanese women forced into boring, repetitious, menial jobs become discouraged by the little chance to progress in their companies and willingly leave.

Japanese women rarely receive encouragement and support from their labor unions to fight early retirement practices. Unions usually agree with management on early retirement. The top union leadership is, like top company management, almost exclusively male.

Even though a company may refrain from overtly forcing its female employees into early retirement, it may do so covertly. In a Japanese Ministry of Labor study, nearly three-fourths of the firms surveyed stated that they had a uniform retirement age for both men and women. However, 60 percent of the women workers had taken early retirement.

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Early retirement damages working women economically. Under early retirement a female employee has her vested pension rights cut short. She is given an abbreviated lump sum payment that represents her acquired rights in the company's retirement system. The sum is based on the number of years she has worked. Since the female employee is retiring considerably earlier than her male counterpart, her pension will be a mere fraction of a male's.

When a female employee re-enters the job market after early retirement, she will, with few exceptions, be hired as a part-time or temporary employee. As a part-time or temporary worker, she may do the same work and keep the same hours as a permanent employee, but she will receive none of the benefits of a permanent employee. She will also be paid less. Even if she returns to the same position with her original employer, she will be paid a fraction of her former salary. It is unlikely that she will be promoted to other jobs.

The practice of early retirement is affecting a growing number of women, since an increasing number of women are returning to work after marrying and raising a family. There are more married women than single women in the work force. With high mortgage payments and expensive tutoring for the children, it is often necessary to have both spouses work to keep afloat in Japan.

### **FUTURE OF WORKING WOMEN**

Japanese female employees facing discriminatory treatment by their employers do not have many options to pursue. Although an increasing number of women are suing their employers for discriminatory practices, most Japanese women are reluctant to do this. Japanese culture views litigation with some distaste, and mediation is the preferred form for resolving a labor dispute in Japan. However, mediation also presents a problem. In Japan, mediation is geared to arrive at a decision between equal parties. Since male-dominated management regards women as inferior, it is difficult to achieve a settlement in the absence of a change in management attitudes, attitudes that originally caused the dispute.

More women are effecting changes in discriminatory practices, however, by publicizing their cases in the newspapers and getting female legislators to pressure the employers.

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Nevertheless, it is more likely that management practices will change because a shortage of male employees in certain fields will open opportunities for women. For example, a shortage of male software engineers has prompted many electronics companies to recruit women college graduates. Fujitsu hired 25 female college graduates as software engineers in 1979, an additional 75 in 1980, and another 30 in 1981. Small as these numbers may seem, if this trend of hiring women for professional positions continues, the role of women in the Japanese work force will increase dramatically.

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# Marriage and the Family

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## OVERVIEW

Contemporary American society has generated some very innovative changes and arrangements in the American family. Among them are: living together without marriage, marriage contracts that allocate work and family obligations between husband and wife, two-career marriages, and separated living arrangements for a temporary period so that spouses can pursue their individual careers in different geographical areas.

It is rare for a Japanese couple to follow any of these innovative family arrangements. The Japanese still follow traditional patterns of dating and lifetime marriage.

## ARRANGED MARRIAGE

Marriage in Japan follows two patterns--the arranged marriage and the so-called love marriage. The arranged marriage is the traditional marriage. Before World War II, the marriage of a couple was arranged by the families and it was not unusual for a young person to first meet his/her spouse at the wedding itself. The names of prospective spouses were introduced to the family head by a go-between, and the choice of spouse was made by the head of the household. No marriage was legal without the permission of the head of the household.

Marriage between a man and a woman was considered a contract between family "houses" rather than between the individuals involved. A family "house" is based on Confucian principles and was the major unit of social organization in Japan. It comprised not just the living lineal members of a family, but also the dead ancestors and included the name, occupation, property, and actual house and graveyard belonging to that group. Among the upper classes some houses had a constitution that governed the behavior of their members. The house was considered of greater importance than the individuals who temporarily dwelled in it. The house had a legal personality in which duties and property rights were vested and was represented by a head or kacho.

The head was the decision maker for the house, often the oldest male member, and almost always a man. A woman could succeed as head of house only under exceptional circumstances. The head of house had considerable powers. His consent was required in matters of marriage and divorce. The head of house would decide what occupations the family members would have and where they would live. His authority was backed by the old warrior institution of expulsion from the family--which was a formal act of removing the offender's name from the family register and his decision was final.

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## Marriage and the Family

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When the head of house was also a parent, he could force the dissolution of a marriage of a son until he was age 30 and of a daughter until she reached age 25. The pattern of the Japanese "house" system reflected Confucian ideas of respect and obedience toward one's parents, especially toward one's father and the observation of rank within the family.

The law regarding marriage changed under the Allied Occupation of Japan. The "house" system was abolished. Individuals became legally free to marry whomever they wished without approval of their head of household.

Nevertheless, the use of a go-between for the introduction of spousal candidates remained popular in Japan. In the modern arranged marriage, the only arranged element is the introduction of the parties by a go-between. The shy, the cautious, those with a proud family history, and those who can not find a spouse on their own (known as urenokori or "leftovers") utilize the services of a go-between. Others, for instance, those who have lived abroad for a time, use a go-between because they have had little opportunity to meet suitable members of the opposite sex.

The go-between is a middle-aged individual who is well respected in the community. Increasingly, the go-between for professionals in business and the bureaucracy is a company or section chief. Being a go-between has become one of the unofficial duties of a senior business executive or bureaucrat.

Bold individuals may approach their employer directly to solicit their services as a go-between. Typically, however, the Japanese ask their parents to help them find a spouse. The parents, usually the mother, will then approach an appropriate go-between. Japanese young people enlist the help of their parents because they have little confidence in their ability to find an appropriate spouse.

Accepting the task of being a go-between is entirely discretionary. However, the role of a go-between is not unwelcome. The Japanese regard the duty of acting as a go-between as a public service. There is a proverb that says that everyone should serve as a go-between three times in one's life.

If the go-between accepts the task, he or she will obtain a picture and brief background history of the individual seeking a spouse. The go-between then consults friends for possible candidates, makes a selection, and obtains their pictures and personal family histories.

These personal and family histories include such information as the name, age, health, education, occupation, and marital status of the prospective spouse and all his or her family members.

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## **Marriage and the Family**

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The go-between follows some customary guidelines in choosing spousal candidates. The woman should be younger and have less education than the man. She should not have dated more than two or three men, since she may be considered too worldly to be a good wife. Also, the virtue of a woman who has lived alone or with others who were not her relatives and unable to chaperone her is considered suspect. She may easily be rejected as a potential spousal candidate for that reason alone. Furthermore, although foreign travel enhances the desirability of a Japanese man as a spouse, it has the reverse effect for a Japanese woman.

When a prospective groom is being sought, the go-between may check up on his career possibilities. The go-between will usually visit and talk to the prospective groom's boss, or, in a very large company, to the personnel department. The boss and company expect this behavior and do not consider it to be an intrusion; they give the requested information freely. If the prospective groom is not an employee of a large company, his future is considered somewhat uncertain. The go-between may then investigate other signs of financial stability, such as the size of his bank account and any possibilities of inheritance, to determine a candidate's desirability.

Where the employer is the go-between, he goes to less trouble in selecting spousal candidates for women employees than for men. The rationale is that women have a shorter career span and a lower occupational status, so they merit a smaller investment of company resources.

After making a selection, the go-between presents a field of eligible candidates to a young person and his or her family. The young person looks over the pictures and histories and chooses those that look pleasing. From these initial picks, the family will either ask the go-between to further investigate their backgrounds and the backgrounds of the family members, or hire a private detective agency. The investigation will be more detailed and will utilize public records as well as talk with neighbors about any mental or physical illness, crimes committed, and personal habits of the spousal candidate and family members.

If nothing unseemly turns up, the go-between arranges for the prospective couple to meet, typically in a private room of a restaurant. Both mothers are often also present at the meeting, which makes the atmosphere additionally awkward and tense.

The prospective couple converse and if the impressions are favorable at this meeting, the parties will date again. If impressions are unfavorable, arrangements are made to meet the next candidate.

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## **Marriage and the Family**

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The parties date, on the average, about twice a month for five to six months before becoming engaged. There is pressure for a quick decision as there is a feeling that one should not waste time or money on an individual that one is not going to marry. There is some urgency, too, if the parties are nearing the ages at which marriage prospects become less choice. Men past 28 and women past 24 are considered less desirable as marriage candidates and will find it increasingly more difficult to marry well as they pass those ages.

Dating in Japan tends to be more closely marriage motivated than in the United States. It is not considered decent to date for friendship, and it is assumed that if a couple is dating they intend to get married. Since so few engagements are broken, once engaged, a couple is as good as married.

Mothers have a great influence on the choice of spouse for their children. Many times, the choice is a shared decision between the child and mother. The willingness of children to let their mothers take an active part in their choice of spouse has been linked to the close mother-child relationship in Japan.

Japanese children are dependent upon their mothers from birth until adulthood to an extent not usually found in American families. Japanese children depend upon their mothers for company and affection through their youth and adolescence. School-age children do little of the socializing that American children enjoy. Instead of recreational sports, parties, and dating, Japanese children are usually studying for college entrance examinations. In preparation for these exams, mothers and their children spend a great deal of their time together.

In contrast a father's input into his child's choice of spouse is not as influential as a mother's. Japanese fathers are virtual strangers to their children. Fathers are almost always at work and are not usually available to their children except on weekends. Japanese children are extremely susceptible to the advice and opinions of their mothers. Rarely does a mother need to insist that her children follow her choice out of duty to her. She can often achieve the same result by merely raising doubts as to the wisdom of her children's choice and questioning her children about what they might do if something went wrong in the marriage.

### **LOVE MARRIAGE**

As an outgrowth of the popularity of Western ideas brought with the Allied Occupation, the Japanese began to meet and marry without the intervention of a third-party go-between. These marriages are called "love marriages" in Japan.



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## Marriage and the Family

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In the early 1950s arranged marriages continued to be the main type of marriage. The percentage of love marriages has been steadily increasing, however, according to 1971 statistics, love marriages comprise 60.3 percent of all marriages in large cities, 59.5 percent of those in medium-size cities, and 35.8 percent of those in villages. College educated women are more likely to marry in a love marriage than an arranged marriage.

In approximately 75 percent of love marriages, couples meet each other at work. There are really few other chances for prospective couples to meet in Japan. Unlike Americans, Japanese young people do not have the opportunity to meet each other at parties in the homes of friends or relatives, or at church functions.

A couple in a love marriage generally know each other better and for a longer period before marrying than do a couple in an arranged marriage. In love marriages, a couple dates, on the average, more than four times as often and more than three times longer than a couple in an arranged marriage, and love marriages either succeed more gloriously, or fail more miserably, than arranged marriages, perhaps because in arranged marriages the couples have very few expectations.

### MARRIED LIFE

In the United States among younger couples, especially two-career couples, there is a growing trend in couples sharing household chores and child care. Once married, the Japanese couple has a distinct division of labor. In Japan, the husband works and earns a salary and the wife stays at home and takes care of the household. A Japanese housewife spends an average of 5 hours and 54 minutes a day on housekeeping and childcare. A Japanese husband spends approximately 7 minutes a day.

One reason a Japanese husband spends so little time helping out is that he is so rarely at home. Typically, a Japanese man leaves for work very early and works very late. He eats supper with his co-workers and arrives home long after the children have gone to bed. He spends much of his recreational time with his male co-workers. For many men, the home becomes merely a lodging place to sleep and to commute to the real home, the company workplace. The words for the workplace acknowledges this. A worker speaks of his company as uchi no kaisha, quite literally "company home."

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## Marriage and the Family

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A Japanese couple spends less time together as a couple after marriage than an American couple. Japanese marriages are heavily oriented toward parenthood. In arranged marriages, the marriage does not become complete until children arrive. A Japanese gets married less to become a husband or wife than to become a father or mother. Many partners in arranged marriages find emotional satisfaction with their children. Often dissatisfied with their conjugal lives, many wives look forward to becoming mothers, and receiving emotional and social satisfaction from their children. Once children arrive, a couple may begin to call each other "Father" or "Mother." When couples do things together it is with and for the sake of the children rather than for the pleasure obtained from mutual companionship.

Japanese housewives develop lives independent of their husbands. They have their own friends and activities. They devote themselves to their children. After their children are in school, some housewives return to work. Others devote themselves to volunteer activities such as civic or consumer groups.

A number of Japanese housewives are made unhappy by the isolation from their husbands. Those who cannot find solace in their children sometimes resort to alcoholism, have nervous breakdowns, or desert the home.

This intra family isolation takes a social toll on the husbands, too. In some cases, Japanese couples develop such completely separate lives over the years that when the husband retires from work and is suddenly now at home, he is at a loss. He may quickly realize how alienated he has become from his wife and family. It is difficult for a man whose daily existence has revolved around the workplace to re-establish a relationship with his family, especially when it has been functioning quite ably without him.

Often purposeless, depressed, and acutely present in a home that is scarcely larger than an American living room, these husbands are a bit of a nuisance for their wives. They have become known by the uncomplimentary phrase sodai gomi or "bulk trash," so called because their wives desire to bundle them up and toss them out of the house. An increasing number of Japanese couples are divorcing when the husband retires or nears retirement age and the youngest child has left the home.

The Japanese divorce rate is nevertheless substantially less than that of the United States. A couple in the United States is five times more likely to divorce than a Japanese couple. In 1979, the U.S. divorce rate was 5.4 per 1000 persons; Japan's divorce rate was 1.17 per 1,000.

## Marriage and the Family

Divorce is not very popular in Japan. It carries a social stigma, and divorced individuals find it difficult to remarry. Furthermore, divorce is not economically practical for women. There is no alimony under Japanese law, and although there is some provision for child support, this sum is low. Public assistance is less than adequate. Since the wages for women are low, a divorced woman who returned to work would face economic hardship.

The pattern of the traditional family is gradually changing, however. A growing number of young husbands are becoming disenchanted with a life spent entirely devoted to work. They are spending more time with their wives and children, and are beginning to share responsibilities like childcare jointly with their wives. Some young fathers married to working women have even organized themselves into groups and are pressing for childcare leave for men. Nevertheless, any changes in the traditional family are apt to be slow in coming.

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## Social Problems in Japan

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Adequate housing is a critical social problem in Japan. Prices for condominium apartments and single-family houses have increased four- to five-fold in the last 10 years. Rental housing has similarly increased in price.

Americans would find it physically and mentally difficult to live in Japanese apartments and houses. A Japanese apartment is smaller than the average American living room. The single-family houses are scarcely better. Although larger than apartments, they are so physically limited that they have been described as "rabbit hutches" by Westerners.

The population density in Japan has led to severe overcrowding and construction of housing quarters of miniature physical proportions. In terms of population in livable land area, Japan is 26 times denser than the United States, 6.6 times denser than France, and 3.4 times denser than Britain. (See Geography and Demographics chapter for illustrations of this.)

The population density of the Tokyo area and of other large cities is approximately 3.4 times Japan's average. High land prices have prompted private developers to build concrete high-rise condominium apartments, called manshon, on sites as small as 200 to 300 square meters, resulting in toy box size apartments.

An average two-bedroom apartment in one of these high rises consists of two rooms, one measuring 9 x 12 feet, the other 9 x 9 feet, plus a small kitchen, toilet, and bath. The physical limitations of their living quarters force the Japanese to be creative in their use of space. One of these rooms is used as both the living room and bedroom. The Japanese futon bedding, placed on the floor at night, is rolled up and stored in the closet in the daytime.

These concrete high-rise apartments have become the prime source of housing in the large cities. Due to the physical limitations of the individual apartments, occupants of these apartment buildings desire to leave them and move to a single-family house with a garden.

Affordable single-family housing is almost impossible for Japanese professionals to obtain in a metropolitan area. To purchase housing that is relatively affordable, the Japanese must resign themselves to purchasing in the far suburbs with as much as a one and one-half hour commute to the work place.

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Even in these suburbs, house prices are high. The average single family house of 710 square feet cost approximately ¥15 million in 1979. With livable geographical space limited in the entire country, land prices alone are extremely high. Japan's 1976 land prices were about 10 times greater than those of the United States. According to a 1970 survey, it would have taken an average Japanese worker 6 years and 149 days to acquire 1,633 square feet (1/25 acre) of land within a 40 minute commuting distance from work. For the same amount of land at the same distance from work, an average American worker would have had to work only 45 days.

Monthly house payments come to approximately 25 to 28 percent of the income of a Japanese male worker. Many business executives are able to purchase their homes through low-interest loans granted them by their companies. Even with a low-interest loan, however, these payments place a great strain on the family budget. Many Japanese wives have to return to work to assist on the payments. Commonly, the family recreational habits are severely curtailed in order to meet the payments. Even so, some Japanese lose their homes because they cannot afford the monthly house payments.

Those Japanese who cannot afford to purchase condominium apartments or single-family houses turn to rental housing. However, rental housing is scarce as well as undesirable for long-term occupancy.

The number of rental housing units has been steadily declining year by year since the 1970s. In 1979, fewer than 30 percent of the total housing built in Japan comprised rental units. Since land prices and building costs have outpaced rental increases, developers have found it unprofitable to build rental units.

Rental units are not suitable for long-term habitation. The units are usually in very old buildings and are small. The units are not soundproof and are often defective in fire protection.

Although public housing exists, there are too few units for the demand, and the gap between applicants and units available is growing. Furthermore, the prices for many private rental units are simply unaffordable to low- and middle-income workers.

Some Japanese companies supply company apartments and company dormitories for their workers. However, employees do not find them satisfactory for very long. Company apartments and dormitory rooms are small, and with exclusive occupancy by company employees, the tenants have no privacy since there is no clear separation of private life from work.

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The cramped housing conditions affect the daily habits and social lives of the Japanese. Japanese kitchens are miniature and lack storage space as well as room for large appliances. Consequently, Japanese housewives must shop daily for their food. Moreover, the cramped quarters make entertaining at home impractical. Most entertaining and socializing is done out of the home, at restaurants, bars, cabarets, and coffee shops.

The limited physical dimensions of the Japanese home constrains family size. The modern Japanese couple living in a small apartment does not plan for a large family; the ideal number of children is two.

Despite Japan's economic growth in the world marketplace, an increasingly large segment of its citizens must give up hope of ever owning their own homes. Due to high land prices and construction costs, Japanese professionals who live in condominium apartments, single family homes, or rental housing live in physical conditions that would be unacceptable to their American colleagues. With over 40 percent of all Japanese dissatisfied with their present living conditions, it is not surprising that the Japanese consider housing to be the most backward aspect of their society.

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## **Social Problems in Japan**

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# Japanese Language

## OVERVIEW

When trying to communicate orally with a Japanese colleague or trying to keep abreast of Japanese scientific developments by reading Japanese technical journals, an American is faced with a truly formidable barrier, the complex Japanese language.

## SPOKEN JAPANESE

Although easier to learn than written Japanese, spoken Japanese is difficult for a Westerner to learn unless he or she is willing to invest a disproportionate amount of time in learning its social subtleties.

Japanese is a somewhat unique spoken language because there are so many choices in speech patterns that must be made by social rank. Every time one Japanese speaks to another, he or she must choose to speak either as an equal, as a superior, or as an inferior, and use the appropriate words. The choice of words depends upon the perceived social relationship between the parties and the subject of the conversation as well as the formality of the situation.

For example, a Japanese speaker will choose the so-called "plain" level of speech to address a person in a close, friendly relationship, such as a fellow student or a family member who is close to his age. On the other hand, the Japanese speaker will choose the "deferential" level of speech to address a social superior, e.g., his boss.

The choice of words depends upon social and psychological factors. There are no rigid rules. For example, an outgoing, friendly Japanese may get along with many people and extensively use the plain way of talking. On the other hand, a shy person may use the deferential level to almost everyone.

A Japanese who fails to accurately appraise a situation and makes an incorrect choice of words will be considered inept and foolish. Understanding the subtleties of what words are appropriate in particular situations is a skill learned over a long time, even for the Japanese. It is not a skill that can be quickly acquired by an individual just beginning to learn spoken Japanese.

Japanese is also sex differentiated. The Japanese language has words and speech patterns that only males use. A Westerner learning the language must be able to recognize and use them, if he is a male. Using "women's language" would make a man appear ridiculous. The male speech patterns are also keyed into the relative social ranks of the parties engaged in a conversation.

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## Japanese Language

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Spoken Japanese may be otherwise difficult to learn because its sentence structure is so very different from that of English. Word order is awry by American standards. In Japanese, all the modifying phrases to a word precede the word they modify. Furthermore, the modified word is sometimes missing, making long sentences difficult to understand. There are also more verb tenses in Japanese than in English.

Japanese is also difficult to learn because the Japanese use their language differently than an American uses English. The Japanese avoid making a clear "yes" or "no" type statement. Instead, they prefer ambiguous general statements. Blunt statements create hostility or rejection in Japan. The Japanese typically seek agreement with as many individuals as possible as part of their consensus decision-making style. Consequently, Japanese is not used to articulate a position too positively because it would create discord. Indeed, the Japanese use open-ended statements that are somewhat vague and open in order to invite agreement.

The Japanese language, itself, assists in this. In the Japanese sentence structure, a speaker can break halfway through a sentence without committing to either an affirmative or negative position on a subject.

### WRITTEN JAPANESE

Even with its many required choices of appropriate words and forms, learning spoken Japanese is relatively easy for the non-Japanese compared to the monumental task of learning written Japanese. The Japanese written language is a formidable one to learn, even for the Japanese. It takes a Japanese the first six years of schooling to learn 881 Chinese characters; these are a fraction of the written Japanese language.

Japanese differs from English in that it has three different written forms: kanji, hiragana, and katakana. All three forms must be learned in order to read a Japanese newspaper or magazine.

Kanji are Chinese characters that the Japanese adopted to use as their written language in the ninth century. The Japanese use the Chinese characters, each of which is a stylized and intricate picture, to represent a single phonetic sound.

As a result of using kanji, the written language required an extensive recall and knowledge of literally thousands of characters. There are at least 48,000 Chinese characters that have been used at one time or another in the Japanese language. Not surprisingly, written Japanese based on kanji alone was too time-consuming for ordinary Japanese to learn. In addition, the use of Chinese characters to

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## Japanese Language

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represent phonetic sounds of the Japanese language was too inefficient as a writing system. Consequently, the Japanese created the hiragana and katakana syllabaries to represent the phonetic sounds of words.

Both hiragana and katakana contain 48 basic characters, each character representing a phonetic sound. Hiragana is currently used for all Japanese words not written in kanji and for word endings. Katakana is used to indicate words of non-Japanese origin.

Despite many attempts to do away with kanji, the Japanese continue to cling to them. The latest attempt to abolish kanji was during the Allied Occupation of Japan in 1945. General Douglas McArthur seriously considered abolishing kanji, but decided against doing so because he felt it would create too much of a cultural shock. However, he did pressure the Japanese government into paring down the number of Chinese characters that are used in common publications to 1,850.

Even with this reduced number of kanji to learn for everyday use, a Japanese needs to know more kanji to read beyond the level of Japanese newspapers and popular periodicals. With a formidable number of characters to memorize, for even the newspaper level of reading, the Japanese population's literacy rate of almost 100 percent is an exceptional educational accomplishment.

Since a large number of symbols make up the Japanese written language, typing for business use is notably inefficient. With 1,850 "essential" kanji, a number of katakana, hiragana, Arabic numerals, and other assorted symbols, the Japanese typewriter is an awesome machine to view and to operate. It is larger than a chessboard. Touch typing is not possible since the typewriter contains more than 2,000 characters. Typing is therefore kept to a minimum in Japanese business; most letters are written by hand.

The numerous Chinese characters in the written language coupled with the subtle social nuances in the spoken language make Japanese a language that a Westerner has difficulty acquiring. Indeed, many Japanese feel that only a native-born Japanese can master the language.

### PROBLEMS CONVERSING WITH ENGLISH-SPEAKING JAPANESE

Almost every Japanese is familiar with English, since English is taught in junior and senior high schools in Japan. Because English is one of the primary subjects tested in college entrance examinations, most students get additional tutoring in it outside the classroom. For the amount of time they have spent in studying English, however, Japanese are not as fluent as they should be.

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## Japanese Language

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One reason for this situation is the quality of English language teachers in Japan. Most of the approximately 50,000 English teachers in Japan are themselves not very skilled in the use of modern, spoken English. Their knowledge is confined primarily to grammar, since memorized knowledge of grammatical English and not oral competency is tested on the college entrance examinations.

There is also a cultural bias involved. The Japanese do not approve of individuals who speak English too well. These individuals are called Eigo-ya or Eigo-zukai, which translates to the slightly derogatory "English monger."

Nevertheless, many Japanese companies feel that it is important for their executives to learn to speak English well. They send their employees to English language schools or to their own in-house English teachers to sharpen their abilities to converse in English.

### JAPANESE SCIENTIFIC PERIODICALS

Although Westerners may desire to keep abreast of the new scientific developments of their Japanese colleagues, very few can read technical Japanese competently enough to do so.

There are many technical journals published in Japan that might be of interest to American scientists. There are also approximately 2,000 scientific journals published in Japan. The "Japan Science Review," which covers the electrical engineering field, is one of the journals that may provide insight for a non-Japanese scientist into what may be some of the current Japanese innovations in the electrical engineering field.

A Western scientist is not left completely in the dark as to the content of the articles in the journals. The official international language of science is English and although the articles are written in Japanese, the scientific journals commonly provide the title in English as well as an English precis of the article's content.

Furthermore, the Japanese Information Center for Science and Technology partially alleviates the Japanese language barrier for a Western scientist. Established by the Japanese government in 1957, the Center provides translation services from Japanese to English.

# Japanese Language

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## **Japanese Language**

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# Japanese Characteristics

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## HIERARCHICAL SOCIETY

Unlike American society, where Americans tend to treat each other as equals, in Japanese society, the Japanese may see themselves as either junior, senior, or equal in rank to one another. The Japanese are extremely aware of where they stand in relation to one another, and are constantly aware of their place in society, both at work and in their everyday affairs. A Japanese cannot speak, sit, or eat without subtly acknowledging his or her place in society.

A Japanese identifies his or her rank by the language used. Japanese address one another using speech patterns that vary according to the relative social positions of the individuals in society. For example, a Mr. Yamada may be addressed by another Japanese as "Yamada-san," "Yamada-kun," or simply "Yamada" with no suffix. "Yamada-san" is used if Mr. Yamada is one's senior; "Yamada-kun" is used if Mr. Yamada is one's junior; and "Yamada" is used if Mr. Yamada is one's equal.

The Japanese also arrange themselves at a table according to their social rank. In Japan, where one sits at a table in a business meeting and in a home is determined by one's social position. In the traditional Japanese home, the highest-ranking individual sits in the center position at the table, in front of the alcove where there usually is a painted scroll and a flower arrangement. The lowest-ranking individual sits nearest the room's entrance. The meal is also served according to rank, with the highest-ranking member served first and the lowest-ranking member served last. It is possible to identify the relative ranks of the people present either by looking at the table positions or by watching the serving order of the meal.

The Japanese are always aware of their social rank, so that when they get together in a group, each individual automatically places him or herself in the appropriate social position. Any given group has a single ranking order, which remains unchanged despite differing conditions or situations.

One of the most common rank orders is that determined in the workplace. The work ranking order is based on the worker's length of time with the company and age rather than on the individual abilities of the people in the group. For example, a Japanese worker is ranked junior to another who has been with the company longer even though the former may be the more capable worker.

This rank consciousness determines Japanese business behavior. In business meetings, the most senior business executive will often be found to virtually monopolize the discussion while his juniors may be relegated to merely listening. Since social etiquette requires a Japanese to be

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## Japanese Characteristics

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respectful and deferential to the opinions of his seniors, the conversation will tend to be rather one-sided, at least initially. Any disagreement or suggestion made by junior members is usually couched in the most deferential and diplomatically agreeable fashion.

The work ranking order continues into the private life of a Japanese. A Japanese treats his boss as his superior whether he is at work or accidentally meets him away from work. This rank consciousness is also observed by the wives of Japanese working men. When company wives meet, they behave toward one another in accordance with the relative ranks of their husbands, using the appropriate language and social behavior to acknowledge the social relationship existing between their husbands.

The rank system creates organizational inefficiencies in business. In this system, it is considered inappropriate for a person of junior rank to directly approach a senior company employee without first consulting his or her direct superior. Any company communication must be first transmitted to the employee's direct superior. Failure to do so would be regarded as insulting to the higher senior employee as well as to the employee's own chief. Lack of firsthand information, as well as delayed communications to the senior employee, is the price of observing the ranking order.

### JAPANESE WORK GROUPS

Americans value their individuality--those qualities that make one stand out from the crowd. The Japanese value belonging to a group. The Japanese proudly identify themselves by their groups and minimize their own uniqueness.

One of the more significant Japanese groups existing prior to World War II was the traditional ie or household. The ie was more than just an ordinary family unit. It was a collection of individual members who functioned for the interests of the group, sacrificing their own personal desires for its benefit.

In return, the ie took care of its members: marriages were arranged; needy members were given financial assistance. Rules governed the relationship of family members. Behavior among the members was based on the rank within the ie, with the head of the household as the highest ranking member. After World War II, the traditional ie system was legally abolished. Family members migrated away from the household and the importance of the ie as a significant social unit rapidly declined. However, the Japanese company has increasingly taken the place of the ie as one of the most significant social units for the Japanese.



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## **Japanese Characteristics**

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Indeed, the Japanese company has taken on many of the functions that the ie had in the past. The company takes a great responsibility for the monetary and social needs of its employees and their families, much as the head of the ie used to do. For example, many companies provide low-interest loans to their employees to purchase homes. They may also provide resort houses in the mountains and seashore for their vacationing employees. Senior company executives often act as go-betweens and introduce their employees to their future spouses. Some companies advise their employees on personal matters, including family planning.

In turn, the modern Japanese worker identifies himself by his company. He or she will wear the company uniform, badges, or company insignia, emphasizing unity with the company.

A Japanese worker may be affiliated with groups outside of work. However, although the individual may be a member of more than one group, his or her principal loyalty will lie with one group. Commonly, that group will be the company he or she works for.

Because a Japanese worker so closely identifies with the company, his or her individuality is sometimes obscured. Private life and working life often appear to merge. Company employees see each other constantly. Japanese workers socialize with their co-workers after hours. Company employees often live close together, housed in the same complex of apartment buildings or dormitories. Japanese men and women often meet their future spouses at work.

Within the company, each Japanese employee works daily with a certain group of individuals. As a part of this group, a Japanese feels pressure to suppress his individuality. In order for the group to function effectively, especially in consensus decision making, each member, including the leader of the group, must work as a "group player" rather than as a "star."

### **LEADERS**

A group's ability to function well depends on its leader's skill at motivating his talented subordinates to act capably. Through his personality, a leader gets group members, who have differing temperaments and capabilities, to work harmoniously with each other. In Japan, a leader is chosen because of his ability to understand his subordinates and attract their loyalty.

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## Japanese Characteristics

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In modern corporate Japan, with its deference to rank and seniority, a leader is typically in his 50s or 60s, rarely younger. His own abilities may be quite ordinary. He often may leave the details of running the company completely to his subordinates in order to concentrate on maintaining a happy working relationship among his employees.

A working group functions successfully because of the leader's charisma. The incentive for a group member to do well comes partially from the reflected satisfaction in contributing to a successful collective effort, but also from the desire to do well for the sake of one's leader.

In Japan, there is often an emotional commitment between a leader and his subordinates that is not as commonly found in the American workplace. The emotional dedication of subordinates to their leaders is far more intense than the usual American employer-employee relationship. An extreme example of such an emotional relationship stems from feudal times, with the story of the 47 ronin.

The 47 ronin is probably the most popular story in Japan and portrays the ideal paternal relationship between leader and subordinates. In the story, the 46 subordinates were so completely devoted to their leader, that they left their families to follow him on his course of revenge, fully knowing that by so doing they would violate the Japanese social code of the time and be forced to commit suicide in atonement.

This emotional relationship between subordinates and a leader has its foundation in Japanese feudal society. Under that morality, a man who was a part of this type of relationship should not be emotionally involved with a woman since all his emotional needs would have been met and expended in this man-to-man type relationship.

Leadership is not hereditary in Japan. Loyalty extends only to an individual and not to his family. Consequently, it is not uncommon to find a father in a leadership position nominating one of his direct subordinates as his successor rather than his own son. The son may then leave the company or even remain with the company as a subordinate to the man who succeeded his father.

The group structure has practical advantages to a Japanese worker. It offers social and emotional security. Since they socialize with the same group of co-workers after work, Japanese workers are rarely, if ever, lonely. Although married female workers have much less time to socialize, when they do so it is more often with their co-workers than with their relatives or neighbors. The group structure serves to support a Japanese. If he or she encounters any problems, the group members give their ready support. Indeed, if a Japanese makes a mistake, his or her

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## Japanese Characteristics

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friends in the group will act to protect him or her. Even in the most serious case, where no reasonable excuse could seemingly justify the individual's actions, the group will act to protect him or her by fabricating some irrational and emotional justification.

Members of the group are on his or her side, not necessarily because the worker is right, but because he or she is one of them, and they are tolerant and sympathetic. There are many cases where a Japanese has committed an error so serious (e.g., broken the law) that he or she might have lost his job in another society, but in Japan remained on the job despite the error, due to group protectiveness. At the very most, the errant Japanese might be temporarily transferred to another position or location until the publicity died down. However, he or she would not lose his or her job.

However, there are also drawbacks to the group structure. Many Japanese feel stifled in a group. Some desire to initiate actions that are different from those of the group, and feel frustrated in not being able to carry out their ideas. In fact, group etiquette pressures them into not openly disagreeing with the consensus-decided course of action.

Another frustration may lie in the lack of public recognition of individual abilities. Any credit for a group deed is supposed to go to the group as a whole and not to the specific individuals who contributed most significantly. Should an individual's accomplishments be singled out as praiseworthy, he or she will usually face great hostility and jealousy from the other members of the group.

If the individual member is unhappy with his or her group, there is virtually nowhere else to go. It is usually not possible to transfer to another company and keep the same position. Lateral entry into a company is rare; most companies allow new employees to enter at the bottom level only. Consequently, if a Japanese quits to go to another company, he or she risks losing both status and the accompanying level of pay.

Unhappy as he or she may be, a Japanese worker will most likely stay with his or her job, not only because of the risks in leaving but also because of the features of automatic promotion and pay raises. In most large Japanese companies, a worker is assured of automatic promotion even though his or her talents and abilities may begin to decline.

The strain of subduing one's individualism for the sake of the group drives many Japanese businessmen to the bars after work. Each evening after the offices close, many male office workers stop off at bars and remain there drinking until it is time to catch the last train home. It is not the alcohol that is attractive, but the opportunity to relax and say whatever one wants. A sizable amount of bar conversation centers on work topics.

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## **Japanese Characteristics**

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Since bar life is not acceptable as a form of female recreation in Japan, Japanese women find release from the strain of belonging to a group in other settings with their families and friends.

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# Government Overview

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## POLITICAL CULTURE

Japan's political values and attitudes are deeply rooted in its pre-feudal past. In contrast to the United States, where egalitarian concepts and individual rights have prevailed since the eighteenth century, Japan patterned its political institutions along Confucian lines in the sixth century. Table 1 compares Japanese and U.S. political traits. This system emphasizes obedience to one's superior. This ruler/subject relationship was strengthened during the feudal period with the rise of the samurai ethic of loyalty (bushido) and a rigid class system. Despite the westernization of its institutions since the post-World War II occupation, Japanese politics reflect its Confucian and feudal origins.

### Island Mentality

Japan is characterized by an insular, small-country outlook. Politicians and public spokesmen often refer to Japan as one large family and use the term "we Japanese" to describe their feelings of uniqueness and isolation from the rest of the world. This insularity contributes to the country's intense self-consciousness and unity of purpose and its feelings of inferiority. Recently, however, its success in international markets has given the Japanese a feeling of pride and, in some cases, a superiority complex.

### Absorptive Culture

Despite their insularity, the Japanese have a great capacity to assimilate ideas and institutions from other countries--from China in the sixth century, Europe in the late nineteenth century, and the United States since World War II. Their eagerness to learn is tempered, however, by their desire to preserve Japanese values (Western technology/Eastern thinking).

### Paternalistic Hierarchy

Paternalism and hierarchy are deeply ingrained in Japanese society. The mainspring of Japanese interpersonal behavior is the oyabun-kobun (mentor-protégé, superior-subordinate) relationship, which is based on Confucian tenets of filial piety and obedience to superiors. In the political world, the party leader assumes responsibility and obligations for his followers, who are expected to show obedience and loyalty. Oyabun-kobun relationships are conspicuous in government ministries, such as MITI and Finance, where potential leaders are groomed by high-ranking

# Government Overview

superiors and supported by their followers. When a new minister assumes office, there is a complete reshuffling of ministry officials according to oyabun-kobun relationships.

Table 1

## COMPARISON OF POLITICAL TRAITS

<u>National Level</u>	
<u>Japan</u>	<u>United States</u>
• Island mentality ("We Japanese vs. foreigners")	• "Melting-pot" society; continental outlook
• Shift from inferiority complex ("catch up with the West") to superiority complex ("Japan as No. 1")	• Post-World War II world leadership ("We are No. 1") and confidence shaken ("Are we second rate?")
• Intense self-consciousness and unity of purpose ("sink-or-swim together")	• Diverse, competing interests ("Each man for himself")
• Power centralized in Tokyo	• Power decentralized throughout country (New York., Washington, D.C.; Los Angeles; Chicago; etc.)
• Increasing internationalism ("Export or perish")	• Alternating isolationism and internationalism
• Intense competition for limited resources and positions	• Tradeoffs among competing goals ("zero-sum society")
• Strong conservative government with active, but weak, left-wing opposition	• Competing middle-of-the-road parties with strong anti-Communist bent
<u>Group Level</u>	
<u>Japan</u>	<u>United States</u>
• Group oriented, conformist ("The protruding nail gets hammered down")	• Individualistic ("Watch out for No. 1")
• Obedience to authority (Confucian origin), hierarchical	• Challenge authority (eighteenth century philosophers, American Revolution), egalitarian
• Harmonious, conciliatory, accommodating	• Adversarial, confrontational, legalistic
• Indirect, reserved ( <u>enryo</u> )	• Direct, open, forthright
• Formal, traditional	• Informal, casual, easy-going, familiar
• Personal, one-to-one ties over long-term	• Contractual, impersonal, short-term ties
• Emotional, sentimental	• Dry, factual, logical ("Let the facts speak for themselves")

Source: DATAQUEST

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## **Government Overview**

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### **Group Orientation**

Japan is a group-oriented society. In contrast to the United States where individuality and independence are highly valued, the Japanese stress organizations and groups. In government and politics, most people are active members of factions or cliques. These relationships have different origins, the strongest being personal ties through kinship, marriage, schooling, or hometown. Prior to World War II, financial, bureaucratic, and military cliques exercised great power, but the financial and military cliques were abolished after the war. Individuals aspiring to high political or business posts must have the necessary family status, pedigree, and education (preferably Tokyo University). Go-betweens often arrange marriages to cement business and political ties. Thus, high-ranking officials, politicians, and executives are often related through a vast network of personal and group connections. One consequence of this interlocking arrangement is that conformity is highly valued and change comes slowly.

### **Emotionalism**

Japanese view human feelings as a counterbalance to obligation and duty. In their everyday activities, one is expected to show great restraint and consideration for others. However, in the oyabun-kobun relationship, the follower is allowed to show dependence and affection to the leader for the latter's protection. This controlled expression of emotion is also reflected in the Japanese preference for close, stable relationships in contrast to the short-term, contractual, and often impersonal ties common in the United States.

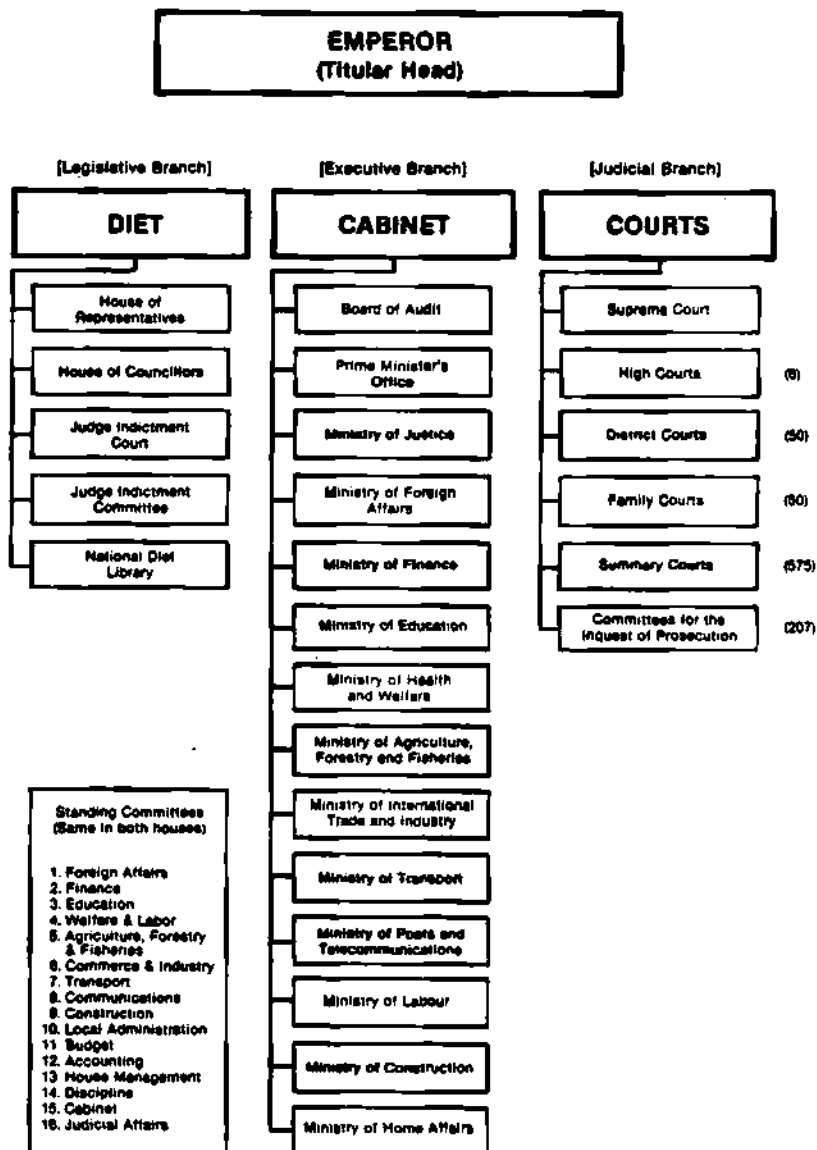
### **GOVERNMENTAL PROCESSES**

The Japanese government comprises three branches: the executive (Prime Minister, Cabinet, and the ministries), the legislative (the Diet), and the judicial. (See Figure 1.) Since World War II, the Emperor has played a symbolic role similar to that of the Queen of England.

# Government Overview

Figure 1

## GOVERNMENTAL STRUCTURE



Source: DATAQUEST



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# Government Overview

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## Executive Branch

### Prime Minister

The Prime Minister is chosen from the House of Representatives, which has the final decision. The two largest parties designate their chairmen as candidates for the office of Prime Minister. Since voting follows party lines, the majority Liberal Democratic Party (LDP) candidate automatically becomes Prime Minister and forms a Cabinet. Recently, however, presidential primaries have been held by the LDP to reach its party members.

### Cabinet

The Cabinet consists of the Prime Minister and 21 ministers, selected primarily from the House of Representatives, but with several from the House of Councillors. The ministers retain their Diet membership while serving as ministry heads. The Cabinet thus acts as the leader of the Diet and the ministries.

### Ministries

For a full discussion of this topic, see section on Ministries.

## Legislative Branch (The Diet)

### House of Representatives

The members are elected from 117 electoral districts, which send three to five members each. The four-year term is never completed, however, since the Cabinet usually dissolves the House every three years.

### The House of Councillors

The House of Councillors resembles the U.S. Senate. Councillors are generally well-known people recruited from broad constituencies; 150 members are elected from prefectures and 100 from the country at large. Councillors serve six-year terms, with half elected every three years.

### Diet Committees

Diet Committees serve as the chief forum for debates between the majority and opposition parties. Since the majority party (LDP) controls the committees through straight party voting, the debate is usually perfunctory. However, Cabinet members must appear at committee hearings and are often grilled by the opposition parties. Consequently, the LDP is frequently forced to take conciliatory measures to maintain its

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## Government Overview

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control. Committee chairmanships are assigned among parties in proportion to their number in the House. Management committees resemble the Rules Committee in the U.S. House of Representatives since they handle the scheduling of debate and House operations.

### Legislative Process

Bills are passed by both Houses and signed by the Prime Minister, and generally follow the same procedure as that of the U.S. Congress. However, there are some significant differences.

- Most bills originate in the ministries, not the Diet
- The Cabinet's Bureau of Legislation formally prepares bills
- The Prime Minister submits the bills to the Diet
- The Diet generally "rubberstamps" legislation (due to the LDP majority)
- The sponsoring ministry and the Emperor must approve the bill

Upon passage, the bill is published in the Official Gazette (Kampo) along with ministry decisions.

### Judicial Branch

The Japanese legal system is Western in origin; Japanese laws and courts are modeled after those in France and Germany where the judge plays a major role. However, the Japanese judicial system and process is unique in that:

- Judges and prosecutors dominate the legal process
- Lawyers play a minor role; most defendants in summary courts do not have lawyers to represent them
- The use of juries is limited
- Mediation, conciliation, and informal settlements, not adversarial-style litigation, are preferred to resolve disputes
- University graduates do much of the legal work performed by lawyers in the United States
- Civil rights cases (which are Anglo-Saxon in origin) usually are not pleaded by lawyers

# Government Overview

## Administrative Process

The decision-making process (ringisei) in Japanese ministries is lengthy and involved. Plans and proposals are initially drafted into a document by a low-ranking official, and circulated among officials within the agency for their approval. The process is referred to as a "piling up" system since up to 50 personalized seals may be stamped onto the document. The ringisei has some merit since all section, bureau, and division chiefs are informed of proposed actions.

The advantages include:

- Personal sense of involvement
- A "bottom up" process
- Strong commitment to ultimate decisions
- Rapid enactment of decisions

The disadvantages include:

- Slow, time-consuming decisions
- Dispersed responsibility
- No open disagreement, friction, or originality ("group think")
- Executive leadership and initiative are inhibited

Once the minister receives the document, he is often assisted by an advisory board of academics, journalists, and other outsiders on particular policy problems. In addition, the Minister of Finance will be sought to discuss budget outlays and financing problems, and the LDP will form ad hoc committees to generate support for the decision or plan. Proposed bills are then routed through the legislative process.

## GOVERNMENT/BUSINESS INTERACTION ("JAPAN, INC.")

The term "Japan, Inc." frequently is used to describe the close interaction between Japanese government and business. However, this relationship is not a centralized bureaucracy (such as MITI) issuing commands and directives, but a participatory partnership between the two sectors operating toward generally agreed upon goals.

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## Government Overview

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The key attributes of this interaction include:

- A vast network of personal connections through group affiliations and mentor-protégé (oyabun-kobun) relationships (see page 1)
- The retirement of bureaucrats into business, politics, and public corporations (amakudari)
- National economic planning and industrial policy
- Administrative guidance of industry by ministries and public corporations
- Political contributions
- Big business (zaikai) involvement in advisory committees, legislation, research, and lobbying
- Consensus decision-making in the ministries
- Large number of Liberal Democratic Party (LDP) businessmen in the Diet

These factors interact to establish economic goals and to guide and direct businesses in achieving them.

### Zaikai

Big business is organized into four major business groups. This concentration of political power facilitates consensus on issues and policies of interest to industry, and shapes basic economic and political trends. These groups include:

- Keidanren - Federation of Economic Organizations (FEO) consists of the elite of Japanese businesses, including national trade associations and major corporations.
- Nikkeiren - Federation of Employers' Association (JFEA) focuses mostly on labor issues, union demands, and legislation. It consists of national trade and employers' associations, and prefectural and local employers' associations.
- Keizai Doyukai - Japan Committee for Economic Development concentrates on research and policy formulation.
- Nissho - Japan Chamber of Commerce and Industry lobbies for small- and medium-size enterprises.

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## Government Overview

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The zaikai gets involved in policymaking long before the legislative process begins. The four groups periodically issue statements and submit proposals to initiate government action. They are frequently consulted and serve on advisory committees, and submit reports and recommendations on important issues. Big business is so involved in all stages of legislation and policymaking that lobbying is unnecessary.

Career Paths and Amakudari - Government and business are intertwined since many business executives begin their careers in the ministries. This link is depicted in the idealized career path shown in Figure 2. The college graduate, preferably from Tokyo University's department of law or economics, enters a key ministry (Finance, MITI, etc.) and rises to section chief, bureau chief, division chief, vice minister, then minister. At the age of 55, if not promoted to a top position, the person retires and goes into business (amakudari or "descent from heaven"), politics, a public corporation, or a public policy organization.

### Hierarchy of Amakudari Routes

<u>Ministry</u>	<u>Landing Spot</u>
MITI	Big business
Finance	Public corporation
Agriculture, Finance	Politics
Education, Foreign Affairs	Auxiliary agencies (e.g., Japan Productivity Center)

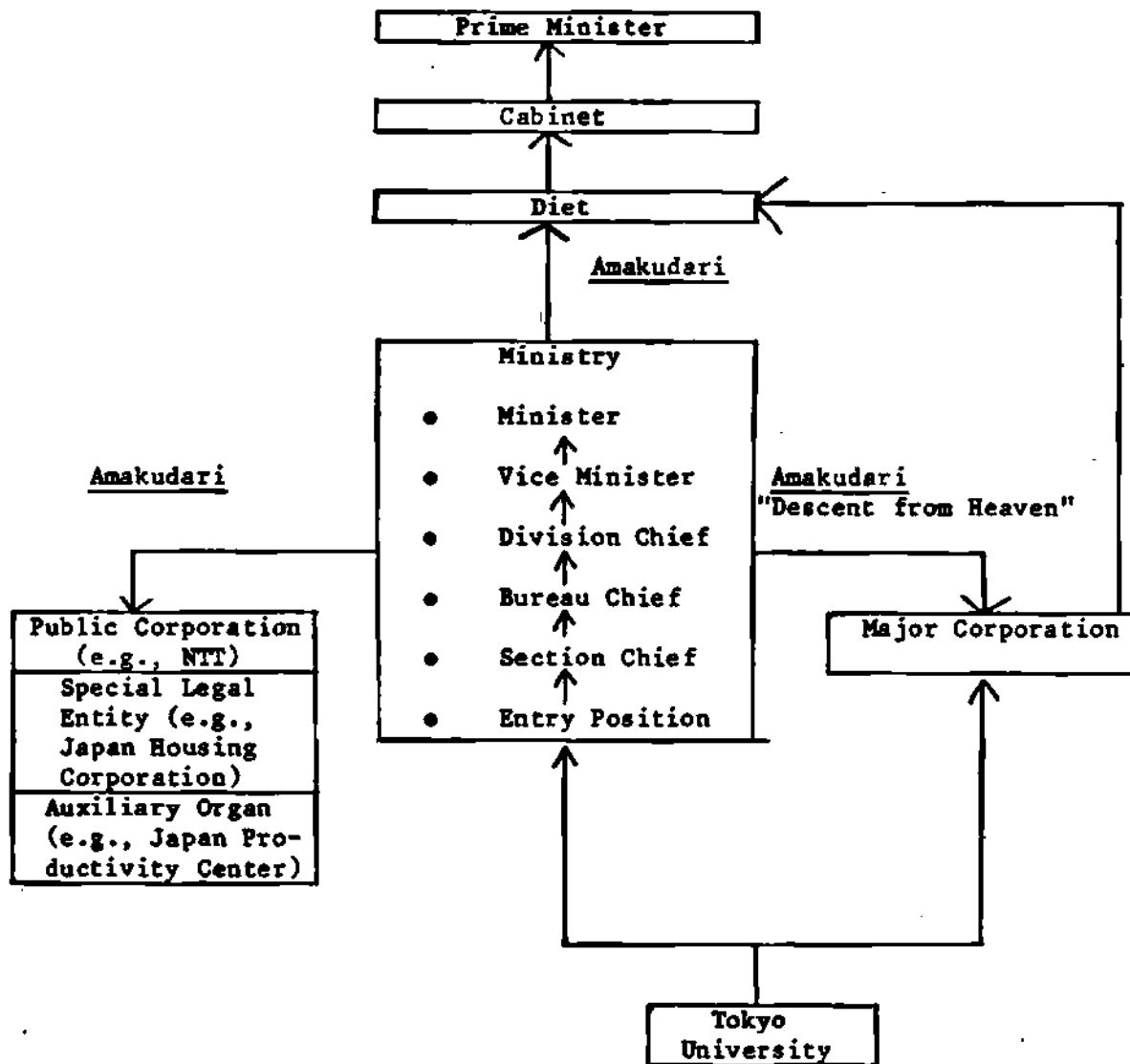
There are two legal restrictions on amakudari:

- Article 103 of the National Public Service Law, which requires a two-year waiting period before entering business
- An amendment to the Election Law prohibiting bureaucrats from entering the first House of Councillors election after retirement. However, these laws have not appreciably stopped the practice of amakudari.

# Government Overview

Figure 2

IDEALIZED CAREER PATH AND AMAKUDARI



Source: DATAQUEST

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# Government Overview

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## IMPLICATIONS FOR HIGH-TECHNOLOGY BUSINESSES

DATAQUEST believes that American semiconductor firms will encounter the following obstacles in doing business with the Japanese:

- Slow Opening of Markets - Despite the recent GATT Agreements and market opening measures, the Japanese market will open slowly due to administrative inertia and vested interests. However, this should not be viewed as "stonewalling," but as a result of Japanese decision-making processes.
- Differing Perceptions and Attitudes - Japan will seek harmonious relations while Americans will perceive a calculated "trade war" or "export attack" directed by MITI and the zaikai. The recent FBI sting operation in California's Silicon Valley dramatically contrasts the two attitudes: Americans took an adversarial, legalistic, and direct approach to resolve trade problems; while the Japanese reacted in a highly emotional, self-scrutinizing, and accommodating manner.
- Follow-the-Leader - Japanese semiconductor firms enter markets and product areas jointly, with MITI guidance, whereas American firms usually seek to penetrate markets on their own. With increasing Japanese competition, however, American firms are organizing joint research and seeking assistance from the federal government to offset the risks of large R&D investments. Thus, firms in both countries will pursue a more cautious follow-the-leader approach.
- Made-in-Japan Complex - American firms will find it difficult to penetrate the Japanese market at first, since Japanese consumers and distributors believe that their products are of higher quality and reliability.
- Weak Short-Term Earnings - American firms seeking quick profits from their Tokyo operations will be disappointed since Japanese skepticism over short-term, contractual relationships will slow progress with government officials and distributors.
- Awkward or Puzzling Joint Ventures - American firms entering joint ventures with Japanese firms will encounter significant cultural and language barriers. Japanese contracts, for example, are less specific and detailed than American contracts because of the Japanese mistrust of impersonal, contractual relationships. Also, the Japanese are less forthright and adversarial during negotiations. Trust and confidence must be built over a long term, and involve years of hard work.

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## Government Overview

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Despite these formal and informal barriers, DATAQUEST believes that there are many ways to penetrate the Japanese market:

- Enter into joint ventures and licensing agreements with Japanese companies, especially newcomers into the semiconductor field
- Make a long-term commitment to open offices in Japan and hire Japanese nationals
- Participate in joint research with Nippon Telegraph and Telephone (NTT) and other government agencies
- Open production plants in Japan, especially in Technopolis zones, and seek low-interest loans from the Japan Development Bank (JDB)
- Develop a strong service network, especially for application-specific ICs (ASICs)

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# Government Overview

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## GLOSSARY OF JAPANESE TERMS

<u>Habatsu</u>	Faction, clique
<u>Gakubatsu</u>	Clique of persons from same school, college, university
<u>Kyodobatsu</u>	Clique of persons from same region, prefecture or hometown
<u>Keibatsu</u>	Clique through family ties and marriage
<u>Zaibatsu</u>	Financial clique (abolished after World War II); replaced by <u>Zaikai</u> (big business group)
<u>Kambatsu</u>	Bureaucratic clique from same agency or ministry
<u>Gumbatsu</u>	Military clique (abolished after World War II)
<u>Oyabun/ Kobun</u>	Teacher/student, mentor/protegee relationship based on Confucianism. Person of authority ( <u>oyabun</u> ) assumes obligation ( <u>on</u> ) and responsibility for subordinate ( <u>kobun</u> ) who reciprocates with strong loyalty and duty ( <u>giri</u> ).
<u>Giri</u>	Duty, compliance or obedience
<u>On</u>	Moral obligation imposed by benevolent actions of parents and patrons which must be repaid by <u>giri</u>
<u>Ninjo</u>	Human feelings (which soften the demands of <u>giri</u> )
<u>Iyegara/ kenami</u>	Family status/pedigree. Necessary qualifications for high social membership and positions of prestige and influence.
<u>Ha</u>	Political faction
<u>Amae</u>	Desire for warm dependency
<u>Enryo</u>	Personal restraint or reserve
<u>Nakodo</u>	Go-between, 3rd party intermediary
<u>Sempai</u>	Superior (in position)

(Continued)

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## Government Overview

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### GLOSSARY OF JAPANESE TERMS (Continued)

<u>Seiwa</u>	Sponsor, guarantor
<u>Sensei</u>	Teacher (however carrying the Confucian connotation of master or superior)
<u>Ringisho</u>	Document circulated during decision-making process to seek consensus from all parties

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## Political Parties

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### POSTWAR TRENDS

When World War II ended, Japanese politics were in turmoil. The key conservative leaders were removed by the U.S. Supreme Commander for the Allied Powers (SCAP), the zaibatsu was abolished, a series of political reforms were enacted, and a new Constitution was drafted. Power was scattered among five national parties (see Figure 1) and 350 local parties, based on oyabun-kobun relationships. Diet members were mostly newcomers who served short terms.

By late 1949, a multiparty system developed around three parties with roots in the pre-war period: the Liberals (conservatives), the Democrats (progressives), and the Socialists. The Communist Party was purged by SCAP in 1946, but survived intact. A Socialist-led coalition governed under Tetsu Hatayama (1947-1948), but split up due to internal feuds. Shigeru Yoshida of the Liberal Party then formed his Second Cabinet in 1948--the starting point for prolonged conservative rule.

In late 1955, the warring factions of Socialists reunited to form the Japan Socialist Party (JSP), alarming big business and the bureaucracy. To counter this coalition, the Liberals and Democrats joined to form a single conservative party--the Liberal Democratic Party (LDP)--which has controlled Japanese government to the present. Until recently, the LDP has maintained a majority in the Diet (see Figure 2).

The Socialist Party split again in 1960 over the revision of the Japan-U.S. Security Treaty, with right-wing dissidents forming the Social Democratic Party (SDP). In addition, the Soka Gakkai, an offshoot of the Buddhist Nichiren sect, organized a political arm, the Komeito ("Clean Government" Party) in 1964. The Communist Party (JCP) has increased its parliamentary strength by adopting more-flexible, less doctrinaire policies and by organizing at the grassroots level.

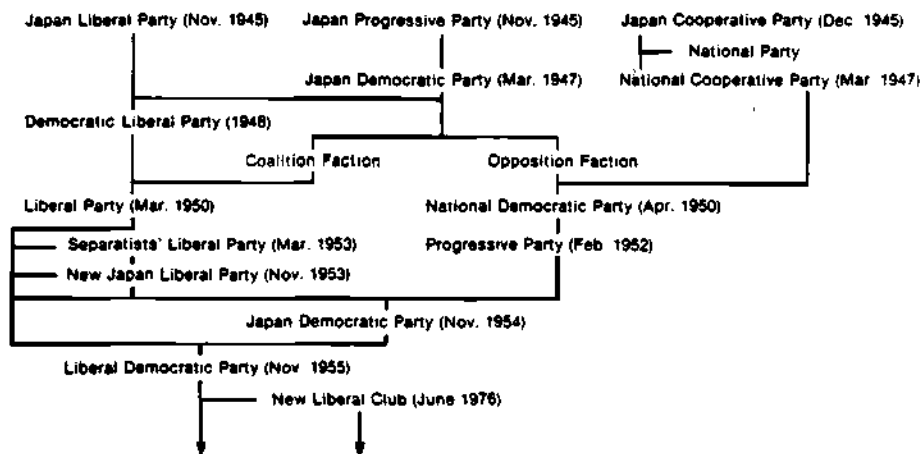
Under stable conservative rule led by LDP Prime Ministers Kishi (1957-1958), Ikeda (1960-1963), and Sato (1964-1972), the Japanese economy experienced a high growth rate of 10 percent annually. Since the 1973 oil crisis, however, the LDP has lost parliamentary strength due to public criticism of its "money power politics," spiraling prices, pollution, and the Lockheed affair. LDP Prime Ministers Kakuei Tanaka (1972-1974), Takeo Miki (1974-1976), Takeo Fukuda (1976-1979), Zenko Suzuki (1980-1982), and Yasuhiro Nakasone (1983-present) have pursued slow-growth policies and attempted to modernize the LDP structure.

# Political Parties

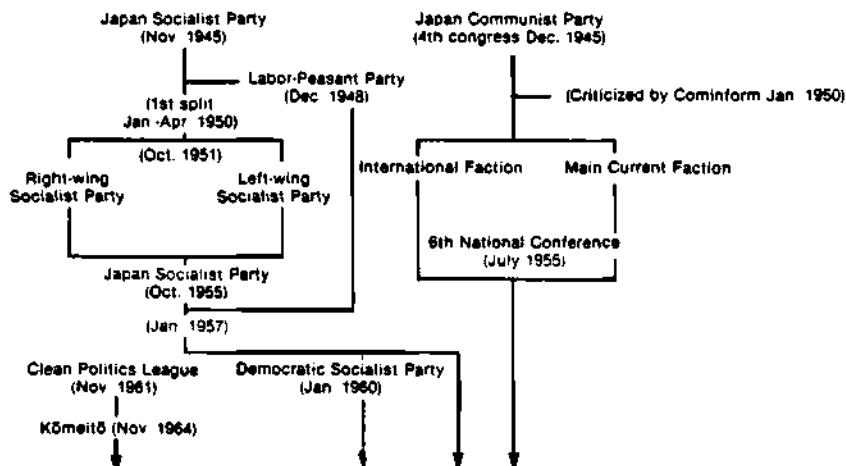
Figure 1

## EVOLUTION OF POSTWAR JAPANESE POLITICAL PARTIES

### Conservative Parties



### Reform Parties

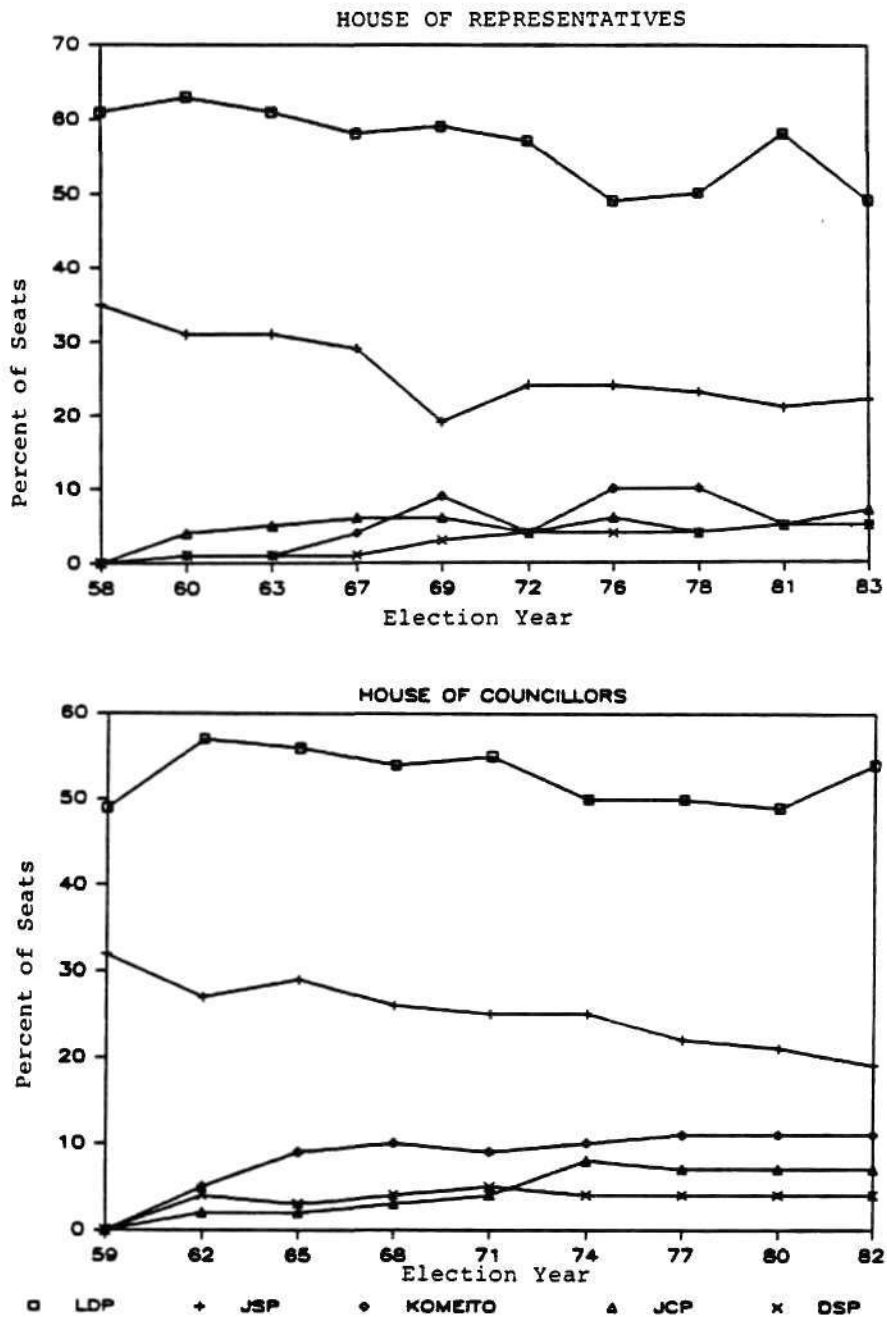


Source: Kishimoto, Koichi, "Politics in Modern Japan," Japan Echo, 1977  
DATAQUEST

# Political Parties

Figure 2

## PARTIES IN THE JAPANESE DIET



Source: DATAQUEST

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# Political Parties

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## MAJOR PARTIES

Five political parties dominate the Japanese political scene--the Liberal Democratic Party, the Japan Socialist Party, the Japan Communist Party, the Democratic Socialist Party, and the Clean Government Party..

### Liberal Democratic Party (LDP)

The LDP (the conservative party) has ruled Japan since 1955. Backed by big business, industry, and farm interests, it has pushed through price supports for agriculture and fiscal and monetary policies favorable to business. The party is heavily represented by Tokyo University graduates and bureaucrats who form the LDP-business-bureaucracy triumvirate. The five major factions within the party--Nakasone, Tanaka, Fukuda, Suzuki, and Komoto--constantly battle for control. LDP members dominate the key advisory councils that make policy recommendations to the ministries:

- Economic Advisory Council
- Council on Industry Structure
- Council on Financial Policies
- Council on Foreign Investment

During the 1970s, there was growing disenchantment with the LDP's factional politics and the Lockheed scandal. Recently, however, the party has regained a majority in the Diet.

### Japan Socialist Party (JSP)

The JSP is closely aligned with the Marxist-oriented General Council of Trade Unions (Sohyo) and Socialism Association. The party consists of teachers, railway workers, and telecommunications workers from public employee unions as well as left-wing intellectuals. Its policy goals are:

- The abrogation of the Japan-U.S. Security Treaty
- The signing of a mutual nonaggression pact with China, the U.S.S.R., Korea, and the United States
- The abolition of the Japanese Self-Defense Forces

The JSP's parliamentary strength has declined since 1967 due to factional infighting, rigid doctrines, excessive dependence on Sohyo, and lack of grassroots support.

## Political Parties

### Japan Communist Party (JCP)

The JCP has shown remarkable growth since the mid-1950's. Originally a violence-oriented Marxist group, the JCP pursued a "soft line" policy after 1958 under Kenji Miyamoto. Its basic goals are:

- The abolition of the Japan-U.S. Security Treaty
- The breakup of big-money politics
- Opposition to remilitarization

The JCP has attracted a wide range of university graduates, professionals, white-collar workers, and executives because of its focus on concrete local problems such as pollution, taxes, inflation, and traffic. Through its "daily activities" program (nichijo katsudo), it has earned the image of a nonviolent, open, and law-abiding party.

### Democratic Socialist Party (DSP)

The DSP is an anti-Marxist splinter group that left the JSP in 1960. Patterned after the European social democratic parties, the DSP relies heavily on the Japan Confederation of Labor (Domei), a federation of middle-of-the-road enterprise unions. DSP's goals are:

- Promotion of a welfare state
- Opposition to Marxism-Leninism
- Displacement of the LDP
- Maintenance of friendly relations with all nations

Due to its unexciting, industry-bound image and frequent support of LDP legislation, the DSP has not attracted fresh blood nor increased its parliamentary strength.

### Clean Government Party (Kohmeito)

Kohmeito emerged as the political arm of the Value Creation Society (Sohka Gakkai), a Buddhist sect consisting of small merchants, shopkeepers, nonunion laborers, and other marginal, lower-middle class people who missed out on Japan's rising prosperity. The party expounds "humanistic socialism," but is basically anti-Marxist. Its policy goals are:

- Defense of the Constitution and parliamentary democracy

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## Political Parties

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- Peaceful, independent, and neutralist foreign policy
- Protection of the disadvantaged and promotion of social welfare

Komeito is organized through a network of "citizens livelihood discussion centers" and--like the Communist Party--provides professional help to citizens on local problems. Since 1972, however, the party has lost seats in the House of Representatives because of a major financial scandal and public criticism that it plays on fears and insecurity.

### THIRD NAKASONE CABINET

In November 1984, pro-West conservative Yasuhiro Nakasone retained his post as Liberal Democratic Party (LDP) president and prime minister of Japan, making him the first Japanese prime minister to serve more than two years since the administration of Eisaku Sato (1964-1972). He succeeded in building a working coalition after a last-minute challenge to his incumbency by Susumu Nikaido, party vice president and supporter of former prime minister Kakuei Tanaka. Nikaido's challenge was significant because it was an attempt to oust Nakasone by booting Tanaka out of power. Despite his conviction in the Lockheed Scandal, Tanaka still retains enormous clout, evidenced by the fact that his faction dominates the Nakasone cabinet--which the Japanese press calls the "Tanakasone Cabinet."

The line-up of the third Nakasone cabinet, shown in Table 1, reflects the strength of Tanaka and the competing LDP factions:

- Six of the top 20 positions come from the Tanaka faction; the Fukuda and Suzuki factions have four positions each
- Shintaro Abe (Foreign Affairs/Fukuda faction) and Noboru Takeshita (Finance/Tanaka faction) retained their positions
- Shigeru Ishimoto (Environmental Protection Agency) is the first woman cabinet member in over 20 years
- The new cabinet is younger, with a median age of 61 years
- MITI's new minister, Keijiro Murata, is relatively unknown, reflecting MITI's declining influence
- Hiraku Matsunaga (Education) is a Nakasone supporter, reflecting the high priority given educational reform



# Political Parties

Table 1

## THE THIRD NAKASONE CABINET

<u>Position</u>	<u>Name</u>	<u>Age</u>	<u>Faction</u>
Prime Minister	Yasuhiro Nakasone	66	Nakasone
Justice	Hitoshi Shimasaki	61	Suzuki
Foreign Ministry	Shintaro Abe	60	Fukuda
Finance	Noboru Takeshita	60	Tanaka
Education	Hikaru Matsunaga	55	Nakasone
Health and Welfare	Hiroyuki Masuoka	61	Suzuki
Agriculture, Forestry, & Fisheries	Moriyoshi Sato	62	Tanaka
International Trade, & Industry	Keijiro Murata	60	Fukuda
Transportation	Tokuo Yamashita	63	Komoto
Posts and Telecommunications	Megumu Sato	60	Tanaka
Labor	Toshio Yamaguchi	44	NLC
Construction	Yoshiaki Kibe	58	Nakasone
Home Affairs	Toru Furuya	75	Fukuda
Chief Cabinet Secretary	Takao Fujinami	51	Nakasone
Okinawa Development Agency	Toshio Komoto	73	Komoto
Administrative Management & Coordination Agency	Masaharu Gotoda	70	Tanaka
Defense Agency	Koichi Kato	45	Suzuki
Economic Planning Agency	Ippai Kaneko	71	Suzuki
Science & Technology Agency	Keiichi Takeuchi	58	Tanaka
Environmental Protection Agency	Shigeru Ishimoto	71	Fukuda
National Land & Hokkaido Development Agencies	Kakuzo Kawamoto	67	Tanaka
Director, Cabinet Legislative Bureau	Takashi Mogushi	64	-
<u>Liberal Democratic Party Positions</u>			
President	Yasuhiro Nakasone	66	Nakasone
Vice President	Susumu Nikaido	75	Tanaka
Secretary General	Shin Kanemaru	70	Tanaka
Chairman, Executive Council	Kiichi Miyazawa	65	Suzuki
Chairman, Policy Affairs Research Council	Masayuki Fujio	67	Fukuda
Acting Secretary General	Michio Watanabe	61	Nakasone

Source: Liberal Star  
(Liberal Democratic  
Party Newsletter)

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## Political Parties

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The third Nakasone cabinet maintains the political status quo, although Japanese observers believe it may be the last cabinet dominated by the Tanaka faction. LDP party positions were reshuffled in response to the challenge by Nikaido, the party's vice president. Kiichi Miyazawa (Suzuki faction) will be chairman of the Policy Affairs Research Council, and Shin Kanemaru will be the Secretary General. During the second Nakasone administration, the following issues will have major priority:

- Reorganization of Nippon Telegraph and Telephone (NTT)
- Liberalization of the telecommunications market (value-added networks)
- Software protection/semiconductor copyright
- Educational reform
- Administrative reform
- Continuation of fiscal austerity
- Medical insurance reform
- Increased military spending

Prime Minister Nakasone favors increased defense spending and freezes or cuts in nondefense spending, but Article 9 of the Japanese Constitution (which prohibits defense spending to exceed 1 percent of the GNP) will keep a lid on military expenditures.

Under LDP rules, Nakasone cannot run for a third term. In 1986, three candidates are likely to run for the position of prime minister: Shintaro Abe (Foreign Ministry), Kiichi Miyazawa (Executive Council Chairman), and Noboru Takeshita (Finance). All three men have considerable experience and would pave the way for a new generation of Japanese leaders.

## Political Parties

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## **Political Parties**

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# Ministries

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## GENERAL STRUCTURE

National administration in Japan is carried out by the Prime Minister's office and the 12 ministries under the Cabinet (see Figure 1). In addition, the Prime Minister's office has eight state ministries under it that handle specific tasks not covered by the cabinet ministries. The Prime Minister appoints all ministers and state ministers to his Cabinet, generally on the basis of Diet seniority and factional ties.

Each ministry has one Administrative Vice Minister, who assists in supervising the bureaus and divisions, and one Parliamentary Vice Minister, who participates in policy making and program planning. Exceptions to this structure are MITI (Ministry of International Trade and Industry), Finance, and Agriculture, which have two Parliamentary Vice Ministers each.

Due to frequent Cabinet reshuffling, ministers usually serve only one year, half of which is spent learning their jobs. Consequently, ministry secrets and policies are tightly controlled by the vice ministers and other high-ranking bureaucrats. Ministers usually have no firsthand knowledge of an issue, little time to study it, and less time to establish working ties with their counterparts in foreign countries. Thus, negotiations are more protracted than necessary, and by the time an issue is being decided the minister is often gone.

The key ministries and agencies that directly influence policies for the semiconductor industry include:

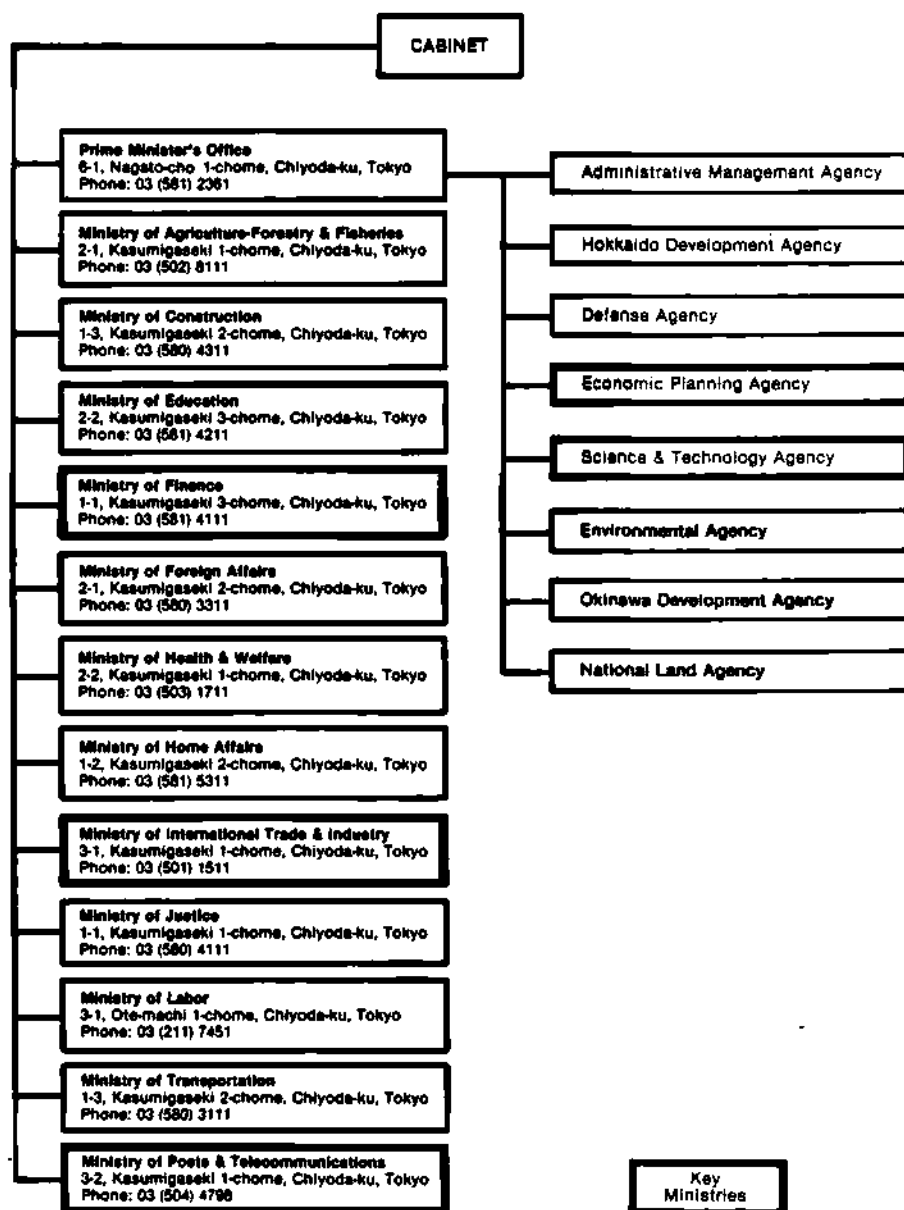
- Ministry of International Trade and Industry (MITI)
- Ministry of Finance (MOF)
- Ministry of Posts and Telecommunications (MPT)
- Economic Planning Agency (EPA)
- Science and Technology Agency (STA)

As discussed in the Industry section, Administrative Guidance of Industry, these ministries have great latitude over the coordination and direction of government policies.

# Ministries

Figure 1

## NATIONAL MINISTRIES



Source: Science & Technology  
in Japan  
DATAQUEST

## Ministries

### MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)

MITI is the key ministry behind Japan's challenge in the semiconductor field. Established in 1949 to direct postwar reconstruction efforts, MITI has evolved into the "general staff" for developing industrial policies (sangyo seisaku) and promoting foreign trade. Its programs have far-reaching impact on the Japanese economy, ranging from the close scrutiny of joint ventures to the setting of electric power rates. Its counterpart in the United States would be the Defense Department, which also maintains a strategic, goal-oriented outlook. Indeed, the close business-government ties associated with "Japan, Inc." are similar to those binding together America's "military-industrial complex."

MITI's major activities include:

- Promoting new industries and technologies
- Encouraging scientific and technological research
- Monitoring international trade
- Guiding business investments
- Regulating foreign exchange
- Overseeing industrial proprietary rights
- Encouraging international economic cooperation

In recent years, MITI's focus has shifted from promoting exports to opening Japan's markets and resolving balance-of-payments and currency problems, and promoting basic research (see the EIEJ Newsletter, "MITI's Take-lead Strategy Shifts into High Gear," dated October 26, 1984).

MITI is organized into the Minister's Secretariat, seven bureaus, and five extra-ministerial bureaus (see Figure 2). The key bureaus affecting the semiconductor industry include:

- International Trade Policy Bureau--Plans and implements Japan's trade policies, conducts surveys on overseas markets, and provides the following services through the MITI Information Office:
  - News releases
  - Background information on Japanese industry
  - Press conferences

## Ministries

- Seminars and meetings
- Industrial tours
- International Economic Affairs Department--Prepares basic policies on international trade and currency for the General Agreement on Tariff and Trade (GATT) negotiations and handles the tariff system
- International Trade Administration Bureau--Organizes expositions and trade fairs, supervises the Japan External Trade Organization (JETRO) branches, inspects import and export transactions, and issues import licenses
- Industrial Policy Bureau--Promotes MITI's semiconductor industry policies, oversees business mergers and tie-ups, recommends Japan Development Bank loans for plants and equipment, regulates taxes on industry, and handles foreign investments and technical assistance contracts
- Machinery and Information Industries Bureau--Plans and promotes comprehensive policies for electronics and data processing through the following divisions:
  - Electronics Policy
    - . Conducts surveys and plans programs on the use of electronic machinery
  - Data Processing Promotion
    - . Promotes computer use, development of software technology, and data processing service businesses
  - Industrial Electronics
    - . Handles import and export of electronic equipment, electric measuring devices, communications equipment, and, most importantly, computers and semiconductors
  - Electrical Machinery and Consumer Electronics
    - . Handles import and export of home electronic equipment



## Ministries

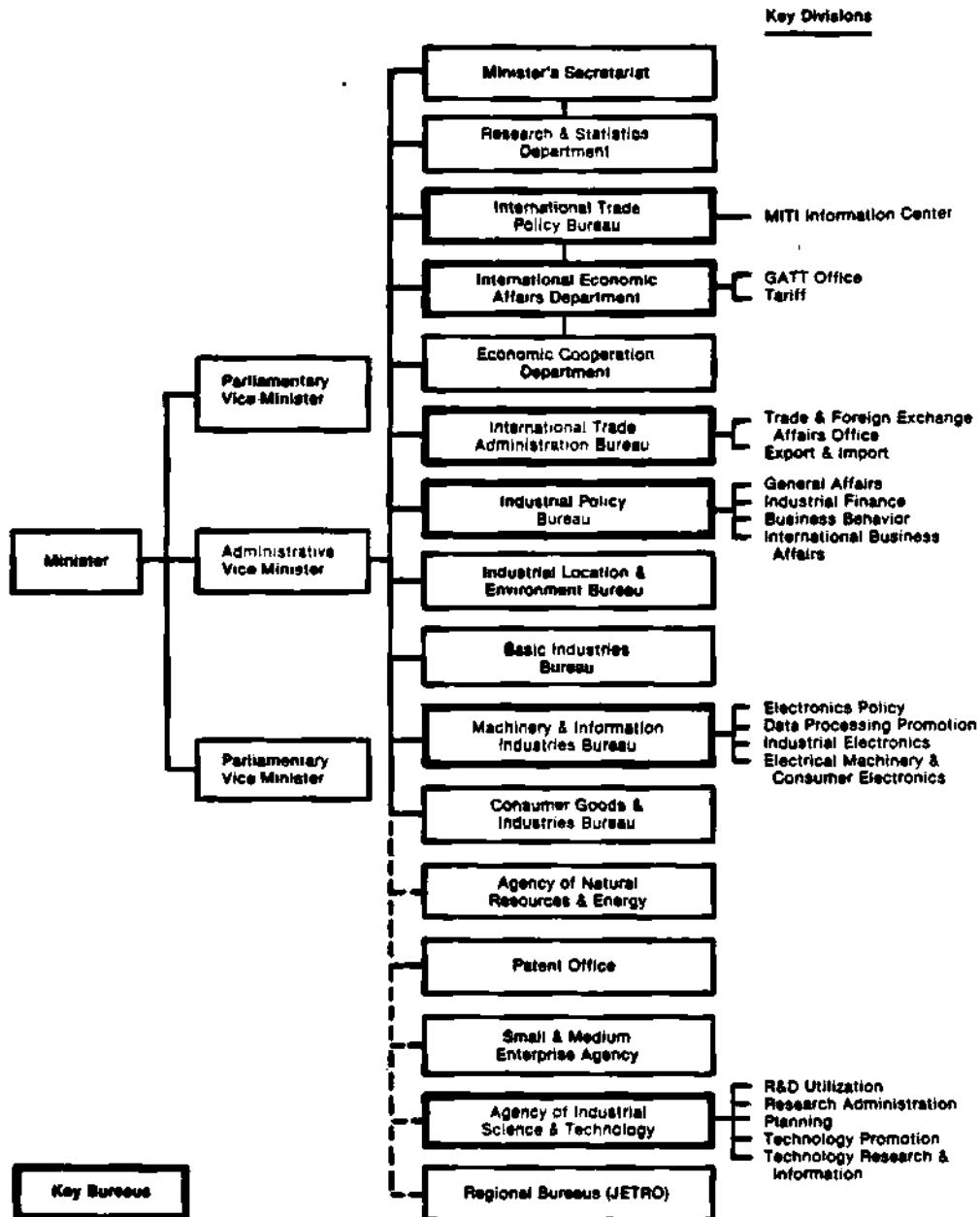
- Agency of Industrial Science and Technology (AIST)--Promotes MITI's technology policy of transforming Japan's industrial structure into a "knowledge-intensive" one by operating a system of national R&D projects (including 16 research institutes) and fostering R&D activity in the private sector through subsidies. Key divisions include:
  - R&D Utilization Office
    - Patents MITI's research findings and makes contracts with business firms; handles joint research projects, technical guidance, and research under consignment
    - Promotes computer use by the government and investigates technical problems
  - Research Administration Office
    - Coordinates laboratory research programs and conducts joint research projects with private business
  - Planning Division
    - Plans the national system of laboratories and research institutes and oversees their transfer to the Tsukuba Science City
  - Technology Promotion Division
    - Grants subsidies and tax preferences to encourage industrial R&D
  - Technology Research and Information Division
    - Monitors research trends, conducts joint research programs with international organizations, and disseminates information on industrial science and technology

This agency is separate from the Science and Technology Agency.

# Ministries

Figure 2

## MITI'S ORGANIZATIONAL STRUCTURE



Source: DATAQUEST

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## Ministries

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MITI's internal hierarchy differs from that of other ministries in that the Vice Minister, not the Secretariat, is the highest post. The high status accorded the Industrial Policy Bureau is a carryover from the 1960s when the industrial (domestic) faction dominated. Since the 1970s, the international bureaus have taken over. The internal MITI ranking is as follows:

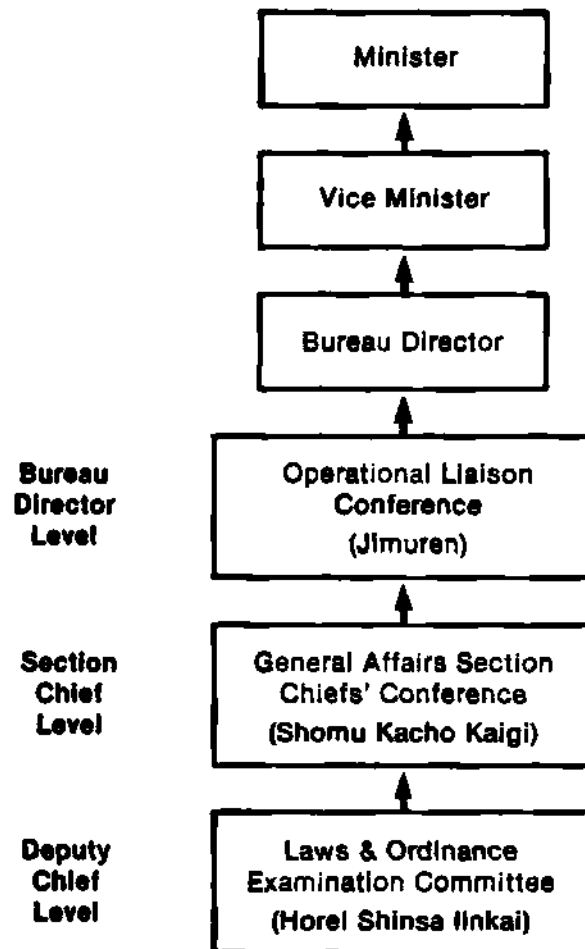
1. Vice Minister
2. Chief, Industrial Policy Bureau
3. Director-General, Natural Resources and Energy Agency
4. Director-General, Medium and Smaller Enterprises Agency
5. Director-General, Patent Agency
6. Chief, International Trade Policy Bureau
7. Chief, Machinery and Information Industries Bureau
8. Chief, Minister's Secretariat
9. Chief, Basic Industries Bureau
10. Chief, Industrial Location and Environmental Protection Bureau
11. Chief, Consumer Goods Industries Bureau
12. Chief, Trade Bureau

MITI gives much authority to its younger officials, who generate most of the new ideas. Many policy proposals originate in informal brainstorming sessions late at night. They are routed up the MITI organization as shown in Figure 3.

Before major policies are approved, the Industrial Structure Council (Sangyo Kozo Shingikai)--MITI's channel to the business community--is consulted for recommendations and advice. The council consists of MITI's old boy network of retired vice ministers and key executives.

# Ministries

**Figure 3**  
**POLICY APPROVAL PROCESS**



Source: DATAQUEST

# Ministries

MITI has used its extensive licensing and approval authority (kyonin kaken) to "guide" key industries in the international market. Since the war, the focus of its industrial policies has shifted as shown below:

- 1950s--Steel, electric power, chemicals
- 1960s--Automobiles and appliances
- 1970s--Advanced electronics, high-density dynamic RAMs
- 1980s--Computers, software, robots, and new energy sources

In July 1979 MITI released its "Vision for the 1980s," a master plan for economic and energy security. The key to MITI's vision is the computer, as outlined below:

- The computer industry is projected to expand rapidly.
- The computer will be key in revitalizing Japan's depressed industries (shipping, auto production, steel).
- The semiconductor and computer will be essential in new industries (telecommunications, aircraft and aerospace, robotics, ocean development, bioengineering, laser optics).
- The computer will be a means of enhancing the quality of life (electronic data links).

Since 1976, MITI has spent more than \$480 million for basic research in high-technology areas (see Table 1). Approximately \$101 million was spent in fiscal 1984.

Table 1

## JAPANESE GOVERNMENT R&D PROJECTS (Millions of Dollars)

Project	Fiscal Year							To Date	Projected Total Budget	YTD Percent
	1976-78	1979	1980	1981	1982	1983	1984			
Supercomputer	-	-	-	\$ 0.1	\$ 3.3	\$ 6.7	\$ 9.8	\$ 19.9	\$100.0	20%
Optoelectronics	-	\$ 0.2	\$ 4.3	10.9	13.0	14.4	10.1	52.9	\$ 78.3	68%
Next-Generation Industries	-	-	-	12.3	19.1	24.9	25.8	82.1	\$452.2	18%
Fifth-Generation Computer	-	-	-	0.1	1.7	11.6	22.3	35.7	\$450.0	8%
Fourth-Generation Computer	\$93.1	38.9	25.7	28.1	22.5	12.2	8.7	229.2	\$229.2	100%
Computer Security	-	-	-	-	-	-	0.1	0.1	N/A	N/A
Software Development	-	-	-	-	10.5	27.7	24.2	62.4	N/A	N/A
<b>Total</b>	<b>\$93.1</b>	<b>\$39.1</b>	<b>\$30.0</b>	<b>\$51.5</b>	<b>\$70.1</b>	<b>\$97.5</b>	<b>\$101.0</b>	<b>\$482.3</b>		
Exchange Rate (\$ = US\$1)		\$ 221	\$ 225	\$ 221	\$ 250	\$ 235	\$ 230			
1976	\$ 296									
1977	\$ 286									
1978	\$ 206									

Source: Ministry of International Trade  
and Industry (MITI)

DATAQUEST

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# Ministries

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## SCIENCE AND TECHNOLOGY AGENCY

### Agency Bureaus

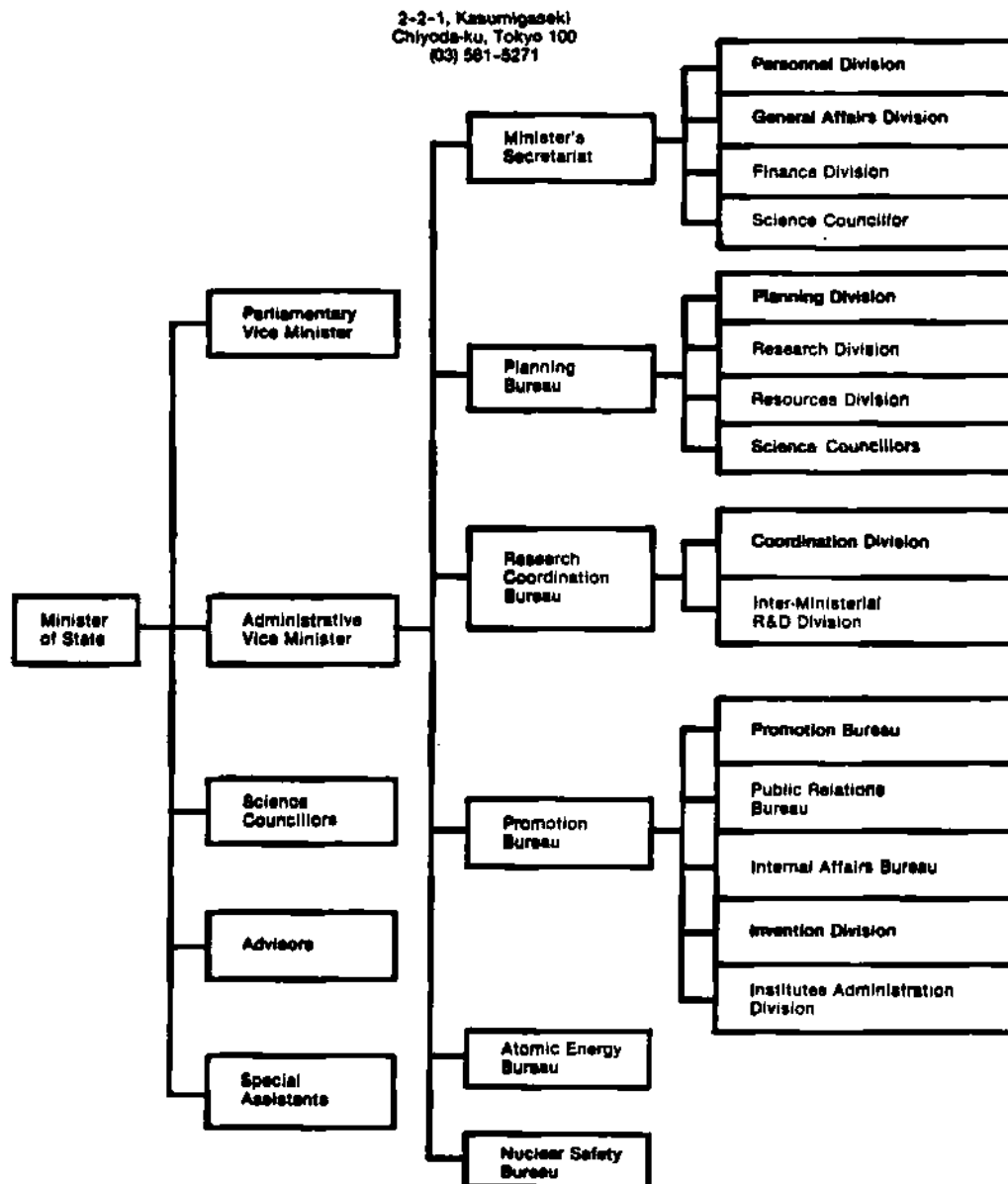
The Science and Technology Agency, a major entity reporting to the Prime Minister's office, is responsible for planning and promoting basic scientific and technological research. It is organized into 6 bureaus, which are divided into 29 divisions (see Figure 4). Bureaus with primary responsibility for semiconductor research include:

- Planning Bureau--This bureau coordinates the formulation of national policies by ministries and agencies such as MITI and Nippon Telegraph and Telephone, promotes basic research activities, and monitors research trends abroad.
- Research Coordination Bureau--Joint research and development projects are promoted through this bureau's Inter-Ministerial Research and Development Division, including participation by private semiconductor firms.
- Promotion Bureau--This bureau disseminates research findings through the Japan Information Center for Science and Technology and coordinates joint research projects (such as the fifth-generation computer) through its International Affairs Division.

# Ministries

Figure 4

## SCIENCE AND TECHNOLOGY AGENCY



Source: Science & Technology  
in Japan  
DATAQUEST

## Ministries

### Tsukuba Science City

One of this agency's monumental tasks is the operation and promotion of the Tsukuba Science City, located 40 miles northeast of Tokyo. This effort has taken 17 years and a total construction cost of more than \$5.5 billion. Currently, 30 of the top 98 national research institutes are located there, making it one of the world's principal science cities with a total of 46 research institutes. It has approximately 11,500 research employees. The key research institutes in the high-technology field and their specialties are as follows:

- Tsukuba Telecommunication Construction Engineering Development Center (Nippon Telephone and Telegraph) is developing the technology required for an outdoor telecommunications system. The center will be used by NTT and related industries and contractors.
- Electrotechnical Laboratory (MITI) is the largest electronics research organization in Japan, specializing in solid-state electronics, information processing, energy, and standards. It is one of the 16 institutions of MITI's Agency for Industrial Science and Technology.
- Tsukuba Administration Office (MITI) oversees the planning and coordination of the 16 laboratories and research institutes under MITI's jurisdiction and, through its Agency for Industrial Science and Technology, promotes large-scale technological research and development projects.

The Planning Bureau encourages the exchange of research among the institutes at Tsukuba and promotes interdisciplinary research projects through two councils:

- Liaison Council for Research and Other Institutions of Tsukuba Science City (1980)--Consortium of directors from 53 research institutes that promotes mutual cooperation
- Research Committee on Commonly Usable Facilities of Tsukuba Science City (1964)--Survey, assessment, and announcement of related reports

In 1978 the Tsukuba Center for Institutes was established to encourage contact among researchers. It supports the 22 research societies presently operating, publishes a community newspaper and a "Who's Who List" of researchers, and offers training courses and lectures.



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## **Ministries**

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Currently, there are 136,000 people in Tsukuba Science City. Through this science city, the Science and Technology Agency and MITI hope to consolidate research facilities for strategic industries. A comparison of the world's principal science cities is shown in Table 2. The Tsukuba Expo 85 is being held this year to celebrate Japanese advances in high-technology fields. The exposition is located in the western portion of the city.

Table 2

## COMPARISON OF THE WORLD'S PRINCIPAL SCIENCE CITIES

<u>Name</u>	<u>Tsukuba Science City</u>	<u>Research Triangle Park (U.S.)</u>	<u>Novosibirsk Science City (U.S.S.R.)</u>	<u>South Ile de France Science City (France)</u>	<u>Sophia Antipolis Science City (France)</u>	<u>Louvain University Science City (Belgium)</u>	<u>Remarks</u>
Area Designed (ha.)	2,700 ha. approx.	2,300 ha. approx.	1,300 ha. approx.	3,500 ha. approx.	2,400 ha. approx.	900 ha. approx.	1) The Louvain University Science City was cited as an example since cities of this type are common in the U.S., U.R., W. Germany, E. Germany, Italy, Portugal, Holland, Denmark, Sweden, and other countries.
Population	Approx. 136,000	Approx. 50,000	Approx. 50,000	Approx. 112,000	N/A	Approx. 50,000	
Objectives	Alleviation of overconcentration of population and industrial plants in Tokyo area and construction of a "brain city" with an ideal environment through concentration of research institutions	Fostering of industries that demand higher levels of technology, creation of job opportunities, and promotion of local industrialization	Creation of set-up for pursuing elementary to applied research in order to develop Siberian natural resources	Construction of science city through concentration of research institutions, private industries, etc.	Construction of international city for promotion of education, science, and technology (to be completed in 1990s)	Establishment of a new setup for promotion of education through respective languages to eliminate cultural disputes arising in the country because of language differences	
Core institutions	44 national or quasi-governmental research organizations and 2 universities	More than 35 governmental, academic and private research institutions	20 national research institutions and universities	26 organizations comprising research institutions, universities, etc.	49 organizations comprising research institutions, universities, etc.	Catholic University of Louvain, IBM Research Center	2) Although they are not shown in this table, there are more than 150 research parks (such as Stanford Industrial Park in Palo Alto, California, in the U.S.)
Number of employees	About 11,000 employees of research organizations About 31,000 including families	More than 8,000 employees of research organizations	About 18,000 employees of research organizations About 45,000 including families	About 13,000 employees of research organizations	About 2,000 employees of research organizations	About 500 employees of research organizations	
Distance from capital or large city	About 60 km from heart of Tokyo	11 km from Raleigh, NC, (population about 130,000); 23 km from Chapel Hill, NC, (population about 35,000); and 24 km from Durham, NC, (population about 110,000)	About 25 km from Novosibirsk (population about 1,000,000)	About 15 km from Paris	Situated between Nice and Cannes; about 22 km from Nice	About 10 km from Brussels	

N/A = Not Available

Source: Science & Technology  
in Japan  
DATAQUEST

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# Public Corporations

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## GENERAL STRUCTURE

Japan's 110 public corporations are extremely effective vehicles for implementing the government's industrial policies. More flexible and efficient than the ministries, these corporations are pre-eminent on the cutting edge of technology. Nippon Telephone and Telegraph (NTT), Japan Air Lines (JAL), and Japan Broadcasting System (NHK), for example, are among the leaders in their respective industries internationally.

Public corporations in Japan perform a variety of activities including the following:

- Stabilize prices
- Generate revenues through self-supporting services
- Conduct research and development
- Control licensing and approval of private businesses
- Provide administrative guidance for businesses
- Make loans to implement industrial policies
- Strengthen the industrial infrastructure

There are eight types of public corporations in Japan (see Table 1). Categories with particular relevance to the semiconductor industry, from the viewpoint of R&D support, financing, and procurement, include:

- Kosha--Introduced after the war to provide services on a self-supporting basis. Their capital is fully financed by the government and their budgets are subject to Diet approval. Nippon Telephone and Telegraph is a major purchaser of semiconductor equipment through its telecommunications procurement programs.
- Jigyodan--Instruments for implementing public policies, with a secondary emphasis on commercial activities. They focus primarily on the development of new technologies, international technical cooperation, management consulting for small businesses, and price stabilization.
- Koko--Supplements to commercial banks that finance specific industrial activities at government-fixed interest rates. They are key financiers for small start-up electronic firms. Their budgets are approved by the Diet.

# Public Corporations

Table 1

## TYPES OF PUBLIC CORPORATIONS

<u>Type</u>	<u>Purpose</u>	<u>Examples</u>	<u>Supervisory Ministry</u>
Kosha	Public service oriented	Nippon Telephone & Telegraph* Japanese National Railway	Posts & Telecommunication Transportation
Kodan	Public works projects	Japan Railway Construction Public Corporation New Tokyo International Airport Authority	Transportation Transportation
Jigyodan	Economic and social programs	Research Development Corp. of Japan*	Science and Technology
Koko	Finance corporation	Small Business Finance Corp. Finance Corp. of Local Public Enterprise	MITI, Finance Home Affairs, Finance
Ginko	Export and project financing	Japan Development Bank* Export-Import Bank of Japan*	Finance Finance
Kinko	Financing of Cooperatives	Central Bank for Commercial and Industrial Cooperatives	MITI, Finance
Tokushu Gaisha	Special companies	Japan Air lines Kokusai Denshin Denwa Co.*	Transportation Posts & Telecommunications
Others	Associations and research institutes	Japan External Trade Organization (JETRO)* Japan Information Center of Science & Technology* Japan Society for the Promotion of Science	MITI Science & Technology Education

\*Key public corporations for semiconductor industry

Source: Administrative Management Agency,  
Organization of the Government of Japan,  
Tokyo, September 1980  
DATAQUEST

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## Public Corporations

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- Ginko--Similar to the koko, but larger and more autonomous. The Japan Development Bank and Export-Import Bank of Japan are key sources of construction and export financing for semiconductor firms.
- Tokushu Gaisha--Joint stock corporations with strong corporate autonomy. Their capital is financed by the national government and private parties. Kokusai Denshin Denwa (KDD) is the key corporation for Japan's international telecommunications network.

Each corporation has a president and chairman of the board of directors, who preside over its operations. Most of the key officers are ex-bureaucrats, who are retired from ministries and agencies (the practice of amakudari or "descent from heaven"). In this way, public corporations maintain close ties with ministry officials and corporate executives who served in the same ministries.

Public corporations serve a number of functions for the national government:

- Concentration of Capital and Technology--In 1961 MITI established the Japan Electronic Computer Company (JECC) as a joint venture to bolster manufacturers by buying their computers and leasing them to end users. In 1970, the Information Technology Promotion Agency was created by MITI to develop new computer programs and software. Both corporations are financed by the Japan Development Bank and involve private manufacturers.
- Separate Budgeting--Since the imposition of the fiscally stringent "Dodge Line" by the Supreme Commander for the Allied Powers (SCAP) in 1949, Japan has maintained three national budgets (see Section 45 National Budget). Public corporations enable the government to separate program costs from the general account budget and the investment (Fiscal Investment and Loan Plan) budget.
- Insulation from Politics--Japan has created public corporations to insulate activities from parliamentary, ministry, and union politics. Under the orders of SCAP, for example, the Japanese government set up NTT as an independent corporation in 1949 to shield it from crippling labor strikes.
- Political Compromises Between Ministries--The Japan External Trade Organization (JETRO) was originally incorporated as an association in 1951. MITI tried to convert it to a worldwide market intelligence service in 1958, but encountered opposition

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## Public Corporations

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from the Ministry of Finance. Finally, JETRO was set up under MITI's supervision as an independent public corporation whose principal role today is three-fold:

- Promotion of Japanese exports
- Information services to foreign businesses
- Resolution of import and export problems through its Office of Trade Ombudsman

### NIPPON TELEGRAPH AND TELEPHONE

NTT is a government-owned corporation established in 1952 under the jurisdiction of the Ministry of Posts and Communications. The Public Telecommunications Law of 1953 granted it a legal monopoly over Japan's domestic telephone, telegraph, and data communications lines and switching networks. Its budget, policies, tariffs, and top officials are approved by the government (see NTT company profile in JSIA binder).

In fiscal 1984, NTT had \$18.9 billion in revenues and \$18.5 billion in expenses for net earnings of \$0.5 billion. Despite the recession NTT held its telephone rate constant and reduced expenses by streamlining its operations.

Since 1953, NTT has pursued a policy of technological innovation through a series of five-year plans. Initially, its goal was to modernize the nation's telecommunications system; now NTT is seeking to develop advanced technologies. Currently, R&D is being conducted at four Electrical Communications Laboratories:

<u>Laboratory</u>	<u>Research Activities</u>
Musashino	Electronic switching systems, memory equipment, future communications systems, information processing systems
Yokosuka	Data Information Processing System (DIPS) Data Communications Network Architecture (DCNA)
Ibaraki	Cable communications systems, optical fiber, and coaxial cable systems
Atsugi	Semiconductors

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## Public Corporations

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During the sixth five-year program (1978-1982), NTT has aggressively pursued research in the following areas:

- Integrated Services Digital Network (ISDN)
- Optical fiber cable transmission system
- Information processing systems (DIPS and DCNA)
- Visual communication
- Mobile radio communication
- Satellite communication
- Information terminal devices
- Communication cable construction technologies
- Network digitization

A major goal of NTT is to establish a communication network called the Information Network System (INS), which will lead Japan into the twenty-first century. A model system is being tested in the Musashino/Mitaka area and the INS terminal equipment will be installed in Japan's major cities by 1987 (see Table 2).

NTT designs its own equipment, which is built to specification by private vendors--known as the "NTT Family"--which grew out of NTT's closed procurement systems. The family includes 200 firms, including the "Big Four" A-makers (Fujitsu, Hitachi, NEC, and Oki) and the "Second 9" B-makers (Hasegawa, Iwatsu, Kanda, Nakayo, Nitsuko, Taiko, Takamisawa, Tamura, and Toyo). During fiscal year 1980, 48 percent of NTT procurement came from the "Big Four" and 14 percent from the six leading medium-size firms. The "NTT Family" provides employment for retired NTT officials. Generally, NTT selects research partners with advanced technology, then appoints them as suppliers. In 1984, NTT opened its laboratories to join R&D with foreign firms.

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# Public Corporations

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Table 2

NTT'S INFORMATION NETWORK SYSTEM (INS)

INS is a comprehensive digital network combined with information processing centers.

<u>Component</u>	<u>Outline of Service</u>
Integrated centralized extension system	A switcher for business and other telephone and non-telephone terminals
Video conference service	Enables conferences between several distant points in color picture with high-quality voice transmission
Ultra-high-speed facsimile	Sends one A4-size document in only three seconds
Teletex service	Transmits written Japanese and coded messages between terminals
Video transmission service	Transmits moving-picture images
Data network service	Provides digital data transmission (DDX) circuit switching service and DDX packet switching service
Multi-media communications service	Connects various types of terminals together in one subscriber line, enabling simultaneous or switch-over multiple communications
Communications processing service	Provides communications at various speeds between various types of terminals and also provides multi-address calling
Digital still picture	A high-performance Character and Pattern Telephone Access Information Network System (CAPTAIN) having voice transmission capability
Digital telewriting service	Simultaneously transmits voice and handwriting
Digital facsimile	Provides low-cost, high-speed, and high-performance facsimile terminals
Facsimile communications network service	Provides high-performance communications network services with storage and transform capabilities
Digital telephone	Provides digital telephone terminals with displays to show caller's telephone number, charges for the call, and other information

Source: DATAQUEST



## Public Corporations

Until recently, foreign suppliers had been excluded from NTT's procurement activities. However, as a result of the 1980 U.S.-Japan accord, NTT opened its procurement of telecommunication equipment to foreign suppliers in January 1981. U.S. firms winning contracts with NTT include:

<u>Procedure</u>	<u>U.S. Firms</u>	<u>Equipment</u>
Track I - Competitive Bidding	Memorex Corp.	Magnetic tapes for information processing
	Graham Magnetics	Magnetic tapes for information processing
	Wiltron Co.	20 GHz-bank frequency response measuring equipment
	Advanced Semi-Conductor Materials	Low-pressure CVD (chemical vapor deposition) equipment
	Calma	Graphic design systems
	Applicon	Graphic design system
	Perkin-Elmer Corp.	Projection mask alignment system
	Digital Equipment	Computer system (off-line)
	Varian Associates	Magnetron sputtering equipment
		Digital echo suppressor
Tracks II/III - AT&T Procurement	Andrew Corp.	30/20 GHz earth station
	Motorola	Automobile telephones
	Plantronics	Lightweight head sets
	AMP Inc.	Polyethylene cable connectors
	IT&T	Transportable digital switching systems for energy use
	Eaton	Joint development of Ion beam equipment
	ROLM Corp.	Computer-controlled private branch exchange

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## Public Corporations

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Despite liberalization of NTT procurement procedures under the GATT Agreements, several trade issues still remain:

- NTT's procurement favoritism for Japanese firms from the "NTT Family"
- NTT's strict regulation of data transmission services
- NTT divestment of its local companies and spinoff as private entities
- Change of NTT status to private company (part of current Administrative Reform discussions)
- Foreign participation in the deregulated value-added network (VAN) market

### INTERNATIONAL TELEGRAPH AND TELEPHONE (KDD)

Kokusai Denshin Denwa (KDD) is NTT's international affiliate that handles telephone and telex networks to and from Japan. KDD was established in 1952 with facilities and staff from the Ministry of Communications, the predecessor of the current Ministry of Posts and Telecommunications. The Public Telecommunications Law of 1953 granted KDD exclusive control over Japanese data transmission circuits for the international market.

KDD leases domestic lines from NTT and maintains one communication line between its Tokyo headquarters and the Ibaraki Satellite Communications Center. During the last 10 years, it has instituted the following communications systems:

- 1973        Automatic Message Exchange Service (AUTOMEX)
- 1976        Customized message switching
- 1980        International Computer Access Service (ICAS)
- 1982        VENUS-P International Packet-Switched Data Transfer Service

The demand for international time-sharing services is increasing among Japanese firms. This trend is being accelerated by KDD's International Computer Access Service, which allows on-line access to U.S. data bases through value-added networks (VAN) such as TYMNET and TELENET.

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## **Public Corporations**

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To meet this increase in international business, KDD offers a broad range of services:

- Telephone, telex, and telegram service
- Leased circuit service
- Data telex (DATEL) service
- Data communications service
  - International Financial Information Transmission Service
  - International Airlines Data Communications Service
- Maritime communications
- Other services
  - International Program Transmission Service (PTS)
  - International Newscast Service
  - Airline Business Message Service
  - Leased Overseas Telephone Facility Service
  - International Aeronautical Radiotelephone Service
  - Expansion of international subscriber dialing (ISD)
  - ICAS expansion to Canada, Great Britain, France, Spain, and Switzerland
  - Link-up of VENUS-P with Canada, Great Britain, France, and West Germany
- Construction programs
  - Construction of new international telecommunications center in Ibaraki Prefecture for disaster planning
  - Construction of Yamaguchi Satellite Communications Center
  - Construction of ANZCAN cable (Hawaii-Canada) and ASEAN cable (Singapore-Malaysia-Thailand)
  - Construction of No. 2 microwave transmission route between Tokyo and Ibaraki

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## Public Corporations

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- Advanced research and development
  - Digital satellite communications system
  - Optical submarine cable
  - Cable laying and repair technologies
  - Message communications facilities
  - Teletex/telex storage and forwarding equipment
  - Digital switching systems
  - Digital video transmission systems
  - 120-channel multiplexers
  - Mix-mode and teletex terminals

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# Financial Structure

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## NATIONAL BUDGET

### Multiple-Budget System

Since 1949, when the Supreme Commander for the Allied Powers (SCAP) imposed the "Dodge Line" (named after Detroit banker Joseph Dodge, SCAP's financial adviser) to control inflation, Japan has had three separate national budgets:

- General Account Budget--The overall budget for general revenues and expenditures
- Special Accounts Budget--Temporary accounts established by law to fund specific projects
- Investment Budget (Fiscal Investment and Loan Plan or FILP)--The "second budget," which is used to finance public corporations and Special Accounts

This multiple-budget system was developed in response to Dodge's emphasis on limiting government expenditures and balancing the budget. After the war, Japanese leaders such as Hayato Ikeda (former Prime Minister and architect of Japan's high-growth policies) saw the need for an investment pool to finance the country's reindustrialization efforts. The Ministry of Finance created the Fiscal Investment and Loan Plan (discussed below) to fund the various special accounts, public corporations, and development banks that were established to finance special industrial projects. The purpose of separate national budgets was primarily threefold:

- To separate special project accounts from the general operating budget (which had to be balanced under the Dodge Line)
- To generate a high rate of personal savings through the postal savings system in order to create an investment pool
- To provide flexibility in the national budget (a long-term perspective for investments and a short-term one for special projects)

The Dodge Line also influenced the basic principles that have guided Japanese budgetary policies since the war:

- Balanced-budget rule (which was replaced in 1965 by alternative rules: that government bond issues never exceed construction expenses, and that bond issues meet the "test of market acceptance")

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## Financial Structure

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- Annual adjustment of tax schedules
- Direct borrowing by Special Accounts to finance public and private investments
- Budget appropriations that precede authorization (opposite of the United States)
- Budgetary "balance" (fair-share distribution of funds among ministries and agencies)

The budget process begins after the start of each fiscal year on April 1 (see Figure 1), when each ministry and agency begins preparing its budget request for the following fiscal year. The fiscal 1984 budget requests, for example, are prepared immediately after April 1983. The Ministry of Finance (MOF) then reviews these budget requests. After consulting with the Liberal Democratic Party's Policy Affairs Research Council and revising ministry requests at "revival negotiations," MOF prepares the budget for presentation to the Diet and the Cabinet. The General Account Budget, which is the responsibility of the Budget Bureau in the Ministry of Finance, is prepared separately from the Fiscal Investment and Loan Plan, which is handled by MOF's Finance Bureau.

### Fiscal 1985 Budget

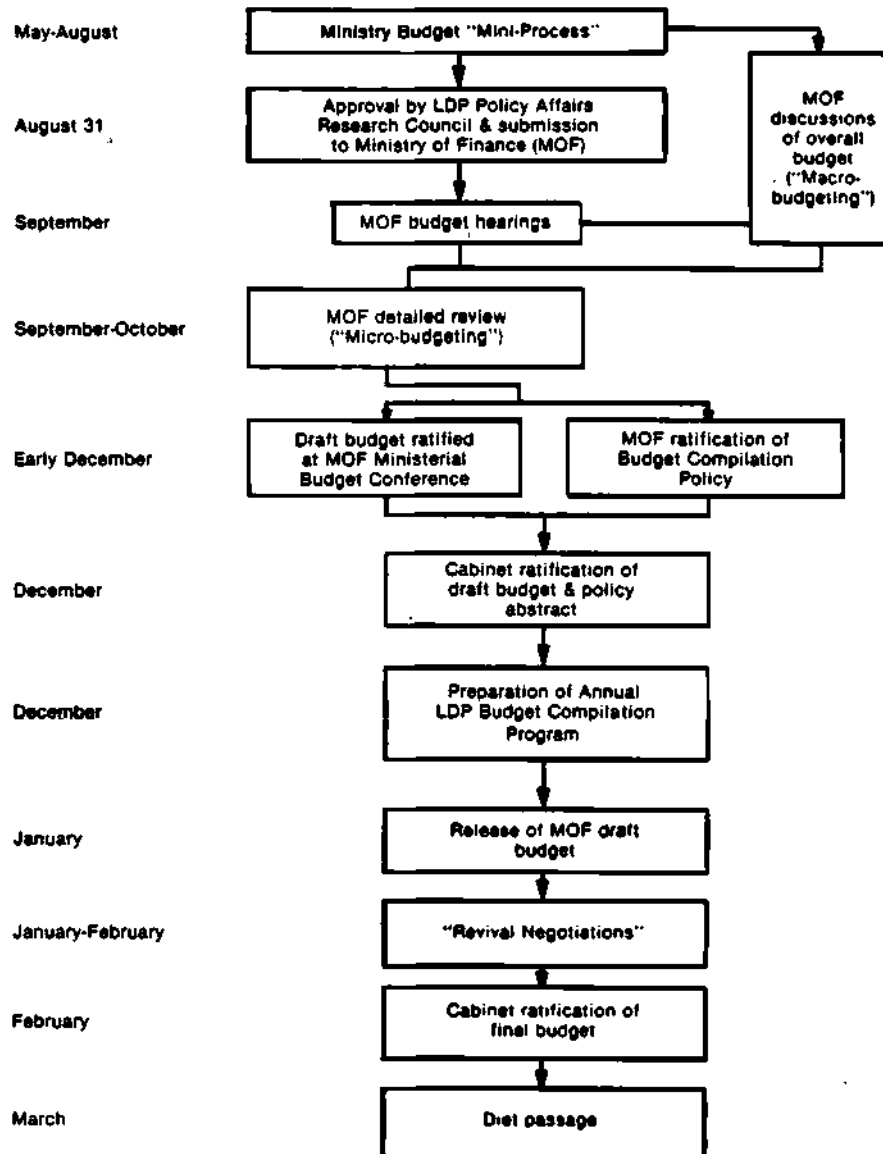
In December 1984, Prime Minister Yasuhiro Nakasone's cabinet approved the Ministry of Finance's draft budget for fiscal 1985 (beginning April 1, 1985). The "austerity" budget is 3.7 percent higher than the fiscal 1984 budget, greater than the 0.5 percent increase planned last year. As shown in Table 1, significant budget changes include the following:

- Defense spending gained 6.9 percent.
- Economic cooperation with developing countries is up 7.8 percent.
- Education, science, and technology funding were cut 1.1 percent.
- Social security outlays increased 2.4 percent.
- Direct government funding is being replaced by tax incentives for investment and research.
- Debt service increased 11.7 percent, bringing it to one-fifth of the total budget.
- Past bond issues are rapidly reaching maturity.
- Tax receipts will grow 11.4 percent to compensate for the huge decline in nontax revenues.

# Financial Structure

Figure 1

## GENERAL ACCOUNT BUDGET PROCESS



Source: DATAQUEST

# Financial Structure

Table 1

## JAPAN'S FY 1985 BUDGET (In Billions of Yen)

	<u>FY 1984</u>	<u>FY 1985</u>	<u>Percent Increase</u>
<b>Revenue</b>			
Tax Receipts	¥34,596	¥38,540	11.4
Non-Tax Receipts (Stamps)	3,351	2,260	(32.3)
Proceeds From Bond Issues	12,680	11,700	(7.7)
(For Deficit Financing Bonds)	<u>(6,455)</u>	<u>(9,000)</u>	50.0
<b>Total</b>	<b>¥50,627</b>	<b>¥52,500</b>	<b>3.7</b>
<b>Expenditures</b>			
Debt Service	¥ 9,155	¥10,226	11.70
Revenue Sharing	8,886	9,689	9.00
General Expenditures	32,586	32,585	(0.01)
Social Security	9,321	9,545	2.40
National Defense	2,935	3,138	6.90
Overseas Economic Aid	544	586	7.80
Education and Science	4,867	4,813	(1.10)
Energy	603	628	4.20
Pensions	1,886	1,863	(1.20)
Small Business	229	216	(5.70)
Food Control Account	813	695	(14.50)
Public Works	6,520	6,370	(2.30)
Other	<u>4,868</u>	<u>4,731</u>	(0.97)
<b>Total</b>	<b>¥50,627</b>	<b>¥52,500</b>	<b>3.70</b>

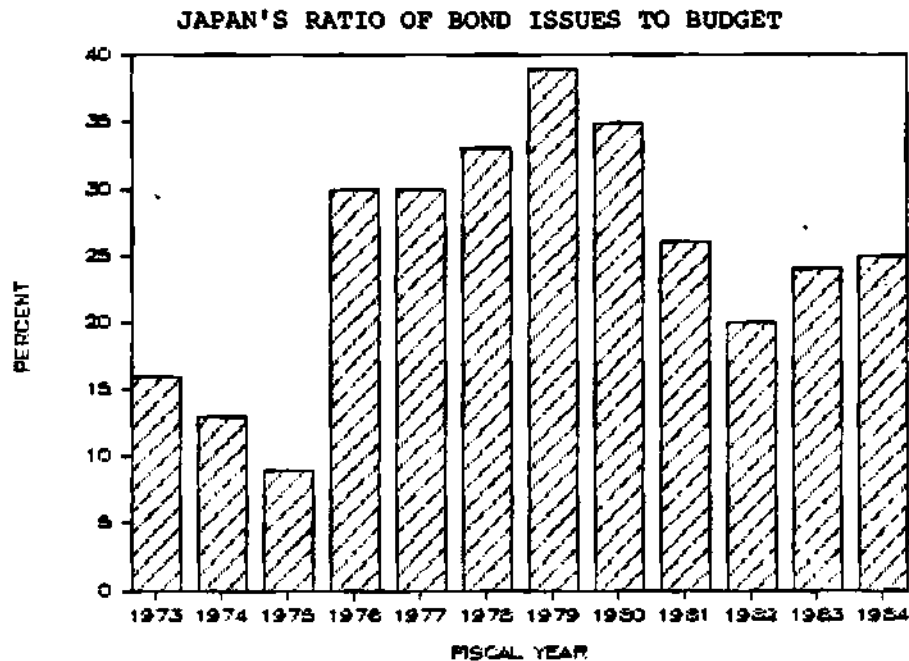
Source: Ministry of Finance



## Financial Structure

Japan's ratio of bond issues to budget is shown in Figure 2.

Figure 2



Source: Japan Economic Journal  
Industrial Review of Japan/1984  
DATAQUEST

The Japanese government is heavily in debt, with debt service accounting for one-fifth of the total budget. This huge deficit places the Japanese government in a dilemma. On the one hand, trade friction with the United States and Europe has led to calls for an aggressive fiscal policy to strengthen domestic demand. However, ballooning deficits, reduced tax revenues, and pressures for a balanced budget place severe constraints on economic "pump-priming" by the government. Continued reliance on the flotation of deficit-financing bonds would push up long-term interest rates and choke off economic growth. Thus, despite pressures from the West, Japan has followed a restrictive low-growth fiscal policy.

Japan's fiscal reconstruction program consists of the following actions:

- Slight increase in government spending (3.7 percent in fiscal 1985)

## Financial Structure

- Increased tax revenues, (11.4 percent in fiscal 1985) due to tax revision
- Elimination of duplication and waste in government
- Reduction in deficit-financing bond issues to (¥11.68 trillion or \$44.9 billion in fiscal 1985)

Japan's fiscal recovery program runs parallel to U.S. budgetary efforts, except for a smaller defense buildup (limited to 1 percent of the GNP by Article 9 of the constitution) and less tolerance of large budget deficits. In this respect, by resisting simultaneous tax cuts and a rapid defense buildup, the Nakasone administration has followed a more rigid policy of fiscal conservatism than that of the United States.

### Fiscal Investment and Loan Plan (FILP)

The Fiscal Investment and Loan Plan (Zaisei Toyushi Keikaku) is popularly known as the "second budget" and has been the key financial tool behind Japan's economic development. It was established in 1952 by the Ministry of Finance to combine existing postal savings accounts into one investment pool. To encourage personal savings, the ministry authorized highly competitive interest rates and tax exemptions on the first ¥3 million (around \$15,000) in interest income. The system has been a total success; savings totaled ¥55 trillion (\$240 billion) in 1980, or four times the assets of the Bank of America. Since 1953, FILP has been between one-third and one-half the size of the General Account Budget, and between 3 percent and 6 percent of the GNP, giving it substantial impact on the economy.

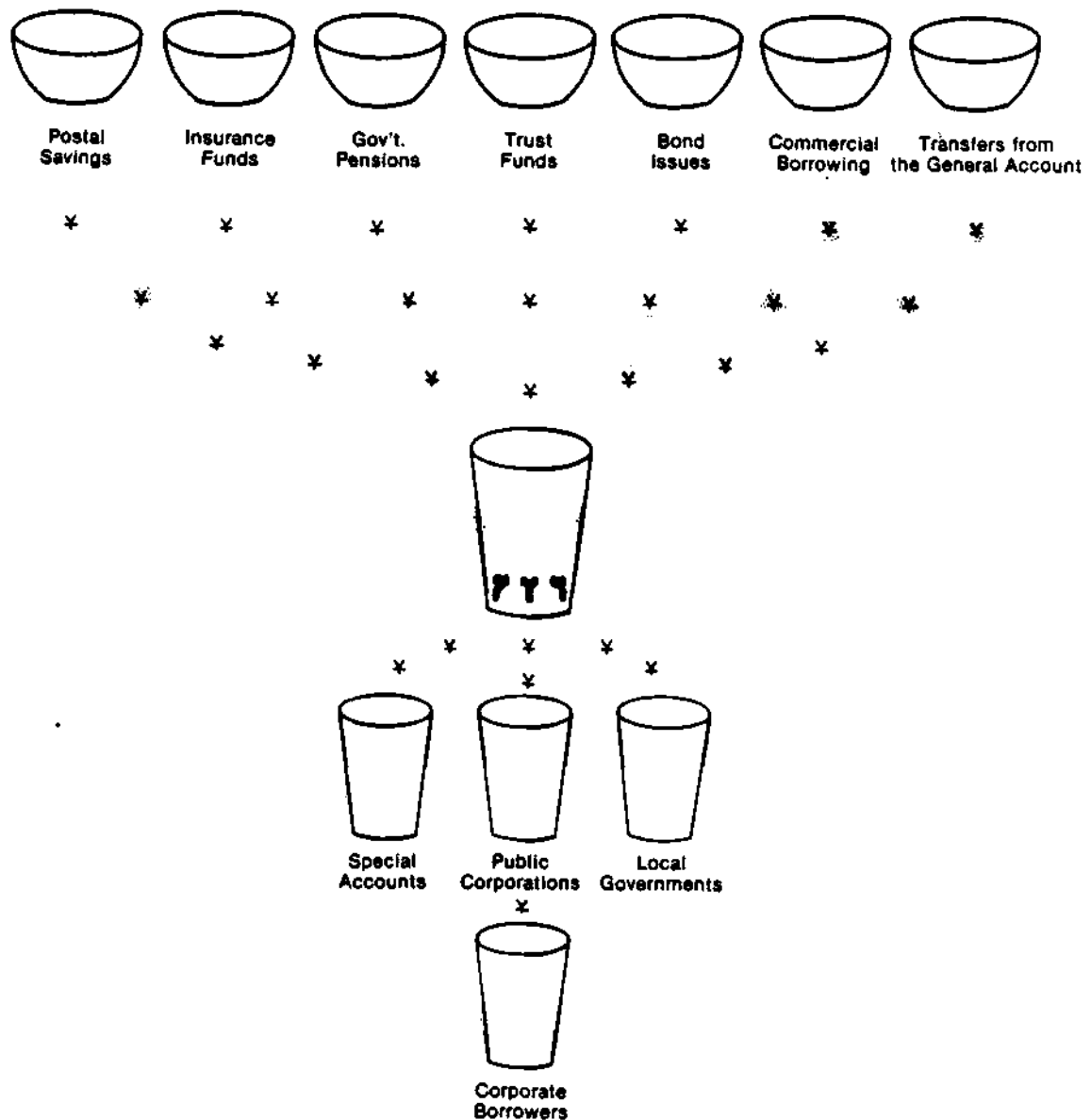
The Finance Bureau (Rizaikyoku) of the Ministry of Finance handles FILP funds, which are allocated through a "microbudgeting" process similar to that of the General Account Budget. Spending ministries submit their requests; which are cut, then appealed at revival (fukkatsu-sessho) negotiations. The funds flow is shown in Figure 3.

Major recipients are the public corporations such as Nippon Telegraph and Telephone (NTT), which provide essential services, and the Japan Development Bank, which borrows FILP funds and relends them to industrial borrowers approved by MITI. Indeed, companies that secure FILP funds--a sign of MITI's approval--can easily borrow additional funds from commercial banks. This arrangement is a key instrument in MITI's administrative guidance of industry.

# Financial Structure

Figure 3

## FLOW OF FILP FUNDS



Source: DATAQUEST

# Financial Structure

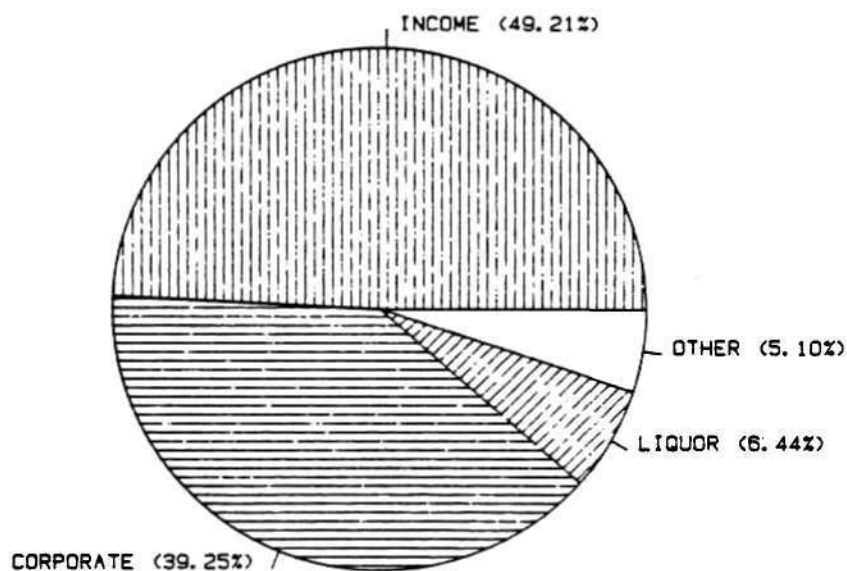
## TAX SYSTEM

### General Features

Japan's tax system is similar to that of the United States. Individual and corporate income taxes are the major sources of revenue, and payroll withholding taxes are used to finance social security benefits and the national health insurance system. Since Japan has no general sales or value-added taxes, additional revenues are generated through excise and sumptuary taxes. See Figure 4.

Figure 4

SOURCES OF FISCAL 1982 TAX REVENUES IN JAPAN  
(Percent)



Source: Ministry of Finance  
DATAQUEST

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## **Financial Structure**

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### **Sources**

Despite the similarities between the two systems, there are pronounced differences in the attitudes and policies underlying their implementation. In particular, the Japanese tax system is characterized by:

- Centralized tax authority, with limited powers delegated to the local governments
- Dual-rate corporate income tax
- Extensive use of deficit-financing bonds (1970s)
- Annual tax reductions and "indexing" to restrain government spending (1970s)
- Special tax incentives and measures to promote government economic policies
- Tax exemptions for: company-subsidized housing, recreation, and welfare benefits; retirement payments (more than \$10 million); expense accounts (25 percent over \$4 million); company low-interest loans for housing; etc.

A major feature of the Japanese tax system is the proliferation of tax exemptions and special tax measures designed to promote national economic policies. These incentives are the result of strong lobbying and political pressures applied by various interest groups during the budget process. In 1956, a tax advisory commission recommended their curtailment, but most special measures survived. Currently, the Special Tax Measures law contains hundreds of provisions. The key provisions apply to government promotion in the following areas:

- Personal saving
- Housing investment
- Business saving and investment
- Exports
- Foreign investment

Special tax measures affecting the semiconductor industry consist of accelerated depreciation, special initial depreciation, tax-free reserves, overseas market development, and overseas investment losses. These provisions are discussed below.

## Financial Structure

### Corporate Taxes

Since 1961, Japan has used a split-rate corporate tax system similar to that of West Germany. The philosophy underlying this approach is to increase the amount of equity capital vis-a-vis borrowed capital and to share the amount between shareholders and their companies. Currently, corporate taxes are set at the rates shown in Table 2.

Table 2

#### JAPANESE CORPORATE TAX RATES

	More Than ¥100 Million <u>in Capital</u>	Less Than ¥100 Million <u>in Capital</u>	Special <u>Corporations*</u>
Annual Income			
More Than ¥8 Million	42 Percent	42 Percent	25 Percent
Less Than ¥8 Million	-	30 Percent	25 Percent
Dividends	32 Percent	24 Percent	21 Percent
Liquidation Income	37 Percent	37 Percent	23 Percent

\*Public corporations, cooperative associations, etc.

Source: Ministry of Finance Tax Bureau,  
An Outline of Japanese Taxes, 1981

Although comparable to the U.S. taxes, these nominal tax rates are not representative of the relative tax burden on businesses because both countries have adopted accelerated depreciation allowances, investment tax credits, tax-free reserves, and other incentives. Under the General

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## Financial Structure

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Law of National Taxes of 1962, the Japanese government has implemented special tax measures directed toward economic policy goals (see Table 3). In addition, the Basic Electronics Industry Development Law of 1957 provided the following tax advantages to semiconductor companies:

- Increased initial depreciation for electronic equipment (13 percent of book value beyond normal depreciation in first year)
- Accelerated depreciation for production equipment (33 percent of book value)
- Accelerated depreciation for computer use (20 percent beyond normal depreciation)
- Deductions for R&D (20 percent of increased expenses)

In 1978 the Specific Machinery Information Industry Promotion Law (Kijoho) was enacted to foster knowledge-intensive industries. Under the provisions of this law, companies can get low-interest loans from either the Smaller Business Finance Corporation or the Japan Development Bank, to a maximum of ¥5 billion (\$22.7 million) and ¥10 billion (\$45.4 million), respectively.

As a result of these special tax measures and other incentives, the effective tax rate on Japanese semiconductor companies is less than the rates for American companies. For comparison purposes, a 1973 study by the Industry Bank of Japan (IBJ) indicated that effective tax rates were more than 50 percent of the nominal rates in the United States and about 40 percent in Japan, giving Japanese firms an advantage of 10 percent. The IBJ study suggested, however, that due to the high rate of debt financing (the average Japanese equity ratio was 28.7 percent of total assets versus 55.5 percent in the United States), the gross rate of return on stockholder's equity was twice as high in Japan as in the United States. Thus, heavy bank borrowing, not taxation, is a more important factor in explaining high rates of return on equity investment in Japan.

# Financial Structure

Table 3

## EXPORT-PROMOTING TAX MEASURES

<u>Date When Measure Was in Operation</u>	<u>Measure</u>
1953-1964	Export income deduction. This measure directly shielded export income from taxation.
1953-1959	Export loss reserve system. A reserve against the possibility of canceled export contracts was nontaxable.
1953-1959	Special depreciation for overseas offices of trading companies. All depreciable assets in a new office overseas were subject to a 50 percent write-off the first year.
1959 to present	Technology export income deduction. Companies are allowed to deduct from their taxable income a portion of royalties paid from abroad. The objective is to stimulate salable technology development.
1964 to 1972	Overseas market development reserve. A small portion of the revenue from current exports can be put into reserves from taxable income. Like all Japanese reserves, this must later be returned to the income stream. This provision still applies for small businesses.
1964 to present	Overseas investment loss reserve. A small percentage of current foreign investment expenditure each year can be put into reserve to insure against investment losses. This reserve fund is nontaxable.
1964-1972	Export accelerated depreciation. Accelerated depreciation was allowed on capital investment where the output was to be exported. The degree of acceleration depended on the proportion of plant and equipment devoted to export.
1968-1978	Export special depreciation. This is an overlay acceleration on the previous provision.
Early 1950s to present	Free trade zone investment loss reserve. This measure is a variation on the overseas investment loss reserve extended for free trade zones.

Source: Gresser, High Technology and  
Japanese Industry Policy:  
A Strategy for U.S. Policy Makers.



# Financial Structure

## BANKING SYSTEM

### Structural Differences

Japanese banks are the driving force behind the nation's industrial policies. Indeed, the Japan Economic Journal calls Japan "a bankers' kingdom" because of the heavy reliance of corporations on bank lending for up to 80 percent of their funds between 1976 and 1980. Internationally, Japanese banks have financial clout; the American Banker magazine reported that of the top 100 banks worldwide, 24 were Japanese--mostly involved in handling transactions for large Japanese multinational corporations.

This heavy dependence on bank lending has been a pattern since Japan was opened to the West. During the Meiji Restoration (1868-1912), the government supervised the development of industrial banks and the zaibatsu (financial combines) to aid in financing the country's economic development. After World War II, MITI, MOF, and the Bank of Japan encouraged lending to selected heavy industries through a variety of lending and credit policies.

As a result of this state intervention, the Japanese banking system is structurally different from the U.S. banking system. These differences are discussed below.

- Concentration of banks--Japan has only 76 regular commercial banks in contrast to 14,000 private commercial banks in the United States. Furthermore, half of all bank funds are concentrated in 13 "city banks":

- Bank of Tokyo, Ltd	- Mitsui Bank, Ltd.
- Dai-Ichi Kangyo Bank	- Saitama Bank, Ltd.
- Daiwa Bank, Ltd.	- Sanwa Bank, Ltd.
- Fuji Bank, Ltd.	- Sumitomo Bank, Ltd.
- Hokkaido Takushoku, Ltd.	- Taiyo Bank, Ltd.
- Kyowa Bank, Ltd.	- Tokai Bank, Ltd.
- Mitsubishi Bank, Ltd.	

## Financial Structure

- High degree of specialization--In addition, Japanese banks are specialized in different financial markets. The four principal types of banks include:

<u>Type</u>	<u>Number</u>	<u>Market Served</u>
City Banks	13	Large loans ("over-lending") to major industrial and commercial firms
Regional Banks	63	Renewable short-term loans to regional firms and local governments
Long-term credit banks	3	Fixed-rate, long-term loans to corporations for capital expansion
Trust banks	7	Long-term loans to major corporations

These distinctions, however, are blurring as city banks join long-term overseas syndicates, and long-term banks offer shorter-maturity loans. These four principal bank types are complemented by mutual savings and loan banks, credit associations, and government financial institutions (see Figure 5).

- State guidance of lending--Through its "window guidance" (madoquchi-shido) or moral suasion, the Bank of Japan directs bank lending to specific industrial sectors, such as computers, electronics, and telecommunications, according to national economic and industrial policies. Specific methods include overall lending guidelines, sectoral credits, individual rate setting and recommended funding liability, and foreign currency positions. Recently, extra emphasis is being placed on interest rates, not the quantitative flow of money.
- Tight regulation of interest rates--The Bank of Japan has followed a strategy of ensuring sufficient, low-cost funds to priority corporate borrowers by controlling the interbank market and keeping the call money rate above the short-term prime lending rate. This has channeled funds from highly liquid regional banks to the "over-lent" city banks.

## Financial Structure

- "Over-borrowing"/"over-lending"--A key catalyst to Japan's rapid economic growth has been the country's unique system of commercial bank "over-lending" and corporate "over-borrowing" (heavy debt capitalization). This system is aided by the Bank of Japan's extremely low reserve requirements (1.0 percent to 3.5 percent for demand deposits in fiscal 1980 versus the U.S. Federal Reserve System's requirements of 9 to 12 percent), which have been used with multiple discount rates and open-market operations to guide industrial growth. However, heavy bank borrowing has meant high breakeven points and thin profit margins for corporations, forcing them to compete fiercely for market share.
- Weak securities market--A corollary to the heavy reliance of corporations on bank financing is the weakness of the Japanese securities market. Between 1976 and 1980, corporations obtained an average of only 7.3 percent of their financing by issuing corporate bonds; 90 percent came from bank loans and government-subsidized loans (see Figure 6).
- Captive market for government bonds--During the 1970s, the Ministry of Finance required commercial banks to hold more than 70 percent of government deficit-financing bonds (city banks, 38 percent; regional banks, 18 percent; long-term credit banks, 9 percent; trust banks, 6 percent). This practice, however, will be discontinued, since the government plans to reduce deficit-financing bond issues in order to reduce the large budget deficits.
- Postal savings system--Unlike the United States, Japan has a well-developed system of 22,000 postal savings branches. The Bank of Japan channels a large flow of funds into the postal savings system for investment by the government's Fiscal Investment and Loan Plan (FILP) using the following measures:
  - Higher interest rates for postal savings than for commercial bank deposits
  - Tax exemptions on interest earned by postal savings accounts
  - Restrictions on new branching by commercial banks
- Underdeveloped consumer finance--Traditionally, Japanese banks have lent the bulk of their funds to corporations. Consumer finance was left to the sarakin (salaried man loan companies), which charge high interest rates (up to 109 percent legally) and are often controlled by the yakuza (gangsters). This pattern is changing as more banks and consumer finance companies expand their operations.

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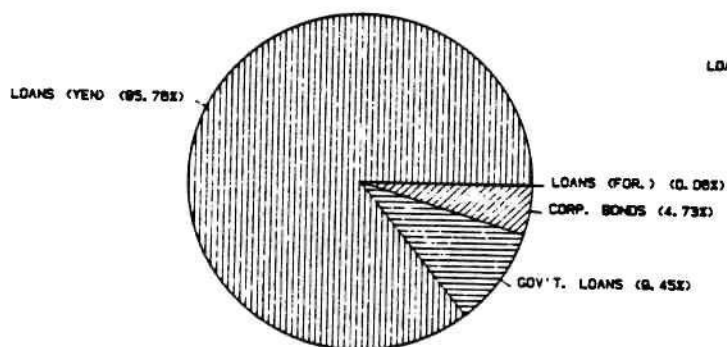


# Financial Structure

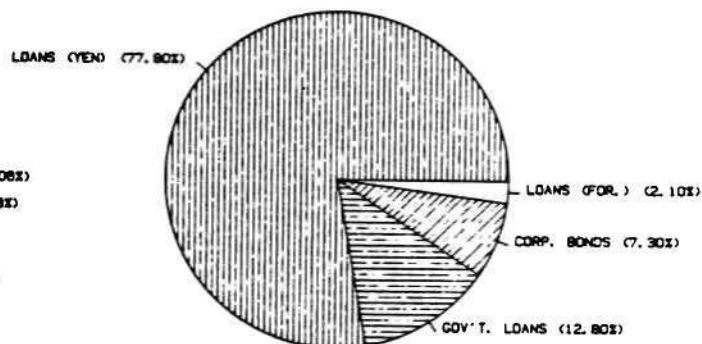
Figure 6

## TRENDS IN JAPANESE CORPORATE FINANCING

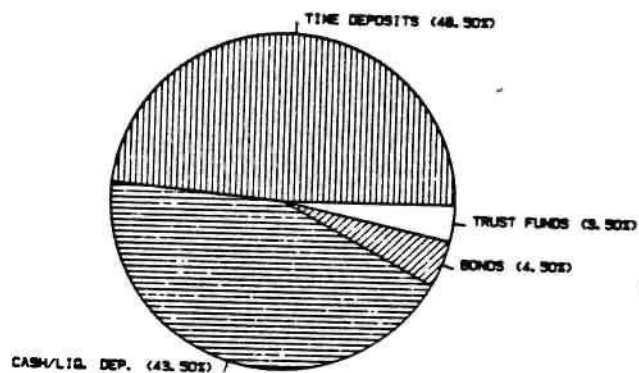
1965-1975 AVERAGE ANNUAL  
SOURCES OF FUNDS



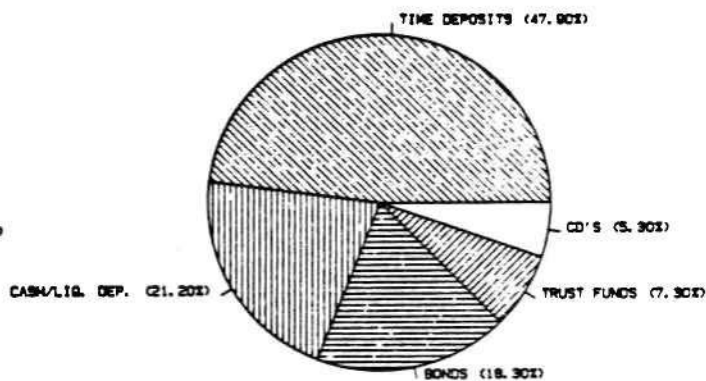
1976-1980 AVERAGE ANNUAL  
SOURCES OF FUNDS



1965-1975 AVERAGE ANNUAL  
USES OF FUNDS



1976-1980 AVERAGE ANNUAL  
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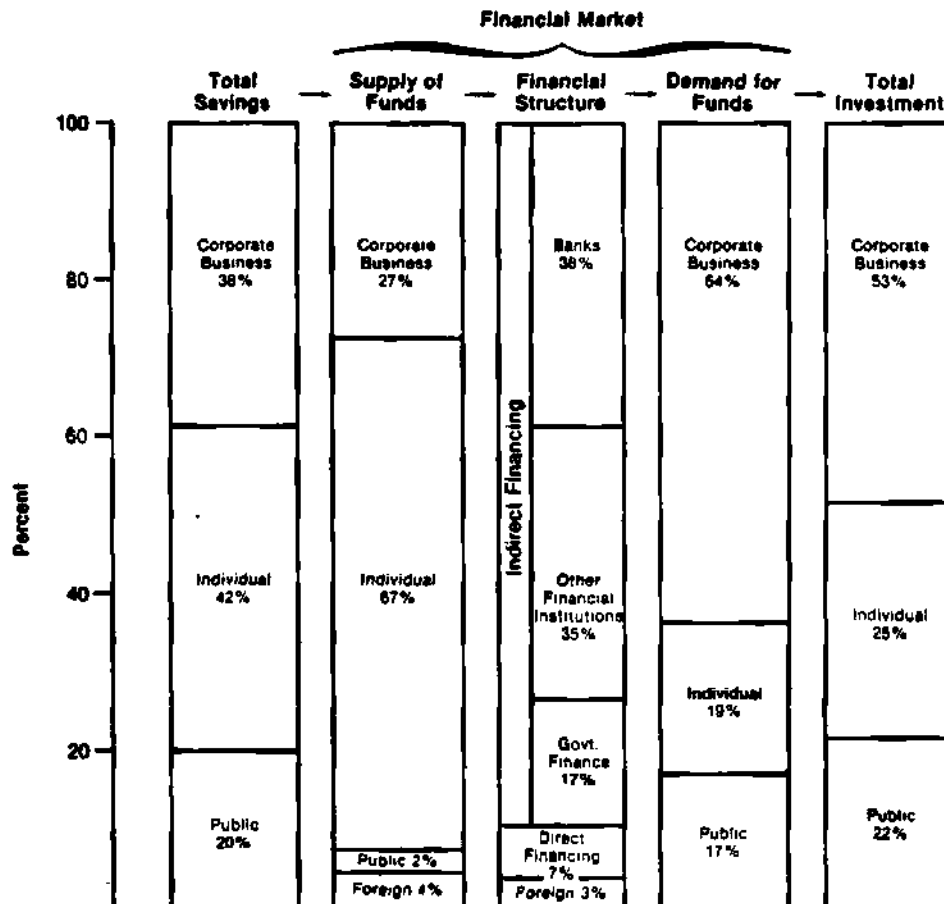
Source: Japan Economic Journal,  
Industrial Review of Japan, 1982  
DATAQUEST

# Financial Structure

In summary, the Japanese banking system is heavily corporation oriented. Individual savings are channeled into commercial banks and the postal savings system for lending to corporate borrowers (see Figure 7). Since the securities market is weak, businesses must borrow heavily from banks, which, in turn, "over-borrow" from the Bank of Japan. This system of "over-lending" and high decapitalization has been a basic source of international trade friction, since it forces Japanese companies to export aggressively to repay their loans and maintain market share.

Figure 7

## FLOW OF FUNDS IN JAPAN (1968-1970 Average)



Note: Public includes the government, government corporations, and local governments. Banks include The Bank of Japan.

Source: The Bank of Japan, "The Financial Systems of Japan," 1972.

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# Financial Structure

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## Current Trends

Major changes are under way in the Japanese banking system, however, which may lessen these tensions. The Ministry of Finance is gradually liberalizing banking and foreign exchange regulations, and Tokyo is becoming an international capital markets center. These trends are being reinforced by the market-opening measures proposed by the Japanese Government at the Ministerial Conference for Economic Measures and the GATT talks.

During the late 1970s, a host of banking developments occurred:

- Liberalization of interbank rates
- Issuing of negotiable certificates of deposit (NCDs)
- Open bidding system for national bond sales
- Foreign exchange liberalization
- Expanded access of foreign borrowers to domestic yen bond market ("Samurai bond market")
- Liberalization of gensaki (short for genkin sakimono torihiki) market (conditional purchase or sale of government or corporate bonds for fixed periods with resale or repurchase agreement at a specified price)
- Increasing overseas activities by Japanese banks:
  - Global commercial syndicated lending
  - Selling certificates of deposit (CDs) in foreign money centers (Singapore, New York, Europe)
  - Issuing of commercial paper through overseas subsidiaries
  - Issuing of foreign currency bonds

During the 1980s, the move toward internationalizing and liberalizing the Japanese financial system will accelerate as both overseas financial activities by Japanese banks and pressures to open the Japanese market increase. Attention will focus on the following developments:

- Relaxed administrative guidance of banks by the Ministry of Finance

## Financial Structure

- "CP War" between Japanese banks and securities firms over domestic sales of overseas commercial paper (CP) and certificates of deposit (CDs)
- Increasing preference of private investors for higher-yielding portfolios. New products include:
  - Date Designating Time Deposits by city and regional banks
  - Lump-sum interest payments on loan trusts
  - Market-yield trust funds
  - Compound interest rate bonds by long-term credit banks
  - Small amount savings card system
- Limits on Japanese bank lending to less-developed countries (LDCs) to reduce risk exposure
- Internationalization of the yen
  - Increased offshore yen lending
  - Deregulation of the European market
  - Increased use of yen in invoicing Japanese regional trade ("yen bloc")
- Reduced reliance on U.S. dollar for import financing
- Introduction of unsecured, unguaranteed corporate straight bond issue
- Integration of domestic and international yen markets
- Development of multicurrency monetary system (regional "currency basket")
- More domestic financial instruments for offshore investors
- Development of markets for national bonds and local-currency bankers' acceptances



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