

Cooperation in Everyone's Interests

Immediately after the above report entitled "An Outlook for Japan's Industrial Society toward the 21st Century" was published, Kotaro Tsujimura, a professor of economics at Keio University and a member of the Industrial Structure Council who took part in the deliberations on which the report is based, spoke to Shozo Hochi, editor of the *Journal of Japanese Trade & Industry*, concerning the main points of interest as well as other important matters discussed in the report. He stressed Japan's responsibilities for international industrial harmonization and for contributing to the international economy. Excerpts:

Question: *What are the main points of interest in the Industrial Structure Council's report for overseas readers?*

Tsujimura: The rapid technological advances and increasing international interdependence have created an entirely new situation for Japan since the start of this decade. These changes have to be met, and our society has to be ready for the changes yet to come. In the past, Japan grew by emphasizing exports, but we've gotten too big to do that any more. So we have to change our orientation and find a way to achieve balanced trade expansion for global prosperity and harmony.

The inevitable changes in our social and industrial structures will obviously pose problems for everyone. This report was drawn up to facilitate the adjustment by outlining where we are going and how to get there.

Q: *How does the report recommend that Japanese industry make this historical change away from export-led growth?*

A: After noting that Japan has traditionally tried to hold imports to a minimum and to be self-sufficient in meeting its needs, it points out that other countries, particularly the developing countries, can often make these things more efficiently because of their access to raw materials, labor and other factors and says we should meet these needs with imports. In return, Japan may be expected to grow in such areas as electronics, new materials and biotechnology.

This is probably the first time that a document such as this has come right out and said that some Japanese industries will have to be let go, but if we are going to meet more of our needs with imports,

there will obviously be some Japanese industries that will fall by the wayside.

Q: *So if we import more and shift our imports to high-technology products, the result will be balanced trade expansion. Is that correct?*

A: Right. For several decades after the war, Japanese industry was determined to catch up with the United States, and we developed a number of competitively advantageous behavioral patterns in the process. Now, however, we have to change directions. But you can hardly expect people to change without a clear sense of how and why. That's why this report has gone to such lengths to detail the problems and their possible solutions. I do not think this report should be that difficult for industry to accept. Of course, it will not be easy, but we have tried to show why it is so necessary and how it can be done. At the same time, the government will be working to facilitate these changes.

Q: *A number of foreign observers have said that Japan, for all its economic prowess, is still rather backward in terms of amenities and lifestyles. Did your discussions touch on this?*

A: With so many people living in so little space, land is more expensive in Japan than it is in most other countries. The average Japanese home has only 86.2 square meters (58.2 sq. m. in Tokyo) compared with 134.8 sq. m. in the United States. Little wonder that only 44% of the people say they are happy with their living situation (compared with 71.2% in the United States).

The yen's appreciation has put the Japanese per capita income on a par with the United States, but we are still far behind in per capita residential floor space. But what do you expect? We just don't have the land area, and this is something that can't be imported.

Recognizing these constraints, the report focuses on housing policy and calls for drastic measures, including more lenient zoning regulations, high-rise apartments, lower interest rates on home loans, tax breaks for homeowners and whatever else can be done to encourage more efficient use of the available land.

It's important to get more living space out of our land. Some people have said that the Japanese people are satisfied

with what they have and that's why domestic demand is sluggish, yet the fact that people don't have any place to put the things they buy is more important. The production of household goods is a gradually shrinking percentage of total manufacturing every year. If our houses were bigger, people would naturally want new dressers, air conditioners and other things.

Q: *The report has called for international industrial harmonization, but won't that have a negative impact on Japanese industrial vigor?*

A: There is a tendency in Japan to see international harmonization as involving some sacrifice of national interests, but I don't see it this way. Rather, I don't see how we can protect Japan's national interests *except* by international harmonization. When the yen was undervalued, this contributed to holding prices down in the United States and other dollar-indexed countries, and consumers there were quick to recognize this. Now, even though the yen has appreciated considerably, the American public is more concerned about unemployment than it is about inflation. In turn, this fear is fueling dangerously protectionist sentiments. People here are worried about the yen's impact on exports, but exports will be hurt far more if protectionist legislation is enacted, so it's in Japan's best interests to do what it can to reduce its trade surplus. I realize that international harmonization will create problems for Japanese industry, but I don't see any alternative.

Q: *The report also speaks of contributing to the international economy. What are the main areas here?*

A: There are three main points. First, by shifting away from export-led growth to domestic-demand-led growth, we open the way for greater imports of products in which our neighbors have a competitive advantage. Second, we need greater efforts to make outstanding Japanese technology, including managerial know-how, available to the developing countries. And third, we have to provide direct overseas investment, development assistance and other cooperation so that the bootstrap efforts of people in the developing world can bear fruit. If we can do all of these things, we can contribute to making this a better world. ●