Reviving the Japanese economy

It’s still not too late

Jiro Ushio, chairman and CEO of Ushio Inc. and chairman of KDDI Corporation, talks with SPF Chairman Setsuya Tabuchi

Japan’s problem is not deflation

Setsuya Tabuchi: Economies around the world are now suffering from deflation as a result of oversupply, with production outstripping demand. It seems to me this situation will probably continue for some time. What do you think?

Jiro Ushio: Following the reconciliation between the Eastern and Western camps in 1990, all the socialist countries started aiming for market economies. Up to then, under their planned economies, production had been limited to what the planners assumed were people’s needs. So there was no supply competition. But in a market economy, people buy what they want.

In other words, the shift to a market economy means a shift from needs-based purchases to wants-based purchases. And this gives rise to unlimited expansion of consumption.

Suppliers can’t compete successfully just by providing what people need, so they start looking ahead, trying to forecast what people will want next year and the year after that. And as this forecasting process is repeated three or four times, the prediction techniques become more sophisticated, and it becomes possible to produce better products.

In China, even though they have economic planning, the regions basically do as they please. You could call it a decentralized planned economy. The regions compete, and they produce a surplus of goods. In the interior, a lot of what they produce is out of date, but it still sells, because that’s all that’s available. So what happens is that the necessities are overproduced, but other things that people want are in short supply. This is how the world economy is currently managing to stay in balance.

Tabuchi: Here in Tokyo we see one luxury-brand shop after another opening up, and people are buying. They say we’re in a recession, but the Japanese seem to have plenty of money.

Ushio: What’s happened is that people have become more selective about what they buy. The level of consumption has moved up; it’s not that purchasing power has declined. In that sense I think the word deflation is being used improperly here.

Nobody opposes Prime Minister Jun’ichiro Koizumi when he proclaims the need for structural reform. But the industries where structural reform has lagged, which make up about a third of the total, are now in an unalloyed recession. Koizumi declares, “No growth without reform,” and as a result people don’t feel they can talk about “antirecessionary measures” or “countercyclical measures” as they used to. So that’s why everybody has started talking about “antideflationary measures” instead.

But in fact what’s happening in Japan isn’t deflation. Fifty percent of the goods and services that are consumed in Japan are expensive by international standards; they’d still be overpriced at an exchange rate of ¥200 to the dollar. The yen and dollar balance with a purchasing-power-parity rate of about ¥160 and a foreign exchange market rate of about ¥115 to the dollar. So if the exchange rate were to fall below ¥115, we could start talking about deflation, but we’re not at that point yet. Prices in Japan are still higher than in other countries for all sorts of things, including electric power, food, and services. Even automobiles are more expensive in Japan than in the United States. So how can you say that Japan is experiencing deflation?

Politicians can’t talk about “antirecessionary” or “countercyclical” measures, so they’ve taken to calling for measures to fight deflation, to replace deflation with inflation. But half of Japan’s consumer prices are now in the process of being adjusted to international levels. This is a positive development.

The best example is in telephone charges. I’m an executive at KDDI [Japan’s second largest telecommunications carrier], and we’ve been
Currently a supply shortage. For example, making profits despite the fact that our rates have gone down repeatedly. We've improved our competitiveness by cutting costs, and we're able to earn profits even though we're charging less, so you can’t label this deflation. Bad deflation is when a lack of demand forces expensive goods and services to be sold too cheaply.

**Tabuchi:** Still, I often hear talk about products not selling.

**Ushio:** The problem in that case is probably that businesses are making products that won’t sell. They probably think that just because something sold last year, it will sell this year too. It’s not accurate to say that things aren’t selling because the economy’s in a recession. The real reason is that people don’t want to buy the things in question. There has been a change in the structure of consumption.

In the field of services, there’s currently a supply shortage. For example, massage is a strong growth industry, and the number of people taking the national exam to qualify as masseurs is rising every year. Services are expanding fast in the United States. Services include things like nursing care for the elderly and the provision of home helpers. What’s happening is that women are increasingly working outside the home, and jobs within the home that were previously handled by housewives are becoming separate occupations.

Looking after elderly parents has turned into the service of nursing care, cooking at home has been replaced in part by eating out and meal delivery services, and the task of helping children with their studies has been delegated to hired tutors. These were all things that housewives used to do themselves; now they’ve all turned into service industries.

Meanwhile, the demand for “aesthetic treatments” and things like fingernail painting is strong. You see women lined up in front of the nail-art salons in hotels well into the evening hours.

**Tabuchi:** I suppose we’ll lose our manufacturing sector—that eventually, as in the United States, even the steel industry will go under. But unless the service sector is backed up by industries like professional housekeeping, all we’ll be left with is things like massage, which don’t further the national interest.

**Ushio:** Where Japan excels is in producing mechanical massagers to replace human masseurs. These devices are selling very well indeed. You can get them in the ¥220,000-to-¥250,000 range. In the end it can be more economical to buy one of these than to keep spending money on regular massages. This represents the transformation of a service into a manufactured product.

**Tabuchi:** This involves robot technology, right? That’s an area where Japan is strong.

**Ushio:** That’s right. Japan has started selling service-providing robots and other handy electronic devices around the world. For example, if you want to drink fresh coffee first thing in the morning, you set a timer before you go to bed so that the coffee will be ready when you wake up. Recently people have started paying for a service that will do their shopping and cooking for them, so all they have to do is warm up the food when they’re ready to eat.

**Tabuchi:** Getting back to the mechanical and technological side, what we’re looking at is the development of ubiquitous computing, right?

**Ushio:** Precisely. Once we switch to IPv6 [Internet Protocol version 6], every electronic device will have its own IP address. [The present version 4 protocol allows for only about 4.3 billion addresses, which will not be enough if everybody has multiple terminals. This is the reason behind the development of version 6, which will raise the present number to the fourth power—in other words, it will provide a virtually unlimited supply of IP addresses.] When that happens, it will become possible to control all the devices in the home from outside using a mobile phone. If you forget to turn off the lights before you leave, you’ll be able to do so with your cell phone, and you’ll also be able to turn on the air conditioner before you return. Japan has great technology in this field of home electronic networking.

The importance of mobility among industry, government, and academia

**Tabuchi:** To change the subject, people say the reason for the success of the U.S. economy is that the industrial-military-academic complex has functioned well together. The government appropriates huge amounts of money for defense. The military passes a substantial portion of this on to industry in the form of contracts. Meanwhile, academia trains students in ways that relate directly to business. This sort of interaction has been a major factor behind the successful performance of the U.S. economy over the past two or three decades.

In Japan, too, academia is no longer an “ivory tower.” Universities can’t survive without alliances with businesses. Meanwhile the business world has been switching away from the nonsensical system of lifetime employment and seniority-based pay and promotions to a personnel system based on merit. Both industry and academia have changed visibly over the past ten years.

The remaining task is to make good use of the government sector. The civil service includes lots of intelligent people with technological expertise, so instead of knocking the bureaucracy we need to develop government-business-academic cooperation in thinking about Japan’s national interest. I strongly feel that’s the most important task on the agenda.

**Ushio:** One way in which the United States differs substantially from Japan...
is the presence of the military. The defense establishment plays a huge role in technological development in the United States. Radar started out as a military technology, and the Internet was originally developed for national defense purposes. The Department of Defense has a variety of science and technology think tanks. And there are all sorts of research institutes, such as RAND and organs of the National Aeronautics and Space Administration, that are engaged in extremely concrete research projects that can’t all be just for military purposes. The technologies developed there become available to the civilian sector in about three years. People from the private sector are involved in the actual research work, too.

The biggest difference from Japan is that people in America can move freely among government, industry, and academia. It will also become possible to hire people from the private sector to serve as administrative deans, posts that have been reserved for retiring bureaucrats from the Education Ministry.

Another phenomenon that has become highly visible recently is that a lot of bureaucrats in their late thirties or early forties have been resigning. Up to now civil servants have enjoyed overly preferential treatment, but the situation is changing: In the future they won’t be able to “descend from heaven” into comfortable and well-paid outside jobs after retiring from the bureaucracy. Also, senior posts within the ministries and agencies, such as bureau chief, will start going to political appointees. This is making many midcareer bureaucrats pessimistic about their prospects and is encouraging them to move to the private sector. In a sense I believe this is a good thing.

In the business world, meanwhile, I see a need to promote mobility among people who have risen within the ranks to become board members of their companies. After reaching this level, they should be divided up according to their respective talents. Some, for example, might be candidates to become president of the company; some might be considered best suited for a university position; and some might have great potential as politicians. While awaiting such opportunities, these people could be sent to serve as outside directors on other companies’ boards and they would form a pool of available talent. This promotion of lateral movement would need to be accompanied by an arrangement to look after these people properly while they were between jobs. They should be allowed three years or so to live at a relaxed pace and do some studying. I think our business associations should take on the task of arranging this, and that the fifty or so top-ranking companies have the responsibility to establish positions of this sort.

Tabuchi: The blue-chip corporations certainly have the money, so it does seem right to assign them this responsibility.

Four tasks for Japan

Tabuchi: There’s a widespread sense in Japan of having reached an impasse. People have offered various explanations of the causes, but I have a strong impression that banks are the source of this sentiment. There’s talk about the need for banks to receive further infusions of public funds to boost their capital, but then the banks come back and say this isn’t neces-
sary. I really have no idea what’s going on here. The confusion is compounded by the fact that different cabinet ministers say different things.

**Ushio:** There are four major points that need to be addressed in order to improve Japanese society. First, we need to slim down the government by shifting operations to the private sector. Next, we need to achieve deregulation, which is the basic element of structural reform. We should sweep away the whole lot of old regulations. Then, since it’s not enough just to abolish regulations, we’ll need to come up with a new set of rules for today’s Japan. A third task is tax reform; This, combined with deregulation, is the way to go.

There’s one more item that we need to address in Japan’s case. This is the issue of solving the problems in the financial sector. These problems emerged around 1991, and even now, more than ten years later, moves to fix them are still being postponed.

**Tabuchi:** My expertise is in finance, but I find myself increasingly unsure about the situation.

**Ushio:** That’s because it’s being handled by politicians, who are amateurs in this field. They talk about the need to keep small and medium-sized enterprises from going under, but these smaller businesses account for about 70 percent of the ¥7 trillion in bad loans that the banks have on their books. If the banks just keep lending to these firms, they’ll end up with even bigger losses the next year. So in order to deal with this problem, the small businesses that are performing poorly will need to be eliminated. Actually about half the heads of small firms would like to quit. But the banks keep lending them money and telling them to fight on.

The executives of listed companies have only limited liability for their companies’ debts. Nowadays it’s very unusual for them to provide personal guarantees when their companies borrow money. But the operators of small businesses have unlimited liability for their companies’ borrowing. The purpose of incorporating businesses as stock companies is to limit the liability of the individuals who own and operate them, but in the case of small businesses, banks make their loans not to the company but to the owner as an individual.

**Tabuchi:** If this problem has to be cleared up before we can get rid of the sense of being at an impasse, does that mean Prime Minister Koizumi’s structural reform drive won’t be enough?

**Ushio:** Yes, that’s why the fourth point is the disposal of banks’ bad loans. In addition, tax reform needs to be addressed in tandem with the move to achieve small government. What the government saves by eliminating waste can then be used by companies that are earning profits. So I’ve been calling for a 5 percent cut in the corporation tax. If companies are allowed to keep this money, they’ll use it about five times as effectively as the government, and that will improve the state of the economy as a whole.

There’s no use in tax cuts targeted at promoting development or investment by companies that aren’t making profits. Even if their taxes are reduced, and they use the money they save to invest in more plant and equipment, there’s no reason to expect they’ll succeed.

**Tabuchi:** There are five million stock companies in Japan, but almost 80 percent of them are recording losses.

**Ushio:** That’s right. Seventy-five percent of companies are in the red. It’s those that aren’t well run that are posting losses.

**Tabuchi:** What I think would be the worst thing for the rest of the world would be to get dragged into a recession originating in Japan. Our country has the world’s second largest economy in terms of gross domestic product, so this is certainly a possibility.

**Ushio:** Japan’s GDP is 15 percent of the world total. This is miraculous if you consider that our population is just 2 percent of the total, and in terms of area our country’s share is a mere 0.3 percent. Japan is a remarkable country.

**Tabuchi:** This was all built up by 1987 or 1988, wasn’t it?

**Ushio:** That’s right. Since then people haven’t really been working. They aren’t thinking about the nation; they’re just using what already exists. They’re like the grasshopper in the story of the grasshopper and the ant.

**Tabuchi:** But our per capita GDP is still the second highest in the world.

**Ushio:** Yes, so there’s still time. Progress is proportional to the amount of work people do. I’m not saying everybody has to work like mad, but at least the top 10 percent who are aiming to lead others need to work harder.

One strong point of the Japanese is their perfectionism. Another is their meticulous approach. In addition, they’re focused on the actual workplace, and they’re group oriented. These are all qualities that are suited to company work.

As Prime Minister Koizumi has been saying, given the damage that has resulted from the past ten years of neglect, we can’t expect Japan to get better without the public feeling some pain. People have been living beyond their means, so some breakdown is only to be expected. People will have to accept lower living standards. But Japan has strengths, so well-run companies don’t go into the red. It’s those that aren’t well run that are posting losses.

**Tabuchi:** People have lost the sense that it’s bad for a company to be in the red. They think it’s OK for their company to have losses because other companies have them.

**Ushio:** People talk about having companies contribute to society, but what comes first, I’d say, is to pay taxes. Companies that are in the red don’t need to think about making social contributions. Paying taxes is the way to contribute to society.

**Tabuchi:** Prime Minister Koizumi needs to deliver that message to the nation.
By Shin’ichi Kubota
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The first step was China’s

The story begins in May 1996, when Senior Colonel Jin Youguo, defense attaché in the Chinese Embassy in Tokyo, unexpectedly paid a visit to the Sasakawa Japan-China Friendship Fund. He wanted to explore the possibility of joint initiatives with the Fund. Although at the time tension over the Strait of Taiwan was still high, he was interested in joint organization of conferences and similar activities on a more general level.

The first step was taken in August that year, when Yohei Sasakawa, at the time chairman of the Fund’s steering committee, visited Xu Xin, chairman of the China Institute for International Strategic Studies, to talk over the possibility of joint projects. After that, despite tension over the Strait of Taiwan and other issues, there were a number of visits back and forth on the secretariat level. In January 1998, when Minister of National Defense Chi Haotian was in Japan, the Fund proposed a five-year project to train advanced Japanese-Chinese interpreters from China, targeting two people each year. The China Institute for International Strategic Studies agreed. That project, Cultivating Specialists in International Security Issues, began in April 1999 and is now in its fourth year.

Development of a track-two exchange project

The leadup to the project saw stepped-up exchange between the Fund and the China Institute for International Strategic Studies. Agreement was reached on the basic idea of another joint project, this one focusing on the promotion of so-called track-two exchange (exchange among people acting in a private capacity) on security issues.

In January 1999 the Fund invited Miao Shuchun, secretary general of the China Institute for International Strategic Studies, to Japan, and a draft plan for track-two security exchange was drawn up. In December nine retired PLA generals were invited to Japan, where they met with former Prime Minister Ryutaro Hashimoto, Defense Agency Director General Tsumo Kawara, and Joint Staff Council Chairman Yuji Fujinawa. This constituted a major step toward track-two security exchange for the China Institute for International Strategic Studies.

Societal recognition despite obstacles

The project received the official blessing of both countries in October 2000, when former Prime Minister Hashimoto led a security-exchange delegation to China. At a meeting with President Jiang Zemin, Hashimoto proposed that 20 to 30 field officers from China and Japan visit the other country each year over a 10-year period, and Jiang agreed.

The first study group of PLA officers went to Japan in April 2001. The 19 officers engaged in exchange with Japanese counterparts at the Defense Agency, the National Institute for Defense Studies, and Ground, Air, and Maritime Self-Defense Force facilities. The fact that they also paid courtesy calls on the director general of the Defense Agency, the chairman of the Joint Staff Council, and former Prime Minister Hashimoto testifies to the value placed on the project by the Defense Agency.

Subsequently, Taiwanese President Lee Teng-hui’s visit to Japan and Japanese Prime Minister Jun’ichiro Koizumi’s visit to Yasukuni Shrine (dedicated to the spirits of those who have died in Japanese wars since the late nineteenth century, including—controversially—several people convicted of war crimes after World War II) caused a temporary setback to government-level exchange, but had no impact on the project’s track-two exchange. In February this year a study group of 10 Japanese officers went to China, where they met with the national defense minister and the PLA deputy chief of general staff and visited army, air force, and navy facilities. This completed the first round of reciprocal exchange.

Prime Minister Koizumi’s visit to Yasukuni Shrine in April led to postponement of such government-level exchange as a visit to China by the Defense Agency director general and a port call in Japan by a Chinese warship. Significantly, though, the second study group of PLA officers, 23 strong, visited Japan in July, as planned. The activities were similar to those of the first group. This time, though, they received more attention, including television news coverage. Dispatch of the second group of Japanese officers to China is also planned for fiscal 2002 (ending in March 2003). It is hoped that these reciprocal visits will further enhance track-two security exchange between Japan and China.
Breaking down misconceptions on the territory where conflict and religion meet

Ambassador to Japan from Pakistan Touqir Hussain talks with SPF president Akira Iriyama

What obscures the essence of religion

Akira Iriyama: Ambassador, perhaps you could start out by giving me your impressions of our conference on “Dialogue with Islamic Civilization” that you so kindly attended.

Touqir Hussain: Well, first of all, I should say that I was very pleased that the SPF invited some very eminent scholars to the conference, scholars that I thought added not only to the audience’s knowledge of Islam, but also to my own understanding of the faith. I say this as a Muslim, of course, who is very interested in his religion. I am supposed to have some knowledge of my own religion—not very scholarly knowledge, but some knowledge. The religion is so much in the news these days and there are so many political things happening that are being associated with this religion. Overall, I enjoyed a good discussion.

Iriyama: Well, the existence of extremism in Islamic cultures has been so overplayed in the media, while forms of extremism might at the same time be identified in cultures around the world.

Hussain: On that note I should mention what I would interpret as one misunderstanding about Pakistan in particular, harbored by one of the discussants at the conference. The person in question, a Japanese scholar, tried to magnify the impact and significance of a radically politicized brand of Islam in Pakistan, and he attempted to portray Pakistan’s government policies as heavily influenced by such extremist elements. Furthermore, he attempted to claim that these elements had also affected Pakistan-India relations. Fortunately, however, I had a good conversation with the discussant over lunch, and, as a good scholar should be, I found him to be without prejudice and very open-minded. During our conversation I believe that I managed to clarify the misunderstanding.

Iriyama: From our side, one of the purposes of the dialogue was to spread the message amongst the Japanese audience that terrorism has nothing to do with the essence of any religion.

Hussain: I would say that the conference more than served its purpose, not just in clearing up some of the misconceptions, but in going some way to educate the audience about some aspects of religion through vibrant intellectual discussion. Throughout history, you will be aware that the question of religion has been a prominent issue. Political and religious issues have often been intertwined. That is to say, political issues have often assumed the character of religious issues, because religion helps to arouse emotions, especially amongst those who are not well informed, not well educated. This has happened in all religions because religious appeal is basically to advance fate. Religion appeals to one’s heart.

The problem is that if you do not have a rational understanding of religion you can misunderstand it. Educated people have access to books and the opinions of learned people, sources from which their perspectives on, and understanding of, religion can be broadened, and so they can get the correct message from religion. On the other hand, if you are a person without much education you can sometimes misunderstand. Sometimes those who misunderstand are used by people who have nothing to do with religion, but are people that invariably seek to arouse religious passions for their own political reasons. Consequently, the nature of the issue at hand can get mixed up.

Musharraf’s bold initiative

Iriyama: How, then, should we approach such territory?

Hussain: We need to remind ourselves that just because religion has been associated with a certain political issue it does not mean that a political issue is very religious. It is not. The issue must stand on its own merits; it should not be discredited just because of certain exploitation by certain elements on religious grounds. I think the biggest danger in the current controversy about Islam and about religion is the merit of any political issue becoming entangled in the debate on terrorism. You should keep the merits of any political issue disentangled and separate from debate on terrorism.

Iriyama: At the same time, the point you have raised reminds me of the concern that there appears to be support for so-called extremists coming from educated people, university graduates, in many Arab countries. I do not know what the exact situation
is in your country.

Hussain: Well, I do not have the background to speak about the situation in Arab countries, but I am able to say something about the situation in Pakistan. As I said earlier, political and religious issues can get mixed up. Let us take the situation in the aftermath of September 11; President Musharraf took a very bold step, a very great step, in supporting the international coalition against terrorism, and the President was supported by the people at large in Pakistan. It was not an easy decision, given the existence of a minority in Pakistan that would, for example, feel sorely aggrieved by Western policies toward Palestine, or Bosnia, or even by some unrelated policies of their own government. Such people would take advantage of an opportunity to express their grievances.

Iriyama: These are the people that have been described as militants in the international press.

Hussain: Now you might look at these people collectively and say, “Oh, they are extremists, or right-wingers, or militants.” But I would argue that the degree of congruity amongst these people would vary; some may have totally congruent views while some may coincide on just a couple of points. For example, young people in many societies tend to be idealists, university people.

Iriyama: So called “student revolution.”

Hussain: Revolution—well, people can become idealistic, and they will look to use any of the channels that are available to them in order to express their idealism, and these channels might be communism, socialism, or religious militancy. However, just because people participate in a movement, it does not mean that they all fully subscribe to a particular ideology.

There is another group that does not understand what the militants want. As I said, this is a group that sees what they want to see; people treat it like a mirror. Now some of them might look at someone like Osama bin Laden and they might laud him because they think he is standing up to protest against America, without really understanding that he has committed some very serious acts against humanity.

Iriyama: At the conference you attended two discussants strongly condemned so-called American unilateralism. One went as far as calling it terrorism in different forms.

Hussain: It is easy to blame one country, but I certainly do not share the opinions of those discussants. We have a long-standing friendship with the United States. We were allies in the conflict over the Soviet occupation of Afghanistan, which contributed to the defeat of the Soviet Union and the end of the Cold War. And Japan was on our side, as I keep reminding our Japanese friends. Regrettably, Western countries left us alone to deal with the consequences after the war in Afghanistan ended.

Iriyama: Of course, the current situation appears to be different. And Pakistan’s cooperation in the process has been highly appreciated.

Hussain: Historically some of our governments did not manage to grapple successfully with some of the problems we faced, and we did not receive enough support in the postwar period, and so Pakistan’s problems multiplied and intensified. Now, instead of appreciating our difficulties, we have at times been the target of criticism—that all of Pakistan’s people have become militants, and so on. Hopefully, in line with the President’s resolve, Pakistan can now take action in tackling numerous issues.

**International relations that surmount clashes of interests**

Iriyama: Yes, the religious aspects of this story have often been overplayed in attempts to explain the political situation. Indeed, as for the state of your relations with India, we often hear interpretations based on religious difference. Is religion the basis?

Hussain: No. Let us take the situation in the Middle East as an example. You see that the majority of the world sympathizes with the Palestinians, who have been struggling for the restitution of their rights against successive Israeli governments. The current Israeli government has, however, cast the whole issue in terms of terrorism. Now the Western public is especially sympathetic to the Jewish cause for historical reasons, including the persecution of the Jews by Nazi Germany, but the conflict between Israel and Palestine has to be considered in the present context.

Iriyama: My original intention was to ask about territorial issues. Japan has one now with Russia, but religion has no role in it.

Hussain: Cultural or religious factors play an important role in countries, territories, and states that are aspiring to become independent entities. The fact that religion is a unifying or identifying force should not go against the aspirations of the people.

Iriyama: In the past couple of years I have often heard voices from Islamic countries saying that Islamic countries have, to some extent, embraced aspects of Western culture. What I would like to hear is the voices that values held by Islamic culture could also be shared by people of other religions, including Christians and Buddhists, by a global audience.

Hussain: Let me approach this from my own experience as a diplomat. At times parties with conflicting interests cannot understand one another, not because of a lack of
communication or effort, but because of an underlying clash of interests, a clash of culture, and a clash of politics that does not provide for an environment in which each party can communicate with one another and properly understand each other.

For example, look at the situation of the Palestinian Arabs, who face very strong resistance from the other side: political interests, national interests, and overall strategic perceptions. If it were just a question of the communication of ideas we would easily reach understanding and the world would be a very different place. And in that case the kind of events that your foundation holds would have much greater impact.

Iriyama: We can only continue to remain optimistic.

Hussain: And by all means please do so. In the meantime, the reality is that there is this basis of conflict of interests, clash of prejudices, different perspectives, different outlooks, and different strategic perceptions that keeps people in denial mode. Accepting another person’s point of view requires making adjustments in one’s own policies, possessions, wealth, and territory, and those are things that human beings find very difficult to do. It is a tough thing to make your point of view known, because one comes up against very strong resistance.

Iriyama: As a private nonprofit organization, or a civil society organization, we think we hold a relative advantage over the public sector. Ambassador, what would you say about civil society in Pakistan?

Hussain: Civil society in Pakistan is in good shape. There are many active groups, including human rights organizations, charitable organizations conducting independent activities, and nongovernmental groups working on environmental issues and protection of imprisoned people. I would advise you to just look at a newspaper from Pakistan. Although we have a government that people are accusing of not being fully democratic because there is no parliament, the freedom of the press in Pakistan is as no other country can boast.

Very few people realize that Pakistan has one of the freest presses in the whole world. You can look up the Internet; all Pakistani newspapers are on the Internet. Most papers are in English. The discussion in newspapers in Pakistan is high quality, even though the government is constantly criticized. To be sure, I would say that Prime Minister Koizumi enjoys better press here in Japan than President Musharraf does in Pakistan, really. So we have civil society organizations, and I hope that there will be elections in October, bringing about even more vibrant political institutions in Pakistan.

Iriyama: Ambassador, Japan is currently celebrating the fiftieth anniversary of bilateral relations with Pakistan. How do you see the evolution of the bilateral relationship between Japan and Pakistan?

Hussain: Well, bilateral relations between Pakistan and Japan were established back in 1952 when Japan was grappling with its postwar economic reconstruction. Japan’s industrialization focused on textiles, which depend very heavily on cotton, of course. Pakistan has always been a major producer and exporter of cotton and we exported considerable amounts of cotton to Japan because our own textile industry had not yet developed. Consequently, Pakistan was known in Japan at that time as one of Japan’s major trading partners. Many of Japan’s major trading houses, including Sumitomo, Mitsubishi, Nichimen, and Mitsui, and The Bank of Tokyo set up some of their first overseas offices in Pakistan. Indeed, the Karachi branch of The Bank of Tokyo was the fourth branch set up abroad.

Very few Japanese know about this, but it lends a sort of emotional support to the relationship. Over the years, Pakistan’s importance as an influential Islamic country has helped in advancing the bilateral relationship. Pakistan’s strategic location has been a pivotal factor here. When Japan’s Prime Minister Yasuhiro Nakasone visited Pakistan in the mid-1980s, he acknowledged that Pakistan was a frontline state and he made a statement to the effect that the security of Pakistan is the security of Japan.

Japan is also one of Pakistan’s major trading partners, one of the top foreign investors, as well as the number one aid donor. For the future we would like the relationship to expand into new areas, such as science and technology. We have plans to set up seven information technology (IT) universities in Pakistan in the next two years. So looking toward the future, university graduates in the IT area from Pakistan may be very useful for Japanese companies.

The fight against international terrorism is a world challenge

Iriyama: Before we conclude, I would like to raise one final question. There is no doubt that the events of September 11 had a tremendous impact on people all over the world. In a wide range of ways, and to differing degrees, everyone has been affected in some way. I know this is a very difficult question, Ambassador, but what ramifications do you see for Pakistan?

Hussain: As a result of the investigations that have been underway after September 11, terrorists networks have been discovered in numerous locations around the world: in Europe, including Germany, Italy, England; in North Africa, in Turkey, Morocco; Central Asia; in Afghanistan; and sometimes in Pakistan. Even those who attacked the World Trade Center were in the United States, moving about freely as if they were in a safe haven. This has shown us that terrorists have no particular religion, no particular country. Terrorists are enemies of humanity, and finishing off this common enemy requires common efforts by all of humanity. This is not the fight of one country but a collective effort.

Iriyama: Ambassador, thank you very much.

Hussain: Not at all. It was a pleasure to see you again.

*Held in January, 2002, inviting five prominent scholars from Japan, Iran, Malaysia, and Saudi Arabia. For proceedings of this conference please contact spfpr@spf.or.jp
The role of LEAD Japan in building an Asia-Pacific network

By Kimio Uno
Director, LEAD Japan; Professor, Keio University

The LEAD (Leadership for Environment and Development) Program is an international program to train the next generation of leaders and build personal networks in the field of environment and development. LEAD International, headquartered in London, is carrying out activities in 13 countries and regions. LEAD now boasts a worldwide network of about 1,200 experts. SPF has been cooperating with this program since fiscal 1994. When LEAD Japan Program was set up in 1997 SPF has supported its curriculum development and the administration of its training program. At present, SPF is funding the three-year project Leadership for Environment and Development Program—LEAD Japan/Phase II.

Toward establishing a hub for an Asia-Pacific network

In many ways the Asia-Pacific region is more diverse than the United States and Europe. Its countries vary widely in income level, size, religious and racial mix, and value system. Because of globalization, societies with differing perceptions of history are in direct contact, and this has increased the seeds of conflict. At the same time, it is the world’s most dynamic region, and the most important in terms of its potential as part of the international community.

At present, the universities of Asia and the Pacific are focused on the West; there is no regional communication network. LEAD Japan’s Asia-Pacific Initiative proposes to create a network hub for research exchange, policy proposals, and dissemination of information. The initiative has three major components: dissemination of information to civil society through next-generation internet broadcasting, joint research and policy proposals by universities and research institutions in the region, and implementation of a common program at the graduate level.

LEAD Japan was inaugurated six years ago. If we include the period of SPF’s direct cooperation with the Rockefeller Foundation, the architect of LEAD, 10 years have passed. Keio University, LEAD Japan’s host institution, administers its program, pointing the way to the kinds of activities the universities of tomorrow ought to undertake. While other LEAD programs around the world are funded by the Rockefeller Foundation, the Japan program is financially independent.

Environment and development, LEAD’s focal issues, by their very nature cannot be addressed on a national level alone. The problem of sustainability in particular cannot be resolved on a nation-to-nation basis. Developing countries tend to argue that once they have caught up with the developed nations economically they will address the reduction of greenhouse gas emissions. Developed nations, meanwhile, tend to see developing nations’ inefficient use of energy as the crux of the problem. In today’s world political governance is based on the democratic process, economic governance on the market mechanism. But there is no way for future generations, which have the greatest stake in sustained growth, to take part in the democratic process, and the environment is not something whose price can be set by the market. There are no transnational forums for creating consensus.

LEAD Japan’s network organization and coordinating role

The Asia-Pacific Initiative is based on the principle of autonomous, distributed, and collaborative activities. In view of the region’s size and diversity, collaborating institutions’ voluntary participation is essential. The initiative can be successfully implemented only if these institutions “own” it. Thus, the organizational principle adopted is that of a network, with different institutions addressing the parts of the initiative that fit their own aims, functions, and financial bases.

It is anticipated that there will be diverse collaborating institutions with regard to both content and funding. Fortunately, representatives of various institutions that support the initiative are already serving on LEAD Japan’s steering committee. In addition to fulfilling a liaison and coordination role, they are working together in regard to content, including joint implementation of LEAD Japan sessions and field surveys. Devoting the first half of this fiscal year to consensus building, they have refined the Asia-Pacific Initiative implementation plan. It is hoped that this will develop into an international open platform for the freewheeling exchange of views by business, bureaucracy, academia, and NGOs. The challenge now is to see whether we can move away from the Western-style hierarchical organization and create an Asian-style participatory network organization reflecting the region’s diverse realities.

LEAD Japan submitted the Asia-Pacific Initiative to the World Summit on Sustainable Development in Johannesburg in August as a type two partnership proposal and presented it at a session. The proposal can be found by following the links “Science and education” and “Capacity-building” in the Johannesburg Summit 2002 website’s list of partnership initiatives on the page dealing with partnerships for sustainable development.
The first time I was in Japan was in October of 2001, just for an overnight stopover. In spite of being jet-lagged and groggy, I managed to say to myself in our Myanmar idiom, “At least I set foot on Japan’s ground.” This year, in late July, thanks again to the Sasakawa Peace Foundation, I stayed for eight days in Tokyo. As an introduction to a culture that has long fascinated me, the glimpse I had during these eight days confirmed some of my beliefs. Also it gave me new insights that I could never have believed from what I had been seeing in the Western media.

They said, “Japanese people are inscrutable; you don’t know what they are thinking. They are cold. They work like machines, all the time.” What I saw of the people was that they have a gentle dignity. Far from being inscrutable or cold, this is politeness and graciousness refined to a fine art. If strangers doing business with you cannot know what you are thinking, this is one big advantage, after all. But as an Asian, I know how to read eyes, and I found sincerity, friendliness, and also strength of character and commitment to their tasks.

This commitment to work, study, or research keeps them busy for long hours; not that I could see the stress, nor do they work like machines. They work like machines, all the time.” What I saw of the people was that they have a gentle dignity. Far from being inscrutable or cold, this is politeness and graciousness refined to a fine art. If strangers doing business with you cannot know what you are thinking, this is one big advantage, after all. But as an Asian, I know how to read eyes, and I found sincerity, friendliness, and also strength of character and commitment to their tasks.

This commitment to work, study, or research keeps them busy for long hours; not that I could see the stress, nor do they work like machines. They go through the long and sometimes exhausting work hours without any apparent tiredness, stress, or frustration. It is not as if they hide these feelings; they take them in their stride.

To my amazement and admiration, even under situations of utmost stress, they keep their cool with a graciousness that even I, another Asian, would not be able to handle as smoothly. I can well imagine an excitable Westerner tearing out his hair and screaming wildly, but then to be excited is a positive mental mode for Westerners. It is not of Asians; we prefer quiet joy. I think the Japanese have made this quiet joy the essence of their culture. Perhaps the young will crave excitement as all teens do. Growing up, they will prefer peace in their lives: peace which is not necessarily either boring or uncreative. The creativity in the purity of beauty and the minimalist elegance of the Japanese are unmatched in the world.

What truly surprised me were Tokyo and its surroundings. On my long drive from Narita airport, tired out after a long flight, my spirits revived when I saw paddy fields in narrow valleys ringed with low hillocks. The area not under cultivation was thick with woods. The paddy fields reminded me of home, but the color was a uniform deep green. In my country the paddy fields on the wide plains tend to have different hues of green from one plot to the next.

I had thought Tokyo to be flat, and had imagined it a bustling all-concrete metropolis packed full of scurrying people and cars bumper to bumper, with the requisite grime. I found a city with charmingly carving streets that go up and down and around; I saw trees, many trees; the tall buildings are pristine and clean, as if someone dusted the exteriors every morning. I saw people hurrying but not with the desperate speed I saw in some cities; I saw that the people were well dressed.

What I liked best was to see elderly couples setting out for lunch or dinner, the lady in a splendid kimono and the gentleman, usually with thick white hair, walking ramrod straight close by her side. Sometimes I saw young women in kimono, and I would stand and stare as if I were seeing works of art.

I have read in many books how intricately woven kimonos are, and as my own country has a tradition of weaving but nothing like this, I had wanted to see a kimono museum, if there were such a thing. There must be, but I had no time.

I met some members of the House...
of Representatives in their small two-room offices lined with books, documents, and cardboard boxes. Never having seen a democratic government that close, I thought what a good thing is this equality. When my country gets democracy, this would be a good way to start, I thought, to give the members equal office space for when they come to the city. Another good aspect of democracy was to see a few very peaceful demonstrators sitting on the pavement outside this building. Their signs said, “No War.” I’m all for it, I said to my companions, but there seemed more to it than just an abhorrence of war.

As I am more of a writer than a journalist, just watching the people or wandering around neighborhoods fascinated me more than visits to tourist sites. But one thing I wanted to see was Mount Fuji. I had no idea where it is situated, and to my eternal regret forgot to ask. On our flight back home, my chief editor said how beautiful he thought Mount Fuji was.

“It’s good to see young people waiting like us. Aiko nudged me. “It’s good to see young people waiting for a bookstore to open!”

On Sunday, my chief editor and I managed to find our way to a flea market after getting lost several times. It was good to get lost, as we were in an elegant area with boutiques and small cafes. The temple precincts were lovely; and so were the old kimonos and obis on sale. I bought one of each, marveling at the fine work.

That last evening, another friend took me to the fish market area. The market was closed, but he explained how it would be with the noise and bustle of the open stalls as we walked across the wide empty space. We ate sushi at a small shop packed with customers. I love sushi and could find it in Japanese restaurants back home, but definitely the small shop offered more delicious fare. As we sipped sake and ate, I was wrapped in the happy loud calls of the chefs and serving staff saying welcome and goodbye, the easy, cozy atmosphere of people just enjoying good food.

These are just some of the memories I took back from Japan. What impressed me most were the people: dignified, disciplined, hard working, gracious, and at the same time friendly. What a loss, I thought, to people who don’t realize it.

Ma Thanegi

Ma Thanegi is a writer, contributing editor to the Myanmar Times. She worked as the personal assistant to Aung San Suu Kyi from 1988 to 1989, after which she was detained in prison for three years. Ma Thanegi was released in 1992 with a suspended sentence of 10 years with hard labor. She has published The Illusion of Life: Burmese Marionettes (White Orchid Press, 1994), The Native Tourist: In Search of Turtle Eggs (Swiftwinds Books, 2000), which was translated into German and published by Horlemann Verlag in 2002. She has also given interviews on CNN and CNBC after her article on Myanmar politics appeared in the Far Eastern Economic Review. At the invitation of SPF she visited Japan with Ross S. Dunkley, CEO of the Myanmar Times, in July this year. In addition to meeting with parliamentarians, she spoke at the Foreign Correspondents’ Club of Japan on July 26. She was also a speaker at the conference “Myanmar after the Release of Aung San Suu Kyi,” cohosted by the Asian Club Foundation, the Myanmar Economic and Management Institute, and SPF, on July 25.
SPF PROGRAM AGENDA

Regular Projects

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<th>Type</th>
<th>Year</th>
<th>Budget (¥)</th>
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<tr>
<td><strong>A Vision for Enhancing Peace and Human Environment in the Middle East</strong></td>
<td>Royal Scientific Society (Jordan)</td>
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Projects approved September, 2002

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<td><strong>Central Asia: A Gathering Storm?</strong> — edited by Boris Rumer, published by M.E. Sharpe — Outcome of the Capacity Building for Development in Central Asia and Caucasus project**</td>
<td>Centre for Strategic and International Studies (Indonesia)</td>
<td>SO</td>
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<tr>
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<td><strong>Developing Economic Forecasting Model in Laos</strong></td>
<td>The Malaysian Institute of Economic Research (Malaysia)</td>
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<tr>
<td><strong>The Linkage of Economic Forecasting Model between Vietnam and ASEAN</strong></td>
<td>The Development Strategy Institute (Vietnam)</td>
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note: G=Grant Project; SO=Self-Operated Project

SPF PUBLICATIONS

ASEAN Young Politician Retreat Workshop
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Russia and Japan in Asia
Japan Center for International Exchange (Japan)
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The Sasakawa Pan Asia Fund

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Please note: The views and opinions expressed in this newsletter are of the individual writers and do not necessarily reflect those of the Sasakawa Peace Foundation.