

When quality is out of control

Scandals at some Japanese firms show the need for global supply chains to balance standards and costs

The shockwaves from the malfeasance in some of Japan's big companies continue to be felt as new revelations emerge.

On March 6, Kobe Steel CEO Hiroya Kawasaki announced that he would step down, taking responsibility for the quality control lapses that resulted in substandard materials being supplied to about 605 clients, including 222 overseas companies. Kobe Steel admitted that



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some of the data falsification went back 50 years.

Kobe Steel, which is Japan's third largest steelmaker, sells its products to all kinds of businesses, including those in the aviation and automobile industries, railways and nuclear power plants.

Consumers in the United States have filed a lawsuit against Kobe Steel and Toyota Motor Corp accusing the two Japanese companies of violating consumer protection laws and engaging in fraud by concealing the use of substandard metal components in the latter's vehicles. The complaint claims that Toyota models, such as Prius, Camry, Land Cruiser and Lexus, have all been made using substandard steel, alu-

minum and copper.

As well as Kobe and Toyota, revelations of defective products, data tampering and inappropriate quality control procedures have plagued other Japanese companies such as Takata Corp, Mitsubishi Materials Corp, Toray Industries, Nissan Motor Co and Subaru Corp.

The US National Highway Traffic Safety Administration has said that an estimated 37 million vehicles are currently under recalls due to defective Takata air bags that can explode when automatically inflated, causing serious injury or even death to passengers.

The US is scheduled to recall more air bags by December 2019, increasing the total number of affected air bags from 50 million at present to 65-70 million, the largest recall in the country's history.

Japanese companies said they are under intense pressure to cut costs and improve profitability. Kobe Steel said pressure from management to achieve profits and meet production deadlines was one of the root causes of misconduct.

Japan's manufacturing sector faces major challenges such as a labor shortage due to the country's rapidly aging population, high labor costs, and the high costs of materials due to a lack of natural resources.

In recent years, manufacturers have also struggled with stricter enforcement of standards and growing competition.

Many factories in their efforts to cut costs have tried to reduce regular workers, often in lifetime employment, in favor of laborers on temporary contracts. The proportion of non-regular workers in Japan's labor force has risen from 20 percent in the early 1990s to a record 37.5 percent in 2016.

But Koji Morioka, emeritus professor at Kansai University and an expert on workplace issues, was quoted by Reuters as saying this labor force adjustment has led to a de-skilling on the factory floor, lowering standards and increasing the likelihood of wrongdoing and accidents.

Traditionally, Japanese companies hired workers straight out of school or university, teaching them on the job and rotating them between departments. Such a model is no longer working well, failing to produce the skilled workers needed to ensure standards are maintained.

Quality-control problems previously unthinkable in a country with a reputation for prowess and perfection are now eating into Japan's manufacturing.

It is a big concern for producers in Japan and abroad. The scandal-hit Kobe Steel, Mitsubishi Materials and Toray are suppliers to global manufacturers.

Experts on industrial logistics point out that, since the manufacturing sector across the world has become more technologically

advanced, it is more likely that a single supplier, or even a single factory, can be critical to a whole industry.

Japanese corporations have monopolies or oligopolies in a host of crucial niches, such as the supply of advanced materials, components and production machinery for industries, including electronics, cars and aviation.

But the dominance of any one supplier is risky for global supply chains.

The earthquake that rocked Japan's Tohoku, an industrial base, on March 11, 2011, triggered temporary shortages of some Japanese components at many companies like Ford Motor Co and General Motors, exposing global supply chains' flaws.

Although advanced economies still dominate the upstream tasks of the global value chain and emerging economies continue to play their roles downstream, participation in global supply chains is becoming increasingly dynamic.

Emerging economies, including China and Mexico, are beginning to transition upstream within global production chains as they contribute more value-added in intermediates.

Despite the quality crisis that has rocked its manufacturing sector, Japan's manufacturing growth hit a four-year high in January and shipments increased for a 13th straight month in December. The full picture of the scandals is still emerging, though. Some of the Kobe Steel

data falsifications date back five decades, to a time when companies in developing countries like China could hardly compete with Japanese corporations.

The problems in Japanese manufacturing can serve as a lesson for China that has unveiled a national action plan, Made in China 2025, and vowed to build itself into a manufacturing powerhouse by increasing investment in research and development and applying the latest technologies.

In the Government Work Report he delivered at the opening of the first session of the 13th National People's Congress, China's top legislature, on March 5, Premier Li Keqiang said the country will promote the development of integrated circuits, 5G mobile communications, aircraft engines, new energy vehicles, and new materials.

He highlighted the importance China attaches to meeting the highest international standards, encouraging the spirit of workmanship, to "ignite a revolution in the quality of Chinese-made goods".

As China revamps its industrial sector, pursuing the high end, Japan is an example it can follow. But what is happening now in Japanese manufacturing is a reminder of the importance of standards.

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Glimmer of hope in Kim-Trump talks

World needs cooperation, not power games taking advantage of instability on the Korean Peninsula

By JIN QIANGYI

That US President Donald Trump has agreed to meet with Democratic People's Republic of Korea (DPRK) leader Kim Jong-un in May has raised hopes that tensions on the Korean Peninsula will be defused.

For the DPRK, years of harsh sanctions have created huge difficulties for its economy, so it participated in the Pyeongchang Winter Olympics to initiate a thaw in its relations with the Republic of Korea (ROK).

For Trump, who is facing all kinds of domestic problems, the proposed meeting offers an immediate chance to raise his ratings back home. Perhaps ROK special envoy Chung Eui-yong conveyed some key message during his visit

to the US that prompted the US president to change his mind.

For China, a responsible power that has remained committed to making efforts to denuclearize the Korean Peninsula, the proposed Kim-Trump meeting is a welcome move, as it could help restore peace and stability on the peninsula.

Beijing gives priority to any effort made to peacefully resolve the DPRK nuclear issue, as the peninsula is closely linked to the peaceful development of Northeast China. Trump's telephone conversation with President Xi Jinping on March 9 and the ROK special envoy's visit to China on March 12 show that China has been kept posted all the time.

Therefore, observers who believe Beijing is being sidelined in the peninsula issue are wrong.

Besides, the proposed meeting in May, which has not been finalized but remains highly likely, might not necessarily pave the way for the ultimate normalization of US-DPRK relations.

Washington, as Trump has announced, wants Pyongyang to abandon its nuclear policy. So the DPRK could use the proposed talks to earn time and resources to boost its economic development, but not change its stance on the nuclear issue. Also, the US is unlikely to change its basic strategy on the Korean Peninsula.

Thanks to its alliances with Japan and the ROK, the US has made the peninsula a base point of its Asia-Pacific strategy, which aims to focus on China and Russia. And Washington has taken some measures that are not conducive

to resolving the Korean Peninsula issue, fearing that China would become a bigger power that can challenge the US.

The US has used the disagreements and differences between the ROK and the DPRK to restrain the development space for China and Russia. In fact, Washington has consolidated its alliance with Seoul to create "controllable" tension on the peninsula and impede cooperation in the Northeast Asian region.

Northeast Asia can develop together and attract global investment if peace is restored on the peninsula.

And a fast-developing Northeast Asia could become a new economic powerhouse which, working together with North America and Europe, could generate greater mutual

benefits and contribute more to the global economy.

The world has reached a consensus that the sanctions against the DPRK can be eased if it changes its nuclear policy. But the game some powers are playing by taking advantage of the instability on the Korean Peninsula will lead to chaos and cause severe losses to all sides.

The proposed talks between Kim and Trump provide a glimmer of hope for resolving the DPRK nuclear issue. Hopefully, both sides will use the talks to pave the way for the resumption of the Six-Party Talks, in order to once and for all settle the nuclear issue.

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