

A Time for Choices

By Masataka Kosaka

Set out below is a summary of a report drawn up at the Japan's Choices Committee meeting convened in May by then Vice Minister of International Trade and Industry Shinji Fukukawa.

The report made recommendations regarding the course Japan should take in the international community. The committee itself is composed of 17 representatives from the nation's academic and business circles, and is chaired by myself.

Underlying the entire report is an awareness that the postwar world order is undergoing major economic and political transformations and that amid this change in the world order Japan, too, has reached a historic turning point.

In launching the committee, we recognized that the simultaneous changes occurring in the world and within Japan

would complicate our task. Yet we felt that such a situation might also, if properly managed, provide an opportunity to find ways for Japan to make a greater global contribution.

What, then, is our scenario for Japan's future? Our report neither presents a drastic solution nor envisages an entirely new system replacing Pax Americana. Rather, its basic stance is that Japan should support the United States as the leading actor on the world stage.

At the same time, however, the report is unique in that it recognizes that a world heretofore oriented toward politics and military power is now realigning itself along axes of economy and culture. It also points to the necessity of establishing a mode of globalism which takes into consideration the integrity and diversity of all nations concerned, instead of seek-

ing a standardized "internationalism."

To implement this new globalism, the report suggests the establishment of sub-systems to support the GATT and IMF systems in restructuring the existing global framework.

We must remember, however, that Japan, in making its global contributions, must also grapple with its own domestic problems. If Japan is to be accepted as a full member of international society, it must establish a new lifestyle which will make it a pioneer in the world, rather than a follower. To this end, it will be necessary for Japan to reform its domestic structure, including the implementation of radical deregulatory measures.

If this report provides the stimulus for serious argument and debate on how Japan should address the mounting challenges facing the nation, I will be content.

Japan's Choices: New Globalism and the Formation of a Balanced Japanese Society

The changing world order

The world order that has prevailed in the postwar period is undergoing a major transformation in economic, political and military terms. A new global structure is being created.

(1) Instability of the world economic system: Such factors as the relative decline in the status of the U.S. economy, its accumulation of net foreign debt, and the increasing debt burden of developing countries may plunge the world economic system into confusion.

(2) Progress of the new industrial revolution: The third generation of technological innovation that is now sweeping the world is sparking a new industrial revolution, and this is guiding the world economy and society into new areas.

(3) Change in national boundaries: Amid

the globalization of economic activity, the concept of national boundaries is changing. A difficult problem is emerging: how to harmonize the pursuit of economically rational opening-up of societies while preserving each nation's own social values.

(4) Change in the international political and military environment: The rapid progress of Soviet-U.S. relations is causing the postwar international political framework to undergo a substantial transformation. The roles of economic activity and technology, which constitute a form of national power, are becoming extremely important.

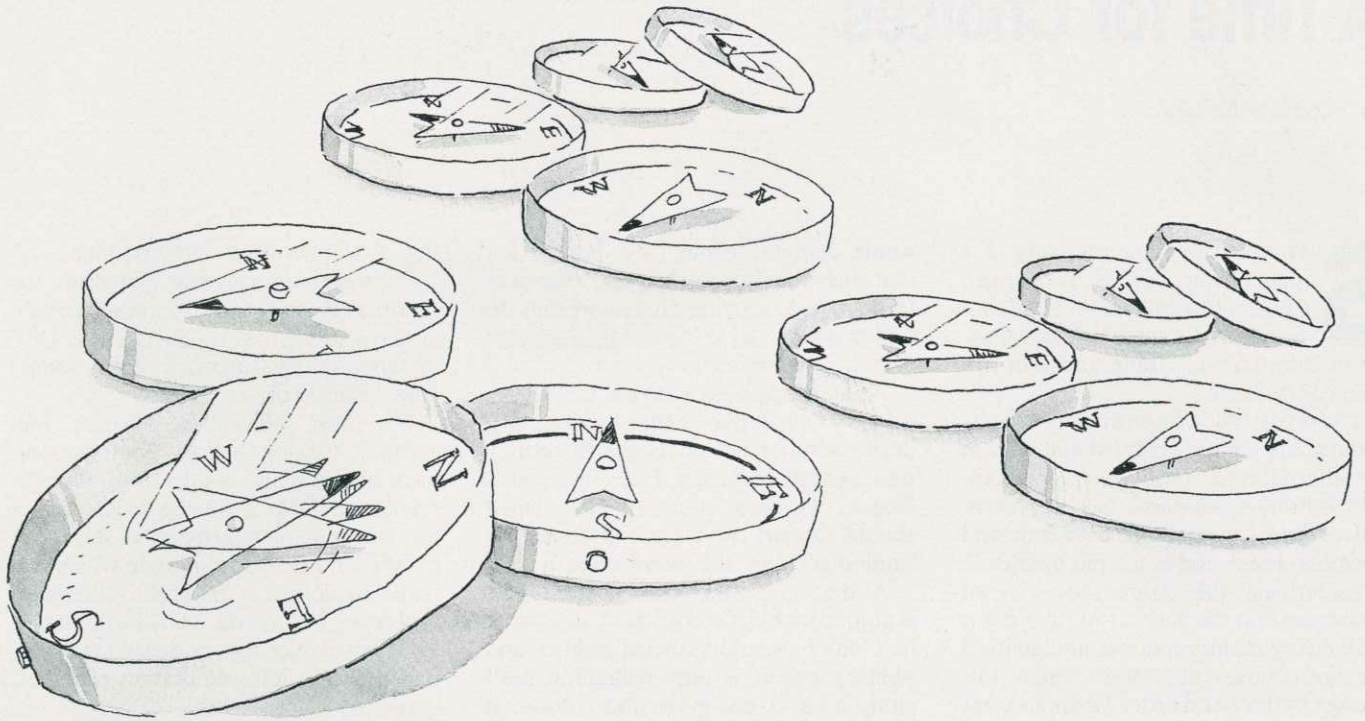
A historic turning point

Amid this change in the world order, Japan has now reached a historic turning point.

(1) The transformation of Japan into a major power and related issues: Japan has a higher per-capita GDP than any other leading industrialized nation and has become the world's largest creditor nation. As Japan faces the realities of being a major economic power it needs to act in a responsible manner, for example by reducing its trade surplus.

(2) A new phase of friction with foreign nations: Japan's friction with foreign nations has expanded to include not only trade but also social issues. Differences in lifestyle and culture are now causing friction, the impact of which is reaching the essential qualities of Japanese society.

(3) The transformation of Japanese society and the search for a new sense of values: Both domestically and overseas, Japanese society is being called on to create new lifestyles, industry and values.



People's desires are transcending material wants and focusing more on broader personal fulfillment. A steady change toward a new sense of values and new lifestyles has begun.

The choices

As Japan stands at its historic turning point amid changes in the world order, it must strive to contribute to the framework of a "new globalism." Japan must select a course toward becoming "a culturally oriented industrial state," and must implement all necessary measures to achieve these goals.

1. Role in new globalism

The world is showing economic and political signs of moving away from globalism, toward isolationism and regionalism. Yet it is this very globalism which has bolstered the postwar expansion of Japan, the U.S. and Europe. As demonstrated by the U.S.-Soviet summit meetings, the superiority of the West's global system, as against that of the East, is irrefutable. In this day and age, it is most imperative that Japan, which enjoys the best economic conditions, rise to the forefront and advocate a new globalism.

Concept of new globalism

-Foundation of a system of international solidarity centered around economic and cultural interchange.

-Formation of open bilateral and multilateral relationships (Japan-U.S., Japan-Europe, Japan-U.S.-Asia-Pacific nations, Japan-U.S.-Europe, and cooperative relationships with Central and South America and the Middle East) that will serve as subsystems to support, maintain and strengthen the GATT and IMF systems. This includes encouraging Asia-Pacific nations to play a substantial role.

-Applying international rules while taking account of the various stages and forms of national development.

-Thorough opening of Japan's society so that it will become a major importing nation.

Policy measures based on new globalism

The key measures for correcting global economic imbalances and revitalizing the world economy involve economic and industrial cooperation between Japan and the U.S. and among the Asia-Pacific nations.

(1) Japan-U.S. economic and industrial cooperation:

-Working toward macro-policy coordination and establishing policy coordina-

tion (through "wise-men's" groups, etc.) in semi-macro areas such as industrial structure adjustment.

-Integrating Japanese and U.S. industry, e.g. through Japanese investment in the U.S. to promote the transfer of Japanese manufacturing technology and business philosophy.

(2) Asia-Pacific development and cooperation:

Comprehensive Asia-Pacific cooperation, taking into account the diverse characteristics of each region (Asian NIEs, ASEAN, Oceania, China, etc.).

-Transforming Japan into a major importing nation.

-Building a new horizontal international division of labor.

-Promoting dialogue among Asia-Pacific nations.

The revitalization of international manufacturing activities is an essential prerequisite for the correction of global imbalances and the revitalization of the world economy. For this, currency stability and expanded international capital flows are vital.

(3) Improving the foundations for industrial development through currency stability:

-Studying reference zones and other

international monetary systems, and improving conditions through policy coordination.

–Internationalizing the yen.

(4) Expanding international capital flows:
–Increasing availability of trade insurance.

–Strengthening capability to devise and structure attractive projects.

Importance of developing measures for responding to economic globalization and the internationalization of society.

(5) Dealing with multinational corporate activities:

–Internationally coordinating corporate activities (ending closed business practices and harmonizing with local societies and cultures).

–Developing an internationally minded industrial policy (by improving systems for monitoring companies' overseas business activities, formulating a framework for coordinating international industrial policies, instituting measures compatible with GATT and other international agreements, and formulating international rules on jurisdiction over multinational companies).

(6) Establishing a "Global Industry and Culture Research Institute" (provisional name):

–Setting up a joint research center for the comprehensive study of possible interrelationships between industry, culture and lifestyles.

(7) Opening up Japanese society:

–Promoting personnel exchanges.

–Expanding foreign exchange student programs.

–Increasing the number of the people participating actively in international affairs.

–Making the Japanese social system more international while maintaining its intrinsic cultural features.

2. Culture and industry

Taking into consideration the changing politico-military, economic and cultural relationships of the global system, Japan should choose to become a nation with a balanced industrial and cultural base. Japan must try to balance its economic strength with culture, and thereby contribute to world peace and development.

Concept of "culturally oriented" industrial Japan

–Ensuring national security through linkage system.

Developing international linkages through the appropriate (but not excessive) improvement of national defensive capabilities, use of economic, technological and other national strengths, international contributions and international interdependence.

–Nurturing economic and technological capabilities and international contributions.

–Structuring of a new industrial orientation, new ways of life and new values.



Policies for new "culturally oriented" industrial Japan

(1) Contributing to the world:

1) Markets: Developing into a major importing nation.

2) Capital: Promoting three-pronged economic cooperation covering aid, trade and investment, systematic qualitative and quantitative improvements in official development assistance (ODA) and improvement of comprehensive domestic and international aid mechanisms.

3) Technology: Serving as a major creative, knowledge-intensive center by providing scientific and technological information to the world and framing new rules for intellectual property

rights. Also dealing appropriately with advanced technology in the light of national security.

4) Culture: Inculcating a creative sense of values and lifestyles that will be viewed with approval by other countries.

(2) Enhancing social foundations through domestic structural reform with the aim of forming reoriented industries, new ways of life, and new values (involving a willingness to do volunteer work, altruism, "enlightened self-interest," and creating a society based on individual responsibility, assertion of individuality, broad-mindedness and tolerance of that which is different).

1) Improving conditions conducive to the making of new proposals and of corresponding choices.

–Nurturing consumer and culture-oriented industries, innovation in communication media, flexible employment practices and conditions for increasing productivity in knowledge-intensive areas.

2) De-emphasizing financially speculative activities and correcting domestic and external imbalances.

3) Reforming the social system along more creative lines.

–Implementing radical deregulatory measures that will help build a society based on self-reliance.

–Reforming the centralized system of resource allocation and allowing more discretion in the nongovernmental sector.

4) Expanding basic scientific and technological research.

–Promoting investment in research and development.

–Promoting conditions that encourage free and creative research.

5) Revitalizing regional areas of Japan.

–Studying possible reforms of the currently centralized power structure and reforms of regional administration, promoting relocation of high-growth (software and R&D) industries to regional areas, restricting corporate location in major urban areas, and transferring functions of capital city away from Tokyo. ■

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