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Statements and Speeches

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(Corrected version)

JAPAN -- NEITHER THE SWORD NOR THE CHRYSANTHEMUM

Address by Mr. Bruce Rankin, Ambassador of Canada to Japan, to the Empire Club of Toronto, March 10, 1977.

Having seen the list of your other speakers during your current program, it was with some nervousness that I set about selecting a theme for my remarks today. Many topics, relevant, substantive and worthy of treatment, came to mind and, indeed, I listed a great number of them but decided that each in turn provided a topic in itself. I also had to remind myself that I was not in the process of giving a six-weeks' seminar on Japan but having one opportunity of speaking to a very prestigious and distinguished audience in Toronto.

It seemed logical, of course, that I might well have spoken about our trading relationship with Japan, but then I realized that my audience would already know that Japan is our second-biggest trading partner, that our total trade is over \$4 billion, and that it renders a favourable balance for Canada in excess of \$1 billion, equal to the overall favourable merchandise balance in our global exchange of goods in 1976.

I also thought that, in this context, I might well speak to you about the market itself, and yet I recognized, of course, that this audience would know that Japan is virtually totally dependent on its imports of energy and natural resources and that the skills and hard work of its people in turn produce and market around the world the results in the form of highly-manufactured goods. Indeed, you will already be aware of the considerable outcry in recent months by the Common Market, from the United States and from Australia, at the trading relationship with Japan -- and that Canada stands alone as a major trading partner that is not crying foul in our interchange of goods.

This is not to say, of course, that we are not actively engaged in improving our economic relationship with Japan. We have been working on this intensively for the past three years. Indeed, you will know that the Prime Minister visited Tokyo last October and signed the Framework for Economic Co-operation, which embodies the principles of a new relationship with Japan in the sense that we are looking for a better "mix" in our exports -- the upgrading of our raw materials and easier access to the Japanese market for our manufactured goods. The Framework also gives promise of a new era in terms of

joint enterprises, of investment opportunities and of an exchange of science and technology.

But then it occurred to me that this audience would already be aware of these developments and would know, for example, that Japan represents for Canada our largest single market for agricultural produce in the world. You would already be aware that Japan represents a domestic market of some 110 million well-educated and well-paid people. Indeed, you may have known that their high standard of living results primarily from their own domestic market and not from their role as an exporting nation. Some 13 per cent of Japan's gross national product results from its exporting position -- almost half that of Canada.

I thought I could well speak to you today on how to do business in Japan and I started to make some notes. Obviously, I started off with a description of the consensus process of arriving at decisions in the Japanese community. A slow and painstaking process, it starts at the lower scale of management, or the middle-management level, and gradually works its way up to top management, with each participant's "chop mark" carefully placed on the appropriate piece of paper. Until consensus is reached within the Japanese community itself or within an individual company or, indeed, within government, negotiations cannot proceed very far. A process, when not well understood by Westerners, can be frustrating as well as time-consuming, a subject for a speech all on its own.

I thought it appropriate at one point to prepare my remarks on the complicated distribution system of Japan. The methods of marketing are so complex as to baffle the best minds. Indeed, on one occasion, when I said to the chairman of one of Japan's largest trading companies with offices in Canada "Why don't you 'source' in Canada and arrange to market Canadian products in Japan and thereby overcome the complications to Canadians of the distribution system?", he replied: "I don't understand the distribution system myself". Suffice it to say on this occasion that, depending on the product, it is not unusual to find two, three, four or five levels of wholesalers before goods reach the retailer.

Then, any speech that I might have prepared on how to do business in Japan would, of course, have to refer to administrative guidance, that remarkable and unique system -- unique indeed to Japan -- where all levels of society, government and business, can quietly close ranks and decide what shall be done or what shall not be done -- including, I might add, the import of goods from abroad. There is nothing in writing. The system is mysterious but most effective. It is, indeed, Japan incorporated. It is to be recognized that what is

deemed to be the national interest prevails over all else and that individuals and individual companies and individual industries will subordinate their own interests if it is determined by the consensus system I referred to earlier that it is in the national interest. At this stage of Canadian development, we have something to learn from this attitude. Before you make your first visit to Japan, it is important to know that "yes" means "I understand", not necessarily "I agree".

Another subject that I also thought might be of interest would be the remarkable industrial emergence of Japan from the ashes of a devastating war. It is already well-known to you that the Japan of today is indeed a "miracle". While there is recognition now that Japan is moving into a new era and that slower growth-rates will be the thing of the present and the future, and while I would be the first to recognize the greatly-improved attitude and atmosphere *vis-à-vis* the trading relationship with Canada, some of the old approach still automatically emerges. Not too long ago, at a meeting with two very senior Japanese Government officials, when we were reviewing the Economic Framework and various aspects of it then in the mill, I mentioned, towards the end of our conversation, that I had been very pleased to learn only that morning that a small Canadian speciality-manufacturer had managed to take an order for \$80,000 of outer shirts during his visit to Japan. One of the officials from the Japanese Government, without a moment's hesitation, said: "Why aren't they made here?" My, just as quick and immediate, response was: "Damn it, you don't have to make everything!"

I gave considerable thought to speaking to you today about some of the developments over the year that I have just completed, my first year in Japan. I thought I might well dwell on our nuclear-energy prospects. Japan, as you know, imports already one-half of its uranium requirements from Canada and we are now actively negotiating safeguard agreements that will permit the continuation of that valuable trade. The prospects of selling CANDU to Japan are good. The long period of consensus and the investigations on which such a consensus can be based determining CANDU's suitability to Japan, *vis-à-vis* earthquakes and other safeguard requirements, have been under way for the last 18 months, or two years. We anticipate a favourable result within the next year or so.

At one point, it seemed appropriate to take this opportunity to talk about Japan's financial situation: a savings-rate of over 20 per cent, which, in turn, has helped fuel industry; debt-equity ratios of 90:10; foreign-exchange reserves of \$16 billion; the last budget and its mild stimulus through a modest tax-cut and some expansion in public-works spending.

The Japanese political situation would be, of course, a subject all on its own. Suffice it to say many political observers see the drop in support for the ruling conservative LDP Party at last December's Lower House elections being reflected in a possible overall loss of a majority at the upcoming Upper House elections this July. Nevertheless, the swing away from the LDP has been in support of other relatively conservative opposition parties.

As management-labour confrontation and our strike record in recent years loom large, it seems to me, as one of our major problems, the Japanese experience might well be looked at in some detail. The lifetime employment principle, the company-union structure, the five-and-a-half-day, long-hours, working week.

The Makita Mission -- a dozen or so top Japanese industrialists -- visited Canada last fall. On their return, I met with them. While they still look to Canada as a reliable supplier (I took the opportunity to stress a reliable supplier needs a reliable buyer), they nevertheless expressed concern at our strike record, FIRA, federal-provincial relations -- particularly taxes and royalties, etc., transport -- and, of course, the Quebec election results. The Japanese business group would like to see the formation of a Canadian organization of business leaders with whom they could work and consult on a regular basis. A lot of other countries, including the U.S.A. and Australia, have used this type of association most effectively with the Japanese. I hope that the Canadian business community would respond positively to this proposal.

Then, I decided "enough of trading and economic topics" and that I might well stress our new efforts in Japan in broadening and deepening our relationship. The process has been under way for about three years, highlighted by the signature of a cultural agreement with Japan during the Prime Minister's visit last October. The Government has "set in place" in Japan a very active public-affairs program. The provision of information about Canada that is being made available to the Japanese media is growing by leaps and bounds. Our tourism is also growing very rapidly; indeed, last year we recorded some 109,000 Japanese as visitors to Canada. They are good tourists. Not only do they utilize our hotels, restaurants and transportation system but they are buyers, great shoppers, spending approximately \$80 million in Canada in 1976.

In the same context, we have now under way a considerable exchange in the academic area. We have established Canadian studies programs in several of Japan's leading universities. We have a number of Japanese scholars in Canadian institutions of higher learning. We have already a considerable cultural exchange, from Canadian

symphony orchestras to "peewee" hockey teams from North York, visiting Japan.

There are so many aspects of our relationship with Japan or about Japan itself to make a topic or topics for speeches to Canadian audiences. To the appropriate audience, the educational system in Japan is one of immense fascination. Entry to the appropriate university, where entry itself is a stamp of future success, is the eye of the needle that is looked at by each parent when the child is born, and requires all the skill of every mother to make sure the child first enters the right kindergarten, a stepping-stone to the right elementary school, and in turn to junior high school, and then the all-important high school from which the university entrance exam will be written. The trauma and pressure this system bring to bear is beyond comprehension.

So much for the topics that I decided not to choose today.

Let me briefly refer to another dimension. That is the partnership we enjoy -- we, Canada and Japan -- in an interdependent world. In this troubled world, Canada and Japan are bound both to the rest of the industrialized world and to each other. First, we are both industrialized countries. Second, we both depend, to a large extent, for our own prosperity on the expansion of world trade, the peace and stability this requires. Third, our economies are in many ways complementary, which makes us natural trading partners for many things. Fourth, we have voices that, when raised internationally, are listened to, although Canada's voice has been heard more loudly and more often for its size and importance than has that of Japan in the postwar era. Fifth, we have both eschewed nuclear weapons as an option for our national security. And sixth -- well, I could go on some distance further, but you get the point. These similarities presumably should lead our two countries to be natural partners bound by respective self-interests and united in seeking to achieve the finest objectives of the international community. Right? Wrong!

Certainly, we are partners. Certainly, we are important to each other. Just as certainly, that relationship has been expanding and strengthening, particularly in the last few years, but that is not to say that it is either an easy relationship or, indeed, a natural one. For all the elements that bring us together, there are many that have to be overcome that would otherwise keep us apart -- the mainstream of our histories, the geographical distances, will always separate us, very distinct cultural differences and a very different conception of nation and self. To remove these obstacles to understanding and co-operation is difficult, requiring patience and much hard work; keeping those obstacles out of the way once they have

been removed requires just as much patience, and probably even harder work.

In my earlier remarks, I have alluded to a number of differences. There are other, more general, contrasts that serve to point up the anomaly that is Japan -- the Westernized, urbanized veneer and strength of a homogeneous history and culture. Where else in the world does the man at the train-station wicket arrange every detail of your trip down to the actual seat-number across the country by computer and then verify the cost on his abacus? Where else but in the land of the walkie-talkie and the transistor radio do you find firemen patrolling neighbourhoods communicating an "All's well" to other members of the patrol by clapping together hardwood sticks?

I am quite certain that I shall never have more than a modicum of understanding of the land of great contrasts that is our second-largest single trading partner and a nation that can, and must, play a broad and important role on the world stage. I firmly believe, however, that the frustrations and difficulties of the relationship are overwhelmingly outweighed by the rewards that continuing broadening and deepening will bring.

You may well be saying to yourselves: "What is all this about anyway? OK, we are trading partners and likely to continue to be so, with a preponderance of Canadian raw materials going to Japan and Japanese manufactured goods coming to us. What more is there likely to be beyond that? They are big and we are not so big. They are far away and in a different environment, while our faces turn south to the United States or, at furthest, to Europe." These feelings are natural, but they do not take an analysis of the relationship far enough.

Most important, in a world of close interrelationships among the industrialized countries, we do have things to give each other and about which we can support each other, despite the disparity of our economies and our populations. For its part, Canada has played an active and constructive role on the international stage since the end of the Second World War. For a part of that time, our influence on world events was undoubtedly disproportionate to our intrinsic importance in the global scheme of things. From these years, we have brought away an expertise, and an appreciation of the international dimension of our existence, that I think we all, as Canadians, can be proud of. The same is not true of Japan. Since 1945, Japan and the Japanese have centred their considerable energies and intelligence on remaking their country. That they have succeeded so well is clear to any visitor to the modern and prosperous Japan of the mid-1970s. On the other hand, Japan's forays into international

life since the war have been hesitant and relatively infrequent, unless the issue was economically-related or of direct interest to the security of the Japanese homeland. We can learn from each other. The Japanese can learn from the Canadian experience that the wider objectives of international peace and security must be pursued relentlessly, despite frustrations and setbacks. From the Japanese we might do well to gain a deeper appreciation of the sense of national purpose and devotion to their homeland that is so often so very evident -- and here so often so very lacking.

No set of remarks such as this would be complete without a reference to the "Third Option". Canadians dealing with Japanese affairs think of Japan as the other pillar, along with Europe, of the Third Option policy. The priority and effort that have gone into the development of our relationship with Japan and the speed at which the relationship has flowered, having found a receptive and willing audience, are an attestation to the fruitfulness and the correctness of the direction we have chosen to take. But I, for one, do not in any way think that this seeking to diversify relationships is by any means a one-sided thing. Without wishing to overstate the point, it is nevertheless true that a strengthened and active relationship with Canada can provide a "Third Option" for Japan, and one I believe Japan will find more and more desirable as the century continues to unfold. Indeed, Japan as an Asian nation and a member of the Western industrialized community has a foot in both camps, but is not sure it belongs to either.

Anyone out there who is from Missouri is probably at this point querying the validity of my last statement. The query is valid but, I think, so is the statement. Japan and Canada, besides their own relationship, both share a unique relationship with one third party -- the United States. I need not dwell on the strength and importance of that relationship of the United States with Japan. In fact, since the war, one could pick up many similarities between the Canadian and Japanese relationships with the U.S.A. So many of the blue-prints for Japan's recovery are clearly stamped "made in U.S.A.". So, in slightly different terms of risk capital, is the situation in Canada. Our co-operative arrangements for security, not only in Europe but in North America itself, through NATO and NORAD, the Japanese duplicate with their security treaty with the U.S.A. Prime Minister Fukuda has recently reaffirmed the primacy of the importance of Japan's relations with the U.S., but it remains evident for all to see. In these circumstances, a diversification of relationships is probably not only desirable but necessary. Sharing in common a democratic government and similar ideals with respect to peace and security in the world, Japan and Canada can offer each other much in expanded consultative arrangements that will go beyond the solid

and important foundations of commerce and economics to the delicate and more volatile issues of peace and security. Of necessity, Japan's role on the international stage will grow until it matches the country's economic importance. It is the responsibility of like-minded countries like Canada to share their experience on the stage in encouraging such growth.

This way is not easy, for it requires the breaking-down of reticence and, often, deep misunderstandings on both sides. Nevertheless, I firmly believe that it is worth while pursuing. I am convinced that Canada has only begun to strengthen its economic relationship with Japan and that opportunities of immense potential exist today in the areas of trade, investment, joint ventures and technological exchanges. However, as Prime Minister Trudeau pointed out while in Tokyo last year, it will be up to the private sector to a large extent to follow this path. The Framework for Economic Co-operation is an invitation to those of you gathered here today, and to your Japanese counterparts, to seize the manifold opportunities for advantage our two governments have identified. The Canadian Government, through its offices in Ottawa and its Embassy in Japan, is prepared to assist you in seeking these new opportunities. I believe imaginative persistence on your behalf can foster generous rewards in the future.

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