Labor Responses to the Multinationals: A View from Japan*

by Kazutoshi Koshiro

I. Japan's Multinationals Overseas

It was not until the late nineteen-sixties that Japanese firms began to actively invest overseas. Although the first overseas investment in the postwar period occurred in 1951, it is only since 1970 that the annual amount of foreign direct investment has increased dramatically: $904 million in fiscal 1970, $858 in fiscal 1971, $2,338 in fiscal 1970, and $3,497 in fiscal 1973. The total value of overseas investments was $10,270 million by the end of March 1974, up fifty percent from the figure for March 1973. The present level is comparable with that for West Germany and France. A breakdown of Japan's foreign direct investment by geographic area is given in Tabel I.

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Table 1. Japan's Foreign Direct Investment by Geographic Area

	(in millions of dollars and percent)	
	As of March 1974	As of December 1974
North America	\$2,462 (24.0%)	\$2,882 (23.6%)
Asia	\$2,391 (23.3%)	\$2,989 (24.5%)
Europe	\$1,997 (19.4%)	\$2,148 (17.6%)
Middle and South America	\$1,811 (17.6%)	\$2,413 (19.8%)
Near and Middle East	\$ 716 (7.0%)	\$ 775 (6.3%)
Oceania	\$ 640 (6.2%)	\$ 714 (5.8%)
Africa	\$ 254 (2.5%)	\$ 288 (2.4%)
Total Balance	\$10,270(100.0%)	\$12,209(100.0%)

The Ministry of International Trade and Industry, *Wagakuni Kigyo no Kaigai Jigyo Katsudo* (The Overseas Business Activities of Japanese Firms) (Tokyo : Ôkurashô Insatsu Kyoku, 1974), pp. 75 and 80. Part of the figures for Europe include 780 million dollars worth of stocks held in the Abu Dhabi Marine Areas. These figures include investment not only in the manufacturing industries but also in the Commercial, financial and real estate industries.

The five most active foreign investors are the trading companies, followed by Toray, Sony, Honda and Japan Ujiminas. According to a United Nations survey taken in 1973, there were 211 multinational Companies in the world with sales over one billion dollars, sixteen of these being Japanese companies such as Japan Steel Corp., Hitachi and Toyota.[1] The survey identifies these companies as MNC's (multinational corporations). Nevertheless, most of the so-called Japanese multinational corporations would better be classified as COA's (companies operating abroad) instead of MNC's. They are still far less influential and much

1) The United Nations, *Multinational Corporations in World Development* (New York: The United Nations, August 1973). The Japanese edition was translated by the Ministry of Foreign Affairs (Tokyo: *Kokusai Kaihatsu Janaru Sha, 1973*). The data cited here is from Tables I and III, and Appendix III.

weaker than the gigantic American based or British based MNC's.[2)]

The largest overseas producers among the Japanese firms are Hitachi and Matsushita, each producing $179 million abroad in 1973. The top ten for 1973 also include Toyota (No. 6), Nissan (No. 7), and Mitsubishi Heavy Industries (No. 8). However, overseas production even in Hitachi and Matsushita are equal to only five percent of their total sales in Japan. The largest amount of sales recorded by a foreign subsidiary in 1973 was $146 million (Canadian Motor Industries-Toyota). Among foreign firms with top sales records are Australian Nissan Motor Co., Nissan Mexicana, Toyota Motors Thailand Co., and Toyota Australian Motor Industries. Automobiles, electric appliances, textiles, shipbuilding and steel are the major Japanese industries operating as multinationals.[3)]

As a result of the increasing amount of foreign investment by Japanese firms we can see several responses from the labor movement. At

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2) The per capita value of Japan's foreingn direct investment was $63 in 1972, as compared to $457 for the United States and $289 for the United Kingdom. The average number of employees in the Japanese firms abroad is 189 (including Japanese personnel) (MITI, *Wagakuni Kigyô no Kaigai Jigyô Katsudô*, pp. 83 and 102). Aside from the fact that Japanese firms have access to financial resources on a smaller scale than their American or European counterparts, they are characterized by the great number of small Japanese firms operating abroad. This is especially true in Southeast Asia. For this reason, the average capitalization of Japanese-owned foreign firms as a whole was only $4.6 million, with the average for firms in Asia being $3.3 million (*Ibid.*, p. 95). Many Japanese multinationals are making joint venture agreements with local companies or governments.

Therefore, in only 66 percent of the local firms with Japanese capital does the Japanese side own over fifty percent. Again, this is particularly true in Asia, where the figure drops to 46 percent (*Ibid.*, p. 101).

3) Tôyô Keizai Shinpô Sha, *Kaigai Shinshutsu Kigyo Soran* (All about Firms Operating Abroad) (Tokyo : Toyo Keizai Shinpo Sha, 1974), pp, 2-7. In order to better understand the scale of Japanese overseas activities, the reader is referred to Appendices A-C.

the same time, we also saw many anti-Japanese demonstrations in Thailand and Indonesia in early 1974. These can best be understood as being examples of unsuccessful accommodation by the Japanese firms to conditions in these countries. The response of Japanese labor to

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Appendices

A. The Largest Ten Companies in Terms of Overseas Invesment in May 1974.

Company	Number of Overseas Subsidiaries, Joint Ventures, and Branches	Balance of Overseas Investment (billions of Yen)	(millions of US$)
1. Mitsui Bussan Trading Co.	197	184.8	(616)
2. Mitsubishi Shoji Trading Co.	202	93.4	(311)
3. Marubeni Trading Co.	188	68.6	(229)
4. Itochu Trading Co.	176	54.0	(180)
5. Sumitomo Shoji Trading Co.	93	34.2	(114)
6. Toray (Synthetic textile)	46	28.8	(96)
7. Sony	21	23.0	(77)
8. Honda	12	22.4	(75)
9. Japan Ujiminas	1	21.9	(73)
1. Nissho-Iwai Trading Co.	80	18.8	(63)

B. The Largest Ten Overseas Producers in 1973:

Company	Overseas Production (millions of US$)	Number of Related Companies
1. Hitachi	179	20
2. Matsushita	179	45
3. Yoshida Industries (fastener)	120	27
4. Sanyo Electric Appliances	118	28
5. Teijin (textile)	116	25
6. Toyota Motor Industry	93	10
7. Nissan Motor Industry	unknown*	12
8. Mitsubishi Heavy Industries	81	18
9. Ajinomoto (food)	75	11
10. Toyobo (textile)	70	25

* Total amount of overseas production including the value of cars supplied to sales branches from Japan is $185 million.

(*Ibid.*, p. 4)

(Cont'd.)

the activities of these firms partly reflects their increasing concern and worry about their own economic welfare which has so far been guaranteed within the framework of welfare corporatism at each enterprise. Now that some enterprises have expanded their activities beyond national boundaries, leaders of the enterprise unions realize that they must expand their own activities in order to keep up with management in the very companies in which they were employed.

II. The Liaison Council of Trade Unions Concerned with MNC's

In July 1973 six unions affiliated with the IMF-JC (International Metalworkers' Federation-Japan Council ··· including steel workers, electric appliance workers, shipbuilding and engineering workers, the Confederation of Japan Automobile Workers' Unions, Domei's metal workers, and Shinsanbetsu's metal workers with a combined membership

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Appendix

C. The Largest Ten Japanese-owned Foreign Firms in Terms of Their Sales in 1973.

Company	Host Country	Amount of Sales (Thousands of US $)
1. Canadian Motor Industries Holding (Toyota)	Canada	146,485
2. Nissan Motor Company	Australia	94,957
3. Hellenic Steel Co., A. E. (Japan Steel Tube)	Greece	80,000
4. Wrangell Lumber Co. (Alaska Pulp)	U. S. A.	75,174
5. Nissan Mexicana S. A. de C. V.	Mexico	63,771
6. Toyota Motor Thailand Co., Ltd.	Thailand	60,114
7. Sanyo Electric (Taiwan) Co., Ltd.	Taiwan	54,910
8. Taiwan Hitachi Electronics Industry	Taiwan	53,571
9. Australian Motor Industries, Ltd. (Toyota)	Australia	53,548
10. Crestbrook Forest Indnstries, Ltd. (Honshu Paper Co.)	Canada	51,577

(*Ibid.*, pp. 6-7)

of 1,790,000), three other unions (synthetic chemical workers, textile workers, and Domei's chemical workers), and the Liaison Council of Trade Unions for Employees of Foreign Firms Operating in Japan, altogether representing about 2.6 million workers unions in the private sector, established the Trade Union Council on the MNC's. This council has pressed the government, and in November 1973 succeeded in setting up the Lisaion Council for Labor Problems in the MNCs, whth representatives from the government and trade unions. On April 19, 1974, employers' representatives also joined the Liaison Council. The Trade Union Conucil demanded that the government should promote (1) the formulation of a code of behavior for the companies operating abroad which is commonly agreed to by the government, employers and labor representatives, (2) the compilation of as much information as possible on labor conditions and industrial relations in these companies, and (3) exchange among labor in the Southeast Asian countries and Japan.[4)]

In response to the strong urging by the Trade Union Council on the MNC's the Ministry of Labor budgeted $100,000 for research in fiscal 1974, and commissioned the project to the Japan Institute of Labour, The Institute organized in the summer of 1974 six teams to investigate labor conditions and industrial relations of Japanese companies in Korea, Taiwan, the Philippines, Malaysia, Singapore, and Brazil. Each team has three members chosen on a tripartite basis.[5)]

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4) The Trade Union Council on the Multinational Corporations, *News* (No. 1 : August 31, 1973), p. 4 ; (No. 4 : November 25, 1973), pp. 1-2 ; and (No. 9 : April 25, 1974), pp. 1-2. Later on, Shôgyôrôren (Japan Federation of Commercial Workers' Unions, 80,000 members) affiliated with the Trade Union Council on the MNC's in May 1974. See *News* (No. 11 : June 25, 1974), p. 1.

5) The official reports of these teams are to be published in Japanese by the Japan Institute of Labour in March 1975. The author was leader of the study team to Singapore.

On September 9, 1974, the second session of the Liaison Council was held in Tokyo. The government's participants included the Minister of Labor, the Deputy Minister of Labor, Director of the Bureau of Labor Policy and seven high officials in the Ministry of Labor. Labor was represented by Yoshiji Miyata (President of Tekkororen, Japanese Federation of Iron and Steel Workers' Unions), Ichiro Shioji (President of Jidoshasoren, Confederation of Japan Automobils Workers' Unions), Toshibumi Tateyama (President of Denkirôren, All Japan Federation of Electric Machine Workers' Unions), Renzô Yanagisawa (President of Zôsenjûkirôren, National Fedèration of Shipbuilding and Heavy Machinery Workers' Unions) and Kaoru Ohta (President of Gôkarôren, Japanese Federation of Synthetic Chemical Workers' Unions). On the employers' side, in addition to Nikkeiren (Japan Federation of Employers' Associations), a newly formed organization, Nihon Zaigai Kigyô Kyôkai (Japan Overseas Enterprises Association [JOEA]) also joined the meeting. The JOEA was organized on July 18, 1974, and cooperates closely with Nikkeiren. Therefore, five representatives on the JOEA and one representative from Nikkeiren particcipated in the second session of the Liaison Council.[6)]

In his address to the session, Takashi Hasegawa, Minister of Labor, expressed his appreciation for the quick response and subsequent activity initiated by labor and management to deal with the problems raised by the MNC's. He noted that with such cooperation, the Ministry of Labor was able to have the Japan Institute of Labour organize six research teams and send them to six developing countries in the summer of 1974. He concluded by expressing his hope that the good communications developed by the tripartite Liaison Council will continue in order

6) The Trade Union Council on the Multinational Corporations, *News* (No. 13: September 25, 1974), p. 1.

to promote the healthy expansion of activities by Japanese firms overseas, thereby contributing to international cooperation.[7)]

The Ministry of Labor has committed itself to ask for a budget allocation of $253,000 for another research project in fiscal 1975. It also plans to include $61,000 in the budget for the exchange projects involving trade union officers in Japan and Asia, the U. S. and European countries. A third budget proposal calls for $42,000 to invite junior management and supervisory staff in the developing countries of Asia to Japan in order to promote mutual understanding. Although the total amount proposed for the budget in fiscal 1975 is still no more than $356,000, it seems likely that the tripartite approach to dealing with the labor problems of the MNC's is moving ahead.[8)]

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7) *Ibid.*, pp. 1-2.

8) *Ibid.*, pp. 5-6. However, in the authorized budget for the fiscal 1975, the appropriations for these projects were cut down to $ 100,000 which in the same amount as that for 1974. It should also be noted that the trade union proposal to formulate a code of behavior for the companies operating abroad has not yet been accepted by the employer representatives on the Liaison Council. However, the union representatives reconfirmed their intention to go ahead with formulating "a workable code of behavior based upon the consensus of the concerned industrial unions." *News* (No. 16 : December 20, 1974), p. 1. A joint proposition for self-restraint from making excessive profits was sponsored by five management associations (Keidanren, Nisshô, Keizaidôyûkai, Nikkeiren, and JETRO). Their publication "Guidelines for Investment Activities in the Developing Countries" (June 1, 1973) has received widespread publicity, but labor representatives are not satisfied with it. It is also reported that the Ministry of International Trade and Industry is considering the drafting of a law which would facilitate the investigation of business activities overseas in order to prevent the concentration of foreign investment by Japanese firms in particular countires. In other words, MITI feels that some governmental regulation may be necessary in order to avoid frictions with host societies. On the other hand, business circles are against such compulsory legislation. See *Nihon Keizai Shinbun* (February 11, 1975).

Considering the emergence of this tripartite approach to the MNC's, and the deep involvement of the Japanese labor movement in the major private industries with the overseas activities of Japanese firms, one might reasonably ask why it is that the Japanese labor movement is so concerned about these problems? Two answers readily present themselves. First, unions organized as firms with overseas operations often share a common interest with management. In the Japanese case, failure to expand activities abroad will adversely affect workers employed by the parent companies. Because of the increasing labor shortage, increased labor costs, skyrocketing land prices, stiffened controls on industrial pollution, the necessity of acquiring natural resources, and the desire to avoid conflict with other advanced countries, the expansion of Japanese economic activity through direct overseas investment is seen as one solution. So far the fear that the MNC's will export employment, as is held by the AFL-CIO, has not been a consideration of Japanese labor.[9]

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9) In the case of the electronics industry, for example, more than two fifths of the parts produced by foreign subsidiaries are exported to Japan, a figure which is larger than the amount of domestic sales in many of the local countries themselves or their exports to other countries. Denkirôren, *Overseas Investment by the Electric Appliances Industry and the Measures to Deal with the Multinationals* (Tokyo : Denkirôren, 1973), p. 207. These imports from foreign subsidiaries help the parent companies reduce their costs. Nevertheless, cheap products from the Southeast Asian countries are putting increasing pressure on the textile workers whose employment situation has deteriorated drastically since the oil crisis in October 1973. It has been further suggested that Taiwan's production facilities in the synthetic chemical fiber industry now exceed those of Japan because Taiwan has imported more modern spinning machines from West Germany. Kyû Eikan, *Kyu Eikan no Kaigai Toshi no Jissai* (Kyû Eikan's Practices in Overseas Investment) (Tokyo : Sangyô Nôritsu Tandai Publishing Department, 1974), p. 191.

A second rationale, and perhaps the major one, is the desire of many of these unions to increase their influence and role in the labor movement *vis-a-vis* Sôhyô and Dômei by coordinating their activities through the Liaison Council. On this point, it should be recalled that unions affiliated with the Council represent 2.6 million members, about thirty percent of total union membership (8.8 million) in the private sector.

Since many of the unions affiliated with the Council also belong to Sôhyô, Dômei, Chûritsurôren, and Shinsanbetsu, their activities may also be seen as an effort to reorganize the labor front. Sôhyô (with the membership of public employees forming its core) has only 1.6 million members in the private sector, whereas Domei has no more than 2.1 million members in the private sector. The IMF-JC which is a loose federation of metal workers' unions in Japan has only 1.8 million members. Therefore, no other established organization can compete with the Liaison Council in terms of membership.

The evaluation of this tripartite approach is difficult. The uniqueness of this approach has already been noted by Professor Kassalow of the University of Wisconsin.[10] The author's discussions with government officials in the United States, State Department and Labor Department while at the D. C. Seminar on Comparative Labor Movements in November 1974 would seem to support this fact. Trade union movements of the Western countries seem to be reacting to the new menace raised by the multinationals in a way that would seem to verify J. R. Commons' theory of market expansion.[11] Labor's criticism of the indus-

10) Everett M. Kassalow, "Attitudes and Policies of Union Federations towards Multinationals," a paper delivered to the Conference on Industrial Relations Problems Raised by Multinationals in Advanced Industrial Societies (Michigan State University : November 10-13, 1974), pp. 23-24.

11) J. R. Commons, "American Shoemakers, 1648-1895," *Quarterly Journal of*

trial relations policies of the multinationals, as represented by Mr. Nat Weinberg (an ex-official of the UAW), seems to support this judgement.[12] On the other hand, the Japanese trade unions concerned with the multinationals press the government to regulate alleged excess profits. Nevertheless, due to the long, drawn-out protective policies of the Ministry of International Trade and Industry, Japanese workers have not been affected on a large scale by the gigantic multinationals of the United States and Europe. Therefore, Japanese trade unions have not felt threatened by the multinationals to the same extent as the American or European trade unions. On the other hand, given the well-established tradition of "welfare corporatism" in the large companies in Japan,[13] federations of enterprise unions tend to share a common interest with mangement of the Japanese multinationals. Each enterprise union may be able to participate in the foreign trade and investment policies of the individual parent company through joint consultation at the enterprise level. But it cannot intervene effectively in the policies and practices of other competing companies operating abroad. Nevertheless, if another Japanese company misbehaves abroad, it is highly likely that all Japanese firms will come under the severe criticism of nationalistic elements in the host countries. These ex-colonial

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Economics (November 1909), pp. 39-84.

12) Nat Weinberg "Multinationals and Unions as Innovators and Change Agents." a paper delivered to the Conference at the Michigan State University (November 10-13, 1974). Views of Western trade unions towards multinationals are also clearly reflected in the recent publication by the ILO, *Multinational Enterprises and Social Policy*(Geneve : International Labour Office, 1973) ; Charles Levinsons, *Capital, Inflation and the Multinationais* (London : George Allen and Unwin, 1970) and *International Trade Unionism* (London : George Allen and Unwin, 1972).

13) This concept is elaborated upon by Ronald Dore, *British Factory/Japanese Factory* (Berkeley : University of California Press, 1973), pp. 375 and 400.

countries have a general tendency to be more critical of the Japanese than their old white rulers. At the same time, Japan has had relatively little experience in controlling former colonies and working with them to promote economic growth as compared with the sophisticated techniques developed by advanced Western countries.[14] Therefore, in order to avoid a deterioration of the economic well-being of the employees in parent companies, enterprise unions need to unite in pushing the government for regulations on unfair competitive practices by Japanese firms operating abroad. However, with growing amount of information on the causes of conflict between the Japanese multinationals and certain elements in the developing countries, many have come to doubt the effectiveness of the various proposed codes of behavior for the companies abroad.[15]

Concerning the approach of Japanese trade unions to the multinationals, some criticism has been raised by journalists and scholars alike. For example, Mr. Yoshiyuki Tsurumi claims that the only labor group

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14) Michio Rôyama in a Symposium on "*Ajia no Hannichi Ron*" (On Anti-Japanese Feelings in Asia), *Jiyu* (January 1975), pp. 43–44 ; Kyû Eikan, *Kyu Eikan's Practices in Overseas Investment*, pp. 170–171.

15) The best representative of those criticizing Japanese firms abroad on ethical grounds is Yoshikazu Miyazaki, *Gendai Nihon Kigyo o Kangaeru*(Reflexions on the Contemporary Japanese Firms) (Tokyo : Iwanami Shoten, 1974). Also see Gendai Sôgô Kenkyû Shûdan, *Propositions Concerning the Overseas Operation of Japanese Firms* (Tokyo : Gendai Sôgô Kenkyû Shûdan, a pamphlet, January 1974). A striking contrast to these views is presented by Tsuneo Iida, *Enjo Suru Kuni Sareru Kuni* (Helped Countries and Helping Countries) (Tokyo : Nihon Keizai Shinbunsha, 1974) ; Shin'ichi Ichimura, "*Tonan Ajia 'Han Nichi Undo' no Gen'in wa*………" (What are the Causes of 'Anti-Japan Movements' in the Southeast Asia ? " *Nihon Keizai Shinbun* (December 13, 1974). More detailed discussions are developed by Toru Yano, Tadashi Nishihara, Mineo Nakajima, Fuji Kamiya, *et al.* in "Symposium on the Anti-Japan Disputes in Asia," in *Jiyu* (January 1975), pp. 27–72, and in *Jiyu* (February 1975), pp. 63–113. See also footnote 8 above.

in Japan actively involved in Asia is the IMF-JC. Its activities, he feels, are directed merely at training and fostering workers for the purpose of helping the parent companies to operate abroad.[16] What Mr. Tsurumi really means by "workers" is not clear. For example, are they local employees of host countries or Japanese workers in the parent companies or both? However, because of the uniqueness of the tripartite approach to the multinationals, it is understandable how those who are not familiar with the behavioral tendencies of enterprise unionism might harbor scepticism about the motivation of the IMF-JC unions in interacting with the Japanese multinationals.

III. The Nissan and Toyota World Auto Councils

A second noteworthy development is the founding of the Nissan and Toyota World Auto Councils in September 1973. Japan's auto production exceeded seven million units by 1973, of which two million were exported. In addition to these figures, Nissan has 26 fereign assembly plants which produced a total of 200,000 cars per year. Nissan also has another four sales branches including those in the U. S. and West Germany. Toyota has seven foreign plants (in Australia, Canada, Peru, Portugal, Brazil, Thailand and Indonesia) with a total production capacity of about 60,000 units. It has 15 sales branches abroad.[17]

16) Yoshiyuki Tsurumi, "Nihon Kabushiki Gaisha no Inbô?" (A Plot by the Japan Inc.?), *Ushio* (No. 186 : December 1974), p. 331.

17) The information was supplied by the Confederation of Japan Automobile Workers' Unions to the author, and is in part of the documents concerning the founding of the Nissan and Toyota World Auto Councils. More detailed data is available for Nissan than for Toyota. There are some inconsistencies with other sources of information such as the Tôyô Keizai Shinpô Sha's volume mentioned above in the third footnote (pp. 375-376 and 389-390). The latter states that

Responding to this expansion of overseas production and sales activities, the Confederation of Japan Automobile Workers' Unions established the Nissan and Toyota World Auto Councils in September 1973. Representatives from 18 foreign unions in addition to a few international organizations joined the Councils, thrss in the Toyota Council and fifteen in the Nissan Council.

These Councils have several unipue features which have already been pointed out somewhat by Everett Kassalow. First, their membership includes (1) unions of salesmen Which belong usuallʎ to the International Federation of Commercial, Clerical and Technical Employees (FIET–Federation de Internationale Employees du Travail) instead of the IMF, and (2) employee representatives of foreign plants or offices even when when no *bona fide* trade unions exist. Kassalow raises some puestions about the inclusion of this latter group because it seems to represent a departure from the usual approach to trade unionsm.[18)]

One prodlem to be mentioned concerning the organization of the Council, however, is the fact it has not yet obtained the participation of the three major Toyota subsidiaries (Australian Motor Indnstries, Canadian Motor Industries, and Toyota Motors in Thailand) or the three major firms associated with Nissan (Entreposto Comercial de Automoveis in Portugal, Datsun Motor Vehicle Distributors in South

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Nissan has eleven manufacturing subsidiaries (some of them also being sales branches), and five additional sales branches, whereas Toyota has seven manufacturing subsidiaries and thirteen additional sales branches. It shows that Toyota has manufacturing subsidiaries in Costa Rica and Zambia instead of Portugal and Indonesia.

18) Everett M. Kassalow, *The International Metal Workers' Federation and the Multinational Automobile Companies : A Study in Transitional Unionism* (mimeo, March 1974), p. 335.

Africa, and P. T. Indocaya Nissan Motors in Indonesia).

Nevertheless, the growing importance of the Nissan-Toyota World Auto Councils in the international labor movement can be seen in a number of ways. One objective of the two councils is to encourage the unionization of Nissan and Toyota workers throughout the world. Along these lines, the Japan automobile workers helped to organize the Malaysian Tan Chong & Sons Motor Co. in the spring of 1973 when it told management that it would persuade Nissan in Japan to stop exporting Nissan-made cars and parts to the Tan Choug Motor Co. which engaged in the assembling and sales of Nissan cars. Thus, the Tan Chong Motor Co. was forced to accept unionization. In the field of international collective bargaining, the Nissan World Auto Council succeeded in 1974 in promoting a wage settlement with Nissan Mexicana which is a 100 percent owned subsidiary of Nissan and the Marubeni Trading Company. The union of Nissan Mexicana used to be affiliated with the IMF, but the left-wing faction within the union successfully compaigned for its secession from both the IMF and the Mexican TUC. In the dispute it demanded a tremendous wage increase of 80 percent. However, since the union still remained as a member of the NWAC, Ichirô Shioji, President of the JAW-NWAC, mediated in the dispute. As a result, a 22 percent increase was accepted because Mexican Ford and VW had already reached an agreement for a 20 percent increase. The effort was hailed as a pioneering example of "cordinated collective bargaining" by an international labor official.[19)]

The most impressive achievement of the Nissan and Toyota World

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19) Burton Bendiner, IMF-World Auto Councils, "Multinationals and Transnational Bargaining——A Union View," a paper delivered to the Conference on Industrial Relations Problems Raised by Multinationals in Advanced Industrial Societies, at Michigan State University, November 10-13, 1974.

Auto Councils was the successful coordination of American and Japanese auto production and foreign exports in the spring of 1974. On January 30, 1974, President Woodcock of the UAW proposed an import restriction bill in order to protect the employment opportunities for American auto workers. The intention was to put a damper on the increasing inflow of compacts from West Germany and Japan. The market shares of small cars, including American compacts, to the total number of passenger cars being sold stood at 48.9 percent, and the market share of imports was 18.7 percent in January 1974. Thus, a number of auto workers in American plants manufacturing large-sized passenger cars were laid off. In order to protect employment opportunities for its members, the UAW proposed that Japan exercise self-constraint in exporting to the U. S., maintaining in the future a level not to exceed exports to the U. S. in 1973. Otherwise the UAW would propose a law setting the import quota based upon the average market share during the past three years. This meant for Japan that her share would be fixed at 5.8 percent of the estimated total sales of 10 million passenger cars. Some Japanese auto companies felt that the self-control formula was not practical because some companies (Tôyô Kôgôy and Honda) would be able to maintain the temporarily bloated share recorded in 1973 whereas others (particularly the Big Two—— Toyota and Nissan) would receive a decreased share reflecting the recent but temporary export patterns which emerged immediately after the floating of the yen in February 1973. Toyota and Nissan have decreased their exports whereas others have increased their exports to a considerable extent since then. On the other hand, the import quota formula was considered less harmful for workers at the Big Two, but of more concern for workers at the other firms.[20] Therefore, the best

20) According to the proposed import quota formula, the total quota for Japa-

solution for the Japan auto workers was one which made the UAW feel that there was no urgent necessity for the U. S. to impose any form of restriction on the Japanese auto companies.

In order to successfully carry out such a sophisticated strategy, Shioji managed to get government officials and the top management of Japan's automobile industry to meet on friendly grounds with Rebhan, then the Director of International Affairs for the UAW. In this way they could hear directly about the serious difficulties facing the American auto workers as well as problems of an industry which was trying to transform its production facilities to produce more small cars within a year. At the same time, however, Shioji explained to Rebhan that the export of Japanese cars to the U. S. had decreased considerably since the oil crisis because of increased prices. In fact, according to Ward's Automotive Report, the total number of Japanese cars sold in the U. S. during the first nine months of 1974 decreased 19.8 percent, almost comparable with the 21.1 percent decrease in the sales of American cars. Rebhan and the UAW appreciated the thought given to this problem by workers in the Japanese auto industry, and in June the UAW Convention decided not to ask for an import restriction bill

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nese auto producers was estimated as 580,000 units of passenger cars, of which Toyota's share was 265,000 units and Nissan's share was 192,000 units. Tôyô Kôgyô was allowed 55,000 units, and Honds was allowed 20,000 units. On the other hand, if the self-control formula was adopted, the total exportable number of passenger cars from Japan was figured at 584,000 units which was less than the record of 654,000 in 1971 and 590,000 in 1972. If the 584,000 units were to be shared by the Japanese producers on the bases of number of units exported by individual companies in 1973, Toyota would be allowed 211,000 units ; Nissan, 173,000 ; Toyo Kogyo, 118,000 ; and Honda, 41,000. Confederation of Japan Automobile Workers' Unions, *UAW no Gaisha Yunyu Wariatesei ni Tsuite* (On the Import Quota Proposal for Foreign Cars by the UAW), mimeo in Japanese, (March 28, 1974), pp. 5-7.

in order to maintain friendly relations between the unions of the two countries.

In the electrical goods industry, Denkirôren (Federation of Electric Machine Workers' Unions) has begun to intensify its efforts to promote organization on an international scale. It held the First Seminar of the IMF-Electric Appliances and Electronics Workers' Unions in Asia in Tokyo in May 1974. Sixty representatives from eleven countries met together and decided to propose, among other things, the establishment of world councils for each major multinational corporation including Japan-based MNC's in order to facilitate more effective communications between the unions and improve the exchange of information.[21] Denkirôren has also helped workers to organize at subsidiaries of Matsushita and Furukawa Denkô in Malaysia in cooperation with the Malaysian Electric Appliance Workers-IMF. Similar activities have also been reported in connection with the Malaysian Commercial Workers' Federation and the union of the Toyo Ink Corporation of Japan.[22]

We have also observed the frequent visits of Charles Levinson, General Secretary of ICF, to Japan. However, he has said that there are no definite plans to establish an ICF-Japan Council,[23] although he publicized the intention to establish world councils for both Sumitomo Chemicals and Mitsubishi Chemical groups at the 15th World Conven-

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21) Denkirôren, "Report on the First Seminar of the IMF-Electric Appliances and Electronics Workers' Unions in Asia" (Document reported to the 13th Assembly of the IMF-JC), 1-5.

22) The Trade Union Council on Multinational Corporations, *News* (No. 3 : October 29, 1973), pp. 4-5 ; (No. 8 : March 30, 1974), p. 2 ; and (No. 15 : November 25, 1974), p. 1.

23) Charles Levinson and Kazutoshi Koshiro, "Trade Union Strategies towards Multinationals and Industrial Democracy," *Gekkan Rodo Mondai* (April 1974), pp. 34-35.

tion of the ICM in November 1973.

IV. Applause and Criticism for the Japanese Style of Personnel Management

So far, the author has dealt with the trade union responses to the multinationals in Japan. However, as the Japanese firms extend their economic activites abroad, another serious problem has arisen. This is the problem of transplanting the Japanese approach to personnel management into the host countries. Some authors have suggested that the influx of Japanese multinationals may lead to "the transplantation of the Japanese approach to industrial relations" to the host communities, with these practices acquiring "widespread acceptance in some countries."[24] It would, nonetheless, be an exaggeration to say that Japanese management techniques will be transferred on "a large scale to the developing countries."[25] Personnel management practices based upon the Japanese value system seem to have met with less resistance in Taiwan,[26]

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24) Tadashi A. Hanami, "The Multinational Corporation and Japanese Industrial Relations," mimeoed manuscript prepared for *International Labor and Multinational Enterprise*, ed. by Duane Kujawa (to be published by Praeger Publishers), p. 17. The original version of his paper was presented to the I. I. R. A., International Congress, 1973.

25) Tabashi A. Hanami, "The Multinational Corporation and Industrial Relations: The Japanese Case" (the International Conference of the International Industrial Relations Association), (London : September 1973), mimeo copy, p. 10. Concerning Hanami's paper, Roger Blanpain raises doubts about the transferability of Japanese style of management, commenting that "these judgements may not be generalized. In developing countries trade unions and governments may be in such a weak position that multinationals can often impose their own patterns," a paper for the Michigan Conference, "Multinational Corporations as Agents of Change and Innovation in Industrial Relations," mimeo, p. 28.

26) Kôichirô Yamaguchi, "Labor Problems in Japanese Enterprises Abroad (3): Korea and Taiwan" (*Nihon Rodo Kyokai Zasshi*, Vol. 17, No. 1, January 1975), p. 47.

(although even in Taiwan there has been no seniority-oriented wage system among blue-collar workers and retail shop workers[27]). However, the Japanese approach seems to be completely unacceptable in Singapore[28]. Why these two predominantly Chinese societies react in different ways to the same system poses a difficult question which needs to be answered. The basic differences of Confucian and English value systems may partially explain this phenomenon. Taiwan and Japan belong to the same Confucian culture, whereas Singapore has been infused to a greater extent with an English-language culture. Therefore, the culture shock for the Japanese is greater in Singapore than in Taiwan. The greatest difference between these two countries is the language barrier. In Taiwan, older generations over forty can understand Japanese whereas in Singapore communications must be carried on either in English or Chinese (Mandarin). A labor attachè to the Japan Trade Center in Singapore suggests that the major causes of conflict in the host societies are : (1) the communications gap between Japanese personnel and local employees because of the language barrier, (2) differences in way of thinking between the two nations including [(a) the individualism of Singaporians and the collectivism of the Japanese, (b) stricter concepts of job demarcation in Singapore, (c) preferential treatment for the university graduate in Sigapore, (d) more equal treatment for females in Singapore, and (e) the susceptibility of Singaporians to concepts of white supremacy] and (3) slower promotion and pay increment based upon seniority even for the people of unusual capability in Japanese firms[29].

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27) Kyû Eikan, *op. cit.*, p. 12.

28) Kazutoshi Koshiro, "Labor Problems in Japanese Enterprises Abroad (2): Singapore and Malaysia" (*Nihon Rodo Kyokai Zasshi*, Vol. 16, No. 12, December 1974), pp. 22–23.

29) Takeaki Urao, "*Singapore no Rodo Jijo*" (Conditions of Labor in Singa-

According to my personal experience in Singapore, Japanese management is most perplexed by the aspirations of local workers for a job-oriented career which is very different from that of the Japanese worker. The idea of "lifetime commitment" to a particular company is quite alien to the Singaporian who wants to be promoted quicker than is usual in the Japanese firm. If a particular company cannot or does not promote them quicklly enough, they do not hesitate to move to other companies. This is particularly true for the educated who have been raised by a highly selective system of education modeled after that in Britain. The first-rate graduate with an "Honour's Degree" from the University of Singapore can get more than 1,200 Singapore dollars[30] per month as the starting rate in the civil service whereas local firms pay about S$500 to S$700 to graduates with a "General Degree." Japanese firms pay them about S$700 to S$800 whereas an American oil refinery company pays S$1,200 to graduates with a "General Degree." On the other hand, ordinary blue-collar workers are paid only S$150 to S$200. Furthermore, able students want to be promoted to higher managerial positions in a few years with salaries at more than S$2,000. Such a selective treatment with big pay differentials is alien to the Japanese firm. In other words, differences in managerial style between the two countries is sharply felt as a conflict between the system of lifetime commitment and meritocracy.[31]

Going one step further to inquire into the differences of value systems between ethnic groups influenced by Chinese Culture on the

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pore), quoted in the Final Report of the JIL Study Team to Singapore (Tokyo : The Japan Institute of Labour, March 1975), pp. 148-156.

30) At the present exchange rates, one U. S. Dollar is equal to 2.45 Singaporian Dollars, and one Singaporian Dollar is equal to 122 Yen.

31) For more details, see the Final Report of the JIL Study Team to Singapore.

one hand, and Indian Culture on the other, the problem becomes even more difficult. Ryôtarô Shiba, a famous Japanese novelist, points out in his essay that the Cambodians and the Laotians who have traditionally accepted Indian Culture are very different form the Vietnamese who have accepted Chinese Culture for more than one thousand years in their way of thinking and physical reactions to the things. The former believe in Hynayana Buddhism, and seem to think it less valuable for the human beings to behave cleverly, quite contrary to the value system of the Chinese.[32] Unfortunately, however, so far as I know there is very little empirical research on the impact of these cultural values on industrial relations in these countries.[33]

The problem is made more confusing, however, by the applause given to the Japanese system of personnel management by two professors at the Stanford Business School. Studying the causes of productivity differentials between plants run by American managers and those run by Japanese managers in the United States, they declared that "they (the Japanese companies operating in the United States) are outperforming American companies in the same industries" and that "We can learn a great deal about how to live and work as a collectivity."[34] Similar applause has been given to the Japanese system of perso-

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32) Ryôtarô Shiba, *Ningen no Shudan ni Tsuite* (On Human Groups) (Tokyo: Sankei Shinbun Publishing Department, 1973), pp. 145–146.

33) However, for India, see Kamla Chowdhry "Social Cultural Factors and Managerial Behavior in Organizations" (The Japan Institute of Labour, *Social and Cultural Background of Labor-Management Relations in Asian Countries*, Proceeding of the 1971 Asian Regional Conference on Industrial Relations) (Tokyo: The Japan Institute of Labour, 1971), pp. 78–89, and S. Muthuchidambaram, "Commitment and Motivation of Selected Blue-Collar Workers in India," *Ibid.*, pp. 173–191.

34) Richard T. Johnson and William G. Ôuchi, "Made in America (under Japanese management)," *Harvard Business Review* (Vol. 52, No. 5 : September–

nnel management by American management consultants for some time. Another observer writes that "rather surprisingly, the Japanese business system is now plainly outperforming the American business system in some of the most important respects. Successful American firms may want to learn variants of Japanese methods. Without suggesting we need a Commodore Perry in reverse, it is time to start a debate about which ones to learn."[35]

Considering the different reactions to the same Japanese system of personnel management in many of the Southeast Asian countries, the problem for us is how to integrate these different viewpoints. Concerning this problem, Professor Shin'ichi Takezawa submits the following hypothesis :

> "There are three patterns which international transfers of management skills follow. One pattern involves societies which share similar value systems and social customs. Managment skills are transferred as an ordinary way of living. Transfers between the United States and Canada provide an example. A second pattern involves transfers between societies with very little in common. Management skills may be transferred as a bundle without autonomous selections on the part of the host society. Transfers from the United States to the Philippines, or from Japan to various Asian countries provide an example of this pattern. A third pattern is found in transactions between societies which have functional substitutes in each other. Therefore, management skills can be transferred through autonomous selections by the host societies to some desired level in order to enhance the efficiency of operations in the host

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October 1974), pp. 61 and 69.

35) John Diebold, "Management Can Learn from Japan," *Bnsiness Week* (September 29, 1973), p. 14.

countries. Transfers between the United States and Japan illustrate this pattern. Given these three patterns, it is difficult to generalize about the likely success of Japanese firms in South East Asia from their experience in America. The two situations are very different."[36]

In other words, the good reputation earned by Japanese manegement techniques in the United States does not necessarily guarantee success in the developing countries of Asia where criticism continues to be strong. Moreover, even in the United States, some companies such as Matsushita Denki, Mitsubishi Shôji, Japan Airlines, Takara Chair, and Hitachi Magnetic had achieved good results with their style of personnel management, whereas other Japanese firms have not.[37] Therefore, what is most important for us is not to eliminate criticism against Japan-based firms operating abroad, but to keep the frictions within tolerable limits.[38]

V. Industrial Relations in MNCs Operating in Japan

According to a survey taken in June 1973 by the Ministry of International Trade and Industry, there were 1,464 Japanese firms in which twenty percent or more of the capital was owned by foreign interests. However, they accounted for only 1.9 percent of the total sales by all corporations in Japan. Also, they accounted for only 3 percent of after-tax profits and hired only 1.1 percent of the employees

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36) Shin'ichi Takezawa, "Keiei Gijutsu no 'Kokusai Iten' Shikan" (My Views on the International Transfers of Management Skills) *Chuo Koron Bessatsu* (Winter, 1974), p. 280.

37) Atsuhiko Kawabata, "*Zaibei Nihon Kigyo no Amerikajin*" (Americans Working at the Japanese Firms in the United States), *Shokun* (February 1975), pp. 182-193 : K. Koshiro, "*Kaigai Shinshutsu Kigyo no Rodo Mondai,*" p. 83.

38) Kiichi Saeki, in the Symposium in *Jiyu* (January 1975), p. 71.

in all Japanese corporations.[39] The rather limited role of foreign MNCs in Japan can be explained by the fact that the liberalization of the laws regulating direct capital investments by foreign companies into Japan did not occur until the late 1960's.

According to the same source, 54 percent of the companies owned wholly or partially by foreign interests are in manufacturing (Table II). Moreover, sixty percent of them are American-based companies (Table III). In 72 percent of these companies the majority of capital are owned by foreign interests (Table IV). Among the firms with all foreign capital in Japan, only 79 were affiliated with Nikkeiren (the

Table II. Japanese Companies With Foreign Capital

Industry	Sub-division	Numberof Companies		Percentage	
Manufacturing		681		53.9	
	General machinery		174		13.8
	Chemicals		159		12.5
	Electric machinery		65		5.1
	Foods		32		2.5
	Metal products		31		2.5
	Transport machinery		31		2.5
	Others		189		15.0
Trade		409		32.4	
Service		135		10.7	
Others		38		3.0	
Total		1,263		100.0	

Source : Ministry of International Trade and Industry, *Gaishikei Kigyo no Doko* (Trends of Foreign Firms Operating in Japan), mimeo (No. 7 : June 1974), p. 7. Out of the total of 1,464 firms which were surveyed, only 1,263 gave useable answers.

39) The Ministry of International Trade and Industry, *Gaishikei Kigyo no Doko* (Trends of Foreign Firms Operating in Japan), mimeo (No. 7 : June 1974), pp. 15, 19, 28 and 35.

Table III. Japanese Companies with Foreign Capital by Nationality of Foreign Capital Source

Nationality of Foreign Investor	Number of Companies	Percentage
United States	752	59.5
West Germany	80	6.3
Switzerland	77	6.1
United Kingdom	65	5.1
France	36	2.9
Canada	29	2.3
Others	224	17.8
Total	1,263	100.0

Source : Same as for Table II, p. 15.

Table IV. Classification of Japanese Firms with Foreign Capital by the Proportion of Foreign Participation

Proportion of Foreign Capital (percent)	Manufacturing	Trade	Other Industries	Total
				%
95 +	72	195	86	353(27.9)
50.1 – 94.9	52	40	18	110(8.7)
50	318	99	30	447(35.4)
30.0 – 49.9	209	62	32	303(24.0)
20.1 – 29.9	......	......	......	50(4.0)
Total	......	......	......	1,263(100.0)

Source : Same as for Table II, p. 9.

Japan Federation of Employers' Federations) and only 7 with Keidanren (the Japan Management Association) which have prohibited membership for firms wholly owned by foreign interests until just a few years ago.[40] Of the 680 companies suveyed by the Ministry of Labor

40) Confederation of Japan Automobile Workers' Unions, *Zainichi Gaishikei Kigyo no Rodo Mandai* (Labor Problems in Japanese Firms with Foreign Capital), unpublished manuscript (November 1974), p. 3.

workers in 43 percent are organized by the trade unions, although in general only a small portion of the employees of these firms are actually organized (for example, in the case of National Cash Registar, 1,200 employees out of total 7,300; and only 200 of the 9,000 employees at Japan IBM). Sixty-three percent of these unions are affiliated with the outside federations.[41)]

Generally speaking, Japanese large scale companies have been very much interested in Western management styles——including such practices as job evaluation, merit rating, payment by results, QC (Quality Control) programs, and ZD (Zero Defect) campaigns. These Western management techniques have been modified so as not to destroy the basic features of the lifetime employment systm. Therefore, Japanese management has already been aware of the differences between Western and Japanese approaches to personnel administration, and there is nothing new which the Japanese companies feel they can profitably learn from the foreign MNC's. On the contrary, it is the foreign firm which must adjust to Japanese society and make innovations in their own concepts of industrial relations.

We have observed several labor disputes in foreign companies operating in Japan. There have been at least ten significant cases[42)]:

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41) Ministry of Labor, Bureau of Labor Policy, *Gaishikei Kigyo no Roshi-Kankei to Jittai Chosa Kekka Hokokusho* (Report on the Industrial Relations of the Japanese Companise with Foreign Capital) (Tokyo : Ôkurashô Insatsu Kyoku, March 1974), pp. 2-4.

42) There is no official published report on cases pertaining to labor disputes in the foreign firms operating in Japan, although a report by the Ministry of Labor, Bureau of Labor Policy, *Report on the Industrial Relations of the Japanese Companies with Foreign Copital* (March 1974) contains some statistical information. The cases mentioned in this paper were compiled by the JAW from various sources (see footnote No, 40). It can safely be said that they cover most of the major cases in this field.

Six cases were concerned with job security :

1. Noble Oak Company laid off 200 employees in August 1966 in order to move its plant to Hong Kong.
2. Japan Remington Land Corporation closed down a plant and discharged 400 employees in April 1967.
3. BOAC discharged 16 employees when it closed down one of its offices in Japan in 1967.
4. Mercantile Bank's Osaka Branch discharged 70 employees when it was absorbed by the Hong Kong-Shanghai Bank in 1967.
5. Chase Manhattan Bank discharged 25 employees in cutting down its services for the U. S. Army. All the 25 discharged employees were reinstated by June 1973 due to an order of the labor commissions.
6. Japan Allied Artists (Cinema) discharged 39 employees in 1967.

A few cases involved unfair labor practices :

1. American Express ignored union demands that it participates in wage negotiations. Such behavior was judged as an unfair labor practice in violation of the obligation to bargain in good faith with the union.
2. Japan Coca Cola is notorious for its repression of union organizing activities without having been officially caught for unfair lobor practices. Any employee who has tried to organize at the company has been skillfully discharged on other grounds.
3. In general, the foreign banks in Japan have refused to bargain collectively with the Federation of Foreign Banks Employees' Unions. The banks cite their lack of independent authority to bargain collectively.
4. In the AP Tokyo Branch case in March 1955, and the Chase Manhattan Bank case in November 1966, the unions brought action

to the Tokyo Metropolitan Labor Commission and the employers lost.

One case of accommodation to the Japanese system involves Japan IBM when it introduced a seniority-oriented wage system. It also paid a "housing allowance" for the first time in its history.

A most interesting case of foreign investment in Japan is the capital participation of Chrysler in Mitsubishi (acquiring 35 percent of Mitsubishi Automobile's authorized capital or 15 percent of the paid-up capital) and of GM in Isuzu (acquiring 34.2 percent of Isuzu's capital). As a result of the Mitsubishi-Chrysler agreement, Chrysler began to import Mitsubishi-made cars as "the Dodge-Colt." Thus, a Chrysler plant in Los Angeles was closed down and 2,000 American workers, who were members of the UAW Local No. 6, were dismissed. The UAW denounced this policy with the slogan, "Chrysler come home!"[43]

VI. Conclusion

The tremendous increase of foreign investment by Japanese firms in a recent few years has provoked a considerable amount of friction particularly in the developing countries in Southeast Asia. Business circles, trade unions both affiliated and non-affiliated with the IMF-JC, and the government began to respond to these developments in 1973. They succeeded in setting up quickly a tripartite Liaison Council to deal with the problems of industrial relations in Japanese firms operating overseas. This approach has been observed with great interest abroad. Trade union responses in Japan to the problems raised by the multinationals seem to differ remarkably from those of European and American labor for the following reasons :

43) Information supplied to the author in the interview with Mr. Ichirô Shioji, President of JAW, on October 30, 1974.

A. Direct capital investment into Japan was restricted by the government until the late sixties. This reduced the need for Japanese trade unions to have to meet the challenge of American-based or European-based multinationals.

B. Japanese multinationals have invested more heavily in the developing countries of Southeast Asia than have Western multinationals. Therefore, Japanese multinationals have been compelled to deal with greater degree of culture shock abroad.

C. Japanese trade unionism is characterized as "enterprise unionism," which has been taken root as a form of "welfare corporatism" in the large-scale companies. Therefore, Japanese unions tend to share a common interest with their enterprises whenever the latter faces a crisis in competitive markets. Internationalization of the activities of Japanese enterprises has posed a new problem which requires that the enterprise union cooperate with employers and the government, rather than seeking a solution by confronting with Japanese multinationals directly.

D. Export of emplyment opportunities by multinationals has not yet been experienced by the Japanese labor to a serious extent.

So far the Confederation of Japan Automobile Workers' Unions has been the most active union dealing with the problem of multinationals based in Japan. The two world auto councils of Nissan and Toyota were founded by the JAW in 1973. They have stepped up their organizing activities throughout the world and have set a precedent with the efforts at "coordinated collective bargaining" in Mexico. Coordination of conflicting economic interests between the automobile industries of the United States and Japan by close cooperation between the UAW and the JAW is worth special notice. This seems to open new horizons on the resolution of conflicting national interests that have been both modified and complicated by the presence of the multinationals.

The transplantability of industrial relations systems across national boundaries poses yet another challenging subject. A lot of difficulties have been pointed out in this respect even among the advanced industrial societies. This is all the more difficult when it comes to the transfer of management skills to the developing countries which share very little of the same industrial culture. Japanese multinationals seem to have to face greater difficulties in the developing countries than have firms from the West. Recent applause for the Japanese style of management in the United States does not help Japanese multinationals operating in the developing countries from continuing criticism. What is most important for Japanese multinationals is not the elimination of criticism, but the need to keep such criticism within tolerable limits. There remain lots of effective governmental support in the field of cultural diplomacy in order to help reduce the tensions which have been provoked by the increasing economic activity of Japanese firms abroad. Without a more sophisticated approach to diplomacy, however, a mere code of behavior for the companies operating abroad will be of little use. It will cost a lot and take considerable time before the cultural shock of doing business in the developing countries is overcome.

Delayed liberalization of capital in Japan has saved Japanese firms and trade unions from having to confront the gigantic multinationals of the West. Only a few thousand small subsidiaries of foreign multinationals are operating in Japan. In general, less job security and less opportunity for promotion to top management positions for Japanese employees have attributed to labor instability in these firms. Due to their limited influence, they seem unlikely of causing any serious problems in Japan. If GM, Ford and Chrysler increase their investment in Japan, we will feel the impact of American management style upon

Japan's traditional system of industrial relations to a greater degree.