

process promised to popularize disposable diapers even more. The products of all the companies had Western babies pictured on the boxes and names written in English: no foreign phobia in this regard!

But between 1983 and 1986, Procter & Gamble was nearly driven out by its local rivals, notably a small newcomer called Unicharm. At that time, it would have been easy to conclude that consumers were rejecting the foreign product, now that there were made-in-Japan equivalents. This conclusion would also have been wrong. Unicharm's technology was better (that is, the diapers were more absorbent and less leaky), and so was its advertising. Japanese mothers were acting like any foreign mother would: they wanted the best for their babies. Beginning in 1986, Procter & Gamble fought back with new technology and more attractive advertising that was more in tune with the local style rather than the hard-sell American style. Procter & Gamble won the market back, its share rising from around 5% to 30% and beyond.

In summary, industrial policy is not the major reason for Japan's success. Rather, the organization of the Japanese economic system has promoted growth and made its industries internationally competitive. The government probably helped industries in several ways, from a simple application of the infant industry theory in the early years, to the playing of more subtle roles as an information centre, coordinator and signaller. The motivation derived from Japan's economic system was more important than government policies in taking advantage of the emerging opportunities in the global market place. Strategic trade and industrial policies, by themselves, would have never brought Japan the development it has attained in the post War period. What matters is the presence of a competitive and efficient market mechanism. Without such a mechanism no government, however competent and stable, would ever be able to achieve what Japan has achieved.

4. PASSION, REAL ISSUES AND POLICY: JAPAN-U.S. TRADE CONFLICTS

Much of the focus in the U.S. on Japan represents a mixture of fascination and envy. Fascination, because of Japan's remarkable rise from relative backwardness and crushing military defeat to an extraordinary position of financial and increasingly technological leadership. Envy, because this rise stands in sharp contrast to the gradual decline of U.S. preeminence, which has been accompanied by stagnation or even decline in the living standards of a large number of Americans. To a large extent, Japan's success stands out as a nagging reminder and symbol of the shortcomings of the U.S. economy in delivering steadily rising economic prosperity. In the U.S., in the heart of economic nationalists, lies the fear that the U.S. is deindustrializing, that it is losing in the high technology industries, and that its international competitiveness is slipping and well-paid jobs are disappearing.