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ITI's Vision for The 1990s

Every 10 years since 1960, the Industrial Structure Council has drawn up an influential set of policy recommendations for the Ministry of International Trade and Industry. The Council's reports argued for fostering heavy industry in the rapid-growth 1960s, promoting knowledge-intensive industries in the 1970s, and developing creativity-intensive industries in the 1980s.

The "vision" for the 1990s, however, shifts its emphasis to the need for Japan to fulfill its international responsibility, reform the domestic economic system, and ensure that the Japanese people benefit from Japan's wealth. Significantly, it is subtitled "Creating Human Values in the Global Age."

International Trade and Industrial Policy in the 1990s

—Creating Human Values in the Global Age—

1. The world of the 1990s

The dramatic political and economic reforms in Eastern Europe are ending the East-West discord that has characterized the postwar world. History has shown that free-market economies and democratic systems are essential for peace and prosperity, and the growth in international trade and international investment has made the world increasingly interdependent.

It is thus imperative that mankind focus its creative energies on global issues, including standards of living in the developing countries, population pressures, the rules of economic behavior, energy resources and the environment. In dealing with these global issues, all peoples need to accept each other's value systems and to coexist in harmony.

2. Japan in the world: international contribution and internal reform



Now one of the world's strongest economies, Japan must make maximum use of its economic and technological strengths, human resources and historical experience to help with global issues. Japan must share responsibility with the United States and Europe and take creative initiatives as a member of the global community.

As the common threat that has united the industrial democracies for over 40 years declines, friction among them is coming more to the fore. Japan's rapid growth and global influence has produced anxiety in the international community. Japan thus needs to bring its democratic systems and practices into better harmony with international norms and enhance their transparency. Faced with the myth of an inherent "uniqueness," Japan must remind the rest of the world that it shares the same fundamental values.

During the 1990s, Japan will increasingly be called upon to go beyond simple harmonization and to strive for greater freedom and fairness. If Japan can tackle its reforms with foresight and courage, it will emerge as a new free-world standard-bearer.

3. Japan in the 1990s: solving the paradox of prosperity

There is increasing doubt that Japan's national wealth has meant higher standards of living. Despite economic growth, there have been several areas of decline: time for people to achieve their full potential, working conditions, living space and the range of consumer choice.

Improving the quality of life and ensuring that each citizen has the opportunity to develop his or her potential to the fullest are the fundamental goals of a free society. Failure to make this possible and to close the wealth gap among regions could exacerbate frustrations and undermine individual motivation and creativity. Japan must solve these problems while it still can.

One factor contributing to the "paradox of prosperity" is that Japan is a company-oriented society in which the emphasis is placed on production rather than on people's lives. More recently,

there have been signs of the emergence of speculation in the economy.

Japan's international trade and industrial policy has been premised on the idea that successful economic development will naturally be reflected in higher living standards. While this has been somewhat successful, policy must today go beyond economic well-being and production performance and be directly concerned with the ultimate objective of better living for the people.

4. Securing the foundation for long-term economic growth

Long-term growth is essential to contributing to the world economy and improving the quality of Japanese life. And solving the many new problems in the 1990s will require new approaches, new concepts and new policies.

The challenges of the 1990s include: creating an industrial structure responsive to changes in popular values; eliminating disparities among industries and regions; developing new industries; streamlining or converting low-productivity industries; fostering small business; coping with Japan's dependence on foreign energy sources; reconciling development with the global environment; enabling women to play a more active role in society; and deploying its human resources to best avail.

5. The three objectives and seven basic principles

The vision's three objectives, namely contributing to the international community and promoting internal reforms;

improving the quality of life; and securing the foundations for long-term economic growth, are complementary and synergistic. They cannot be attained separately but must be advanced in a balanced effort.

There are seven basic principles to be observed in achieving these objectives:

1) Stressing market principles and personal responsibility

Market principles must continue to prevail through further deregulation. This will require that people take personal responsibility for their choices.

2) Stressing human values and social interest

Government must stimulate public debate on such areas as land use, consumer issues and the global environment.

3) Integrating foreign and domestic policies

As the world economy grows more interdependent, it will be increasingly important to integrate foreign and domestic policies.

4) Adopting a long-range view in developing policy

Unlike the catch-up era, Japan must now push back new frontiers. It is crucial that policymakers adopt a long-range view.

5) Responding to change

Japan must become more responsive at home and abroad with enhanced information-gathering and analytical abilities.

6) Making continuous internal reform

Policies must be continually reviewed, priorities reassessed, and gov-

Three objectives

- 1) Contributing to the international community and promoting internal reforms
- 2) Improving the quality of Japanese life
- 3) Securing the foundations for long-term economic growth

Seven basic principles

- 1) Stressing market principles and personal responsibility
- 2) Emphasizing human values and social interest
- 3) Integrating foreign and domestic policies
- 4) Adopting a long-range policy perspective
- 5) Being responsive to change
- 6) Effecting continuing internal reforms
- 7) Enhancing cooperation among administrative bodies

ernmental structures overhauled to meet changing administrative requirements.

7) Enhancing cooperation among administrations

It is essential that all arms of the government cooperate with the sole objective of serving the interests of the people.

Objective 1: contributing to the international community and promoting internal reforms

As a peace-loving nation, Japan should contribute vigorously to a better world in noneconomic as well as economic areas. Japan's well-being depends on a stable and free international community. There are eight basic tasks here:

- 1) Building the new international economic order by formulating international economic rules appropriate to globalization (including the GATT Uruguay Round and ways of making the East European countries part of the international economic system), encouraging policy coordination among the industrial nations, and strengthening international dispute settlement mechanisms.
- 2) Furthering international harmonization by modifying Japanese institutions to accord with international norms, encouraging efforts by all countries to open up, and enhancing Japan's transparency and international contacts.
- 3) Dealing with external imbalances by expanding imports through structural changes and domestic demand-led growth (including increased overseas investment, expanded imports of manufactures and domestic infrastructure investment).
- 4) Promoting more internationally acceptable economic activity both in Japan's overseas investment (by paying more attention to the local impact and engaging in "competitive coexistence" as good corporate citizens) and with an improved climate for direct foreign investment in Japan.
- 5) Supporting self-reliance in the developing countries by avoiding the vicious circle of aid dependence and placing

the priority on a comprehensive mix of aid, trade and investment plus human resources development.

- 6) Supporting the reforms in the East European countries and the Soviet Union and resolving the Northern Territories issue.
- 7) Tackling global environmental issues with scientific analysis and technological development, technology sharing, environmentally friendly lifestyles and international cooperation under the "New Earth 21" program; implementing a broad range of international energy measures; and promoting "technoglobalism" and opposing the rise of technonationalism.
- 8) Making Japan's dreams reality with new funding schemes to solve global problems.

Global cooperation is crucial to this effort, meaning not just cooperation with the other industrial countries but also encouragement for open regional cooperation in the Asia-Pacific and support for economic democracy in China and other Asian countries.

Objective 2: improving the quality of Japanese life

Although Japan has achieved material wealth, there is a widening gap between the nation's economic standing and the individual's sense of fulfillment. This must be rectified, which means enabling individuals to lead fuller lives, having companies act as good corporate citizens, and having the government emphasize the human aspects of its trade and industrial policies. The six main areas here are:

- 1) Emphasizing the consumer by stabilizing prices and expanding consumer choice both in product and in price terms, enhancing consumer protection by ensuring that consumers have the same information access and skills that suppliers have, and promoting consumer-responsive business.
- 2) Promoting employee interests including both shortening working hours through work-sharing and efficiency and enabling employees to exercise their full potential.
- 3) Enabling the elderly to live meaningful lives through enhanced education,

employment and social participation, and providing the basic social security systems and service industries to ensure that their lives are free of anxiety.

- 4) Facilitating equal roles for women by creating a social framework that enables men and women to share responsibility in the home and at work, improving child-care centers and other public facilities, and promoting automation and the development of house-keeping service businesses. Although women's social participation rates are as high in Japan as in other industrial nations, the difficulty of returning to the work force after they have children and the lack of adequate daycare facilities frustrate many women seeking greater personal fulfillment. Failure to utilize women's abilities also hurts business and society.
- 5) Improving living conditions demands dealing with land problems, creating better housing and public facilities, and enhancing the social infrastructure. These are complex and interrelated problems requiring systematic and coordinated policy responses.
 - a. Soaring land prices create increased disparities of wealth, distort competition, sap Japan's economic vitality, and represent a speculative bubble threatening Japan's stability. Supply and demand relations are fundamental in that the increasing supply tightness is aggravated by the emphasis on possessing land rather than using it and by speculative demand. The tax system, zoning regulations and rental laws must all be reviewed to stabilize land supply and demand. Likewise industrial policy must promote industrial relocation and efficient use of underused land and create more usable land through technological breakthroughs.
 - b. Housing issues are closely linked to land problems, and policies are needed to increase the housing supply, ensure that the available housing suits the lifestyle needs of all, and reassess corporate programs as they relate to housing.
 - c. The social infrastructure cannot be



Photo: Nihon Keizai Shinbun

Ecology-related products, stressing the importance of environmental protection, on display at a department store.

amination procedures, and increased international activity and technological innovation requires promotion of adaptable standardization—especially in information technology—in order to secure interoperability and compatibility.

quantitatively and qualitatively enhanced unless the necessary land and financing are available, including strengthened enforcement of laws of eminent domain, cost-sharing by the immediate and future beneficiaries, incentives for private-sector investment in the public interest, instituting priority multi-year budgeting, and increasing public investment's transparency.

- 6) Alleviating the over-concentration on Tokyo and promoting regional development have to go hand-in-hand.

Objective 3: securing the foundations for long-term economic growth

- 1) A flexible and vital industrial structure is essential, and this structure must be responsive to the new demands of the new era. Specifically:
 - a. Japan's industrial structure must enable the people to lead high-quality, meaningful lives, respond to the tighter labor markets, be integrated with the international economic community, reduce the environmental burden and energy demand, and maintain industry's health.
 - b. Exploring new industrial frontiers in the 1990s will require improved capital resources, human resources and markets.
 - c. Despite the shift to a more service-oriented economy, manufacturing continues to be crucial to technological innovation and growth, and the flight of human resources from

manufacturing makes it imperative that the manufacturing sector improve its working conditions, that educational policies emphasize manufacturing, and that regulations giving the financial sector an edge be reexamined.

- d. The distribution and service sectors must become more responsive to the quality of life and more productive.
- 2) Small business is also essential and deserves strong support.
- 3) Science and technology, including information aspects, are areas of special concern.
 - a. Japan has an international responsibility to strengthen its basic scientific research and development efforts, including the creation of world-class research facilities, and it would not be amiss for the national government to expand its support of R&D to about 1% of GNP.
 - b. Staying at the forefront of the information revolution mandates better information infrastructure (both the networks and databases and their support systems), enhanced information-processing ability (with greater education and more friendly technology), and mitigating the information society's negative impact.
 - c. Current demands concerning intellectual property protection call for continuing efforts to implement the paperless patent system and to improve patent application and ex-

- 4) Access to energy and other resources is crucial. Japan's vulnerability to a worldwide oil crunch demands that Japan bolster comprehensive energy on both the supply and demand measures. Japan must also deal with this globally in a way which is consistent with environmental concerns. New technology and heightened awareness are needed to enhance energy efficiency. At the same time, it is imperative to avoid becoming over-dependent on any particular energy source. Japan must combine cooperation with the other industrial nations, assistance to the developing countries, and strengthened relations with the oil-producing countries. Likewise, exploration and development are essential to secure stable nonferrous metal supplies.
- 5) Given concerns that the Japanese labor market will be increasingly distorted by age, location and occupation in the 1990s, policy must work to improve the labor market and working conditions, promote work-sharing, and take a long-range view on foreign labor.
- 6) The financial structure is an important part of any economy, and anti-competitive regulations and practices must be corrected to promote financial deregulation open to the rest of the world. Steps also need to be taken to ensure that excessive concern for paper profits does not have a negative impact on industrial restructuring.
- 7) The infrastructure must be improved and other public facilities developed to support the economy.
- 8) Highly vulnerable to natural disasters, Japan must increase its energy and other resource stockpiles and diversify its sources of supply, alleviate the over-concentration on the Tokyo area, and develop financial-crisis management systems.