

International Leadership

By Nobuo Tanaka

Uncomfortable as a faceless economic giant, Japan has been giving more thought recently to economic and non-economic assistance, and government policy papers routinely refer to Japan's role in the world.

Several years ago, one ministry asked me to comment on its policy paper "from a foreigner's perspective." At first, I resented this: "I may have spent a long time overseas, but that does not mean I am a foreigner. I am just as Japanese as they are." But then I decided to turn the tables. If they thought they were getting a "tame" foreigner, I would out-foreigner the foreigners and be a Japan-basher. To lend authenticity to the exercise, I asked some of my (really non-Japanese) friends at the OECD what they thought.

Even I was surprised at how many critical questions they had. Why does Japan always have to be pressured to do anything? Why doesn't Japan show more leadership? Why...? And so, shedding my "foreigner" hat, I have written this article to respond to these questions from the Japanese perspective.

Foreign pressure

Some people argue that the arrival of Commodore Perry and his warships in the mid-19th century set a pattern of Japan responding to foreign pressure. Others say the tradition goes back much further—to Japan's ready adoption of Chinese civilization in ancient times. In all of these instances, the political leadership has drawn on foreign influences to change the social and other structures. More recently, the changes in the distribution system and other market mechanisms have been cited as examples of using foreign pressure to promote domestic reform. *Gaiatsu* has even entered the English lexicon, as though Japan was the only country to need and use foreign pressure.

Paris, where now I live as a director-

general at the OECD, is a very rich city. It has breathtaking arts, architecture, streets, food and much more. And the French are able to take long and leisurely vacations. Given all of this and French national pride, it would be understandable if many French might just want the rest of the world to leave them alone. But the global economy makes that impossible. France had to join the EC and to take a leading role in Community affairs. It realized it could not continue to be a front-rank country unless it was involved in international affairs and was willing to change. The need to compete with Japan and the United States was one of the major impetuses for the EC's drive for market harmonization and socioeconomic integration.

Japanese government white papers have recently "discovered" quality of life. They have been talking about consumer rights, better living, and enabling the people to feel richer as a result of Japan's economic progress. This may make sense in light of the disparity between Japanese and Western living styles, but it still strikes many foreign observers as odd. Assuming that the government exists to protect the people and to enhance their welfare, these people ask, why should the government have suddenly discovered the consumer?

Some say this was because of foreign pressure. Yet are the people incapable of bettering their lives themselves? Has the Japanese collective consciousness become that used to their rabbit hutches? Are the revisionists right that Japan is so different it needs to be contained?

I would say that Japanese perceptions and thinking are different from Western perceptions and thinking. But then again, I would say it is wrong to lump the United States, Germany, Italy and the other nations of Europe together as "Western."

Every nation has its own historic and cultural peculiarities that make it different from the rest. That is one of the things that make Europe so exciting. Every

country is different from the next, and they are all the butt of each other's jokes. These ethnic and other differences are all too apparent in Central and Eastern Europe today. Europe's history is a history of war, and it was in part to put this history behind them that the EC was born—and even there the Maastricht Treaty is running into trouble.

We may speak of American capitalism, Japanese capitalism and European capitalism, but we should remember that there are many varieties of capitalism. Different cultures view competition differently—the most obvious example being the difference between the United States' and Britain's free-for-all competition and France and Germany's managed competition. Why should anyone expect Japanese capitalism not to be different?

The problem is that the Soviet Union's collapse has deprived the market economies of their common rival and freed them to turn on each other. Thus the 1990s will be characterized by head-to-head competition among the successful capitalist states in what Jeffrey Garten has called a "cold peace." This competition will inevitably focus on their systemic differences, as happened in the Structural Impediments Initiative talks between Japan and the United States and as is now happening in the multilateral OECD study of science and technology policies, corporate legislation and industrial finance, competition, industrial subsidies, distribution structures and other systemic aspects.

Can these different systems coexist peacefully? And if so, how? Are new rules needed, or can things be left to run their course? And if new rules are needed, who is going to make them?

In its own interests

It is axiomatic that Japanese international cooperation should be to Japan's benefit—since the Japanese Ministry of Finance is just as stingy with its (the tax-



Photo: WWP

An OECD Ministerial Meeting

payers') money as any other ministry of finance is. Ultimately every country does what it thinks is in its own interests.

To cite a specific example, Japan has proposed "techno-globalism" to counter the wave of techno-nationalism. This proposal is premised on the realization that science and technology are now a public good fueling economic growth worldwide and should be promoted on a global basis. Yet to the skeptics willing to concede the "public good" point on basic research but not on anything that is even close to commercialization, this looks like a veiled effort to steal industrial secrets by putting them in the public domain. To support their charges, the skeptics point out that Japanese R&D is skewed toward private research labs and that Japan will get more than it gives from any cross-opening of governmental laboratories.

While the skeptics acknowledge that transnational R&D and other business alliances are increasingly common today and are willing to concede that this will be a critical element in the trilateral competition ahead, they are unwilling to extrapolate this into a generalized principle. They recognize that the national borders are less important and that international cooperation is increasingly vital, but they are not willing to accept that a country could act to promote this cooperation on its own initiative unless it saw clear and present gain.

Corporate globalization is taking the trilateral interdependence to unprecedented heights and making it impossible to get an accurate picture of the whole in terms simply of the traditional concepts of competition among nations or blocs. Economic models tell us that global corporations should maximize well-being worldwide. Yet Harvard University professor Robert Reich has pointed out that the interests of the global corporation do not necessarily coincide with those of

any one nation's citizens, and questions are thus being raised about what rules should govern the relations between these global corporations and the local nation-state populations.

Even a superpower such as the Soviet Union self-destructs if it cannot keep up with the competition, and the competition among capitalist systems is heating up even as globalization is altering the shape of this competition. Within this, Japan has recently suggested that agreement be sought on common rules to govern the global competition consistent with the concept of global cooperation. How sympathetic a response will this get?

Lack of Japanese leadership

For most of the postwar period, Japan has been noticeable for its absence in international leadership councils. In the OECD, for example, Japan provides nearly 25% of the organization's funding but only 5% of the administrative staff and virtually none of the initiatives in meetings. I doubt if the figures are very different elsewhere. About the only notable Japanese initiative recently has been at the APEC (Asia-Pacific Economic Cooperation) forum—and this initiative is misunderstood precisely because it is such a surprise that Japan would suggest anything. Having been so quiet on so many other issues for so long, why is Japan springing this initiative? Surely, the speculation goes, there is some hidden hegemonic agenda involved.

Why doesn't Japan take more leadership initiatives? There are two reasons. First, chastised by its wartime experiences, postwar Japan has focused on relations with the United States and the United Nations. It has been careful to go along with the consensus and not get out in front of world opinion. As a result, Japan has been more reactive than proactive—quicker to respond to initiatives than to initiate them. The effort has been to monitor international developments and to adjust to them rather than to try to adjust the international scene to Japan's convenience.

This stance seemed very effective so long as the international arrangements

were to Japan's advantage, yet it may well prove counterproductive now. Japan cannot possibly expect to have its interests reflected when the rules are changing unless it is able to articulate and advocate these interests.

The other reason is that the Japanese approach consensus-building by avoiding rather than elucidating differences. This was brought home to me when someone at an OECD conference asked me, "I thought the Japanese were supposed to be so good at consensus-building. Why don't they take a greater part in international consensus-building?"

While both Japanese and Americans/Europeans are careful to do *nemawashi*, the typical American/European conference sees everybody speaking up to get the differences out in the open and to chip away at them. This is very different from the typical Japanese conference where people concentrate on tentatively reinforcing the points of agreement, and it is not the sort of situation that lends itself to the reading of prepared statements.

It should not be all that difficult to develop the kind of articulate presence needed to take an active part in international conferences, but very few Japanese are up to the task. This is more a cultural problem than it is a linguistic problem.

There has been encouraging progress. Many Japanese delegates to OECD and other conferences are able to express themselves in English or French, and some are even able to chair these meetings credibly. At the same time, Japan's economic clout makes it increasingly difficult for other countries to ignore what Japanese delegates have to say.

Even more important than how to present these ideas is the question of what ideas to present. What kind of an international consensus does Japan want on what issues? Many people see the collapse of the Soviet Union as meaning that economic subsystems are more important than military subsystems, and this has been reinforced by the fact that President Bush trailed during the run-up to the U.S. election over domestic economic issues despite his victory in the Gulf War.

The competition among economic systems is likely to be the dominant rivalry

of the 1990s. Thus Japan should take the initiative in formulating new rules under which the three competing systems can coexist and prosper through globalization—and this has to be presented in ways that are persuasive to its American and European competitors.

Global problems can only be solved globally. While the political urge for a quick bilateral fix is understandable, there is no assurance these expediciencies will hold. Bilateral solutions are designed to satisfy one or the other party (sometimes both, but usually one more than the other), and they are usually devised in the bilateral power dynamic. As a result, there is no assurance that they are applicable to the international situation, and bilateral solutions frequently have to be abandoned for international solutions when problems go multilateral. The friction among systems arises from their differences in a wide range of sectors and over a wide range of issues, and it is very difficult for just two of the interested parties to devise universal rules that will satisfy everyone.

Using the OECD

All of this argues for greater use of the OECD mechanisms. The OECD committee structure covers virtually every area of economic policy. All of the main players are represented, and countries such as South Korea and Mexico that are expected to be significant players in the international economy are slated to be admitted to membership soon. Even better, the discussions at the OECD are non-binding exchanges of information and ideas, and the practice is to require consensus on any rules or decisions that are made. Even though it may take longer, it is an excellent basis for rule-making.

Such rule-making has already started in the OECD. Even if the GATT Uruguay Round can be brought to a successful conclusion, there are still many, many issues that need to be resolved. These include, for example, the harmonization between environmental and trade policies, biotechnology safety guidelines, competition policies, industrial subsidies, telecommunications privacy protection,

international telecommunications rate schedules, computer network security, international cooperation in megascience projects and high-tech science policies. The OECD forum would also be a good place to discuss intellectual property rights in high-tech sectors.

Japan is beginning to take initiatives on some of these issues. The first one that comes to mind is biotechnology safety guidelines—a very ambitious project to devise separate safety standards for food, grain, fertilizers and other products developed with genetic engineering. Another recent Japanese initiative is the proposed framework for international cooperation in science and technology projects. While Japanese policy has been to open its consortia for the fifth-generation computer, intelligent manufacturing systems and micromachines to non-Japanese as well as Japanese companies, the idea of international development consortia is complicated by national differences over intellectual property rights and other areas. The Japanese initiative seeks to reconcile these differences and to create a model for such international R&D.

Lester Thurow has said that the rules of the game for the 1990s will most likely be written by the EC. In fact, the EC Commission is already rewriting the rules on taxation, finance, competition, industrial policy, technology, telecommunications, patents, standards and more as a prelude to economic integration. And as Japanese and American negotiators have found, it is very difficult to change these rules once they have been adopted.

Global corporations are also bound to be major players in this new game, and they should also have a part in drafting the rules. That is why the OECD Industry Committee is inviting government officials, business executives and academics from the leading member countries to take part in workshops on computers, automobiles, semiconductors and other friction-prone industries. The automobile workshop in April 1992 was perhaps the first time that the major government and industry players had got together to discuss the issues, and one participant termed the lively debate “the most interesting OECD session I’ve ever been at.”

In March 1993, a similar session will be held on semiconductors.

It is impossible to expect to rewrite the international economic rules overnight. Yet if Japan believes that these rules will affect vital Japanese interests and wants to create a presence commensurate with its economic clout, it must abandon its reactive stance and adopt a more assertive stance staking out clear positions and stating them forcefully at every opportunity.

Hard work has earned Japan its place as an economic power—so much so that many Japanese have come to believe that all things come to one who tries hard. The very act of working hard has taken on intrinsic value and results have become secondary. It is time to start concentrating on results.

In many cases, changing rules will necessitate changing patterns of behavior. When Japanese systems are so different from international norms that the resultant friction is inimical to Japanese interests, it behooves Japan to take the initiative and change its systems. This is the kind of leadership that Japan needs today. Indeed, the essence of leadership is in the ability to transform reality. As is clear from the lessons of history, it is very difficult to effect reforms when the established modalities still have some life left in them, but neither Japan nor the rest of the world can afford to wait for systemic collapse.

There are many areas that need to be reformed. The time for generalities is past. What we need now are specific details and plans. That is why it is so important that this process involve both government policy-makers and business executives, because they both bring different experiences and expectations to the forefront. So true is the need to “think globally, act locally” that it is almost a cliché today. And the OECD is the perfect place to start.

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