The Rhetoric of "Fairness" in Japanese and American Society

Mark Caprio

Act 301 (Super 301) of the Trade and Competitiveness Act has received much attention in Japanese and American press since it was signed into American law by former President Ronald Reagan in August of 1988. The act requires the United States Trade Representative to negotiate with those countries that engage in persistent patterns of unfair trade in order to eliminate the unfair practices.[1] Japan, it said, is a country that conducts "unfair" trade practices.

Fairness in Japanese-American Relations

In 1854, Commodore Matthew Perry returned to the United States from Japan feeling assured that he had secured trade relations between the United States and Japan. Two years later Townsend Harris arrived as the first American consul general to Japan. The Japanese, whose agreement with Perry stipulated that the two countries would exchange diplomats only if both sides agreed upon the necessity of doing so, were shocked upon Harris's arrival. It took Harris over a year to even begin negotiations for the trade treaty he hoped to conclude.

This tug-of-war over trade between the United States and Japan continued throughout the 19th century. Japan signed treaties (known as the Ansei treaties) giving the United States and other Western countries special consular jurisdiction and preferred tariff schedules. These treaties caused disruption throughout Japan but lasted until the close of the 19th century when they were renegotiated.

Mark Caprio is a Lecturer in the Department of British and American Studies at Nanzan University.

Japan's victories in wars with China and Russia in the late 19th century and early 20th century enabled it to acquire neighboring territories. Western nations soon began to consider Japan a threat to their interests in the Pacific. Japan, for its part, believed the white nations were attempting to squelch its drive to become an "advanced" country.

With the ending of the Pacific War and the rebirth of Japan, cries of "unfairness" have arisen from Western and even Asian countries as Japan's trade surplus rose steadily through the 1970s and 1980s. Talk of unfairness became louder after the devaluation of the dollar and the increase of Japan's investments in American corporations and real estate. Though not as grand in scale as other European investments in the United States, the suddenness of this expansion coupled with the Japanese trade surplus caused an overly strong American reaction.

The United States and Fairness

Americans, fond of team sports, like to use the analogy of a level playing field in talking about fairness. Americans "are a nation of game players."[2] Team games or sports are generally played on a field with both teams using the same number of players, apparatus, rules, and each attempting to achieve more points by putting the ball through the goal. If the field, for some reason or another, is disadvantageous to one side, the teams switch sides at midpoint in the game. An impartial judge or referee ensures that both teams play by the rules. Before the game begins each team learns the rules—rules that are applied anywhere the game is played, whether at home or away.

In international trade, similarly, each side should have a territory and each team should abide by rules such as those established by the General Agreement on Tariffs and Trade (GATT). Once the rules are determined the best product at the cheapest price should win.

It thus seems logical to Americans that if the Japanese are allowed to purchase companies, land, and banks in the United States, Americans should be allowed to do the same in Japan. It seems unfair to Americans that Japanese can participate in the American stock exchange freely but not vise versa. The same argument is made for the bidding of construction jobs, the flow of products over national borders, and procedures for doing business in the respective countries. The standard complaint about Japanese trading practice, says James Fallows, is that Japanese manufacturers sell freely in the United States, but foreigners must "fight their way through public and private cartels to compete in Japan."[3] Henry Marini, former president of Revlon-Japan, explains this by saying that "in the United States, everything is allowed unless specifically prohibited, while in Japan, everything is prohibited unless specifically allowed."[4]

Perhaps no one factor has instigated more criticism and reaction from the United States and other countries concerning the unfairness of Japanese business practices than the magnitude of Japan's trade deficit. In 1970, Japan's trade deficit with the United States was 1.2 billion dollars. By 1980, this figure had risen to 9.9 billion dollars. The deficit has mushroomed despite countless efforts to curb it. Japan "voluntarily" restricted the number of automobile exports to the United States in 1981. Four years later, the United States devalued the dollar drastically against the yen to make American products cheaper and hopefully more attractive to the Japanese consumer. Finally, in 1986, the Japanese again imposed "voluntary" restrictions on machine tools. That year, the deficit nevertheless ballooned to 54 billion dollars.

The Japanese and Fairness

A part of the problem lies in contrasting game preferences and concepts of victory. The Japanese, though also fond of team sports, particularly enjoy a board game imported from China centuries ago. The goal of this popular game called *go* is to control territory through interlocking your pieces and, in the process, encircle your opponent's pieces. If one piece, or even a group of pieces, has no direct contact with a body of interlocked pieces, it is said to have no roots (*ne ga nai*) or support and is considered a "dead" or lost piece. Likewise, if a group of pieces gets separated or cut off by the opponent, these pieces are also lost. The object of the game is thus to first establish, and then maintain, control of territory.

Japanese companies operate in a similar manner. The Japanese desire first of all to become a respected member of a group; be it a university club or a company work team. A Japanese company also has a similar desire. In America, a new company strives to compete successfully with other companies. In Japan, a new company tries to latch on to a bigger company. It is understood that a small company cannot compete with a larger company. Forming a linkage with an established company, however, can be beneficial to both companies.

The thinking stems from the hierarchal nature of Japanese society. Americans believe the underdog should have a chance at victory. Japanese organize their society in a clearly defined rank order showing the pecking order of people, schools, and companies. No person or institution is equal. Rather than competition Japanese stress cooperation. Returning to our *go* metaphor, each member of a *go* club is given a rank similar to those issued in martial arts. The player of lower rank is given a handicap allowing him to place a number of pieces in predetermined locations at the game's onset. The player advances in rank by beating opponents of the next rank. In America it would be considered possible that a last place team, on a given day, could defeat the league champion. In Japan it is more or less understood that these things do not normally happen.

To an extent, Japanese see international affairs in a similar way. America developed industrially earlier than Japan and helped to open it to Western ideas. Japanese recall the strength and perseverance America showed in the Pacific War and mythicize America as a country of strength, wealth, and capacity. In contrast to this, the Japanese see their country as being small and lacking of even the most basic of natural resources, better off than other Asian countries but not nearly as well off as people of the United States. The Japanese have thus put the United States in the upper part of the international hierarchy and the other Asian nations in the lower part.[5]

Responses to Japanese-American Trade Problems

In the verbal war between the two countries, the United States accused the Japanese of dumping—selling their products below production costs, forming cartels that exclude American companies, imposing tariffs, overworking, oversaving, and underconsuming. Recently an article by Fallows ("Containing Japan") and a book by Karel van Wolferen (*The Enigma of Japanese Power*) depicted Japan as a nation out to conquer the financial world. Accordingly, they caused discussion and dialogue on both sides of the ocean; much of it destructive.

The Japanese have responded in kind. A *Business Week*/Harris poll showed that, although the Japanese admitted that unfair barriers affect America's selling power in Japan, they also felt that lack of quality and lack of effort on the part of the Americans were equally to blame.[6]

A book by Shimomura Osamu entitled *Nihon wa warukunai waruinowa Amerika da* (It is not Japan, but America that is in the wrong) asserted that America has not tried hard enough. The problem, it says, is not that Japan does not consume enough but that America consumes too much. This point is supported by the fact that in 1983-84, while the American economy was growing at a rate of 8%, for "every extra unit of income," America imported "three times as much as Japan."[7]

Other people have a less biased viewpoint. Omae Kenichi, managing director of Mckinsey & Company, Japan, has argued that multinational companies such as Coca-Cola, IBM, and Texas Instruments have made it impossible to use the standard methods in calculating trade balances. Omae found that if multinational companies were treated as companies of their country of origin, the average Japanese spends twice as much on American goods as Americans do for Japanese goods ($583 to $298 per year).[8] Furthermore, the earnings of multinational companies cause the trade deficit to shrink considerably.[9] Rather than suggest repatriation of foreign-based companies in order to "solve" trade problems, Omae suggests that both countries look more realistically at Japanese-American trade.

From the American side, Clyde Prestowitz, Jr., though considered by some a "Japan basher," has provided more balance. He recommended that Americans discard the belief that the Japanese market is "like that of the United States, and that it can be opened and made to operate if only the Japanese will stop being unfair."[10] The United States, he said, must get its own house in order concerning the federal deficit as well as trade policy and negotiations. He also proposed a second Japanese land reform to increase consumer activity, increase imports, foreign aid and military expenditures.[11] Lastly, Prestowitz suggested that the Japanese shed their "small island" mentality and feelings of uniqueness.[12]

Conclusion

Problems between the United States and Japan are numerous. A recent survey showed that Americans, due perhaps to recent changes in Eastern Europe and the Soviet Union, now consider the threat from Japan to be greater than that of the Soviet Union.[13] Yet, harmony between these two very different countries is crucial to the stability of the world's financial markets. Problems in New York and Tokyo, 7000 miles apart, send shock waves throughout the world. For example, economists have developed scenarios as to what affect the expected earthquake in the Kanto (Tokyo region) might have on financial markets if it does occur. The lowering of land prices in Tokyo as well could bring financial disaster to the United States and the world as so much investment in the United States is backed by land holdings in this region.[14]

Fate has brought Japan and the United States together at least for the time being. Though the problems facing these two countries are numerous and their solutions complicated, both countries need to recognize their mutual dependence and that the betterment of each other, as well as the world, can come not through recrimination that the other does not understand about "fairness." Rather it will come through learning each other's cultural biases and by taking them into consideration in establishing a cooperative relationship.

Acknowledgement

I would like to thank Dr. William Pickett of Rose-Hulman Institute of Technology for taking the time to read this paper and contribute his invaluable comments.

Notes

1. Liebeler, S. "Super 301: The Fox in the Chicken coop?" *The Japan Times,* May 11, 1989.

2. See Smith, H. *The Power Game,*(New York: Ballantine Books, 1988).

3. Fallows, J. "Containing Japan", *The Atlantic Monthly,* May, 1989.

4. Prestowitz, C., Jr., *Trading Places,*(Tokyo: Tuttle Press, 1988), p. 80.

5. This interpretation of international society manifests itself in the way visitors and residents from the respected countries are treated in Japan with people from the Western countries receiving preferable treatment over those from the Asian countries.

6. *Business Week,* December 18, 1989.

7. Frost, E. *The New U. S.-Japan Relationship,*(Tokyo:Tuttle Press 1987), p. 35.

8. At present, according to Omae, the country of origin of the product, and not the country of origin of the producing company determines whose export a given product will be. For example, if IBM makes computers in Japan and sells them in the United States, those computers are considered a Japanese export. Also, IBM's sales in Japan are not figured into trade calculations.

9. The following figures, given for example, do not take into account other "imports" such as technology patents and franchise rights that technically should be con-

sidered. See Omae K. *Sekai ga mieru, Nihon ga mieru* [I See the World, I See Japan], Tokyo: Kodansha, 1986), p. 55:

	Japan	America
Imports	$25.6 bill.	$56.8 bill.
Multinational companies	$43.9 bill.	$12.8 bill.
TOTAL	$69.5 bill.	$69.6 bill.

10. Prestowitz, 1988, p. 323.

11. p. 331.

12. p. 331

13. Reported in *The Japan Times*, March 6, 1989 excerpted from "American Insight" 1989 No.1 Report.

14. Omae, K. "Wise Up, Uncle Sam" *The Japan Times*, November 8, 1987.