During my thirty-two year career in Japan’s foreign service, sixteen years were spent in five different foreign countries and sixteen years in Tokyo. Going back and forth between countries like this—you might say I was an international vagabond. Well, sometimes a person can observe his own country better from the outside than as a full-time national. Whether at home or abroad, my profession has always made me think about Japan in the context of international relations. Thus as a constant Japan watcher, I feel that changes have finally started to penetrate the Japanese society in recent years.

Let me begin by sharing some of my own experiences. I happened to serve in Moscow from the summer of 1988 to the end of 1990. That was the most exciting period in the history of the former Soviet Union. Mikhail Gorbachev had successfully shattered the ultra-hard-core Soviet socialist system which had been forged and cemented during the preceding seventy years. His perestroika policy produced drastic changes at home and abroad. The Berlin Wall crumbled, the Cold-War Era ended and the Soviet Union collapsed and was dismantled. I witnessed a revolutionary change of a rigid socialist regime. Unfortunately, Mr. Gorbachev had to disappear from the scene because he failed to reshape his shattered country. This tells how difficult it is to reshape a country.

After returning from Korea in early 1994, I spent four years and a few months in Tokyo until I arrived in Honolulu just two years ago. During this time, Japan was in a long and deep recession. In contrast to my previous stays in Tokyo, I felt symptoms of change were gradually emerging in the Japanese society. Earlier, in 1993, the Miyazawa Cabinet had fallen, thus ending the once stable LDP-dominant political system which had lasted for about forty years. With this, political parties split and some new parties sprang up and disappeared, and, in that process, we observed frequent government changes including the emergence of an unprecedented coalition government with the Socialist Prime Minister Murayama. Political turmoil continued and, when the LDP finally returned to power and Mr. Hashimoto was made Prime Minister in 1996, it was evident that Japan needed an important remedy in the face of the deepening economic crisis. Thus, Prime Minister Hashimoto launched a politically-bold program called the “Six Great Reforms:” reform, namely, in the economic structure, financial system, government structure, fiscal structure, social security and welfare system, and, lastly, educational system.

It was, perhaps for the first time since Japan started its economic development in the 1960s, that a Japanese Prime Minister tried to seriously tackle sweeping reforms in so many aspects of social and economic life in the Japanese society. However, because of the depths and complexity of conflicting interests, there was reluctance and opposition to these reforms. In my private discussions with my colleagues in the various ministries, I was surprised and very disappointed to see many high-ranking officials of the economic ministries who still believed in the infallibility of their past economic policies. At any rate, Prime Minister Hashimoto was obliged to resign following a severe defeat in the elections of July 1998. Mr. Keizo Obuchi, who succeeded Mr. Hashimoto, did not run away from the politically difficult, yet much-needed reforms. Instead, he pursued reforms with an added vigor and political skill, because he was convinced that Japan must change.

Looking at Japan from Honolulu, I really feel that changes are now gathering force in Japan and taking place in a more persistent and deepening manner in wider areas of social and economic life than a couple of years ago.
What, then, are the major aspects of these changes, and to what extent are they taking place? You all know that Japan’s economy has been suffering from a prolonged and severe economic slump since its “bubble” burst a decade ago. The major result is a large number of bankruptcies, including those among once prosperous and solid, large companies. Those which survived were obliged to undergo drastic restructuring and downsizing in order to regain their strength. This situation brought about many unprecedented phenomena.

First, there was rising unemployment. Until recently Japan’s unemployment rate had been stable at a little over 2%. Now it is 4.8%. This has broken down Japan’s world-famous “lifetime employment” practice.

Second, large-scale industrial reorganization is frequently taking place. Banks and financial institutions are being merged into mega-sized financial groups. Companies with different industrial and service activities are being put together or going into joint ventures. Thus, Toyota or Sony, for instance, operate businesses in financial or distribution areas in cooperation with banks, distributors, or “convenience stores,” etc. These are breaking down the age-old “keiretsu” or industrial grouping under a strong mother company.

Third, a number of Japanese companies, including large companies like Nissan Motors or the Long Term Credit Bank of Japan are operated under the control of foreign companies, and employees now accept the “western way” of management, because it means the “survival or bust” of their companies.

Fourth, government policies changed, of which the most important is that the half-century-old “convoy system” in which financial institutions survive collectively under the government’s guidance like a “convoy” is now officially abandoned. Thus, a number of poorly performing financial institutions was allowed to die without government rescue measures. Deregulation efforts have also become a steady current in the Japan of today.

Japanese politics is changing too. In the past few years, the political world has been persistently trying to gain supremacy over the bureaucracy in formulating and implementing national policies. A number of political and administrative reforms are being worked out in that direction. For instance, the authority for supervising financial institutions has been separated from the once all-mighty Ministry of Finance and placed under the control of a different agency. In the process of formulating a government budget, the political leadership will be strengthened. Early next year, there will be a large-scale government reorganization for the first time since the Meiji Period. All of this will eventually alter the politics-bureaucracy power relationship in favor of a political leadership. Education, one of the most conservative branches of national activities, is being oriented from the present standardized uniform method toward nurturing more individualist-minded children.

In the social domain as well, a completely new system of health care for the elderly began in April of this year. This constitutes a departure from the tradition of caring for the elderly by their immediate families to a system in which their care can be entrusted in business enterprises.

These are examples of some salient changes which are occurring only in the last few years and which were almost unimaginable until recently. Besides, I believe these changes are going so far as to affect some of the social and cultural aspects of Japanese life.

How and to what extent are changes occurring?

In the past few years, the political world has been persistently trying to gain supremacy over the bureaucracy in formulating and implementing national policies.

Are the changes real and durable?

While I do feel that changes are steadily permeating the Japanese society, Americans often express skepticism over the real nature of the changes or at least show concern over the slowness of the processes. I humbly submit that all social phenomena often depend on the history, socio-economic structure, and national or cultural character of any given country. Because of its long history and solid socio-cultural structure, changes in Japan may take more time than in the U.S., but, to me, changes occurring in Japan today are real and far-reaching and will continue for the following reasons.
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First, Japan is at an historical crossroad in the course of economic action and the people have begun to realize that the old system doesn't work any more. In my observations, the quarter of a century between 1964, the year of the Tokyo Olympics and the 1980’s was a period of great economic expansion in Japan. It was a long period of an almost linear ascension by Japan to becoming the world’s second largest economy. Despite the “oil shocks” in 1974 and 1979, as well as the rapid appreciation of the yen after the “Plaza Agreement” of 1985, both of which produced enormously adverse effects on Japan, our economy continued to grow and became even stronger, overcoming those negative consequences. In retrospect, under the prevailing stable “cold-war” order, Japan could concentrate its efforts on economic development with the U.S. as the reliable guarantor of the world order in the Western world and a great partner of Japan as far as the security problems were concerned. Our production capacity was based on large-scale, mass-production industries such as steel, ship-building, and the manufacturing of automobiles and electrical and electronic equipment. Our educational system produced a large number of qualified engineers and technical experts. Japan’s traditional work ethics of diligence and harmonious and collectivist-minded behavior, all worked perfectly for the mass-producing, industrial age. The Japanese enhanced efficiency and added technological innovations, while the basic industrial systems remained unchanged. The Japanese economy prospered so well and for so long that, in the late 1980s, our people became not only very proud of our economic successes, but also somewhat arrogant vis-à-vis the U.S. or Europe which was going through a difficult phase.

In 1991, however, Japan’s great “bubble” economy burst. Quite different from the previous period, our economy has experienced a decade-long downturn, losing all its previous vitality. Our people seem to have lost some confidence because of the length of the recession. Some consider this a “lost decade.” We now begin to be awakened to the harsh reality that we find ourselves in a post-industrial period, where the old Japanese production system based on large-scale, mass-production capability does not function anymore. Consumers now look for more individualized, unique products. The Japanese system, or Japanese standard, which was so efficient until a decade ago, seems to be showing a kind of systemic fatigue in the world of a changing business environment.

Two additional reasons for the sustainability of the current changes include the information technology revolution and promulgation of the Internet based on U.S. standards have drastically altered the ways of doing business, and exposed Japan to massive and irresistible global competition. Faced with this reality, the Japanese people in general realize today that they must change because the waves of change are worldwide, massive, and unavoidable. In fact, manufacturers, financial institutions, distributors, wholesalers, retailers, general trading companies (shoshas) all just began to change their modes of doing business by going into new areas of activities or joining forces to complement one another to cope with the new situation. Third, political leaders now advocate “reform” as an important political challenge. As I said earlier, Prime Minister Hashimoto launched “Six Major Reforms.” Mr. Obuchi strengthened this reform policy with the notion of “The Third Period of Great Reform,” after the Meiji Restoration and the post-World War II Reforms, and most recently, our new Prime Minister Mori pledged to undertake sweeping, structural reform in this first policy speech to the Diet on April 7, saying, “many of the systems and the way of thinking that underpinned the breathtaking developments achieved by Japan in the post-war period are no longer appropriate for the times in which we live.” Most political leaders, including those in the opposition parties, too, advocate reform.

Besides, rather surprisingly to the general public who had believed in the efficiency and accuracy of the Japanese system, or in the righteousness of the ethics of Japan’s public servants, there came to light a series of financial scandals involving government officials and a number of accidents involving nuclear plants or other public facilities which betrayed astoundingly careless management practices. People now believe that we must change.

Thus, I would say that the tendency for change has become very solid at the business level, the political leadership level, and also at the individual level.
The arrival of a new millennium perhaps accelerated the case for change. Arguments on how and in what direction changes should take place have gained intensity all the more because the preceding several years in Japan were so bad economically and socially. "Japan in the 21st Century" types of debates are thriving with seriousness these days.

Prior to his illness (and recent death), Mr. Keizo Obuchi, as the national leader, must have felt an urgent need for identifying the nation's aspirations and elaborating a concrete vision of Japan for the new century. He appointed a large number of knowledgeable people in many different fields of activities to consider this important subject. They came up with a final report in January, which, in my view, reflects extremely extensive reflections on the future course of Japan and proposes most ambitious and far-reaching suggestions in order to reshape Japan for the 21st century. The report is bulky and the title is long: Japan's Goals in the 21st Century, the Frontier Within: Individual Empowerment and Better Governance in the New Millennium," but let us take a look at its main thrust.

In analyzing the current impasse in Japanese society, it points out that "in Japan today a variety of regulations, barriers, and social conventions thwart talent. Many latent strengths remain untapped. We need to explore this vast frontier...which lies within Japan." It also depicts the global trends in the new century and their implications on Japan. It says that the globalization, information technology revolution, and advances in science will dominate the 21st century society in which individuals possess incomparably more power than ever before. Authors of this report propose in this context that we should redefine and rebuild relationships between private and public space in the civil society. In other words, it will be necessary for Japan to turn from the present system of "government" in which the state or the bureaucracy makes decisions and the citizens accept them, to a new system of "governance" where citizens will be empowered to act as independent individuals with creativity and where the role of the state will be to ensure such a "public space."

I hope you can see that it touches on the necessity of a turnover of Japan's most fundamental, ages-old notion of government based on a patriarchal concept. In order to realize such "governance," several interesting proposals for reforms are presented as Japan's new frontier. It says in particular that creativity and pioneering spirit of individuals should be the driving force of the coming society and, in order to encourage such spirit, education must be reformed. One suggestion put forward in the report is that three out of five school days per week in the lower and middle schools would be devoted to the teaching of compulsory subjects, and the remaining two days would be reserved for extra-curricular activities in science, arts, sports, or other disciplines which would develop a student's individual talents and interests.

Also, in order for future Japanese nationals to act freely as world citizens, each Japanese must acquire "global literacy." In this context, it is suggested that a strategy of dramatically strengthening English education would be worked out, including the possibility of making English Japan's second official language in the future. The increasingly globalized world will lead to an increased mobility of people and, for the Japanese, contact and interaction with other cultures would deepen. Thus, the report further stresses that we Japanese should value diversity and individual freedom. Making diversity a strength would also be an important consideration of the coming Japanese society. Establishing a new immigration policy would also be necessary in the globalized world society. The report recommends that Japan reconsider its immigration policy so that more foreigners would want to live in Japan, and, through their activities, contribute to the development of Japan's society. It goes so far as to suggest granting a permanent visa to foreign students when they finish their studies in Japanese high schools or colleges.

In order to realize these objectives, it is important to strengthen the underpinnings of "good governance." Thus, political reform would also be necessary and the report tries to define and limit government roles and present a number of suggestions such as lowering the voting age to 18 or electing a prime minister by popular vote.
Individual creativity will be the driving force for a revitalized Japan in the new century. These are some of the proposals and ideas for reshaping the Japanese society in the 21st century. Because of the complexity and the vastness of the subject, it is difficult to summarize its essence in a few words. But it seems to me that the authors want to reorient Japan toward a free, non-regulatory, energized civil society where individuals can exert their creativity and strength to the utmost. Individual creativity will be the driving force for a revitalized Japan in the new century. In such a society, the governing rules would be a good balance between freedom and responsibility for its citizens and accountability and transparency for the public officials — something akin to an American-type society. This would be a departure from a traditional Japanese society in which unity and harmony and organizational loyalty are often the guiding principles for social activity. It requires a complete change of paradigm from a Japanese standard to a global standard. Important questions would arise: are the Japanese ready to go in that direction? What would be the fate of this ambitious report? By way of conclusion, let me present my own personal views.

The recommendations made in this report involve much new thinking and necessitate reform in vast areas of Japan’s society. I don’t think drastic changes would be realized in a short period of time. I admit things did not change very fast in the past in Japan. However, the report talks about reforms in the medium and long-term perspectives. And I would like to stress that the decade-long severe recession affected the Japanese mentality and behavior in an important manner. “As I said earlier, the economic and social systems have already begun to change, and the people now accept it and try to adapt themselves to the new situation. The notion that “we must change” is gathering force. Although some of the reform suggestions are too drastic to implement at this stage or will take a decade or more to occur, we are beginning to be accustomed to a “survival of the fittest” type of competition, and younger generations are more open to the IT revolution and global competition.

Political leadership, despite frequent changes and successions, has been advocating “reforms” during the last few years. The report “Japan’s Goals” was made at Mr. Obuchi’s initiative. Mr. Mori, who pledged to follow up Mr. Obuchi’s reform policies almost in its entirety, will surely respect the general orientation of this report. Of course, conservatism and resistance still remain, but the great titanic Japanese society seems to be gradually trying to change the course of its navigation. In the past centuries, when its destiny became manifest, Japanese society has transformed itself in a number of important ways. In my opinion, the “Third Period of Great Reform,” as christened by the former Prime Minister, is becoming irreversible for the coming decade or so. Thank you very much for your patience and kind attention.

Mr. Ogawa has served as Consul General of Japan in Hawaii since 1998.
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