

How Japan can regain its vitality

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SPECIAL TO THE JAPAN TIMES

Last November, two months after the inauguration of the Cabinet of Prime Minister Taro Aso, I predicted, in an opinion piece for the American magazine *Science*, that a sweeping change in Japanese government was imminent.

I wrote, "Perhaps the public, sensing the need for change, is pessimistic about the possibilities (of change under the conservative government), given that Japan has been so resistant to change over the past decade."



Like it or not, my prediction proved right. On Aug. 30, the Japanese public voted to give birth to the new government led by the opposition Democratic Party of Japan by casting off the Aso government and putting an end to more than a half-century of the de facto monopoly of government by the conservative Liberal Democratic Party.

Indeed, the election result has far-reaching implications for the future. For one thing, it has paved the way for Japan's opportunities to change. The election results may not mean that the Japanese public at large tried to penalize the LDP for the economic downturn, rising unemployment and widening income disparity — a view popularly hyped by the media here and there.

Instead, the result may indicate a rising awareness of the Japanese public's thirst for change and the realization that the LDP is unable to resort to necessary change due to its heavy ties with "establishments" and "stakeholders" built during "Regime 55," which generally refers to the half-century-long system of governance, started in 1955 upon the merger of two major conservative parties in rivalry with the unified socialist party.

Japan change must change because the world today is witnessing the most sweeping change since the Industrial Revolution in the paradigms of economic growth and social reform, triggered by technological revolutions and progress in science and technology.

We have taken the 20th-century paradigm for granted in our daily living and business. This paradigm was formed in 1908 by the invention of Ford Motor's Model T — the hallmark of motorization,

mass production, standardization and consumerism. It has been supported by cheap oil and combustion engine, with expanding network of roads and highways, accompanied with various technological advances in information and finances.

In my observation, this paradigm of the 20th century clearly reached its limit after the 1973 "oil shock." And exactly 20 years ago, in 1989, three major incidents in the world presaged a sweeping change in the paradigm: the fall of the Berlin Wall, the Tiananmen Square military crackdown on prodemocracy protests, and the surge of the Nikkei stock average to an all-time high of 38,915, which, in retrospect, marked the end of the era of "Japan as No. 1."

In 1991, the collapse of the Soviet Union ended the Cold War and ushered in the global market economy. What we recognize today as the Worldwide Web began in 1992. Yahoo, Amazon and Netscape were all founded in 1994, and Google was founded in 1997. In just over a decade, the world has changed dramatically.

While the world is becoming increasingly flat, connected and networked, Japan categorically adheres to the conventional business model marked by mass production of standardized products and vertical integration. No doubt, Japan excels in manufacturing, but this is becoming Japan's weakness.

For instance, about 3 million mobile phones are sold each day in the world. Yet, Nokia of Finland has the largest (40 percent) market share, followed by Motorola of the United States and Samsung of South Korea (15 percent each) and Sony Ericsson (9 percent). Recently, LG Electronics of South Korea overtook Sony Ericsson. This is the reality, despite the fact that some 65 percent of the components used in mobile phones are made in Japan. Is Japan content with being sidelined as a mere parts maker?

If we want to be more than that, we must create a new business model of horizontal integration and open innovation, and provide new values to the rest of the world. To this end, Japan must have a vision of the future and a global perspective, which is lacking now.

To be frank, I am pessimistic about any momentum for dramatic change coming from Japan's high-ranking senior people in the establishments — political, bureaucratic, business and academic. I am pinning high hopes on younger Japanese to

start nation-building anew. This is why I advocate sweeping university reforms.

For instance, schools should encourage students to get experience staying, if not studying, abroad for a certain period before entering the workforce. By the same token, business corporations should be encouraged to hire graduates with such experience, which would familiarize them with different cultures and ideas.

Japanese society has to become more conducive to innovation and provide opportunities for risk-taking, adventurous people. It is the oddball and thinking-out-of-the-box people with the entrepreneurial spirit who will trigger change. We should welcome those whose nails stick up.

In this context, I point to the necessity of Japan's embracing diversity, heterogeneity and adaptability, especially with regard to promoting women to higher posts at business corporations and academic institutions.

According to the U.N. Development Program's just-released 2009 Human Development Report, Japan ranks 10th among the 182 countries/areas surveyed on the Human Development Index, a measurement of the nation's general well-being.

When it comes to the Gender Empowerment Index, Japan drops to 57th. This gap shows that Japanese women are losing the opportunity to play an active role in society, which is an obvious waste of human resources.

Consider the poor representation of women in the boardrooms of major Japanese corporations and the executive offices of higher education. Four of the eight U.S. Ivy League universities (Harvard, Princeton, Pennsylvania and Brown) have female presidents, compared with only one of the 87 Japanese national universities. That exceptional school, Ochanomizu University, is a women's school.

Japan's regaining of its vitality depends largely on whether we can fully utilize women's power and ability. This is no small issue.

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