Towards globalizing the Japanese society

Economic and Industrial Policy Bureau
Trade Policy Bureau
Trade and Economic Cooperation Bureau
Current economic structure of Japan

- Japan’s economic structure is shifting from an “export” model of domestic products to an “overseas expansion” model from FDI incomes. Trade surplus has decreased while income surplus including receipts from foreign investment has increased. A change in industrial structure that maximizes foreign income through global management is necessary.

Breakdown of FDI income (2000-2020)

Breakdown of Japan’s current account (1996-2020)
Belated preparedness to accommodate foreign personnel

- Japanese corporations are not prepared enough to accommodate foreign workers. There is hesitation towards promoting foreigners and implicit peer pressure against foreigners who try to work in the Japanese workplace culture.

### Attitude survey on corporate reform towards globalization

| Traditional systems must be amended for globalization | 55.0% |
| There is need to hire more foreign workers | 47.9% |
| More foreigners should be promoted to management level | 25.7% |

### Attitude survey on normative consciousness toward foreign workers

- We want foreigners to "read the atmosphere":
  - Yes: 70.7%
  - No: 29.3%
- We want foreigners to learn Japanese business etiquettes:
  - Yes: 78.0%
  - No: 22.0%
Need for globalization of Japanese firms and society

- **Limitation of traditional “export/knockdown” expansion model:**
  Traditionally: Exporting products, or exporting components and assembling overseas (knockdown)
  →“Market-in” approach to the local market, cooperation with local firms and global businesses, M&A of local firms and a **global strategy** is necessary for overseas expansion.

- **Limitation of business model focused on cost reduction**
  Traditionally: Focused on reducing cost and providing products with lower prices
  →Business structures that focus on **differentiation**, **adding high value**, and **achieving a high markup rate** are necessary to create a sustainable global business model.

- **Limitation of over-attachment to Japanese firms**
  Traditionally: Industrial policies and social awareness/structure oriented toward Japanese people/firms
  →**Making full use of foreign workers and international firms** is indispensable for sustainable growth of firms and society.

Immediate reform of the vicious cycle between **belated globalization of firms** (e.g. employment practices unique to Japan, belated preparedness to accommodate foreign personnel) and **belated globalization of the entire society** (e.g. English environment, education at the global level) is necessary.

→Firms and the entire society must globalize at the same time.
"New Direction" towards globalizing the Japanese society

Reflecting the change in economic structure, we will review our trade and foreign economic policies and set forth the **"New Direction"** to achieve a globalized Japanese society.

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<th>Economic structure</th>
<th>Traditional approach</th>
<th>“New Direction”</th>
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<td>Growth through export of domestically-made products</td>
<td>Formation of <strong>global strategy</strong> including <strong>cooperation/M&amp;A with local firms and global businesses</strong></td>
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<td>Focus on cost competitiveness</td>
<td><strong>Overseas expansion model</strong> focused on <strong>adding high value</strong>: deep market-in toward the local market, <strong>differentiation</strong> of products and high value creation</td>
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<td>Export by <strong>large firms</strong>: SMEs engage in domestic business</td>
<td><strong>Global management</strong> by various firms including <strong>SMEs and startups</strong></td>
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<td><strong>Japanese-oriented</strong> firm management and society (lack of foreign personnel/capital)</td>
<td>Virtual cycle between <strong>increased direct investment</strong> through globalization of corporate management and society and <strong>increased appeal/diversity of Japan</strong></td>
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<td><strong>Supply chain</strong> built based on economic efficiency</td>
<td>Ensuring <strong>comprehensive economic security</strong>: Large-scale and long-term support towards technology and industrial bases that shall be maintained and reinforced by the state, improved <strong>intelligence for sensitive technology</strong>, ensuring fair business environment between like-minded countries, support towards <strong>building management systems of risk information</strong></td>
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<td><strong>Export control</strong> for protecting technology that could be diverted to military use</td>
<td>Considering approaches that complement the <strong>WTO system</strong> in light of its dysfunction, <strong>while maintaining WTO-centered multilateral trade system</strong></td>
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<td><strong>Emphasis on</strong> <strong>WTO-centered multilateral trade system</strong> with the formation of international consensus as its basis</td>
<td><strong>Consistent implementation of domestic and foreign integrated trade policy</strong>, including <strong>response to shared values</strong> such as environment and human rights, and globalization of firms and the society</td>
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<td><strong>EPAs focused on reduction of tariffs</strong></td>
<td><strong>Growth strategy together with Asia</strong> through organizing a <strong>platform for data sharing</strong> and highly-skilled professional utilization, combined with promotion of EPAs</td>
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Thorough globalization and high value creation

- Through globalization of domestic institutions, systems and mindset of firms and the entire society, along with high value creation by businesses, we will pursue a virtual cycle between increased direct investment and improved appeal/diversity of Japan.
  
  → We will establish a system to promote globalization involving the government, firms promoting global management and local governments, and consider necessary policies.

(We will conduct a survey toward firms with advanced global management and utilization of global talents to consolidate opinions toward this goal)

Thorough globalization and high value creation

- By firms:
  
  → Global management, utilization of global talents including in management layers, out-in M&A, cooperation with foreign firms in Japan, enhanced efforts to make English available.

- By the entire society:
  
  → Organizing a living environment at the global level including businesses and education, and enhanced efforts to make English available for public information.

  (based on requests from foreign workers living in Japan)

Expansion of inward direct investment

(Integrating foreign capital, technology, talents, management practices and diversity, expanding to overseas markets, creating innovation)

Increased appeal/diversity of Japan

(Establishment of society and business environment with high value creation and innovation)
New Direction: Secondary education at the global level

- Demand towards overseas opportunities of higher education is increasing among wealthy and middle class of China and Southeast Asia. Japan, with its safety and atmosphere, is being admired as a place to get secondary education before going on to college.
- Boarding schools in US and Europe are expanding to Japan, and new boarding schools from Japan are being established as well. Existing private schools are internationalizing.
- We shall consider policy measures to increase educational opportunities at the global level for Asian and Japanese students and children of global talents working in Japan.

Boarding schools in US and Europe expanding to Japan

Harrow International School Appi Japan
Harrow School, a prestigious public boarding school in the UK among “The Nine,” is establishing an international school in Appi in Iwate Prefecture (expected to open in 2022). It plans to be one of the largest in Japan, accommodating 920 students between age 11-18.

Rugby School Japan
Rugby School, a prestigious public boarding school in the UK among “The Nine,” has created a foundation in 2021 to create a school within the Kashiwanoha campus of Chiba University. It plans to accommodate 750 students between age 11-18.

New boarding schools from Japan

UWC ISAK Japan
Originating from ISAK (International School of Asia Karuizawa), established in 2014 by 100 promoters with the goal to foster change makers, UWC ISAK Japan has started in 2017 as an international boarding school. Both an international baccalaureate degree and a Japanese high school degree could be received.

※UWC (United World College), a global education organization, was establish to promote intercultural understanding. Its chairperson is currently Queen Noor of Jordan.

Internationalization of existing private schools in Japan

MITA International School
Renamed in 2015 from an all-girls school established in 1902, MITA International School has transformed into a co-ed international school.