

# Prospects for Progress

By Robert Neff

It's hard knowing how seriously to take MITI's new "vision" for the 1990s, for a couple of reasons. First, it reads like a Washington wish list: many key proposals echo those made by the U.S. in recent years that Japan has resisted. And few Japanese would take issue with any of the items, which finally pay heed to consumer interests after 40 years of economic policy that put producers first. Second, the vision delves into areas over which MITI has little, if any, jurisdiction. These two considerations make it tempting to regard the vision as mainly a public relations exercise or indulgence in wishful thinking. My guess is that it amounts to a little bit more.

I base my conclusions on a 41-page English-language summary of the vision that was distributed by MITI in early July to foreign correspondents in Tokyo. Without knowing the source, a reader might conclude that the report came from America. Among other things, the recommendations call for:

- Enhancement of Japan's transparency
- Greater opportunity for Japanese to choose what to buy and at what price
- Shift of emphasis from producers' interests to those of consumers
- Stressing market principles
- Deregulation and structural changes in the economy
- Land-use reform
- Expanded imports
- More investment in infrastructure and basic research
- Reduced working hours
- Prudence in expanding exports and overseas investment
- Promotion of foreign direct investment in Japan
- Transferring technology abroad
- Protecting intellectual property

Various Japanese leaders and institutions have paid lip service to some or most of these ideas for a number of years. And there's been progress in a few of the areas. MITI itself had been moving on such measures as promoting imports and basic research before the vision was drafted. So in a sense MITI's new vision, like its previous ones, is an expression of emerging consensus more than a bold new breakthrough in thinking. But to see

so many important proposals embraced together in a major document from an organization as potent as MITI makes you sit up and take notice.

Has MITI gotten Western religion? Perhaps. The escalation of revisionist analysis of Japan—that because it marches to a different economic and political drummer than other advanced democracies new ways of dealing with it must be found—has stung the ruling class. Their tradition of special pleading that Japan is unique is starting to backfire. So now they're scrambling to show that they buy fully into Western orthodoxy.

This is a variation of the old *gaiatsu* gambit, in which Japan's diffuse, discordant and recalcitrant power structure manages to move only when faced with implacable outside pressure. Often, the majority of the power elite are thankful for the external pressure because it's given them a pretext to take decisions they agree with but lack the guts or clout to make on their own. There's little question that beyond mollifying foreigners, practically everything in the vision would please most Japanese. One wonders, though, whether MITI would have recognized or adopted many of these issues without the sort of *gaiatsu* that's been such a key to budging Japan on other policy matters.

It might be easier to put more credence in the new vision if MITI really had the power to implement it. But the ministry is moving into uncharted territory when it talks about improving the lives of the Japanese people. Traditionally, MITI's job has been to coordinate and advance the interests of Japanese industry. Now it's talking about:

- Creating opportunities for self-fulfillment of the elderly
- Supporting volunteer work, recreation and lifelong education
- Implementing measures for basic social security systems
- Promoting public facilities that the elderly can easily use
- Advancing the position of women in society
- Improving living conditions
- Increasing the housing supply



Shoppers attracted by U.S. beef that deregulation has brought to the marketplace.

MITI officials freely admit that achieving the vision will require the cooperation of many government agencies and that the ministry will have to sell it to them. That won't be hard in some cases because consensus already exists for a number of the measures. Resistance remains strong against some of the most important ones, however. Few issues are dearer to the hearts of most Japanese—and foreigners, too—than land-policy reform. Japanese politicians and the mass media are eloquent on the subject. But entrenched special interests look likely to prevent any significant progress for the foreseeable future. And this isn't a subject over which MITI has much jurisdiction.

Even in one where it does—imports—the odds look long for quick progress. To be sure, Japanese imports have been growing robustly for the past couple of years. But lately there are signs that exports are starting to grow even faster. And Keidanren, the Federation of Economic Organizations, issued a 15-page statement in July detailing 82 steps it thinks are still necessary to improve access to the Japanese market.

None of this is to say that what MITI envisions isn't laudable. What it has set forth is partially inevitable, but also partially impossible. To that extent the vision is an empty exercise. To the extent that progress occurs on issues at the margin, however, MITI will deserve some credit. Ten years from now we'll undoubtedly look back and be thankful that part of the vision has become reality.

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