

“Reconfiguration of Knowledge”

Set to Boost Japan’s Competitiveness

By Keita NISHIYAMA

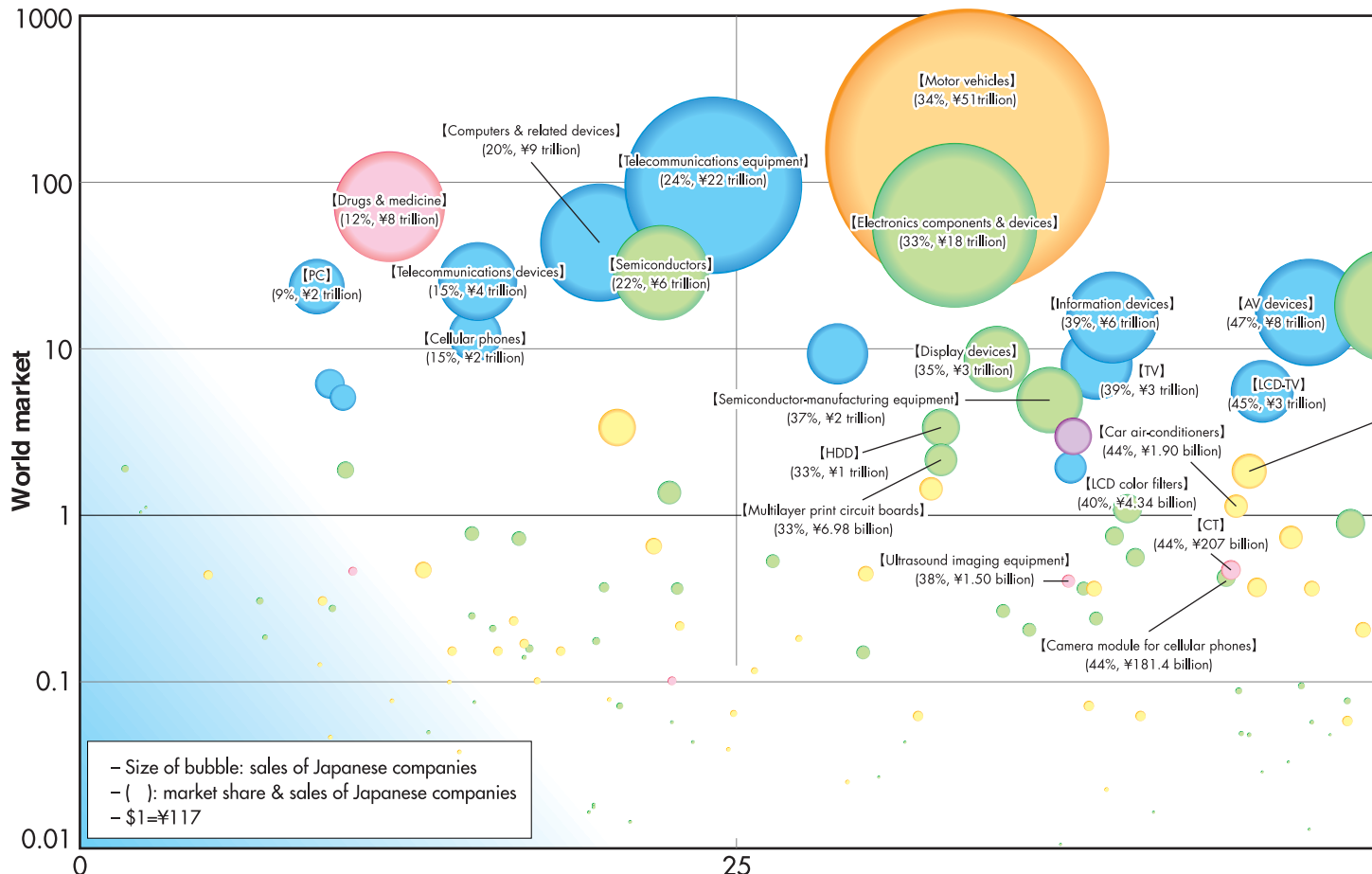
Japan boasts strong capabilities to create high-profile technologies and designs. Such strengths, however, do not necessarily lead to powerful production of national wealth. Why is it?

For instance, many parts of the iPod music player of Apple Inc. reportedly are being supplied by Japanese electronic component manufacturers. This indicates that there are numerous niche companies in Japan that command high global market share in particular products, creating a “Japan Inside” situation as shown in the *chart*. But these niche businesses do not spread across a wide spectrum of industries, instead mostly concentrating in the electronic component sector. Germany has retained its position as the world’s biggest exporter for the last five years partly on the strength of thick-layered

“Mittelstand” midsize businesses. In stark contrast, the layer of Japanese small and midsize enterprises (SMEs) that operate globally on their own is still thin. Many German Mittelstand firms started operating globally soon after they had been set up. They have now production bases not only in Europe but in Asia and North America as well. Holding the key to their competitive power are direct sales. By establishing direct-sale bases globally and deploying personnel there, they have succeeded in setting up solid customer networks in niche markets and identifying the direction of product innovation in such markets. The strength of customer networks, combined with that of manufacturing capabilities, constitutes the main source of strong competitiveness among Mittelstand companies. Japanese

CHART
Market share of Japanese companies (2006)

(Tril. yen)



Source : Fuji-Chimera Research Institute, JEITA, Semiconductor Equipment Association of Japan, FOURIN

SMEs should try to operate globally by adding their strength of services to their high manufacturing and technological capabilities.

Meanwhile, Japanese fashion, animation films, traditional handicrafts and cuisine, among others, are attracting strong interest from abroad on the bandwagon of “Japan is cool.” For example, Japanese fashion magazines for women occupy the “top 4” of such publications in China. The number of Japanese brands available in China, however, is limited, creating no big business there. This is mainly because the mindset of Japanese businesses has not shifted its priority from “individual sales of goods” to “supply of lifestyles.” Traditionally Europe has been a successful trendsetter and thus possesses mechanism to spread their lifestyles globally that would affect consumers’ attitude across products. In order to render the “Japan cool” boom into real business opportunities, Japanese companies need not only to brush up designs of individual products but to link them to lifestyles that go beyond the categories of products and services. Fashion magazines are by nature meant to categorize numerous fashion designs. The fact that fashion magazines which have created new categories such as “ara-saa (around 30 years old)” and “girlie” magazines are brisk sellers in the Chinese market suggests the possibility of Japan-based lifestyle categories being accepted by Asian consumers.

Japanese environment-related technologies, too, are drawing strong interest globally. To meet a variety of customer needs, however, Japanese manufacturers are required to not only develop and provide individual environmental equipment and devices but combine them for the supply of “solution services.” To realize such services, Japanese businesses need to integrate technologies and know-how, including IT services, beyond the barrier of corporations. This is in line with global moves to shift from corporate in-house R&D to open innovation systems.

The keyword for bolstering Japan’s competitive power and creating values is the “reconfiguration of knowledge” – launching new projects by bringing together technologies and expertise that are dispersed across industries and firms. Solution services, new lifestyles and new trends that we create should absolutely be offered and tested in an open environment, and Asia constitutes the place for such a challenge and collaboration. It is against this background that we have proposed the concept of “an Asian Economic and Environmental Community.”

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