

## give credit and keep pushing

As I write this and a related piece for Keidanren, we are in the midst of the launch of a new round of government plans to “reform” the banks, restructure the weakest borrowers and prime the pump with more spending (and bigger fiscal deficits). Throughout the year, most articles have focused on Japan’s economic problems, its slow pace of reform and the tiny amount of inward foreign direct investment in relation to its economic scale or relative to FDI in other countries.

Problems, problems, problems. Yet, as we compare today’s environment for foreign business to the one ACCJ members faced 10-15 years ago,

Japan has unquestionably become an easier place to do business. There are five main areas of improvement.

**Accessible human resources:** Fifteen years ago most ACCJ members had trouble hiring quality mid-career or college graduates. One Japanese new grad told me he couldn’t join our firm because no good wife would marry him—or so his mother had told him. The mothers of Japan must have come around. ACCJ members are recruiting well now. Stock options, expanded temporary services, an end to seniority-based pay and restructuring by Japanese corporations are making the workforce more

flexible and accessible to foreign companies.

**De-(re)regulation:** In retail, telecom, financial services, etc., new regulations and laws allow us to introduce new products, start businesses and (amazingly vs. 15 years ago) acquire real estate and companies. Much remains to be done, but it is better.

**Restructuring:** Japanese efforts to cut costs, eliminate non-core businesses or restructure debts have created unprecedented chances for alliances and direct investments. Renault, GE, AIG and many others have made investments in the past few years—due to the willingness or necessity of domestic companies to restructure—that no one would have predicted a decade ago.

**Professional infrastructure:** Japan still needs more accountants, lawyers and consultants, but access to advisors has improved several fold.

**Local initiatives:** Still in their infancy, efforts are increasing by many local governments to attract business, including foreign. Okinawa, Hyogo, Nagasaki, etc. are all trying to bring in jobs and investment as U.S. states have done. If supported by the national government ministries, this trend is Japan’s best hope to slow down the “hollowing out.”

There is still much to be done, and ACCJ should continue to promote reforms; but let’s be sure to note progress as well.



*"We'll need to declaw the cat."*