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Our knowledge of the Pacific Rim is inadequate

Our ability to develop and maintain export markets is a critical issue for the United States, California, and especially for California's agriculture. The United States had a \$148 billion trade deficit in merchandise in 1985. We exported \$22.6 billion to Japan and imported \$72.4 billion. In 1984, California exported \$7.7 billion to Japan and imported \$20.4 billion. California's agricultural exports enjoyed a \$4.2 billion year in 1981, but that deteriorated to \$2.4 billion by 1985.

Many factors, including the value of the dollar, tax policies, attitudes in capital markets, the quality of products, and the price of these products, are important in our ability to develop and retain an export market. There is another factor, however, which we Americans have overlooked, and which may be as crucial to balancing our trade deficit as any other. That is our lack of understanding of the cultural systems in our target market areas, especially the Pacific Basin countries. Our knowledge of the Asia-Pacific region is woefully inadequate--far below what we know about European countries.

Writing in the *Los Angeles Times*, business executive Loet Velmans, a member of the Advisory Council on Japan-United States Economic Relations, pointed out that the Japanese have one clear advantage over Americans: they understand us a lot better than we do them. He referred to a study of 108 major U.S. corporations whose leaders were reluctant to pursue a Japanese strategy, even though they were fully aware of how Japanese businessmen use their knowledge of American culture, business practices, and the English language to succeed at trade in America. U.S. businesses have no systematic approach for recruiting people trained in the Japanese language and culture, and they have very little contact with specialized Japanese study programs in our universities.

Charles Morrison, Director of the East-West Center in Hawaii, says people in Asia-Pacific nations often fear that the United States will not show consistent interest in their region. They are angered by congressional rhetoric on trade problems, and they fear retaliation from the United States for what they regard as legitimate trade practices.

In his book *The Marketing Imagination*, Professor Theodore Levitt of Harvard states that explicit strategies and programs focused on what goes on in the marketplace are essential if we are to develop and maintain customers. He emphasizes the need for a product of high quality and low price. A global cor-

poration must understand similarities of nations and market a uniform product. Levitt uses Coca Cola and Pepsi Cola as examples of globally standardized products widely accepted regardless of cultural differences.

But Levitt also emphasizes that we can't disregard local or national differences. Even though we might market a uniform product, the marketing system could vary considerably from country to country. It is often possible also for companies to change or bypass established channels if they are sufficiently aware of the existing system. For example, when Komatsu, the Japanese manufacturer of lightweight farm equipment, was denied access to established distribution institutions in the United States, it successfully entered the U.S. market through over-the-road construction-equipment dealers in rural areas of the Sun Belt.

We hear the argument that the Japanese have not done enough to promote access to their markets. There are undoubtedly some truths in these charges, but the problem is ours. We simply don't know enough about their marketing systems and their culture to work through or, when necessary, around their established institutions.

California just awarded \$2.9 million in state grants to help improve foreign markets for its agricultural products. The grant recipients are to use the money for international trade shows, in-store promotions, and media advertising to promote foreign sales of our farm products. It has been pointed out that, in past efforts to market grapes in Japan, it was discovered that the Japanese like to peel their grapes. They also like to peel their lemons. I am sure there are dozens of other food consumption and food handling problems associated with selling our produce in Japan. I didn't notice, however, that any of the \$2.9 million California market-building money was to be used to develop a better understanding of the history, languages, and social dynamics of the target countries.

To quote Levitt, "The future belongs to those who see possibilities before they become obvious. Customers don't buy things--they buy solutions to problems." California agriculture can provide a solution to the scarcity of food. One way to do that is to know more about what our customers need. If we are attentive enough, even the Japanese might be led to change some long-standing habits. So might we.