

JETRO Chicago Midwest NEWSLETTER

Japan External Trade Organization

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In this issue ...

- *JETRO Around the Midwest: ... page 2*
- *Ask JETRO: New newsletters ... page 2*
- *JETRO at BIO 2009 ... page 2*
- *Guest View: "Why Japan?" ... page 3*
- *Director's Dialogue: The View from Brazil ... page 5*



From the Chief Executive Director

*Muneo Takashi
Chief Executive Director,
JETRO Chicago*

About five years ago, when I was in Los Angeles, the movie "Lost in Translation," caused a kind of sensation both in the U.S. and in Japan. This movie described a sense of miscommunication and solitude of two Americans in Tokyo, one a middle-aged man played by Bill Murray, the other a young woman played by Scarlett Johansson.

A major focal point of this movie, it seems to me, is its location in Tokyo, Japan. If it was any other big city outside the U.S., say, London or Paris or even Beijing, I believe this movie would have had a different nuance and couldn't have elicited such a broad sympathy from the mass of viewers. In other words, I think a lot of Americans must have faced similar situations in Japan or have had communication problems with English speaking Japanese in the U.S., so they could easily relate to the situation these two Americans in the movie faced.

Although the problem of a communication gap between plural nationals is very universal and common, I believe that the communication problem with English speaking Japanese is of a slightly different nature. This problem derives from the characteristics of Japanese. The following are my thoughts about these characteristics.

First, Japan is a country consisting of four major islands and from almost just one race. The exception is the 'Ainu,' an aboriginal tribe that inhabited the northern part of Japan including Hokkaido and the Far East of Russia. And through history, the Japanese have never experienced an invasion from outside Japan by foreign forces. The

See "Chief Executive Director" on page 3

New Structural Change in Japanese Management: The Deep Impact of Globalization and Recession



Guest View

*Michio Katsumata,
Professor, Akita
International
University*

It was only yesterday when Japan was highly admired as the most successful economic power in the world. Praise of "Japanese Management" prevailed worldwide in the 1970s and 1980s, especially highlighted with the provocative title of the book in 1979, "Japan as Number 1," by Ezra F. Vogel, Harvard University professor, whose subtitle was "Lessons for America."

With the 1985 Plaza Accord, made by G7 finance ministers and central bank governors at the Plaza Hotel in New York, Japan enjoyed the strongest purchasing power by high appreciation of the yen, which ended as "the burst of the bubble economy" to face "the lost decade" through 1990s. In the first decade of the 21st century, Japan has not yet recovered its confidence in economic performance as well as in business management.

Now Barack Obama, in his first press conference as U.S. President, referred to Japan not in a favorable way, but suggested that America should learn the lesson from Japan's failed economic recovery.

See "Guest View: Katsumata" page 4

Professor Katsumata set to address Illinois symposium

A free symposium featuring key leaders in education, energy, and business from Japan and the U.S. will be held on April 23 at Lewis University in Romeoville, IL, near Chicago. "U.S.-Japan Collaboration and Opportunities: a Dialogue" is being presented by The Lewis University College of Business, JETRO, and the Will County Center for Economic Development.

Professor Michio Katsumata will be among a group of top-level speakers, including Steven Gan, president of Stellar Risk Management Services, Inc., in Northbrook, IL., Gen Hajime Ito, president of JETRO New York, and Sam Cremin, global director of Marketing Communications at Molex, Inc., in Lisle, IL. More information and registration is available at www.lewisu.edu/USJapanSymposium or by contacting Dr. Frank Rose at 815-836-5802.

JETRO announces Toronto and Ohio seminars focusing on automotive Monozukuri philosophy

Save these dates! Two seminars focused on Japanese Monozukuri Practices for the Automotive Industry have just been announced. In order to truly enhance business relationships with Japanese manufacturing companies, it's important to have a fundamental understanding of Japan's monozukuri practices. Learn more at these events!

Thursday, May 28, in Columbus, Ohio (Hyatt Regency Columbus). For more information please contact Kevin Kalb at JETRO Chicago: Kevin_Kalb@jetro.go.jp; 312-832-6000 x205.

Tuesday, June 2, Toronto, Ontario, Canada (venue TBD). For more information please contact Tyson Garbe at JETRO Toronto: Tyson_Garbe@jetro.go.jp; 416-861-0000 x227.

In this issue ...

- JETRO Around the Midwest: ... page 2
- Ask JETRO: New newsletters ... page 2
- JETRO at BIO 2009 ... page 2
- Guest View: "Why Japan?" ... page 3
- Director's Dialogue: The View from Brazil ... page 5

[Back to Page 1](#)



Ask
JETRO

How can I get a subscription to JETRO's new Healthcare e-mail Newsletter?

JETRO's got a new online newsletter called "Healthcare Japan." It provides up-to-date and timely information on the medical care, service and equipment sectors of Japan's healthcare industry, including updates on business deals, discoveries and developments, regulations, market statistics and trends, plus news of JETRO events and more.

Healthcare Japan joins a list of online newsletters that offer links to stories of interest in a number of categories, from entertainment to mobile communications.

These are in addition to the magazine-style JETRO Midwest newsletter, which you are now reading.

You can sign up for subscriptions to any or all JETRO newsletters at www.jetro.org/newsletters.


You'll also find a library of back issues where you can discover success stories, case studies and other reference information.

You're encouraged to pass this registration information on to your business associates. These newsletters are all offered free of charge.

Contact JETRO Chicago

JETRO Chicago is located at 1 East Wacker Drive, Suite 600, Chicago 60601. Phone: 312-832-6000; Fax: 312-832-6066; website: www.jetro.org

For general information, call the number above, or for a specific inquiry, use the form at www.jetro.org (select "Contact JETRO" from the menu bar at left).

For Invest-in-Japan and robotics information  contact Kevin Kalb, at kevin_kalb@jetro.go.jp.

For biotech information, contact Robert Corder, at robert_corder@jetro.go.jp



JETRO Around the Midwest

Seminars, Meetings and Events

JETRO Chicago's Muneo Takashi addressed a class at the Kelley School of Business, Indiana University on February 24. The class, led by Professor Tony Gerth, Clinical Associate Professor, shows its warm appreciation.



Krista Zurkamer, International Business Manager Japan, for the State of Missouri, Department of Economic Development visited JETRO Chicago in February and met with Chief Executive Director Muneo Takashi.



On March 17, a contingent from JETRO Chicago visited the Ohio Department of Development. (From left) Ryan Miller (ODOD), Kaz Akiyama (JETRO), Kazuya Nakajo (JETRO), Ritsuko Hashimoto (JETRO), Deborah Scherer (ODOD), Muneo Takashi (JETRO), Tazeem Pasha (ODOD), and Tomonori Shibahara (JETRO).



The class of Professor Joseph L. Bittorf, Professor, College of Engineering and Engineering Technology, at Northern Illinois University visited JETRO Chicago on February 20, and met with a number of staff members.

JETRO Chicago's Yuji Shiozaki and Bill Suzuki, General Manager of Komatsu, arranged



for a visit to Komatsu America Corp. - Peoria Manufacturing Operations on March 19.



JETRO assisted the Thomas Dooley Elementary School in Schaumburg, IL by providing the Japanese-made robotic seal, "PARO" for display at their Japanese Culture Night on February 27.



JETRO Chicago preparing for BIO 2009 in Atlanta

JETRO is busy preparing for the 2009 BIO International Convention, to be held May 18-21 at the Georgia World Congress Center in Atlanta, GA. JETRO has recruited sixteen Japanese companies and research institutes as participants. These mission members will exhibit their technologies and services at JETRO's Japan Pavilion at BIO 2009. Companies include: *CellSeed, Inc.* (Tokyo); *ECL, Inc.* (Tokyo); *Elquest Corporation* (Chiba); *iPS Academia Japan, Inc.* (Kyoto); *Japan Biological Informatics Consortium (JBIC)* (Tokyo); *Kanagawa Academy of Science and Technology (KAST)* (Kanagawa); *Kanazawa University TLO (KUTLO)* (Ishikawa); *Kansai TLO Co., Ltd.* (Kyoto); *Nano Fusion Technologies, Inc.* (Tokyo); *Osaka Bio Headquarters* (Osaka); *PropGene Inc.* (Tokyo); *ReqMed Company, Ltd.* (Tokyo); *Sumitomo Bakelite Co., Ltd.* (Tokyo); *Techno Network Shikoku Co., Ltd.* (Kagawa); *Todai TLO, Ltd.* (Tokyo); *Tohoku Techno Arch Co., Ltd.* (Miyagi). For more information, please contact Robert Corder, Robert_Corder@jetro.go.jp & 312 832-6000 x 204.

In this issue ...

- JETRO Around the Midwest: ... page 2
- Ask JETRO: New newsletters ... page 2
- JETRO at BIO 2009 ... page 2

- Guest View: "Why Japan?" ... page 3
- Director's Dialogue: The View from Brazil ... page 5

[Back to Page 1](#)

Chief Executive Director ... from page 1

exception in this case is the Mongolian Invasions of the year of 1274 and 1281, beaten back both times by the combination of Japanese forces and fierce storms. Therefore, because of this racial homogeneity and the lack of imprinted memory of being invaded or conquered by foreign forces, Japanese people have never felt an acute necessity to learn foreign languages until recently. To be sure, there exists a certain number of Japanese for whom knowledge of a foreign language is a must in contemporary global society, e.g. diplomats, members of multinational companies, etc. But for the most part, generally for Japanese, there are few occasions to use a foreign language in their daily lives, even though English is required as a foreign language course in junior high and high school.

Secondly, Japanese is a very unique language and has little in common with other languages in its construction and pronunciation. Though there are some theories referring to an analogy between Japanese and Asian languages like Korean or Dravidian (spoken by people who live mainly in southern India), none produce an established theory on the origin of the Japanese language. Because of the isolation of Japanese from the viewpoint of linguistic genealogy, the Japanese people cannot use an analogical method as a technique in learning a foreign language, inevitably compelling them to learn from a comparatively less advantaged position than other nationals.

(Writing the above passage, I am reminded of the fact that many of my U.S. acquaintances speak fluent Japanese and I wonder how they could master such a special language so easily. I guess that the factor one mentioned above must be more powerful than factor two.)

This past March, I had the occasion to attend and speak at a roundtable titled "Language for Many Purposes: Teaching and Learning Japanese for Use in Business and Society," sponsored by the Association of Teachers of Japanese. At this event, I learned that many professors and teachers are now teaching 'Business Japanese' in the United States. But many of them are concerned about the diminishing number of students who learn Japanese in the U.S. compared to other Asian languages like Chinese, which is gaining popularity.

I know that Japan is no longer the only economic giant in Asia. But I believe Japan should try to appeal to Americans not only through its economic power but also its "soft power" as professor Joseph Nye advocated, so that more Americans make up their mind to start learning Japanese and the "Lost in Translation" type of situations will decrease.

Why Japan?



Guest View

*Edward A. Grant,
President,
Japan America Society
of Chicago*

A question I am frequently asked is, what is my connection to Japan. During the '90s, I managed the Japan desk for Arthur Andersen in Chicago. While I had been exposed to Japan before, it was during this time I developed a deep interest in and appreciation for the Japan people, economy and culture. That interest and appreciation has endured.

However, the reasons for my active participation in the Japan America Society of Chicago go beyond these. I do not currently have any business interests in Japan and I do not expect any. At heart, I am a peace and prosperity guy. I believe that the quality of life attributes of societies (health, education, culture, et al.) flow from, or are made possible by, peace and prosperity. That's it. An

abundance of peace and prosperity make possible an abundance of the quality of life.

Then back to Japan and the JASC. To my view, the Japan America bilateral relationship is the cornerstone of security and economic well being in the Asia Pacific region. I think this is a not uncommon view. And the security and economic well being of Asia Pacific, of course, has a most direct bearing on that of the United States.

While clearly India and China are ascendant economically in Asia, Japan remains the second largest economy in the world. China and India are the "hot" Asian markets and do have a certain cachet or buzz in the American business community. But it is Japan that is the most mature, democratic, free market, rule of law economy in the region. Combined, Japan and the US represent nearly one third of the world's GDP. Undoubtedly, Japan is the Asian economic partner of the US that contributes most to the economic stability and reliability of the region.

The other half of the equation, security, is another matter. While Japan, by operation of its constitution, does not project military power, its security relationship with the US does. It is the Japan US security alliance

[See "Guest View: Grant" on page 4](#)

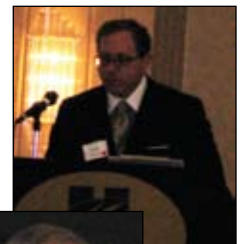
JETRO Chicago welcomes new Executive Director



Minoru Yamamoto was named Executive Director of JETRO Chicago in March 2009, succeeding Kazuya Nakajo, who has completed his assignment in Chicago and returned to Tokyo. In his new position, Yamamoto oversees the JETRO Chicago's effort to facilitate business development between Japan and the Midwest. Mr.

Yamamoto previously led Japan's participation at the 2008 International Exposition in Zaragoza, Spain managing the Japan pavilion and serving as Secretary General during the event's three-month run. From 2001 through 2005, Yamamoto served at the Associate Director of JETRO's International Affairs Group and was Director of the Japan Pavilion at the 2005 World Exposition in Aichi. Before that, Mr. Yamamoto was assigned to JETRO's Industrial Cooperation Division. From 1995-1998, Yamamoto was Director of the Agricultural and Fisheries Department at JETRO Toronto. Yamamoto joined JETRO in 1991 after graduating from Nagoya's Nanzan University with a Bachelor's Degree in Law.

Seminar for Japanese Companies



On March 25, JETRO Chicago presented a seminar in Novi, MI, entitled "Current and Upcoming Challenges with Customers, Suppliers and Employees in the Automotive Industry," directed at Japanese companies.

The speakers were from the law firm of Butzel Long: Bill Kohler (top photo) and Gary Klotz (bottom photo).

In this issue ...

- *JETRO Around the Midwest: ... page 2*
- *Ask JETRO: New newsletters ... page 2*
- *JETRO at BIO 2009 ... page 2*

- *Guest View: "Why Japan?" ... page 3*
- *Director's Dialogue: The View from Brazil ... page 5*

[Back to Page 1](#)

Guest View: Grant ... from page 3

that provides the stable platform that produces confidence and security throughout the entire Asia Pacific region. With the notoriously unpredictable and threatening North Korea and a steadily growing but opaque China military capability, with its own unpredictable moments, the Japan US military alliance remains the key to regional security. A diplomat once said to me that security is like oxygen; when it is present one enjoys its benefits but doesn't think much about it, however, when it is absent, the only thing that one can think about is getting back in its presence. I believe this.

But then one could ask, why the Japan US relation? It is already mature. It is sound. It is absent serious disagreement or dispute. Also, aren't other regions, for example the Middle East, greater security risks to the world? First, let us discuss the mature Japan US relationship. George Schultz, when asked as Secretary of State why he invested his time and efforts in international relations of the US that were already successful, he responded; "If you have a garden and you want to see things flourish, you have to tend to it." I do hope that the Japan America relationship never has to be tested in time of a security crisis. But if it is, I hope that there is wide spread, grass roots support in the US for the security alliance. And I hope that the alliance responds to the moment, performs and meets the test.

Second, other high risk regions of the world. There are other regions that do present very real and intractable security risks. But I have never traveled to the Middle East and my Pakistan region direct experience is insignificant. I will stick with the region that I have experienced most firsthand and already enjoy so much.

While in Japan several years ago, I heard the then US Ambassador to Japan, Michael Mansfield speak. In that speech, Ambassador Mansfield stated that the Japan United States relationship is the "most important bilateral relationship in the world, bar none." I believe that. And I believe that well reasoned and sound regional policies, developed in concert between Japan and the US, will go a long way toward facilitating peaceful and prosperous growth of the Asia Pacific region. While the Japan America relationship is a niche, I believe that it is a very high value niche.

So is the Japan America Society of Chicago a key to the Japan US relationship? No, it is not a key to the Japan US relationship. However, for the walls that protect the US, Japan and the world, I would prefer that those walls be strong. And even if the JASC is only one small brick in a very large wall, every strong brick strengthens that wall and every weak brick weakens that wall. I would prefer to strengthen that wall.

So there you have it. Why Japan? A great country, fabulous people and a wonderful culture. And peace and prosperity. What more could one ask for?

Guest View: Katsumata ... from page 1

What has changed in the past twenty years in the Japanese economy and in particular, the Japanese management once so highly respected?

The key elements of Japanese Management can be listed as:

1. Long-term (permanent or lifetime) employment: job security and extensive training for personnel in skills that might be needed in the future
2. Seniority system of wage increases
3. Corporate unionism and corporate paternalism
4. Team concept: small group responsibility, harmony, the capacity to work well with others
5. "Bottom-up" rather than "top down" management
6. Long-term perspective, more concerned with the long-run goal of expanding market share, less interested in short-term profits
7. Cross shareholding within the group (=family) companies
8. Employees first, shareholders later

With these elements, a Japanese company (governmental organization, as well) provides

a strong sense of belonging, personal support, welfare and retirement benefits to the workers, and workers have pride in their work and loyalty to their company. Their identification with the company generates such labels as "Sumitomo man, Mitsui man, Mitsubishi man, or Matsushita man."

But these are the stories of the past. Traditional values of Japanese management are now quickly falling down or fading out. Why? I see three main causes: Globalization, Deregulation and Recession. These three combined into one have made a deep impact on the structural change in Japanese management.

Globalization of the economy developed in the 1980s and accelerated in the 1990s with the IT revolution, making business activities faster, requiring speed management. Faced with newly introduced global standards, Japanese management has to meet the requirement of accountability to the stakeholders including investors, shareholders and consumers.

Deregulation has forced the Japanese market open to foreigners, who made aggressive investment in Japanese firms in the 1990s, causing frequent M&A (merger and acquisition) between Japanese and foreign firms and among Japanese competitors. Mitsui and Sumitomo merged, Mitsubishi and several other banks merged in the financial industry. Matsushita changed its name to Panasonic to

get a more international flavor.

Deregulation also paved the way to a massive introduction of both temporary workers and foreign workers into the Japanese labor market.

Recession has allowed management to reduce the number of full-time regular workers, replacing them with part-time and temporary workers to save labor costs. "Speed management," seeking higher productivity and cost efficiency in the short term, gradually and inevitably deteriorates the traditional Japanese management characteristics.

What is now happening in the Japanese factories and offices is the tidal change of work-ethics. The company is no longer a comfortable family, but simply a workplace to earn money. Elder workers are no longer respected for their expertise in the job, but simply regarded as "analogue old-timers" who cannot manipulate PC software. "Digital divide" is now prevailing in the workplace. Many statistics show young workers today have less loyalty, less faith, less identity with the company than their "sempai" generations over 40 and 50.

Quo Vadis? Where are you going? Japan is now floating like a small boat in the stormy sea. A strong political leadership to show future perspectives and to navigate is badly needed, but is yet to be seen.

In this issue ...

- JETRO Around the Midwest: ... page 2
- Ask JETRO: New newsletters ... page 2
- JETRO at BIO 2009 ... page 2

- Guest View: "Why Japan?" ... page 3
 - Director's Dialogue: The View from Brazil ... page 5
- Back to Page 1

Economic conditions in Brazil, while perilous, have not yet reached crisis stage



Director's Dialogue

Kyoichi Nakamura
Director of Machinery,
JETRO Chicago

From February 15-20, two JETRO Chicago staff members visited the Brazilian cities of Sao Paulo, Curitiba, and Manaus to learn about Brazil's economic relations with North America as well as the climate for investment

in Brazil: Kyoichi Nakamura, Director of Machinery Federation, and Yuji Shiozaki, Director of Industrial Machinery. They also visited the Brazilian operations of NSK, Toyoda-Koki, KYB, CBC, and Sanyo. Following is Mr. Nakamura's firsthand report on conditions in Brazil and the Japanese companies doing business there.

General perceptions of the current state of the Brazilian economy range from the government's rather optimistic projection of 4% GDP growth to the more pessimistic 1.5% growth rate expected by many Brazilian economists. In any event, when we visited in February, the Brazilian cities seemed bursting with activity. The Sao Paulo and Curitiba streets were always jammed with commuters and commercial vehicles. However, in addition to the sheer number of vehicles, Japanese we spoke to blamed the congestion on the poorly designed and maintained street system in Sao Paulo. While a great many Brazilians still cannot afford a personal car, anyone looking at the demand generated by Brazil's population of 190 million and the country's vast area feels the potential for growth in this market. As the Brazilian standard of living rises, not just the automotive industry but all kinds of industries can expect to grow. Northern Brazil, in particular, has many untapped areas. While there is no problem with the food supply, industry is quite underdeveloped. For the machinery industry, there are many areas that have little or no foreign investment at all, including American.

Surrounded by such areas, Manaus is a special economic district that is home to the Brazilian operations of 33 Japanese companies. The fish here, fresh from the Amazon River basin, are delicious and include piranha, pirarucu, and large catfish. These were all lined up tightly in the temporary quarters of the fish market we visited. We were also shown the large and impressive building under construction on the banks of the Amazon which will house the fish market in the near future.

The future direction of the European economy, even more than the



Mr. Yuji Shiozaki,
JETRO Chicago and
Ms. Kyoko Tsukamoto,
Director of Tozan
Farm, a coffee
plantation and plant
research center.



Yuji Shiozaki,
JETRO Chicago,
Kyoichi Nakamura,
JETRO Chicago, and
representatives from
CBC, a Japanese boiler
machinery company.

American economy, will exert a great influence on Brazil's economic future because of the large amount of European investment in Brazil. At the automotive parts companies we visited, sales forecasts still called for healthy demand because of the expanding Brazilian market. On the other hand, the critical condition of the U.S. and European automotive industries is dealing a heavy blow to the automotive parts industries that support them, and this is also true to some extent in Brazil. As for the Brazilian economy, the official interest rate, having been lowered 1.5 points in March, is still over 10% (11.25%, actually), meaning that there is still room for financial policy adjustments that can prevent the economy from plunging quickly into recession. However, according to one Japanese auto parts maker, demand has fallen almost 80% since December 2008. If there is not a quick economic recovery in the U.S. and Europe, there is a strong possibility that the Brazilian economy will at some point exceed the limits of its resilience and fall into recession itself. This view is shared by Japanese machinery makers in Brazil, many of whom are dependent on a turnaround in the automotive industry. They feel strongly that the impact on the Brazilian economy of a prolonged recession in the U.S. and Europe, even if not as great as the currency crisis in emerging markets nearly ten years ago, would be very significant.



Looking at the climate for foreign investment in Brazil, it is true that not only American but Japanese automakers as well, have begun to put their plans for new assembly plants on hold and are idling some production lines. Nevertheless, there is a two-month waiting list for some models, perhaps due to the lack of crisis mentality on the part of the naturally optimistic Brazilian people.

Although the same may be said of all emerging markets in general, an approaching crisis in the Brazilian economy, far removed from the developed countries as it may be, could signal a further worsening of the world economy. In such a case, the effectiveness of Brazil's economic policies and countermeasures may hold the key to preventing a worldwide economic depression and, at the same time, achieve world-power status for Brazil in the Southern Hemisphere.