

Official Documents**Small-Scale Industries in Japan**

Report of the Study Group of Small-scale Industry Experts on their visit to Japan. Economic Commission for Asia and the Far East, Bangkok. Pages 293. Price not mentioned.

IN recent years, the countries of South-East Asia have been taking an increasing interest in small-scale and cottage industries. As such industries occupy a prominent place in the economy of Japan, it is not surprising that their organisational and technical structure should attract considerable attention. An official Indian delegation in fact visited Japan some years ago to study small-scale industries. Bombay Government sent a delegation for this purpose in 1951 and the report submitted by the members was reviewed in this journal (December 5, 1953). Only last year the All-India Manufacturers Association sent a delegation to South-East Asia, which among other things made a special study of Japanese small industries. The present report has been issued by a group of experts who visited Japan during April-May 1954 under the joint auspices of the United Nations Technical Assistance Administration and the Economic Commission for Asia and the Far East.

A preliminary point needs to be made. The report covers "small-scale" industry rather than cottage industry as it is known in this country. The use of power, employment of extensive machinery and a large labour force are among the characteristics which distinguish the small industries covered by the present study from cottage industries.

The first question that naturally arises is: What are the causes of their survival? In view of the fact that industrialisation has proceeded at a rapid pace in Japan, this question is very pertinent. The factors listed by the report are highly interesting. (1) Ready availability of cheap electric power and transport in rural areas, (a) Specialisation in production for export with dispersal in manufacturing activities. (3) Cheap labour, through lower wages, longer working hours and availability of appreciable part-time labour. (4) System of sub-contracting with small enterprise, "which miiwriaes the risks of the large enterprise, since in a trade depression the smaller enterprises absorb the first shocks." The last two points should attract attention from those who would like to decide for

themselves the role that small industries should play in the national economy, while the first two should be properly appreciated in the implementation of any programme for the development of small-scale industries in the country.

The study begins by drawing a very important distinction between the size of the technical unit and the size of the financial and administrative unit. "Technical units of small size in an industry may be quite compatible with large-scale control." That such control need not necessarily mean, though it may, the existence of large firms is clear. In Japan, smaller industries do show a significant dependence on large-scale industry for capital, both fixed and working. Though this solves their problem of finance, it transfers effective control over production to large-scale industry. Such financial control is strengthened by, and, in fact, frequently operates through the sub-contract system of which mention has been made earlier. This system may be regarded from one point of view as a step towards a very desirable integration of large and small-scale industry, but from another, it may be considered a very unhealthy pattern of subordination of small-scale industry to the large units. A different class is constituted by those units which come under the commission merchant's control.

Close integration between small-scale and large-scale enterprise is also achieved on another plane. The large units provide technical assistance and supplies to small-scale industries, while the latter, in turn, supply components to large-scale assembly plants, *eg.* in the bicycles and sewing-machine industry. The main point is that in Japan, "though the individual independent unit is a complete entity, it is often an indispensable part of an organization which ultimately produces finished articles."

But independence from external financing authorities or affiliated large-scale units is also desirable. To enable the smaller units to achieve this, co-operative associations of entrepreneurs are being founded. These are, of course, to

be clearly distinguished from industrial co-operatives, for in them the workers have no say at all. These associations are intended to develop mutual assistance among small entrepreneurs for dissemination of technical and marketing information. When sufficiently strong, these associations can supply credit and guarantee facilities. They can also provide what are described as "common facility" services.

The role of "common facility" service centres in developing and strengthening a large number of cottage and small-scale industries has been discussed in the report for each of the industries concerned. These centres "set up to undertake part or whole of an operation involved in processing or manufacturing an article" have many advantages. They eliminate to some extent differences in production costs and free the individual units from the necessity of having costly and heavy equipment of their own. Uniformity of quality can also be maintained by such centres. If small-scale industries in other countries of S-E Asia form associations and organise some of the services rendered by these centres in Japan, they would be of immense assistance to the growth of small industries, and at the same time reduce their dependence on large-scale factories. The study group, therefore, recommends that such centres should be set up in other countries of the region also.

On the production side, the visiting experts were impressed by the flexibility shown by Japanese industries. Where there is no competition with large-scale enterprises, manual-labour manufacturing methods have been adopted unless found unsuitable otherwise. Where such competition exists, "all possible labour-saving devices are employed in order to achieve economies in production cost." The degree of mechanization also depends to a large extent on facilities provided by "common facility" centres or large-scale units with which the small industry is connected. No predilections on the matter, therefore, restrict the choice of the small Japanese entrepreneur regarding the technique he should

employ.

In the matter of techniques actually employed, the experts were impressed by the extensive use of single-purpose machines in engineering industries for specific operations. This "not only saves considerable time in changing tools, dies, fixtures, etc., on multiple-purpose machines but also ensures better and larger production, making it possible to design better and simpler single-purpose machines in the long run". Being easy to handle, repair and maintain locally, having a low consumption of power and less expensive to install, single-purpose machines are preferred in Japan and have also been approved by the experts of the study group?

The study is not confined to a general survey of the organisation and technical features of Japanese small-sale industry. The principal industries are examined in detail and the conclusions derived for each industry are given separately before being assimilated into the general conclusions drawn at the end. Textiles, ceramics, wood, bamboo and lacquer-ware, paper and paper-products, engineering, and the agricultural and aquatic products—all

these have been individually examined. Detailed information has been given about production techniques and processes, organisation, finance and marketing with special reference to the relation of the smaller industries to large-scale units and "common facility" centres. Some attention has also been paid to the research institutes which do so much to foster small-scale industries by helping them to improve their techniques and reduce costs.

The problems faced by small-scale establishments in the different ECAFE countries and the action that is being taken or is proposed to be taken for solving them have been assembled in an appendix. Readers should be warned, however, that as in most other ECAFE publications, the country report on China is really for Taiwan and what it says about the Chinese mainland should not have found a place in this publication. Even from these scrappy notes, it is easy to see that generally "the structure of the small-scale industry is not based on a planned industrial co-operative set up". It is to remedy this state of affairs that the experts recommend the establishment of an

organisation in each country skin to the Japanese Smaller Enterprise Agency. The report stresses in particular one aspect of the work of this agency which is not usually found in other countries, This is the work of "diagnosis" or industrial efficiency surveys, and the introduction of an uniform accounting system.

In view of the importance of marketing, the establishment of a body like the Japan Export Trade Research Organization (JETRO) and of market research organisations in different industries is also recommended. If these bodies could do careful work, they could undoubtedly prove very useful in countries like India. But how to ensure that the setting up of a multiplicity of organizations does not result merely in wastage of resources?

On the whole, the Study Group has produced a useful report. The wealth of detail contained in the industry-wise studies does not, however, seem likely to serve any useful purpose. It is too detailed to be absorbed by the general reader while being obviously inadequate to assist the technician interested in any particular industry.



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