

Why Japan is not setting the global agenda

Japan's virtual Berlin Wall

Robert Dujarric, a former Council Foreign Relations-Hitachi Fellow, is Director, Institute of Contemporary Asian Studies, Temple University Japan. He worked at a Washington DC think tank and in finance in the US, Europe, and Asia. <http://www.tuj.ac.jp/icas/staff.html>. **Ayumi Takenaka**, Associate Professor of sociology at Bryn Mawr and visiting faculty at Tohoku University focuses on immigrants' social mobility in Japan and the international movements of skilled professionals. <http://www.bryn-mawr.edu/sociology/Takenaka.html>.

Japan's invisibility in the world still surprises many of us who live here. The world economy is in crisis, but we rarely see Japanese in positions of power and influence overseas. How many foreigners could name a Japanese figure who influences their thinking? How many business persons outside of Japan have Japanese colleagues? How many skilled immigrants dream of Japan? A virtual "Berlin Wall" surrounds Japan, growing ever-more solid as the world moves in the opposite direction.

Ruling elite trained in seclusion

Japan trains its ruling elite in seclusion. Those with elite positions have studied in only a handful of undergraduate faculties that remain nearly exclusively Japanese. Foreign students, more than half from China, have almost tripled to 132,000 in a decade, but very few are in the elite programs. Additionally, most ambitious young Asians enroll in US and British Commonwealth schools despite Japan's proximity, while only 1.4% of Japanese students (60,225 individuals in 2008) study abroad. This compares to 101,913 South Koreans, even though South Korea is smaller and not as rich.

Japanese Abroad

Japanese professionals abroad are generally employed by Japanese multinationals (or embassies and media outlets), often on a short-term basis. Very few serve as executives in non-Japanese businesses or as professors in foreign universities.

Likewise, Japanese are seriously under-represented in international organizations. They make up less than 3% of the profes-

sional staff at the IMF and the World Bank. At the United Nations Secretariat, they are under 2% (compared to 3.5% for Italy), a minuscule share for a country that is the second-largest funder of the organization. None of the groups that frame the discussion on global issues, such as Greenpeace, Amnesty International, the World Economic Forum, and Crisis Group, is based in Japan. All have very few Japanese managers and executives. According to a survey of the world's think tanks, there is only one Japanese institution in the top 50, the Japan Institute of International Affairs at number 46.

In the rest of Asia, national elites are often foreign-educated and trained. But in Japan few are even fluent in another language. As Japanese see their homeland as 100% safe, they seldom own foreign real estate or stash money overseas, nor do they seek foreign citizenship the way many other Asians do. In short, privileged individuals in Asia typically join—at least partially—a global/western-centric international mindset, but not the Japanese. Interestingly, discussions with Japanese executives as well as research indicate that fewer young Japanese aspire to work in a foreign country.

Enduring Homogeneity

Japan ranks lowest among OECD countries in foreigners' share of the skilled labor force. Senior positions are almost exclusively occupied by Japanese either by nationality or ethnicity (as few Japanese citizens are of foreign ancestry). A number of high-profile foreign CEO's apart, foreigners are almost invisible in the Japanese corporate world.

There is also little inward foreign direct investment (FDI). With the FDI stock esti-

mated at 4.1% of GDP compared to an average for developed countries of 24.7% and 16.0% for the US, Japan is an outlier. Research by William Carroll of the University of Victoria indicates how Japanese are marginalized in the interlocking international webs of company boards of directors. Thus, surprisingly, Japan is outside of the mainstream in many areas of the corporate world.

Root causes

Japan's isolation is rooted in its triumphs in the Meiji Era, reinforced by post-1945 high growth. By the early 1890s, Japan was a modern nation-state, a feat not replicated in Asia until a century later by South Korea. To this day, Japan's size makes it unique in developed Asia (Japan, South Korea, Taiwan, Singapore, and Hong Kong). Thus Japan combines old and strong institutions with a huge domestic economic base. The system put in place in 1868-1890 has been resilient. It has evolved in the past 120 years, but without fundamental change to its core.

For example, elite Japanese universities, sometimes older than the Statue of Liberty, have provided generations of graduates with the best jobs and networks. Many conglomerates have equally venerable pedigrees. The national bureaucracy boasts a long history of power. The Diet has been in uninterrupted existence since the Eiffel Tower was erected. A few blue-blood parliamentarians trace their lineage to a great-grandfather who sat in the House.

When Japan had to catch up with the West in the Meiji Era, and to a lesser extent after 1945, foreign connections were highly marketable. But today, Japanese fare better if they attend a selective college at home and then land a position in big (Japanese) business or the civil service. Seeking recognition and credentials in Japan, rather than abroad, is totally logical for them.

Another consequence of Japan's success and size is its ability to set its own standards at home. A US insurance conglomerate executive in Japan once noted that they had a set of global procedures and another solely for Japan. A professional at one of the world's largest Information Technology firms explained that employees in Japan are the only ones who are exempted from the requirement to master English and the Japan subsidiary has unique recruitment procedures incompatible with the normal corporate procedures. Thus, even if they work for

foreign multinationals in Japan, Japanese are the product of an insular system and ill-prepared for competing overseas.

Moreover, by 1965 when the United States and later Australia lifted racist restrictions on immigration, Japan was so wealthy and stable that few Japanese emigrated, in contrast to Indians, Koreans, Taiwanese, Hong Kongers, and Chinese. Therefore, Japan lacks the educated Diasporas that help other Asians connect across borders.

An additional reason for this seclusion is the lack of lateral mobility. The best jobs go to those who join upon graduation and gradually climb the ladder. Leaving a Japanese organization to move abroad is risky for a Japanese salaryman if he ultimately decides to return home as re-entry options will be narrow.

Dearth of “Ampersands”

Japan lacks what political scientist Samuel Huntington called “ampersands [&],” i.e., people who are simultaneously from country A & B and connect business and academia across national boundaries. They foster “brain circulation” and “brain globalization” thanks to roots planted in several nations through work education, or family ties. Employers want these types of professionals, but Japan is excluded from these transnational flows, whereas other Asian countries produce growing numbers of these “citizens of the world.”

Those who venture out of Japan find it hard to re-enter tight-knit Japan, thus failing to serve as international bridges. Norie Sekimoto, a professional at the Asian Development Bank writing a book in her personal capacity, observed that those rare Japanese who successfully navigate in global circles often fear that they will be ostracized from Japanese society.

Demographic and Economic Costs

Although immigration alone cannot compensate for Japan’s low fertility, it can help. Moreover, immigrants bring dynamism, in everything from science to retailing, as can be seen in the streets of London and the lists of Nobel Prize winners. But Japan’s virtual Wall precludes this option.

Japan also misses out by not sending out its own nationals to study, work, and establish themselves overseas. For example, many Asian technology enterprises owe their success to the experience their founders and managers gained in Silicon Valley, either as

students or as young engineers. Not only does the Wall keep immigrants out, it is also one of the causes for Japan’s failure to attract direct foreign investment, which could help bring the country out of stagnation.

Another consequence of the Wall is its impact on the service sector. Services and “soft goods” (products, such as software, that share many characteristics with services) are of growing importance. But service conglomerates need a greater degree of managerial globalization to be internationally successful. One of the causes for Japan’s underperformance in the service sector is its cultural isolation.

In the policy arena, insularity makes it impossible for Japan to be heard in all fields, from economics to security.

Finally, one of the most insidious effects of seclusion has been to hinder the progress of women in the workplace. Women are tremendously underrepresented in management compared to other developed countries. Tokyo University’s student body is still 80% male, a dismal ratio that bodes ill for the future. The majority of Japanese professionals at the UN are women, a testimony to their skills but also of their desire to get out. Cut off from foreign influences, devoid of large numbers of foreign-owned businesses, Japan has been deprived of the contacts with the outside world that could have brought feminization to its shores.

Coping with globalization

Nomura Securities and others have used overseas acquisitions to promote foreign managers. Rakuten, an online mall, is making English the official language. Japanese companies are now hiring Japan-educated Chinese to expand in China. Others have committed themselves to diversifying their managerial teams. In an attempt to become more globally competitive (and compatible with foreign norms), many large firms have also tried to shed business practices long ingrained in their corporate system, such as the seniority-based wage system and life-long employment. It remains to be seen, however, if these efforts will bear fruit.

The government has also tried to remedy the situation. A part of this effort is the “e-Japan plan” to bring 30,000 foreign IT experts by 2010 as well as “Asia Gateway” and the Career Development Program for Foreign Students. But so far Japan has failed to become a magnet for foreign talent.

Japanese universities, too, do their part

by trying to bring in more foreign students and scholars and offering more English-medium courses. Some, most notably the University of Tokyo, have shifted, or considered shifting, the academic year to be compatible with the rest of the world (Japan’s academic year starts in early April, making it harder to spend a term or year abroad).

But Japan has not adapted at the same pace as the rest of Asia. South Korea in particular has morphed into a globalizing society. Moreover, in some cases, such as declining numbers of students overseas, Japan is regressing. Japan was the most open and international Asian society 130 years ago; today it is among the laggards.

One reason lies in the way Japanese institutions have coped with growing tides of globalization. By thrashing traditional big business practices and a stable workforce, Japan Inc. has produced more precarious jobs without the flexibility of US-style labor markets. Young Japanese, faced with a growing sense of vulnerability, are becoming more conservative, less willing to take risks or taking on adventures abroad.

As for the nation’s elites, they fear losing their position. A more open Japan would be bad news for mediocre middle-aged (or older) insular men suddenly faced with a new competitive globalized environment which would neither value their skills nor respect their status. Many potential victims of the Wall’s collapse are members of the ruling establishment, thus it is not surprising that there is little movement.

As Meiji indicated, Japan is capable of rapid transformation. But the institutions built during that period are particularly strong, as opposed to those of the collapsing shogunate in the 1850s-60s. On the other hand, the selection process to reach the top of the political, bureaucratic, media, and business worlds weeds out those endowed with the pioneering spirit that characterized the rebels who overthrew the old regime in the 1860s. And unlike the heroes of the 1860s, outsiders in today’s Japan are too weak to challenge the system.

How sustainable the system is, however, remains questionable, especially when the population is declining and so much progress comes from interactions and exchange of ideas across borders.

Japan rose to the challenge in the 1860s because it faced an enormous threat. Hopefully change will now occur before Japan is staring at the abyss.