

Tokyo American Center, Mansfield Center, and GISPRI  
Joint Seminar

“National Identity and International Pressures”

by Joanna Shelton

I'm very, very happy to be here today. It really is a very great honor to be here in Tokyo before this very distinguished audience, to present the 1999 Mansfield American Pacific lecture.

It also is an honor to share this years presentation with Mrs. Sadako Ogata who has made a great contribution to the world through her many years of dedicated service to the United Nations and to refugees in many countries.

I particularly appreciate the kind introduction by my old friend Yoshiji Nagami, and as he said our friendship dates back 15 years, and has continued in the years since then. I also see here in the audience some long time friends and I am sincerely gratified that you took the time to be here. It is a sign of the closeness today's world that we are able to span time and distance and remain in touch as well as we do. We all have the Mansfield Center for Pacific Affairs to thank for this opportunity to meet. I would like to extend appreciation to Gordon Flake and his staff for all that they have done to make today's session possible. It is a real tribute to the lifelong contributions made by Senator and Ambassador Mansfield and his wife Marine that two centers bearing their name have been created to further relations between the United States and Asia.

The topic selected for this years lecture series is National Identity and International Pressures, and I would add to that title the following question: “Are they compatible?” The question of national identity and international pressures is highly relevant in today's world, which is growing smaller by the day as a result of much improved telecommunications and transportation. Anyone with a computer and access to the Internet knows what it is to have instantaneous communication with virtually anyone, anywhere, in the world. This phenomenon, commonly known as “globalization” is causing people around the world to question the growing pressures for change that greater integration of the world's economies and societies is bringing about.

Ambassador Nogami and Deputy Minister Nogami just mentioned that last week in Seattle the members of the World Trade Organization met to discuss yet another round of multilateral trade negotiations to address members' domestic as well as international policies and practices. The number of demonstrators at that meeting and the failure to agree on an agenda were signs of how controversial these issues have become. But why is that. In part, it is because international trade negotiations and other international deliberations are touching more and more on issues that previously were considered to be purely domestic in

nature, and with the increased awareness of events occurring in distant countries, people realize as never before that what happens in one country can have an impact on developments in another country. While this is not an entirely new phenomenon, it sometimes seems as if the pressure to change and to conform to common international norms and standards in a range of areas from banking, to human rights, to corporate practices is growing more intense. Is that the case? If so, why? Is there anything that can be done about it? And finally, how can traditions and cultures or national identities be preserved in the face of this seemingly unrelenting pressure for change. These are the questions I would like to address today.

Before assessing the current state of the world and attempting to project what the future might hold, I believe it would be useful to look back and see the point from which we have come. Because we stand on the threshold of a new century and a new millennium, it is appropriate to look back one century and consider how the world might have seemed to its inhabitants at that time.

One century years ago, the Meiji regime was just 30 years old, and was in the process of implementing sweeping reforms which opened Japan to the world and made major changes in the political, economic, and social realms. Feudalism was being broken down and the rule of law was beginning to be applied throughout society. An ambitious program of rapid economic development was underway and primary education became mandatory for all children.

With these and other changes, the Japanese people gained unprecedented freedom to choose their own occupations and decide what crops to plant and make other decisions affecting their lives and livelihoods. It is no surprise that Japan's GDP per capita rose rapidly in the years from 1870 to 1890 at a rate many times faster than it had in the 50 previous years.

It also was at this time that my great grandfather, the Reverend Thomas Theron Alexander, came to Japan to live and work and raise his family. My grandmother and her sisters and brother lived during their formative years in the Japan of the late 1800s and I grew up hearing stories of a Japan that in many ways no longer exists.

One century ago, the United States was well into the industrial revolution, the phenomenon that transformed the landscape and the lives of millions of people. Railroads were opening up new territories to population and growth. And workers were moving in large numbers to the cities where employment opportunities seemed unlimited. Immigration fueled this boom adding to the diversity that continues to characterize American society. Not all change was for the better, however. Rapid urban development brought slums and disease. Child labor in factories was common. The so-called "Robber Barons" in mining, railroads, and the new petroleum industry formed monopolies that held the fortunes of millions of farmers and small businesses in their hands. This era saw the advent of "trust busting." A governmental effort to break up the monopolies and introduce greater competition in the

market place, thereby giving greater economic opportunity to greater numbers of people. Worker and public health protections also began to be adopted to address problems in those areas.

At the turn of the last century, commerce and personal travel relied upon animal power and, to a growing degree, on the new “horseless carriage,” or automobile, and railroads or steamships which too approximately one month to cross the Pacific Ocean - much faster than the sailing ships they replaced.

The first trans-Pacific cable was laid from California to Japan allowing communication for the first time by telegraph and dramatically reducing the time it took for information to travel across the vast miles of the ocean. The telephone was beginning to change the way that households and businesses interacted. Electricity was finding its way into growing numbers of households in Japan, the United States, and other countries. It is useful to recall that time one hundred years ago, to recognize that while the changes we are witnessing in our own lifetimes are dramatic and rapid, they are not without precedent. Indeed, I would be willing to argue that for our ancestors at the turn of the last century, the changes taking place in their world and society must have seemed as unsettling and unpredictable as the ones we are witnessing today.

That brings us to the world of today. And the changes taking place in our economies and societies in response to new technologies, increased competition from abroad, and increased travel and communication. All of these new developments mean that social trends and new ideas are transmitted at a much more rapid pace than before. This globalization of countries and societies has led many people to feel that their cultures and traditions are under assault. They fear that it will become increasingly difficult to maintain their national identity in the face of a growing pressure for change and conformity. Some of the most visible developments and trends that cause concern appear to come from the United States. This includes the Internet with its unlimited access to things that parents may not want their children to see, films with content that some find objectionable, and technologies that overnight make the status quo seem antiquated. Similar innovations in Japan and other countries add to the pace of change. While it may seem that Americans accept these developments without question it is important to note that many Americans are concerned about the impact of these changes on their children, families, and communities. Similarly, while the United States often takes a highly visible role in encouraging other countries to open their markets to increased trade and investment or to make other changes to transform their economies and practices, many Americans worry about the impact of imports, new technologies and increased competition on their jobs and wages. I say this to underscore the fact that resistance to change, or fear of it, is a widely shared phenomenon regardless of what country one finds oneself in, or, I would argue, what century one lives in. This fear of change and concern about our place as individuals and societies in the world of today puts a heavy responsibility on government officials, educators, and other opinion leaders, including, in the media, to understand the facts and avoid polemic, to educate people about

those facts, and to work constructively to find ways to help economies and societies to adapt to continuing change.

Now let us go back to the questions I posed at the outset. Is the pressure to change and to conform to international norms and standards growing more intense? If so, why? And is there anything that can be done about it. Well, I would answer, just as the rate of technological change has accelerated greatly over the past century, so has the tendency of economies, societies, and even political systems to move in broadly similar directions, accelerated. In large part, this is due the tremendous advances in communications and transportation and that we have witnessed, particularly over the past decade. Think, for example, about the growing middle class in China and the desire of millions of Chinese to have their own apartment, drive a new automobile, and choose their own jobs freely. This awakening of millions of people in China to the consumer products available and to the basic freedoms we take for granted in Japan and in the United States is not due to external pressure. Rather, it is due to the fact that more and more Chinese are connected to the world outside and each other through the marvels of technology. Similarly, the crumbling of the Iron Curtain began, not in those countries that were the most walled-off from the world around them. Rather, the collapse of the cold war regime began in Poland and other Western border states whose people had the greatest contact with the outside world through radio, travel, and professional exchanges. If there is one broad trend we can identify as taking place over the past ten years since the fall of the Berlin Wall, it is the gradual movement of countries around the world to more market based economic systems, through greater openness to the world through trade, investment, communication, and travel, and the adoption of democratic political institutions. This is not a trend to regret, or a source of lament that we are all becoming too much alike. Rather, it is a course that will allow millions of people around the world to exercise greater individual choice and more opportunity to realize their own human potential. Despite the many problems that remain for us to solve on this Earth, there is nothing comparable to the human mind in its capacity for creativity and innovation. The future will depend greatly on having as many people as possible able to contribute to the betterment of the world through their ideas and personal initiative. Of course, change does not come upon us solely through internal pressures and change is not always for the better. Therefore, the best course is to prepare ourselves, our societies, and our economies for the future and the changes that will come. The shrinking of our world, the advances in technology, and the pressures that they generate will not disappear. We can no more go back to the world of 1960 than we can to the world of 1860. Nor should we want to. It is human nature to romanticize the past, but the reality is that the world we live in today is better than the world of yesterday. People live longer. They eat more, and better foods. Medicines have led to healthier lives, and education has brought a wealth of knowledge to more people than our ancestors could have imagined. And more people than ever before in history have a greater opportunity to shape their own futures in their own way.

Now what are some of the ways that we can prepare ourselves for the world of tomorrow and how can we maintain our identities while doing so. It is at this point that I will draw on

some of the work of the OECD, and the recommendations that the organization has made to its members. The OECD, as international organization of 29 member states, is one of the sources pressure that drives change within countries. However, it is important to recognize that the OECD is not an autonomous body able to develop standards or recommendations on its own and impose them on unwilling nations. Like the WTO and other international organizations, the OECD is a member driven organization whose analyses and recommendations draw heavily on member country experience and collaboration. Whether the subject is labor market policy, proposals for life-long learning, or macro-economic advice, the OECD relies on its members and an expert secretariat staff to develop the best possible advice based on actual policies that have worked well in member countries. Through the exchange of “best practice” the OECD also helps its member countries avoid the mistakes of others. Thus, rather than being passive bystanders, Japan, the United States, and the other 27 member countries, along with the European Union, work together to shape what emerges in the form of OECD policy advice. In recent years and months, domestic debate in Japan has focused on the need for regulatory reform, changed corporate governance practices, and on steps necessary to prepare the country for a rapidly aging population. Some in Japan may ask whether the changes in these areas are necessary or whether they are merely a demand that Japan change to be more like the United States and other Anglo Saxon countries, ignoring the special traditions and culture that is Japan. In the next few minutes I would like to examine these questions and explain why I feel that it is in Japan’s self interest to make some of the changes being contemplated. I then will touch on some of the challenges I believe the United States needs to confront in order to remain a responsible player in the world arena. In the postwar era Japan has built an economy that rightly has been the envy of the world. Strong growth, low unemployment, and very high education and savings rates raised per capita income levels to among the highest in the OECD in a relatively short period of time. While the economy has been mired in a prolonged slump during the years of the 1990s, growth appears to be edging up. The question is whether the economy and its institutions are on track for a sustained recovery or whether additional steps should be taken to strengthen the foundations for growth in the future. In a range of policy areas, the OECD has offered recommendations to the Japanese government on ways that a stronger regulatory and institutional infrastructure could be put in place to support a growing economy and the special challenges that Japan faces - most notably a rapidly aging society. An aging society and a shrinking workforce mean that in order to maintain (much less improve) living standards for future generations, Japan must find ways to increase the productivity of its firms and workers. The heavy fiscal load the large retiree population will place on the economy also requires that public debt burdens be reduced as soon as practicable to manageable levels. Clearly, a vibrant, growing economy with increased tax revenues and reduced fiscal outlays will help restore fiscal soundness. But how can sustainable growth be restored. The OECD pointed out in a recent report that the manufacturing sector in Japan has achieved roughly the same levels of productivity as that in other advanced industrial economies, although certain subsectors still lag substantially behind their counterparts in other countries. This means that, in general, Japanese manufacturing firms can no longer rely on efforts to catch up to the performance of firms in other countries. Rather, they must rely on increased innovation to continue

improving their own performance, and by extension, the overall performance of the economy. Increased innovation relies on many factors - both human and institutional. The government of Japan has taken steps recently to improve the infrastructure necessary to support innovation, including efforts to increase venture capital, streamline the research and development process, and reform the education system to boost creativity and strengthen local autonomy. As important as these changes are, I believe that an even greater contribution can be made by strengthening and accelerating the process of regulatory reform, and by making further changes to traditional corporate governance practices. In every modern economy there are regulations that have outlived their usefulness or that take an overly prescriptive approach to deal with very real public policy concerns such as environmental protection or worker health and safety. The OECD has done a great deal of work in this area and earlier this year completed a review of Japan's regulatory regime and its reform efforts at the request of the Japanese government. A number of very specific policy recommendations were made in a range of areas from the structure and functioning of government agencies to the role of competition policy and changes in regulations governing the telecommunications and electricity sectors. These policy suggestions would, if adopted, have far reaching effects on the Japanese economy. Japan must decide for itself whether these changes or other changes are what it wishes for itself. But the experience of a growing number of countries around the world suggests that by moving decisively to reduce the regulatory drag on firms and workers increased dynamism results, new firms are created, and the economy can be placed on a sounder footing for an increasingly competitive world market place. At the same time, experience in other countries shows that deregulations and reformed regulations do not have to result in lower protections for the environment, consumer safety, and other important social concerns. Rather, these objectives can be achieved in a more pro-competitive way. I commend the Japanese government for the progress it has made to date in this important area, but would encourage even more and stronger efforts to improve the market place environment for Japanese firms. I would like to underscore the fact that the government of Japan has been a major supporter of the OECD's work in the area of regulatory reform. Indeed, the OECD's involvement in this important initiative is due largely to the early and continuing support shown by Japan.

Another area in which the OECD recently made recommendations to its member governments is that of corporate governance. The private sector is at the heart of the modern economy. It is the private sector that generates jobs and creates wealth. Therefore, how corporations perform and manage themselves has a great influence on the overall performance of the national economy. As I noted above, trends in the world economy in business practices, and even in political systems, do appear to be converging broadly over time. The issue of corporate governance has been important in its own right for a number of years but the Asian financial crisis brought a renewed urgency to efforts to some develop basic principles in this area. OECD member governments, working in cooperation with other key international organizations and the private sector including labor, developed the OECD principals of corporate governance which were adopted by ministers earlier this year. I will not go into detail on the OECD

principals, however, a 1998 survey by the Long Term Credit Bank Research Institute Consulting, Inc. noted that Japanese companies are aware of changing norms in this area. Companies are struggling to determine what changes to make in the ways that they are governed by boards, senior managers, share holders, and other stake holders, including labor. Already some long-standing Japanese traditions, such as lifetime employment, long term supplier relations, and seniority based pay, are undergoing dramatic change. Mergers and acquisitions are taking place more often than in the past. But in other, important respects Japanese companies are not keeping pace with the practices that companies around the world increasingly are adopting. I believe that strengthening the role of outside board members to reduce the power of insiders, increasing the transparency of corporate performance and financial results, and in general, taking steps to insure that investment decisions are based on realistic expectations of profitability will go far in strengthening the position of Japanese firms in the next century. These and other changes would help reduce the tendency in over investment in unprofitable or low-profit sectors, and increase the efficient use of a company's capital. This, played out in hundreds and thousands of businesses would help strengthen the fabric of the national economy. Does Japan have to make changes in this area? No. This is a decision for the Japanese people to make. But the work of the OECD and the experience of countries around the world suggests that it is very much in the long-term interests of Japan, its people, and its companies to adapt their institutions and practices in ways that will insure a more prosperous future for themselves and for their children.

Now, what about the United States? Is it immune from the need to change to meet the needs of the new millennium? Does the fact that it so often takes the lead in pressing other countries to make changes in a range of areas mean that there are no improvements to make in the way its economy and society are governed? Absolutely not. Like Japan and every other country on Earth, the United States has been through ups and downs in its economy, and its society and institutions are adjusting to changes brought about rapidly and seemingly without control by any authority. Although the United States is enjoying the longest peacetime expansion in its history, nearly nine years of nearly uninterrupted growth with low inflation and unemployment, there is no room for complacency. I am not among those who believes that the business cycle can be declared dead. Nor do I believe that US firms and workers can stand still and not continue to innovate and take steps to insure continued competitiveness in the years to come. We all remember the 1980s when US firms and the US economy were widely viewed as being on a declining trend. That could happen again. Therefore, the United States needs to keep its eye on best practices from around the world in regulation, corporate governance, education, and a wide range of areas to assure that it does not fall behind developments in other countries. This means that firms will have to be willing to make sometimes painful changes to adapt to new technologies or business practices. And workers will have to make even greater efforts to pursue lifelong learning so that they remain abreast of new developments affecting their skill levels and overall employability.

In the area of education the United States needs to improve the learning opportunities for millions of children in inner cities and less wealthy areas to give those children a meaningful chance to become responsible members of their communities and society. This also means that parents will have to play a stronger role in guiding their children, letting them know the value of education, and encouraging them as they take on new challenges. Reversing the problems of high drop out rates and high unemployment among minority and less advantaged students is not easy, yet failure to work within communities and school systems to try to reverse the alienation of an important segment of the US population will bring untold problems in the years to come.

Another important challenge for the United States relates to its involvement with the international community. In the 20<sup>th</sup> century, and particularly in the postwar period, the United States has played an active role in shaping the institutions and norms under which much of the world lives today. Yet there are many in the United States who are suspicious of those institutions and the influence they have over many aspects of US policy making. The recent Seattle experience is a good example of this attitude. In some ways, this is not a new phenomenon. In his farewell address, the first US president, George Washington, warned the American people to avoid become entangled in the intrigues and shifting alliances of countries of Europe. He felt, that as a new nation, struggling to establish democracy and its own identity, the United States should pursue its own path, free of the conflicts and competitions that had plagued Europe for centuries. And he undoubtedly was right - at the time. Today, however, we live in a different world, in which common efforts among nations are the only way to address the numerous challenges facing us. It has never been more important to work cooperatively - to reduce the threat posed by global warming, to insure that greater numbers of countries and people can take advantage in increases in international trade and investment that have benefited so many countries over the past fifty years, and to reduce the risk of conflicts in any number of hot spots around the world including Asia. Yet even as international cooperation has become the best way to achieve national objectives, there are those in the United States who seem to believe that the United States is an island, that it can go its own way, and that the rest of the world will have to follow. Those people are wrong. No nation has a monopoly on wisdom. Whether it is in the World Trade Organization, the OECD, the United Nations, or other international organizations, the United States must work diligently and persuasively to convince other countries that United States proposals are worth adopting. It is troubling that environmental activists who wish to see greater environmental protection in countries around the world, feel they must attack the WTO as an institution, or that politicians feel the only way to get the attention of an international organization is to make the United States a deadbeat which does not pay its dues. These actions only serve to make other countries more skeptical of US leadership and initiatives. In part what is need in the United States is a renewed public discussion and debate about the merits of international engagement and the methods of achieving US objectives in an increasingly complex world. More countries than ever before want to have a say in shaping the rules and institutions that affect them. And so they should. The United States has throughout its history been a supporter of greater democracy and self government in countries throughout the world. We now see more democracies and

efforts at self government than ever before in history. The United States would be wrong to simply go it alone, or to try to go it alone, simply because the ability to get things done in the international arena is more difficult than it was in years past. In fact that complexity is something to celebrate. It means that the tide of history is moving countries in a direction that will give them and their people the chance to take greater control over their own lives and destinies. I do not worry though, that the United States will withdraw from its global responsibilities or from the international arena, and some internal debate and skepticism about the US role in the world is probably a good thing. Too many nations in the past have tried to impose their views and values on the world without assessing whether their role is appropriate. The United States is adjusting to a world in transition just as other nations and people are. Opinion leaders in the United States must continue to be vocal about the benefits of international engagement and to educate Americans about the ways to achieve US objectives in a more complex world. As in every democracy, open public debate is the best way to forge a national consensus about public policy.

Now let us turn to the question of national identity. How, in the face of rapid and continual change, can we maintain our cultures and traditions, and what aspects of our identities should we strive to keep. It is my growing perception that as the world becomes smaller, and the pace of change increases, more people are striving to rebuild their ties with local communities. The term, "local communities" does not just mean small towns. It may be a school in a large city, or a club where people with common interests can gather together. This longing for the familiar is what I believe will continue to provide a safe haven for our traditions and beliefs. It should allow us to utilize the very technologies that are driving change to help us preserve what we value most. For example, in the United States, Finland, and other countries, we are seeing signs that the Internet is opening up unexpected opportunities to strengthen the fabric of local communities. This new communication medium allows even small towns and rural communities to reach out to a broader market place, thus preserving the economic base of these communities. An artist I know in Montana, is selling her paintings to buyers throughout the United States which allows her to work at home and be with her family. It is because of the Internet and the vast network of airline connections that I am able to become part of a small Montana community and yet remain part of the international arena.

That said, I do believe that the international community must work harder to find ways to allow diversity to remain even while broad trends draw us together. Japan has managed during the past century to preserve a strong sense of national identity despite the vast changes that have taken place during that time. Japan's political system, economy, and society are vastly different today than they were one hundred years ago. But have the core values of the Japanese people changed markedly? I would argue that the traits for which the Japanese people were known one century ago are broadly similar today. Their personal kindness and concern for others, their willingness to go out of their way to help a stranger to find his or her way in Tokyo, and their willingness to work hard and sacrifice to ensure a better life for themselves and their children are traits that exist today just as they did when my great-grandfather and his family lived in Japan.

It is human nature to fear change. But there is another trait of the human race that I believe will continue to help us find ways to adapt to life's changes and to meet the challenges that confront us. That is the element of hope and confidence that lies inside all of us, that keeps us moving forward in the expectation that tomorrow will be better than today, that lets us recognize that it is in our power to shape our own destinies. That is the spirit that moved our ancestors as they ventured to new lands and made new inventions that changed the face of the world. And I believe that it is the element of hope and confidence that will enable us to find ways to keep our own identities in the face of change and to adapt our traditions and beliefs in ways that keep up with advances in knowledge and technology. For if traditions and beliefs never changed we still would be bound by the false notions of magic and superstition that bound our ancestors. Undoubtedly, some of today's traditions and beliefs will be seen tomorrow as the outmoded ways of thinking of times past.

So I conclude with a call for optimism and hope. Optimism that we can take the steps necessary to insure that our communities, our nations, and the world will be a better place for our children. And hope that the basic goodness of people and the creativity of the human mind will enable us to keep alive our community of family and friends with traditions and common values that make us feel at home wherever we may be.

Domo arigato gozaimashita.