

FEATURES

Private sector must grab reform baton

Japan must shed its insular ways; have you hugged a foreign investor today?

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Japan's private sector must vigorously rid itself of its narrow-mindedness and break away from its creaking inefficiency — an agenda probably more crucial than that facing the government — if the nation is to continue reinventing and reforming itself. This was the point driven home by the speakers at "Roundtable Japan," held in Tokyo on June 15-16. The international forum of pundits took up the theme of "Thinking the Future of Japan in the Global Context."

Starting a discussion that turned critical eyes on the workings of Japan's private companies as well as Japanese society as a whole was Michael Zielenziger. The author of the provocatively titled book "Shutting Out the Sun" ("Hikikomori no Kuni"), Zielenziger visited young people in Japan who have shut themselves in their rooms, a behavior called *hikikomori*, withdrawing from society.

"Having met and interviewed many young hikikomori," Zielenziger said, "I am convinced that many are creative and potentially innovative young adults."

He traces the hikikomori phenomenon to a society that he thinks disapproves of individuality and rejects diversity. His line may sound like a rehashed version of the oft-repeated and all-too-familiar "closed Japan" label applied overseas to this country.

But Zielenziger's penetrating analysis into Japan's soft underbelly must have seared painfully into the minds of the Japanese attendees at the roundtable. One Japanese panelist after another vehemently emphasized how important creativity, diversity and openness are if Japan is to continue its economic growth as its population shrinks.

'Anime' economy

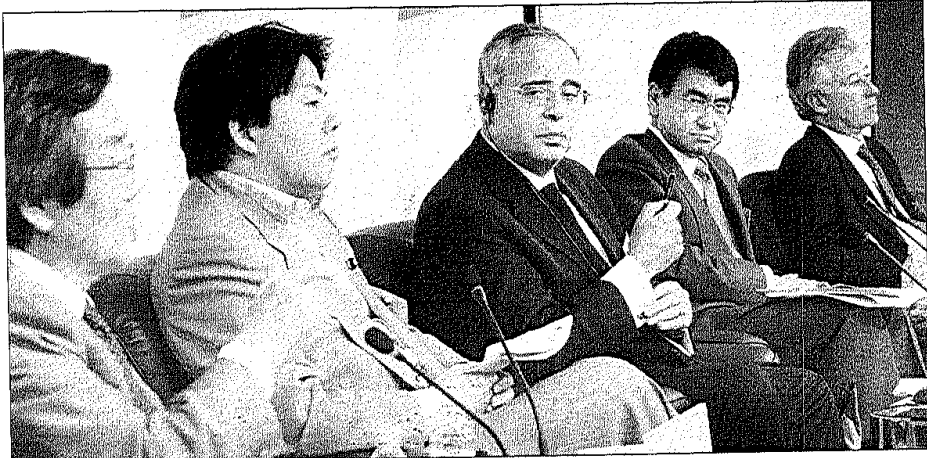
Yoshimasa Hayashi, senior vice minister for regulatory reform at the Cabinet Office, pointed to the fact that *manga*, *anime* and pop music are some of the areas where the creativity of Japanese is highly appreciated overseas. He urged Japan-wide efforts to foster these industries.

Taro Kono, a member of the lower house, then said the nation needed to accept immigrants. "We must change our mindset as 'new Japanese,'" he said, and become more open-minded to foreign workers.

The arguments advanced by Hayashi and Kono are already widely shared among experts in various fields. Their reasoning is as follows: Pinched by a declining population, Japan will inevitably have to replenish its depleting work force with immigrants. Economic growth in the past was driven by the manufacturing sector, which had an abundance of quality labor to draw on. But now the center of gravity has to shift to more creative segments, such as content and services industries.

This reasoning is fine for mapping out Japan's future; no one would dispute it. But is Japanese society really ready to accommodate the kind of creativity and diversity needed? This must have been the question posed by Zielenziger when he referred to the hikikomori example and sounded the alarm bell afresh about the closed nature of Japanese society.

Failure to adequately value creati-



From left: Akira Kojima, Yoshimasa Hayashi, Claude Smadja, Taro Kono and Michael Zielenziger discuss what Japan has done to reinvigorate its economy and what heavy lifting lays ahead. Their discussion took place in Tokyo on June 15-16.

ty and diversity in itself is a problem Japan must address, but a siege mentality haunting most Japanese seems to get even worse when attention is turned to the financial side.

As Japanese society rapidly ages, more people are dipping into their retirement nest eggs for meat-and-potatoes spending, and as a result the nation's savings rate has been declining. The days are long gone when people's rich reservoir of savings oiled the economic machine, with robust business investment bringing about high growth.

The prospect of Japan losing its vigor led Akira Kojima, chairman of the Japan Center for Economic Research, to urge the country to redouble its efforts to attract foreign investment, saying failure to do so would result in Japan's economy running dry on growth impetus.

Warning of what he called the sorry state of current Japan, he said, "When the rest of the world is scrambling to lure capital to their individual territories from the outside, Japan is taking a reverse course, driving foreign capital from its shores."

Indeed, Japanese companies, fearing takeovers by foreign firms, are re-establishing their cross-held shareholdings, a practice they once appeared to have abandoned. Tokyo's official stance is

one of embracing foreign investment, as seen in its Invest Japan initiative, but the fact is that the private sector, which must be in a position to roll out the welcome mat for foreign investors, is turning its back on them.

"Reform is also necessary in the private sector in accordance with globally accepted rules," said Takeshi Niinami, president of convenience store chain Lawson Inc. "We cannot make progress in reform at the government level alone. At first we should welcome overseas investors, so-called activist overseas investors, because the activists' presence might serve as a catalyst for change in how Japanese firms manage their business."

Pressure from foreign investment funds and other overseas shareholders could help drive out slacker executives from the management ranks of Japanese companies, many of which still take a back seat to their Western peers in return on equity, a measure of how well management uses company assets to generate profit.

Unless companies put their assets to effective use, they will not help Japan increase productivity, a major hurdle the country must clear to cushion the impact of a dwindling population.

In this sense, the watchful eye of foreign shareholders could bring in more

executives with acumen, which would also play a role in reinvigorating the nation's economy.

Self-complacency

In a Japan that has emerged from the long tunnel of post-bubble stagnation, the governmental sector has received the primary blame for reform efforts that have showed few results. In contrast, the private sector has won praise for strides made in reinventing itself by shedding excess capacity and eliminating a debt overhang. Indeed, there is no disputing that the ongoing expansion of Japan's economy, the longest in the post-war era, owes a large measure to a private sector regaining life.

However, the private sector, while it may be reinvigorated, is not without frailty. And this was exactly the focus of this year's "Roundtable Japan." Many attendees expressed misgivings that Japan's big business may be turning a tin ear to what is wanted from the private sector.

For example, an attendee from India said he had got the impression that Japan is indulging in self-complacency, thinking that reform was accomplished. This comment and similar ones from others at the forum could well be a wake-up call that Japan's private sector must stand at the forefront to get the nation's reform endeavors moving along.

Roundtable Japan

Conference valuable but a bit pessimistic

"Roundtable Japan" stands out as a one-of-a-kind international conference to discuss key agenda items for the country.

The annual affair, which convened for the third time this year, takes place in Tokyo in early summer.

It is co-sponsored by consultancies Smadja & Associates and Forma Corp., with Nikkei Inc. among its supporters.

Its principal attendees comprise Japan's top policy-makers, including cabinet ministers, leaders of the nation's major companies and eminent scholars.

They and scores of invited guests, representing political and business circles from both Japan and abroad, exchange views on issues facing Japan.

Discussions are conducted on a no-holds-barred basis in long, robust sessions sometimes extending as long as 17 hours.

Foreign attendees say the conference

offers them a valuable occasion to listen first-hand to what the top-echelon of Japanese leaders have to say.

But the forum, while outstanding for its thought-provoking themes, probably leaves room to be desired in conveying real-life images of Japan to the outside world.

The discussions are filled with subjects that fall a little on the pessimistic side. This year's forum was no exception; one by one Japanese attendees took up what they believed were the ills of today's Japan, such as its falling birthrate, education woes, increasing suicides and narrow-minded corporate executives.

This is a pattern of thinking Japanese are familiar with. Show a long list of gloomy subjects, stir up a sense of crisis among those around you and create a drive for change.

But who among the foreign conferees at "Roundtable Japan" would

feel that Japan has a bright future ahead of it after listening to nonstop naysayers from the country itself?

The conference's mood being such, even some Japanese attendees could not help but feel that the subjects were slanted too much to the darker side.

It was also a pity that few representatives were invited to the forum from such soft industries as movies, music, literature, manga and fashion.

They deserve seats because they are the ones with eye-popping international competitiveness; they are the ones lifting Japan's image overseas and, hence, the national spirit.

One would hope that "Roundtable Japan" will expand into an even more valuable forum to convey attractive images of Japan overseas, thereby becoming a magnet of manpower, merchandise and money to Japan from the global arena.