

**September 15, 2009 (Tuesday) 17:00 – 18:30**

**Speech and Panel Discussion:**

**Japan's Roles and Responsibilities – Messages from the Group 20**

**Panelists:**

**Reiko Akiike, Partner and Managing Director, Boston Consulting Group**

**Nobuyuki Idei, Founder & CEO, Quantum Leaps Corporation**

**Tadasu Ohe, Architect/Chairman & CEO, Plantec Associates Inc.**

**Shinichi Takemura, Anthropologist/Professor, Kyoto University of Art and Design**

**Mamoru Taniya, Founding Partner & CEO, Asuka Asset Management, Ltd.**

**Koichiro Tsujino, President, Google Japan Inc.**

**Oki Matsumoto, President and CEO, Monex Group, Inc.**

**Ken Kusunoki (Moderator), Associate Professor, Hitotsubashi University Graduate School of International Corporate Strategy**

**Speaker::**

**Kiyoshi Kurokawa, Professor, National Graduate Institute of Policy Studies**

**<Speech by Mr. Idei>**

I hear that Mr. Paul Volcker (former chairman of the Federal Reserve) has formed a group called the Group of 30 to make political proposals. This impressed me a lot and led me to the idea to bring together 20 Japanese young and middle leaders to get advice on this forum. This is the start of Group 20. Group 20 members and I have had discussions every month on such issues as creating new industries.

Since yesterday at this forum, I have heard many opinions; such as Japan's systems have broken down, Japan cannot communicate with other countries, the social structure was the most appropriate for the 1980's, etc. What I felt strongly through this forum is that, there are so many talented people with know-how in Japan. It has been very

inspiring. The forum is on TWITTER, where around 500 followers are watching and sending positive feedback. Though this forum is being held in this limited space, because we are connected to the outside, young people can participate through TWITTER. This real-time launch will make it unnecessary to issue formal minutes a few months later. I hope that the world will be stimulated by this kind of movement and gradually change. Also, thanks to cooperation from Google, some sessions are distributed through You Tube. These efforts are a reflection of my desire to take full advantage of the power of the network. It would be ideal to hold the forum with real-time feedback and interaction with the panelists. I want to try more along these lines next year.

On the other hand, I have the impression that Japan still has difficulty in changing itself compared to the rest of the world. During a session on compact cities and eco-cities a few hours ago, I learned for the first time the existence of so-called “controlled urbanization zones.” They talked about railways and stations where there is no city, or not being able to build a city with a railway station. If that is the case, for whom are these cities and railways for? It is true that Japan has so many laws and that these laws make it hard to trigger change. However, where there is a will, there is a way to change little by little

The Masdar initiative is a major dream project. It would be an interesting idea to carry out a smaller-scale project in Japan in cooperation with Singapore, based on the Tianjin project in China. I am planning to take the first step when I attend the Asian CEO conference in Taiwan the day after tomorrow. I think cooperating with other countries will help make up for Japan’s weaknesses and bring about external pressure to change Japan.

**<Message from the Group 20 – Prof. Kusunoki>**

I would like to convey messages from the Group 20 that we developed after several discussions.

I think Japanese consider the theme of this forum, “Earth’s limit, Asian growth, and Japan’s role”, an issue that is close to the heart. In the late 20<sup>th</sup> century, it was said that the future depends on IT and finance businesses, but I do not think many Japanese understood this well. Nowadays, “environment” has become a strong consensus and Japan is capable of contributing to this field. With a new Japanese government in place, now is the best chance. This is a good opportunity to convey our message.

As our basic stance, we think that the essence of Japan’s strategy is “what NOT to do”. Previously, there was never discussion about what not to do. As a result, we were forced to expand, reinforce, and improve, in spite of limited resources, but this led to no particular action. We became so used to this kind of thinking. From now on, however, I would like to take a “what NOT to do” approach.

First, do not try to become like America. When it comes to globalization, Japan tends to think that we need to adapt ourselves to the world standard, which is actually the American model. Once we say “the Japanese version” of something, for example, “the Japanese version of the Green New Deal”, it won’t work. Our uniqueness, our difference is what we can contribute to the world. In the 20<sup>th</sup> century manufacturing era, Japan created many world-class successful companies. These companies were not necessarily trying to adapt to the world standard, but they elaborated on the uniqueness that Japan accumulated and that effort spontaneously bore fruit. The environmental business is an area of great affinity with Japan, given its accumulated experience and know-how in this field. Meanwhile, we should not have to force ourselves to do something that Japan is not good at. For example, since Japan lacks human resources in certain financial business areas, we could possibly utilize a mercenary system. Getting rid of our bias towards adapting is the first point.

The second point is do not sell goods, but sell concepts. Clearly, Japan has strengths in manufacturing, especially in elemental technologies related to the environmental

businesses. From now on, however, we should not just sell goods, but also provide solutions, architectures, and fundamental concepts. The ideal approach would be to provide the model first, resulting in selling the relevant elemental technologies. Responding to domestic demand alone will put us in a niche that does not meet Asia's needs. We need to design a system architecture that will be universally applied in Asia, say, China and India.

The third point is that one of Japan's unique qualities is "human ware." Japanese are good at building infrastructures based on people's capacity. While European and American improved tools, Japanese have been solving system problems by training and developing human skills. For example, the Shinkansen bullet train provides a high-level system that is in harmony with people's lifestyles. While elemental technologies should be designed to be flexible, they should be optimized with "human ware" in a variety of ways.

Mr. Idei recently told us something very interesting about the difference between sushi and hamburgers. McDonald has been successful in the hamburger business by standardizing its products and processes. On the other hand, sushi, a concept from Japan, is successful as a global food thanks to localization by human ware.

Another important point is not to compete against China and India. In terms of the environmental business, it is critical that Asia be our customers. What Japan can do is to aim at building an Asian coalition. Let other countries take up the main contractor role involving politics and economy, and Japan will contribute in the areas we are good at. Japan's goal should be to make clear its thoughts on environmental issues and to become a country that is respected, popular, and relied on for its initiatives in the environment.

What I call our "second" strategy would be to not depend on existing structures. Resources within existing structures are valuable. But an existing company may not

be able to establish a new company underneath it to run a new business, since this subsidiary cannot become fully independent of its parent company, and vice versa. Various new ideas can only emerge if a parent company does not disturb people who are trying to get out of the existing structure, and supports them with an open mind. How about creating a “Second Tokyo”, an environmental showcase city that will be “the face of Japan” that draws people from Asia?

Next, what should the government not do? Environmental businesses are so delicate in terms of risk/return balance that they cannot bloom with a laissez faire attitude that relies totally on the private sector. Thus, government policy making is mandatory. I would like to emphasize at this very moment of governmental change that the environment should be an immovable pillar in our long-term growth, and that the government should not get involved in peripheral extraneous matters. The government’s role is to finance and kick-start the creation of new markets. The unification of government, bureaucracy and the people has no meaning. It is important to clarify each role at the beginning. The reason for the malfunction of bureaucratic organizations in spite of gifted individual bureaucrats might be because they are involved in too many different types of work. Public funding is important. In Asia, perhaps only Korea and Japan have private sectors capable of financing the environmental infrastructure. Thus, a system whereby private funds can supplement public funds is required. Up until now, there was never the concept of government leading at first, and then later exiting while passing the baton to the private sector.

Leadership and human resources were repeatedly raised at this forum as issues we must deal with. It is difficult to convey the fundamental concept of environmental issues in one phrase. We need a leader who can create a scenario. While specific skills can be outsourced or nurtured quickly, to foster a captain with the right mindset and intelligence requires long-term and dedicated effort. We need Japanese people who can ally with Asians in a horizontal way. Although it is important for Japanese to go to Asia, it is more important to invite Asian people to Japan. We Japanese should not

treat foreign students as guests, but establish personal relationships with them as a basis for cooperative business relationships in the future. The environmental issue is an appropriate topic to build up a reciprocal relationship. People with a new mindset should tackle this in earnest.

### <Panel Discussion>

#### Kusunoki

Regarding the Group 20 Message, I would like to ask our three foreigners to give us their opinion. First, Mr. Sea-Jin Chang, provost's chair professor of Business Administration at the National University of Singapore, please.

#### Chang

- (1) The way of saying "what not to do", such as "not to become like America", instead of "what to do", sounds negative. Please give three points about what Japanese should do to take a leadership role.
- (2) What unique qualities of Japan can other Asian countries utilize?
- (3) What is the ideal relationship between the government and private sectors in establishing infrastructure in Japan?

#### Kusunoki

Regarding your first question, we believe "what not to do" means the same as "what to do". It is important to avoid a standstill stemming from a "do whatever we can" attitude. Regarding the three things Japan should do, the first is to sell not a product but an architecture, the second is to not stick to solely elemental technologies, and the third is to establish a true partnership with Asian people.

What I mean by "not to become like America" is to recognize Japan's uniqueness.

**Akiike**

With regard to the second question, our strength is predicting customers' needs and providing appropriate solutions. If accepted positively, we call it "high touch," but if it is not, then the solution is appealing only to a limited audience.

**Ohe**

About "not to become like America," the French philosopher Jean Baudrillard said that it is impossible to convert all values into English and dollars. Corporate value is merely an abstract concept within the mind. If the uniqueness of Japanese culture is lost, everything becomes "American." It is important for Japanese to manufacture products rooted in Japanese culture.

**Matsumoto**

There is a high risk that society will become too homogeneous with globalization. Japan is unique in a good sense and peculiar in a bad sense. This Japanese characteristic is an important value over the long term. Every country needs to maintain its own uniqueness.

**Okuyama (Industrial designer and CEO of Ken Okuyama Design, participating from the audience)**

About the second question, from my experience living in foreign countries for more than 30 years, Japan's value relevant to Asia is, as Ms. Akiike pointed out, imagination, or being thoughtful of other people. That's why, I think, Japan has improved its marketing techniques. On the other hand, we have tended to make light of corporate direction or philosophy. It is interesting that in Europe, especially in Germany, they make clear what not to do. In Japan, we try to do anything first then select what the market accepts.

Now that companies have only limited management resources, concentration is important. “What not to do” is a very fresh viewpoint.

Another element of Japan’s uniqueness is trust in factory-level people. In the US, business starts with a basic mistrust of staff or counterparts. In the US, people with different educational levels, languages and background are engaged in manufacturing. To maintain a uniform level of product quality, the American production system is designed to make blue-collar employees follow manuals prepared by white-collar workers and work on-site without thinking. Japan, on the contrary, recognizes that factory-level people have creativity, and management trusts them. It seems to be a common value across Asia, regardless of religion.

### **Chang**

Let me repeat my question. To take full advantage of Japan’s uniqueness in Asia and the world, you need to clarify what characteristics that are unique to Japan can be applied to other countries. Perhaps a process to eliminate overly unique characteristics is necessary to figure out and refine a general model that can be applied to a broader architecture. For example, Japan is good at system integration as well as utilizing large-scale system architectures, both of which would be valuable for other countries.

### **Taniya**

With regard to question 2), as a person involved in investing, I have learned that when you invest in a Chinese company, they do not seek state-of-the-art technologies, contrary to what I thought. Instead, what they want from Japan is the methodology of quality control. They want to learn quality control to meet the needs of their overseas customers. They want someone from the manufacturing industry who can teach them system control methods that incorporate team work.

Another unique quality of Japan is abundant pension assets. Since capital costs are low because of modest expectations of return, Japan's pension funds are a suitable capital source for long-term investments in Asian infrastructure.

Whatever the business, the most important point is who will run it. Nowadays many young talented people are striving to establish NPOs or social businesses, rather than make money. More people seem to think this way than in other Asian countries, which is another uniqueness of Japan.

### **Takemura**

I think Mr. Okuyama made a very important point. The resources least utilized in this world seem to be human resources. Yesterday Prof. Matsui mentioned in his speech that human beings are not using their intelligence as a whole. We have computerized our own intelligence and replaced our capabilities with machines. As a result, people tend to adjust themselves to machines.

Comparing chopsticks with knives and forks, a fork externalizes its function to pierce. In other words, a fork is so self-fulfilling that even a child can easily use it. That is why forks have prevailed in the world. On the other hand, chopsticks require practice to use, and not everybody can use them instantly. Similarly, a sari is just a piece of cloth so you have to get used to wearing it. But once a person accumulates the software to wear it, nothing is as rational and beautiful to wear as a sari.

Can we call this real evolution when we completely externalize the software process and become as dull as we can be? Or, will civilization and evolution be measured according to how mature each individual becomes as an

irreplaceable resource? Here in Asia, we must show that civilization places value on human beings and the software they have accumulated within themselves. This is the uniqueness of Japan, and a value we should share in Asia.

**Mr. William Pesek, Jr. (Bloomberg columnist)**

As an American in this room, I feel ashamed. Three years ago, when I said “this is what the US is doing,” people listened. Now, I am laughed at. Americans are well aware that the US has become a developing country. I was in New York two weeks ago with my family and felt strongly that it is a very confusing era for America right now. The good news is that finally, after 8 years, we have a president we are proud of.

In the past six months, I visited the US, China, Mongolia, Singapore, Taiwan, Indonesia, Australia, Malaysia, and Korea. I was very surprised to notice that people in these countries do not talk about Japan. Japan has the second largest economy with a huge stock market, and the yen is the world’s third largest currency in terms of distribution. Half of the investments in the world are still in yen carry trade. Japan is important. People are supposed to talk about Japan. Yet, why don’t they?

One of the reasons, I think, is that people recognize that Japan’s to-do list is too long, although it is wonderful to have a new government as a result of a leadership change. I think that the Japanese and the Democratic Party should tackle the following tasks immediately.

- Guarantee economic growth. Strengthen the social safety network. Improve competitiveness. Prepare for the increasing elderly population. Raise the birth rate. Better utilize the female labor force. Balance the current economy, which is too dependent on export and manufacturing. Get along with other Asian countries. Foster entrepreneurship. Take

bold actions and grasp the situation with a broader mind. All of these tasks have to be done without increasing debt. When we argue that the Japanese economy is growing at 5%, it is easy to oversee that the reason for this 5% growth is because debt is twice the size of the economy. The interest rate is zero. Japan may be growing, but it is an unnatural growth.

Given these circumstances, I have three questions:

- ① What can we do in the private sector to improve affinity with Asia, instead of waiting for governmental measures?
- ② How can Japan become a role model in Asia? Japan has been growing in an attempt to participate in the Western world. The Liberal Democratic Party aim was to catch up with Western countries. Now that Japan has done so, which way should it go now?
- ③ How can Japan utilize the “lottery” it won? What I mean is how can Japan contribute to sustainable growth, or “green growth”? For China and India, for example, the most important issue is how to continue to grow without pollution. Japan has technologies to solve this. Fukuoka is full of entrepreneurship and has conducted many trials from the start-up stage. These newly established companies are striving to sell their technologies to Asia. How can Japan realize its potential as a locomotive power to lead sustainable growth worldwide?

**Mizuno (Partner, Collier Capital, participating from the audience)**

With regard to how Japan will grow economically, objectively looking at Japan from the outside, Japan is the only country that is discussing whether economic growth is really needed or not. First of all, it is necessary to have a consensus that growth is necessary. For the private sector, manufacturing must enter into the Asian market, while the financial sector must raise

Japan's asset value.

**Taniya**

European and American companies are ahead in terms of standardization and winning contracts. One approach would be to enter into this field as an Asian alliance. Rapid growth is expected in the infrastructure business, and a main player in this field should be domestic companies in that country. In cooperation with these Asian corporations, Japan should provide technical cooperation and investment, and establish an Asian alliance to compete with Europe and America. This would be a way for Japan to contribute to sustainable development in Asia.

**Matsumoto:**

The reason for Japan's stagnant economy is that personal assets are stagnant. Current personal assets account for 1,500 trillion yen, a 300 trillion yen increase. Meanwhile, Japanese government net debt increased by the same amount over the same period. This personal richness is merely an illusion. It is necessary to correct this tendency and adjust risk to allocate money to growing sectors.

**Tsujino:**

Another point that Japan lacks is an optimistic, flexible attitude. For example, we have to abandon our prejudices about cloud computing provided by foreign companies. With a gut feeling based on self confidence and an optimistic attitude, we need to nurture the ability to accept new ideas. Based on that, Japan can provide something indispensable for globalization. I believe that the role of companies like Google is to accelerate such a movement.

**Ohe**

I hope bureaucrats will take a more active role. The British and Italian embassies in Japan are aggressively supporting the promotional efforts of the corporations of their countries. Japanese bureaucrats should support more generously Japanese corporations and industries.

### **Lau**

The idea of Japan's role in Asian innovation seems to be one-sided on the Japan side. In other words, you are thinking from the supplier side, and are missing the perspective of what Asian people are thinking as customers. Talking about collaboration, partnership should be give-and-take, but Japanese seem to be preoccupied with only selling, and lack the attitude of what Japan can provide for the benefit of Asia.

What Mr. Matsumoto described as “peculiar”, I would rather say is “mysterious”. It is important to express Japanese culture, history and society to Asia. Then there is the issue of whether or not everyone really requires Japanese superior and specialized technologies. For example, in China, a doorman is more valuable than an automatic door. How about developing state-of-the-art technology that takes into account human ware?

I often hear the remarks of “go to Asia”, but am wondering how many Japanese understand Asia and its culture. Are Japanese companies willing to go to Asia at the risk of failure? Don't Japanese tend to avoid risk by only selling and not buying from Asia?

Harmony is merely gradual change. Conflict resolution is essential for innovation. Unless Japan asserts itself, it can never innovate. What is your opinion on this?

### **Akiike**

I would like to comment on this, as well as the role the government. First of all, deciding what not to do is to prioritize various alternatives, strictly allocate management resources to the prioritized projects until we win, and to decide not to be engaged in other projects once resources are depleted.

The role of the government is to choose the focus in the way I mentioned and to create success stories in Asia or Japan that can be serve as models. The government has to convey clearly the reasons behind Japan's strategy. To apply these success cases in other countries, it is important not to refine too much from the beginning. Flexibility is needed so that upgrades or deletions of unnecessary parts can be made. To achieve this, we need a different way of thinking, not incremental change. This would be an "innovation" in thinking for Japanese who have sought only the best. Localization and collaboration can never be realized by Japan alone.

### **Matsumoto**

In response to Mr. Lau's suggestion of "mysterious," I have to admit that Japanese lack the ability to communicate well. Japanese people should learn English more thoroughly.

Regarding your point to avoid risk, there should be a ceiling of government debt in Japan. Because money goes to some magical place, in some sense, people do not want to take a risk. By setting a ceiling, we should create a mechanism that forces the flow of money and changes our mentality regarding risk.

### **Kusunoki**

As is often the case, a discussion like this always runs short of time. The Group 20 will continue its discussions and your ongoing interest would be appreciated.

<Speech by Dr. Kurokawa>

**Japan's Role and Responsibilities in Contributing to Asia**

Japanese technologies are clearly superior, but I wonder if they are properly conveyed overseas in a manner that meets their needs. Many Japanese have no experience surviving on their own in a foreign country. Since they are trapped by their own frame of mind, they cannot communicate to foreign people who have different frames of mind. From the theory of relativity to nuclear energy, from the experiment by the Wright Brothers to the air bombs – why did such things occur? It is because of the environmental conditions created by war.

Since the birth of mankind, the world population of 200 million in the era of Jesus Christ grew to 500 million in 1,500 years, then to 1 billion after another 300 years. In the last 100 years, the world population has grown more than four times to 6.7 billion. Rapid development of civilization has forced us to realize the limits of the earth.

On the other hand, after the end of the Cold War, the market economy prevailed worldwide. The emergence of the Internet has made our world hot, flat and crowded. These environmental conditions are common all over the world. Various unconscious desires in this monolithic economy are creating innovation, or in other words, creating a new social value. We are seeing a new paradigm not from the supply side but from the demand side, such as social corporations and Grameen Bank. You can never fully understand these desires from the demand side unless you have been and lived there. In the past, it was all right that the supply side mass produced industrial products. But now, the bureaucratic-led solution that neglects the realities of the demand side is no longer valid. There are too many people, especially males, who lack confidence and focus when they are

abroad. Japan's current problem stems from an old-fashioned vertical social structure controlled by such males. To change it, we must study how global companies and universities are transforming themselves and then communicate these transformation efforts to the outside world.

In a flat and open world, people take advantage of their heterogeneity and diversity as forms of individual strength and character, and complement each other to create collaboration. Females must be actively promoted in society. There are increasing opportunities for high-risk, high-return people with strong personalities to do what they want and to be successful in it. In Japan, however, there are not many people like this. Japan's future depends on its ability to foster people, or "human assets", people who can play a role in the world that creates new values. The word "international" is replaced by the word "global" nowadays. The concept of a nation is not as meaningful as before. Corporations, financial institutions, research institutions and NGOs are all global. Under such circumstances, the importance of national borders lies in Japanese feelings of heritage and patriotism.

We need to encourage greater interaction among people to better convey Japan's strengths. Rather than listing up all the reasons why something can't be done, Japanese need to develop an attitude to take action even if there is no clear answer after long consideration. We have to recognize not only our strengths but also our weaknesses and consider how they can be complemented with other countries. This means we need to make new friends. To increase Japan's visibility in foreign countries, we need to dispatch news in English from Japan to all over the world. NHK has many wonderful programs. Why don't they air them overseas? Forget about rules and regulations, and just do it first.

Basically, Japan's male-oriented, "lion-at-home" society is the obstacle. We need to try to do things differently from the past. Last year I started a one-month camp in Okinawa for 15 and 16 year old Asian and Japanese high school students. In addition, my university runs a one-year exchange program for undergraduate students. It is also important to strategically assign females to good positions. Without these efforts, it is difficult to change old ways. Let's work together to aggressively promote more exchange. We would not want an increase in the number of shy, reticent people.