

Japan still has what it takes to thrive

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THIRTY years ago, Japan was admired by the world as a stable, democratic, prosperous and highly competitive country. The eminent Harvard scholar Ezra Vogel captured that moment in his best-selling book, *Japan As No. 1*.

There were, however, some Americans who felt threatened by Japan. They demonised Japan and falsely identified it as America's new enemy. This culminated in the Plaza Accord of 1985 when Japan capitulated to the pressure of America and Europe and agreed to a drastic revaluation of the yen.

The strong yen posed a huge challenge to Japan's export industries. At the same time, the strong yen gave the Japanese a heady sense of being super-rich and being flush with money. This led to reckless spending abroad and an asset bubble at home. When the bubble burst in the early 1990s, it nearly brought Japan down. It has taken Japan many years to clean up the mess.

Japan has just elected its sixth prime minister in five years. This is obviously an abnormal and unsatisfactory situation. The problem should, however, be viewed in its proper perspective.

For many decades after World War II, Japan was ruled by the Liberal Democratic Party (LDP). Japan was a de facto one-party state. The LDP's monopoly of political power came to an end when it became corrupt and lost the support of the electorate. For a few years, the Hosokawa, Hata and Murayama governments provided Japan with alternative leadership. They were, however, unequal to the task, and have faded away.

In the meantime, the Democratic Party of Japan (DPJ) has emerged as the alternative to the LDP. It will take a few more years before Japan evolves a stable two-party system.

But I have no doubt it will do so.

In the long term, such a situation would be more sustainable and better for Japanese democracy than to rely solely on one political party to rule Japan.

The year 2011 will go down in the history of Japan, a country prone to natural disasters, as the *annus horribilis*. The triple disasters of earthquake, tsunami and a damaged nuclear power plant have tested the moral fibre of the Japanese people. They have come through with flying colours. The best qualities of the Japanese people were on display: resilience, determination, courage, discipline, unity and civic-mindedness.

The first reason for my optimism about the future of Japan is its people. I believe the people of Japan will overcome the many challenges which beset their country.

The second reason for my optimism is the high quality of the Japanese workforce. The Japanese workforce is one of the best educated, trained and productive in the world.

The third reason for my optimism is Japan's work ethic and culture of excellence. The people of Japan are extremely industrious. You don't see idle people in Japan. In addition, there is a pervasive culture of excellence. Every worker, no matter how humble his job, seeks to achieve excellence in his work. They seem to take pride in their work.

The competition among the advanced economies is increasingly driven by technology and innovation. Japan has a strong track record in innovation and new technology. Japan used to dominate the world in consumer electronics and white goods. It is a world leader in building hybrid, electric and other fuel-efficient vehicles. It is also a leader in green technologies, robotics, aeronautics, game technology, anime, photographic technology and so on.

In the corporate world, Japan has produced some notable global champions. There are 68 Japanese companies in the Fortune Global 500. Companies such as Toyota, Panasonic, Sony and Hitachi are world class. Other companies, such as Rakuten and Uniqlo, are poised to join the club. These two companies use English which will make them more competitive internationally. It is important for Japan to produce more global champions because such companies are profitable, attract talented employees, and generate good jobs and innovation.

Japan is viewed favourably by the world. The world admires Japan as a peaceful and beautiful country. It is immaculately clean and takes excellent care of its environment. It has a long and rich history and its heritage in arts and crafts is carefully preserved. Japanese society is viewed as both prosperous and socially harmonious. The quality of life is high and Japanese cuisine has become part of the world's food culture. The Japanese people are viewed as polite, gracious and considerate. They are also admired for their inner strength and their never-say-die attitude. This was best exemplified by the victorious women's soccer team in the Women's World Cup in July.

Japan faces many challenges. Among the most important are the following: recovery from the March 11 triple disasters; the need to restructure and globalise Japanese companies; and the need to deal decisively with demographic trends, attract foreign talent and integrate more closely with Asia.

There is one more challenge which is fundamental to Japan's future. This is the need for a revolution in the Japanese mindset. Japan has been embraced by the world. It is time for Japan to open up and embrace the world. If Japan makes this transition, it could have as profound an impact on Japan's future as the Meiji Reformation did in the past.

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