

# Publisher's Note

## Battling the Vested Interests

By Naohiro Amaya

Just as the 19th century was the age of coal and the 20th century the age of oil and electricity, the 21st century is likely to become the age of information.

Concurrently, Japan was an underdeveloped country in the 19th century, had caught up to become an industrialized country by the 20th century and should be an information leader in the 21st century.

The world is changing at a rapid pace, and Japan's position in the international community has also been changing at a dizzying rate. Unfortunately, so abrupt have these changes been that the Japanese mentality and government policies have failed to keep pace.

Forty years ago, General MacArthur said that in the international context, Japan was a mere 12-year-old youth. Japan was a worn and

tired nation devastated by war, its role in the international community insignificant. Like a child, it was properly obedient to the instructions and teachings of the Allied nations.

Today, Japan alone accounts for 10% of the total world GNP and it is a world leader in terms of current account surplus and capital outflow.

Still, the Japanese people find it hard to discard their self-image of Japan as a small, impoverished country. Japan must make every effort to shed this outdated self-image and to move vigorously to contribute to the maintenance of a just world order and the preservation of international affluence. Even though Japan has become a major economic power, it is far from a major power in terms of military might, international political influence and cultural impact. Thus the primary issue for Japan in the years ahead is that of devising those policies that can best deal with this imbalance.

Both technological and social innovations are needed in shifting from an industrial society to an information society. The necessity

for innovative technology is self-evident, but innovations in the broader human sphere of corporate management, politics, law, customs, values and lifestyles are no less important.

Indeed, the necessary technological innovations can only be achieved after social reforms have created a climate conducive to them. However, social reform is always a threat to those with a vested interest in maintaining the status quo, and the result is all too often a political standoff between old and new. Unless this political deadlock is broken and forward-looking policies are adopted, it will be difficult for Japan to make a smooth transition into the information age. A powerful political force in any country, these vested interests are the greatest impediment existing to Japan's continuing development in the years ahead.

The end of the 20th century marks the end of an era in Japanese history and, it is hoped, the advent of the 21st century will mark the beginning of a new era in which Japan will have both the technology for a better life and the wit to use it wisely.

## Letters

### Win a Few . . .

I always look forward to the *Journal* for its detailed information on Japanese points of view concerning domestic economic issues and international economic relations. The March/April special feature on Korea was especially good, and it was interesting to note the suggested solutions for narrowing Korea's trade gap with Japan. Japan has upgraded its export commodities during the last two decades and has been exporting relatively human- and capital-intensive products. With the incentive policies adopted for strengthening Korean industry, Korean exports are also becoming more human and capital intensive. However, as rightly pointed out in the *Journal*, there is some question about whether or not Korea should really plunge head-on into developing in this direction, since it could inflict considerable social costs by discouraging investment in industries with potential comparative advantage.

The many articles in this special feature pointed out numerous differences with Japanese society and noted that understanding a people's fundamental characteristics is imperative if we are to understand a country's economic development. Such awareness is true for good trade relations with any country, and it is features such as this on developments outside Japan as they relate to Japan that make the *Journal* of special interest to the international community.

Joanna M. van Vliet  
Netherlands Foreign Trade Agency  
The Hague

### Lose a Few

There is no shortage of information available to the businessman, both about world business in general and about Japan in particular, in the dailies, weeklies and monthlies, in addition to the many books and articles published each year. Thus your readers expect insights on Japan that they cannot get elsewhere. Usually the *Journal* fulfills this need with an interesting selection of articles reflecting a useful variety of points of view. However, the special issue on Korea was off target. Articles on Korea are *not* what I am looking for in a magazine called the *Journal of Japanese Trade & Industry*, even if you do give them a Japanese viewpoint.

This said, I must compliment you on creating an interesting magazine of value to the foreign business reader and for providing a wide range of points of view, both Japanese and non-Japanese. The overall balance is good, and I like the way you have found foreigners to add their points of view in addition to "establishment" Japanese. If you concentrate on Japan, and continue to provide a wide range of points of view, both Japanese and non-Japanese, I am sure the *Journal* will continue to be well respected by the international business community.

Nicholas Hobson  
Managing Director  
Dayton, Groom & Saunders  
London

### Noteworthy Cover

Your *Journal* dated May/June 1986 had on the front cover reproductions of various currency notes including the Bank of England £50 note.

To avoid the possibility of fraud, under U.K. law the reproduction in the U.K. of U.K. banknotes requires the prior permission of the issuing authority. I feel sure that you will appreciate that fraud may arise not only from the misuse of actual reproductions but also from the misuse of the materials used in their manufacture. For these reasons I should be very grateful if you would avoid the use of reproductions of Bank of England notes in your publication.

The Principal  
Issue Office  
Bank of England

A number of readers have asked about that cover. The picture was an illustration, not a photograph. —Editor

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.



# TOPICS

## Tokyo Summit Agrees on Policy Coordination

The 12th annual summit meeting of the leaders of the seven major industrial democracies and the European Community (EC), held in Tokyo May 4-6, adopted an economic declaration calling for improved coordination of their economic policies for the purpose of promoting noninflationary growth, strengthening market-oriented incentives for employment and productive investment, opening up the international trading and investment system, and fostering greater stability in exchange rates.

The economic declaration, one of four documents adopted at the conference, notes that the economies of the industrialized countries are in their fourth year of expansion. Their inflation rates have been declining, interest rates have shown "substantial" drops, and there has been a "significant" shift in the pattern of exchange rates which "better reflects fundamental economic conditions." These developments as well as the decline in oil prices offer "brighter prospects" for the future of the world economy, it asserts. However, the declaration also pointed out that the world economy "still faces a number of difficult challenges which could impair sustainability of growth," including high unemployment, current account imbalances, uncertainty about future exchange rates, "persistent" protectionist pressures, "severe" debt problems for some developing countries and uncertain medium-term prospects for energy prices.

To resolve these problems, the declaration urges the summit countries to implement "effective" structural adjustment policies, seek "close and continuous" economic policy coordination, and cooperate in addressing issues associated with the Third World (debts and the African food shortage), world trade, agriculture, energy, science and technology and the natural environment. In particular, it stresses the need for all countries to undertake structural adjustment policies "across the whole range of economic activities." Such policies include techno-

logical innovation, adaptation of industrial structure, and expansion of trade and foreign direct investment.

In connection with the proposals for policy coordination, the summiters agreed to form a new "Group of Seven" (G-7) of finance ministers by adding Italy and Canada to the existing G-5. The G-7 will work for noninflationary economic growth, strengthened "market-oriented incentives" for employment and productive investment, a more open international trading and investment system and greater exchange rate stability.

To help achieve these objectives, it was agreed to keep the summit nations' economic policies under "multilateral surveillance" using such economic indicators as gross national product (GNP) growth rates, inflation rates, interest rates, unemployment rates, fiscal deficit ratios and exchange rates. The G-7 finance ministers will collectively review their individual economic objectives and forecasts using these indicators. Whenever the indicators show "significant deviations from an intended course," the ministers will "make their best efforts to reach an understanding on appropriate remedial measures."

It was agreed to work to make "decisive progress" toward the early start of the new round of global talks for freer world trade at a ministerial meeting of the General Agreement on Tariffs and Trade (GATT) in September. The Tokyo Summit declaration also referred to the need for continuity in policies for long-term energy market stability, and to the agricultural issue that mirrors serious farm trade friction between the U.S. and Europe.

The summit also adopted a political declaration in which participants declared they share common principles and objectives.

Two separate statements addressed international terrorism and the Soviet nuclear power reactor accident occurring immediately before the summit.

In the first, the seven nations reaffirmed their condemnation of all forms of terrorism and declared they will refuse arms exports and take other measures against any country which is "clearly involved" in sponsoring or supporting international terrorism. In the other statement, the summiters urged the Soviet Union to "urgently" provide information on the Chernobyl nuclear power plant fire. They also called on the Kremlin to join efforts to map out an international convention on exchanging information in the event of nuclear emergencies or accidents.

All the summit participants praised Prime Minister Yasuhiro Nakasone for his leadership as host of the annual gathering, with U.S. President Ronald Reagan describing the meeting as the "most successful" of the six summits he has attended. The leaders agreed to meet again in Italy next year.

## Call for Lifelong Education

An ad hoc advisory body to Prime Minister Yasuhiro Nakasone has called for tailoring Japan's educational system to lifelong study, going beyond the school to encompass the home, social education and vocational training.

The recommendation reflects a growing perception that Japan's excessive reliance on school education has led to uniform teaching methods, overheated competition in entrance exams and an excessive emphasis on educational backgrounds in hiring decisions.

In submitting its recommendations to Nakasone on April 23, the Ad Hoc Council on Education addressed the question of what form education should take in the coming decades.

Analyzing the merits and demerits of Japan's prewar and postwar education systems, the council concluded that the 1947 Fundamental Law of Education should be respected. (The law, based on the postwar Constitution, laid down principles for democratic education.) But the council sets down three goals for Japan's education in the 21st century: (1) the cultivation of a broad mind, healthy body and rich creativity, (2) freedom, autonomy and a civic-minded spirit, and (3) retaining the Japanese identity in a global context.

The recommendations warn that Japan's present corpulent educational system results in excessively controlled education, to the detriment of students and the schools. The need, it says, is for a flexible educational structure that can cope with the growing international involvement, larger proportion of older people and increasing importance of information in Japanese society.

The recommendations advocate liberalizing higher education through simplifying university establishment criteria and introducing twice-yearly entrance examinations.

"If the proposed concept is fully implemented," says Prof. Tadao Ishikawa, president of Keio University, "universities will change significantly in the 21st century."

Experts say the proposal to allow enrollment in the autumn as well as spring dovetails with trends toward internation-





alization, as it will benefit youngsters returning to Japan from abroad.

Meanwhile, the Education Ministry considers the council's proposed "one-year newcomer training system" one of the most important reforms. Such a system for improving the quality of teachers has already been recommended ten times before in the 100-year history of Japan's modern educational system.

"What we mean by lifelong learning is to make life itself broad and comfortable," Council Chairman Michio Okamoto told the press after presenting the recommendations. "The idea is to study slowly and without haste throughout our lives instead of hurriedly learning at school alone." He stressed that the most important thing for Japan, now that it has achieved economic prosperity, is "elbowroom in life."

The Japan Teachers' Union was quick to criticize the recommendations, saying the proposed shift to lifelong education will downgrade the schools. It also opposed the new teacher training scheme, charging that the liberalization of higher education is designed to meet the demands of industrial circles.

## Greater Private-Sector Role in Public Projects

In the face of calls at home and abroad for faster economic growth through expanded domestic demand, the Japanese government is stepping up public projects incorporating private-sector expertise and funding. Prime Minister Yasuhiro Nakasone and other leaders of the ruling Liberal-Democratic Party (LDP) are stressing the utilization of private-sector vitality in the face of budgetary con-

straints on using public works spending to bolster economic activity. Echoing the government's enthusiasm, private interests have floated a host of plans for coordinated public/private projects.

A government survey in April found 119 major coordinated projects planned in 11 large cities across Japan, far more than the 69 originally expected for fiscal 1986, the first full year when such projects are to be undertaken. The Management and Coordination Agency survey covered projects involving one hectare or more of land and costing at least ¥10 billion.

One major project that has attracted wide attention is the construction of a highway along Ise Bay near Nagoya in central Japan. The project, expected to cost ¥600-700 billion (about \$3.3-3.9 billion at the rate of \$1/¥180) rivals two other coordinated projects—construction of a highway link across Tokyo Bay and of an offshore international airport on an artificial island near Osaka, Japan's second-largest industrial center. Nakasone's aides and leaders in the Nagoya area share a common interest in helping bolster domestic demand and reinvigorating the local economy, further spurring the plan along.

Plans for greater private-sector participation in public projects are also taking shape at the prefectural level. A recent Kyodo News Service survey of the nation's 47 prefectural governments found that 60% had budgeted for such projects for fiscal 1986, although some of the smaller ones will cost no more than ¥1 million.

Behind the rising tide of joint projects are requests from foreign countries for Japan to expand domestic demand, thereby boosting Japanese purchases of their own goods. The LDP, for its part, hopes the projects will help its members of both houses of the Diet (parliament) in their campaign for the July 6 elections. The business community also wants to take advantage of the calls for private-sector participation to facilitate major urban development and construction projects which have been blocked for years by environmental and zoning restrictions, and the objections of local residents. The Japan Federation of Construction Contractors, for instance, says a survey of its 43 member firms found they strongly desire a relaxation of official regulations on land use and building height.

Many of the projects appear to be getting off to a smooth start. But problems are popping up as well, as exemplified by snowballing compensation payments for fishermen affected by the Osaka airport plan. The key to success lies not only in the enthusiasm of govern-

ment and industrial leaders, but in winning the understanding and cooperation of the public at large.

## Standardization of Information Technology

A panel of experts has submitted recommendations to Minister of International Trade and Industry Michio Watanabe on standardizing computers and information-related technology.

The recommendations, developed by the Information Technology Standardization Special Committee of the Japanese Industrial Standards Committee, embody the results of research carried out since an initial report was presented in December 1984. They call for:

1) Closer cooperation and tie-ups with the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

2) Systematic and integrated standardization efforts at the national and international levels through the ISO, IEC and the Japanese Industrial Standards (JIS).

3) Demonstrations and consulting services aimed at promoting standardization and disseminating established standards.

The panel of experts further proposed the development of information and communications networks through the standardization of protocols for interfacing between different types of computers using OSI (Open System Interconnection).

The recommendations include concrete guidelines on standards for optical disks capable of accommodating large volumes of data, the "home-bus system" (home network system) for home automation and computer software. They also stress the need for establishing a philosophy that will help standardize systems technology with heavy impacts on society, including multi-media databases, office automation and IC cards.

Noting that Japan has pioneered technology to enhance the reliability and safety of computer systems, the report urges that the nation play a positive role in international standardization of technology and equipment for that purpose.

The recommendations are based on a recognition that standardization of information technology is essential for the sound development of an information-oriented society. They cover all aspects of information technology, and set out a long-range standardization strategy.

The Agency of Industrial Science and Technology has already said it will proceed with standardization in line with the ad hoc committee's proposals.



The Ohnaruto Bridge connecting the main Japanese island of Honshu with Shikoku is a typical example of a government public project incorporating private-sector expertise.