

**Responding to a New World Dynamics  
and Clinton Administration:  
Japan's New Challenge**

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**Tokyo, Japan**

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- Point of discontinuity
- Clinton's agenda and the global disorder
- Will the U.S. industry respond?
- The Japanese challenge: Time to rethink, redefine and reform

## Expectations in the Late Eighties

*Nineties have great possibilities*

### Beliefs

- End of Cold War
- Successful coalition of Gulf War
- Towards single market
- “Perestroika” in Eastern Europe
- Japanese boom in:
  - Stock market
  - Real estate
- President Bush is successful

### Reactions / Expectations

- Global peace
- International consensus process in the making
- Mega economic opportunities
- New economic / business possibilities
- “Straight line view” will continue; Japan as the engine of global economic growth
- Republicans will continue



**Golden Nineties**

# Expectations in the Late Eighties and the Realities of the Nineties

*It could indeed be a decade of Transition*

## Beliefs

- End of Cold War
- Successful coalition of Gulf War
- Towards single market
- “Perestroika” in Eastern Europe
- Japanese boom in
  - Stock market
  - Real estate
- President Bush is successful

## Expectations

- Global peace
- International consensus process
- Mega economic opportunities
- New economic and business possibilities
- Engine of “economic growth” will keep running
- Republicans will continue



**Golden Nineties**

## Realities

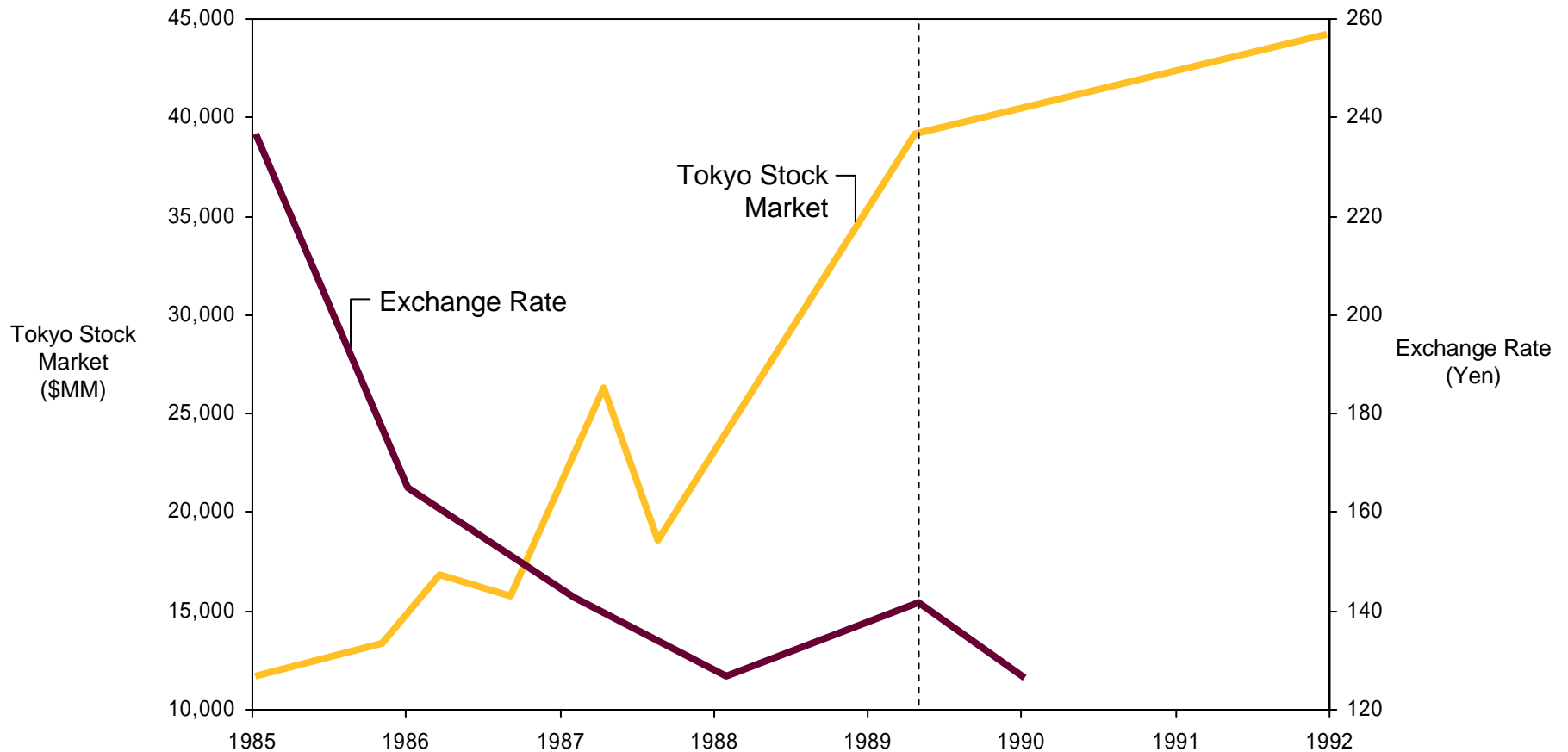
- Multiple battles all over
- Emerging conflicts on Middle East, GATT
- Multiple conflicts within EC; deeper recession in Europe
- Ethnic tensions, chaos in economic process
- Japan into deepening economic, political and leadership crises
- Democrats in power



**A Decade of “Transition”**

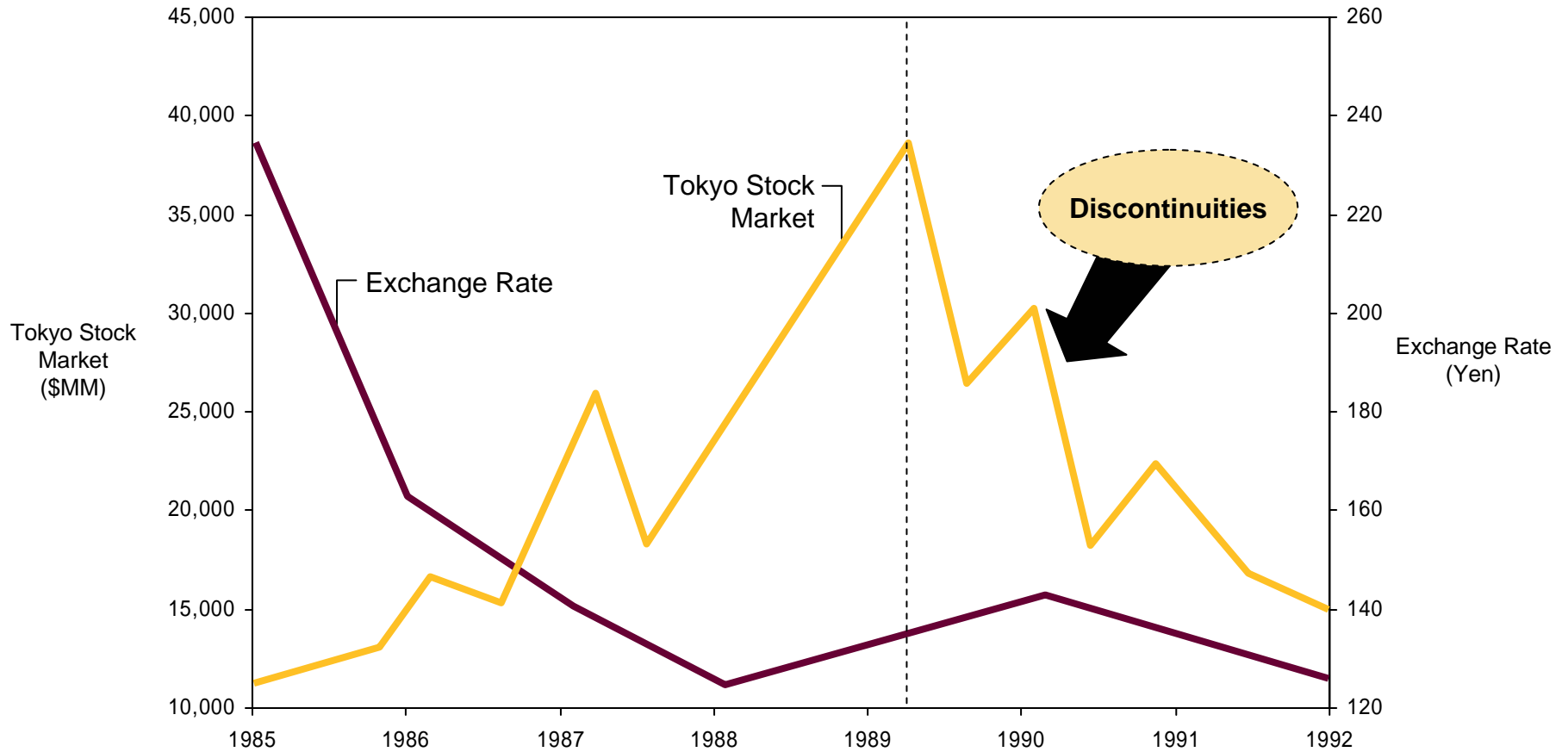
# Tokyo Stock Market Index (\$ Million), and Exchange Rate

*Will the market valuation last?*



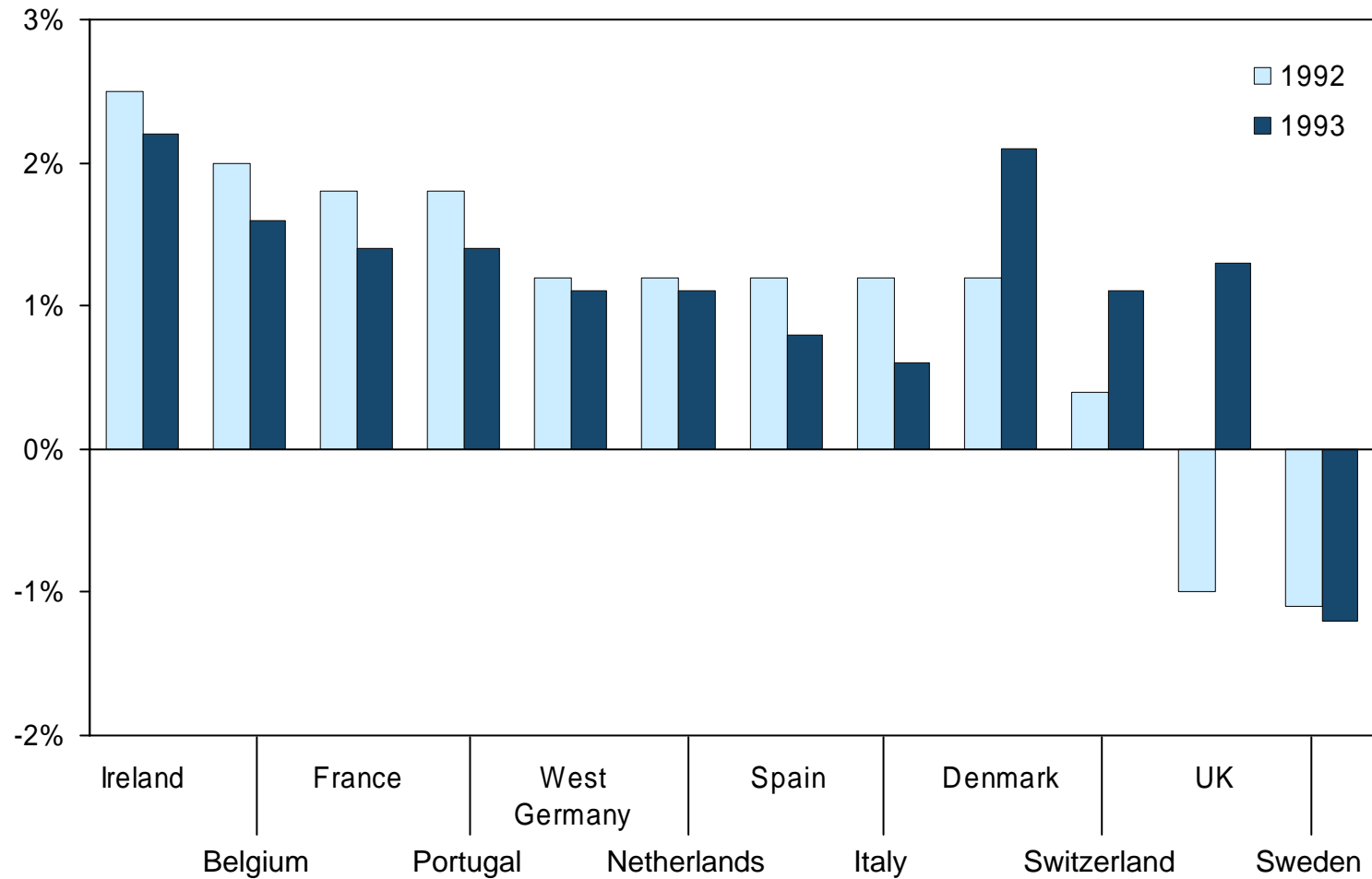
# Tokyo Stock Market Index (\$ Million), and Exchange Rate

*Indeed the crash of 1989 has tempered future expectations*



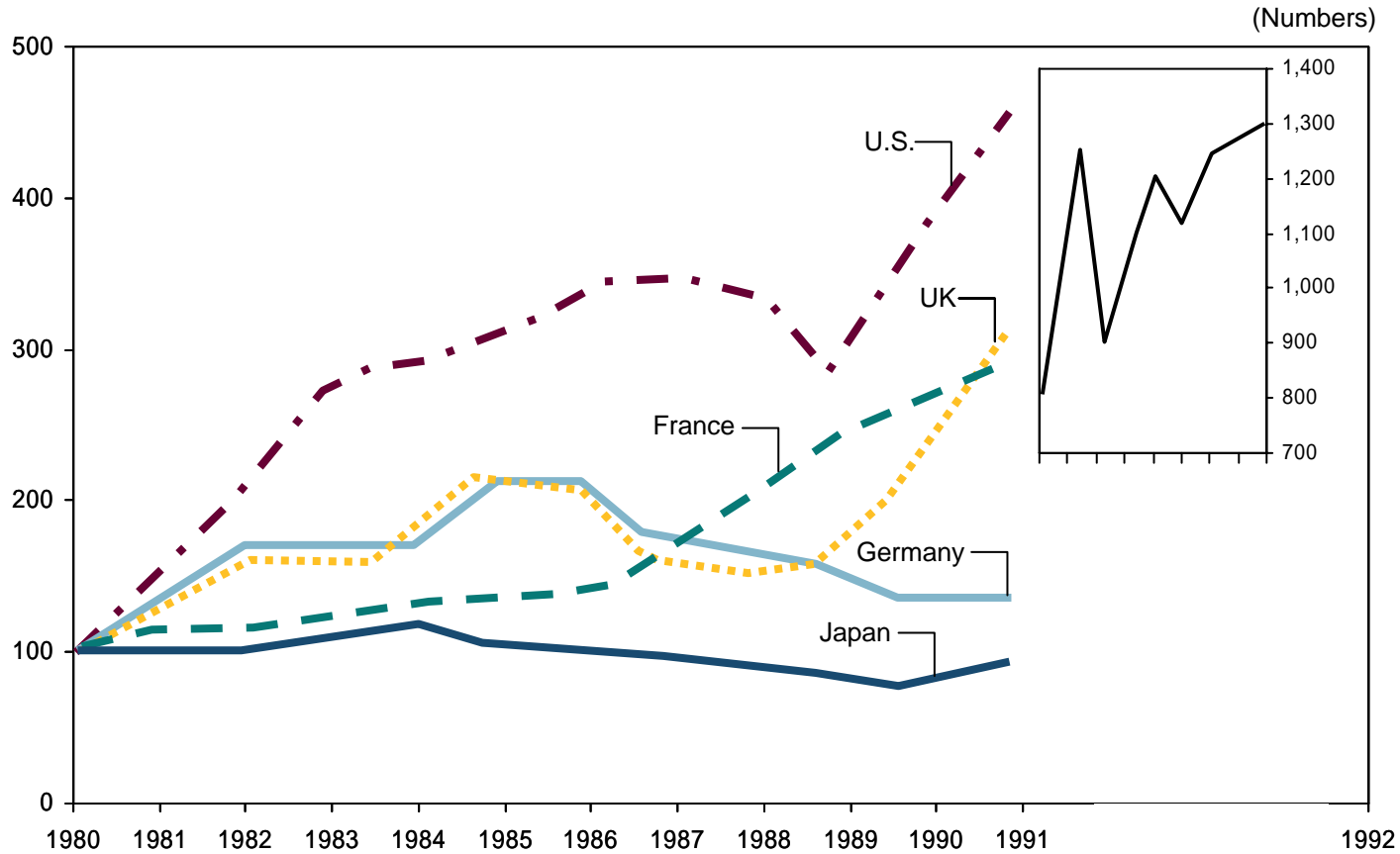
## Projected Real GDP Growth (%)

*Worldwide slow down is evident with two exceptions*



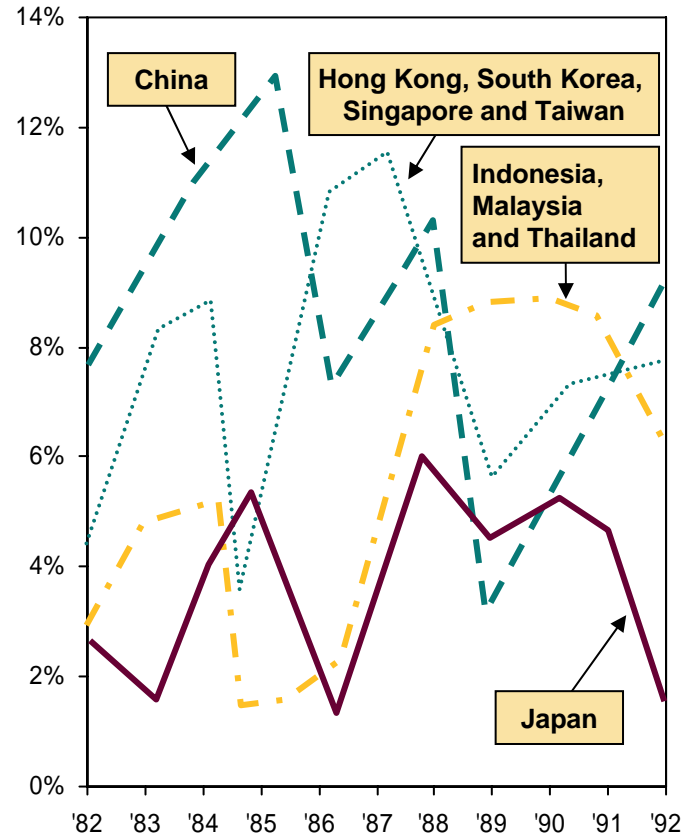
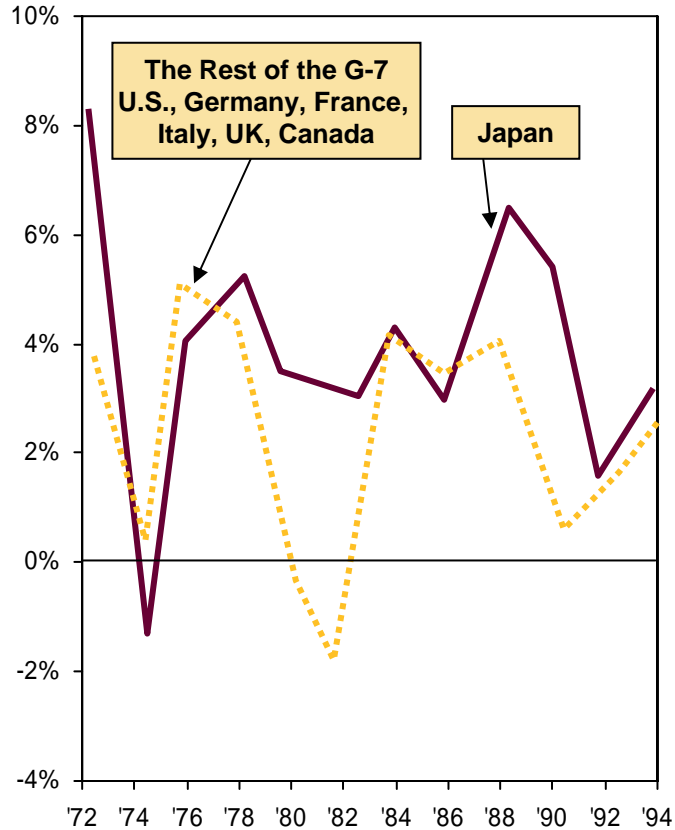
# Business Insolvencies (Index)

*Business insolvencies have increased*



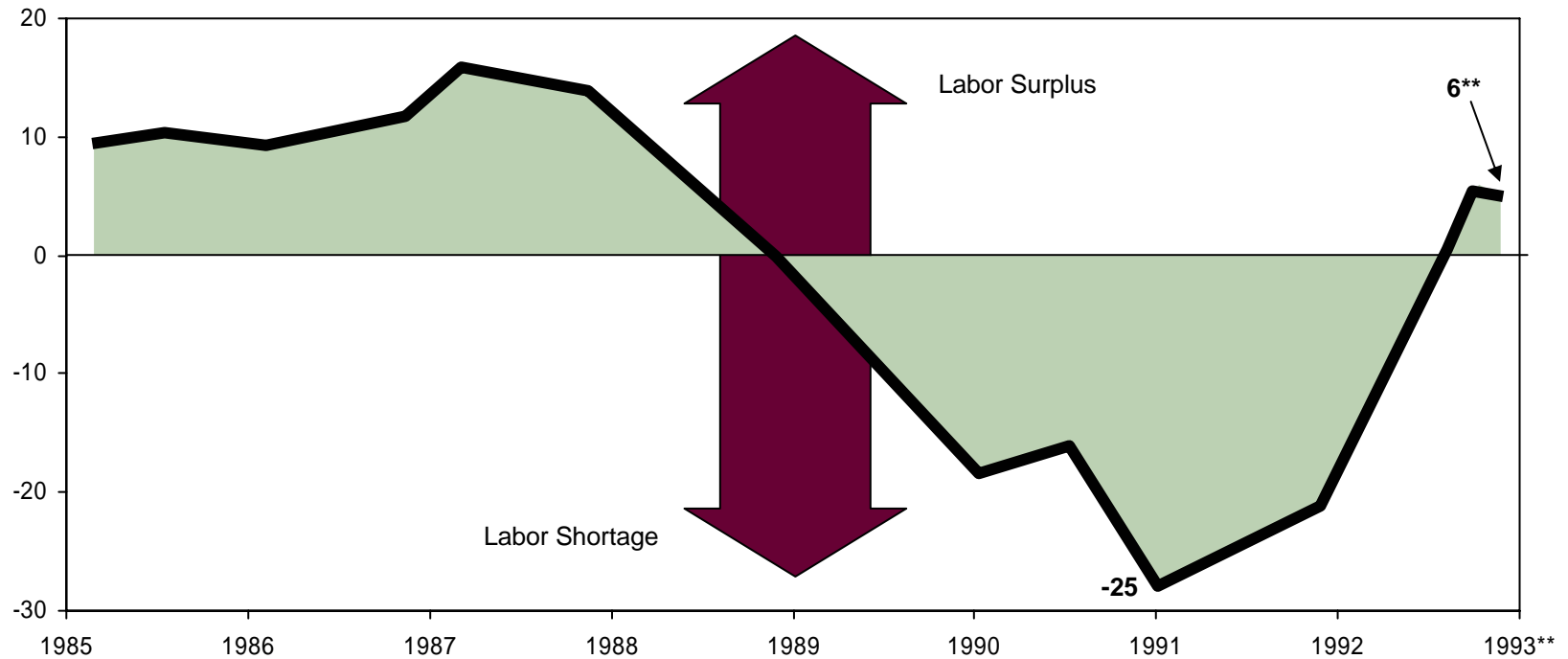
# Annual Change in Real GDP

*Fluctuations will continue*



# Excess Labor

*Diffusion index of labor needs\*; in percentage points*

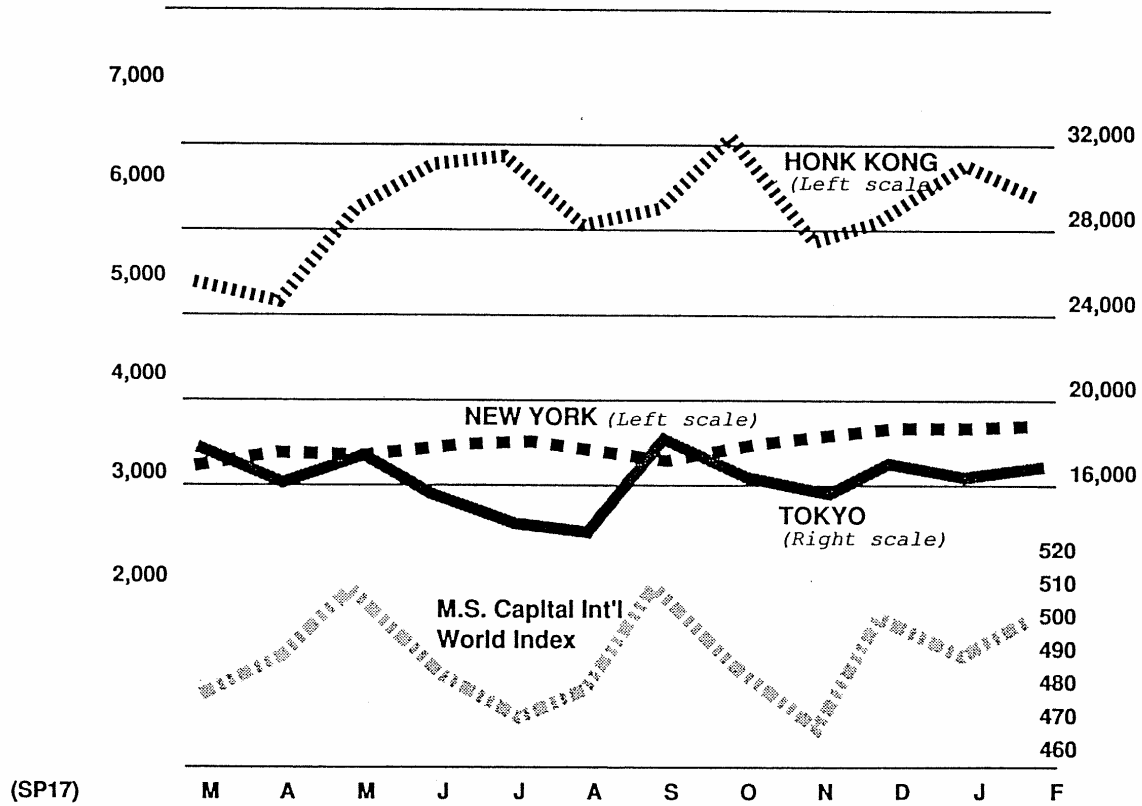


\* Diffusion index shows percentage of firms with labor force excess minus percentage with labor shortage

\*\* Forecast for March 1993

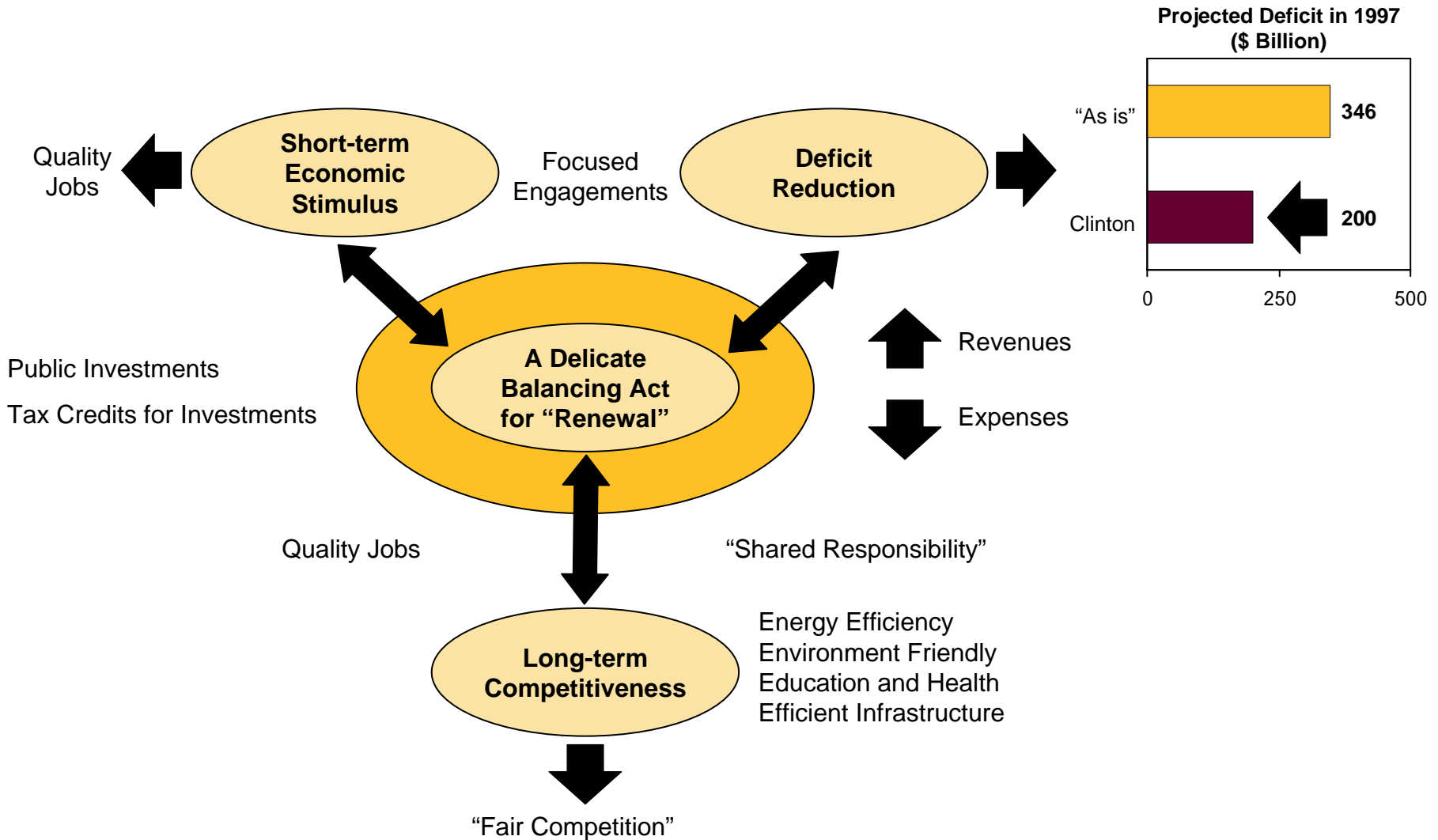
Source: Bank of Japan's Tankan Survey

# Stock Markets

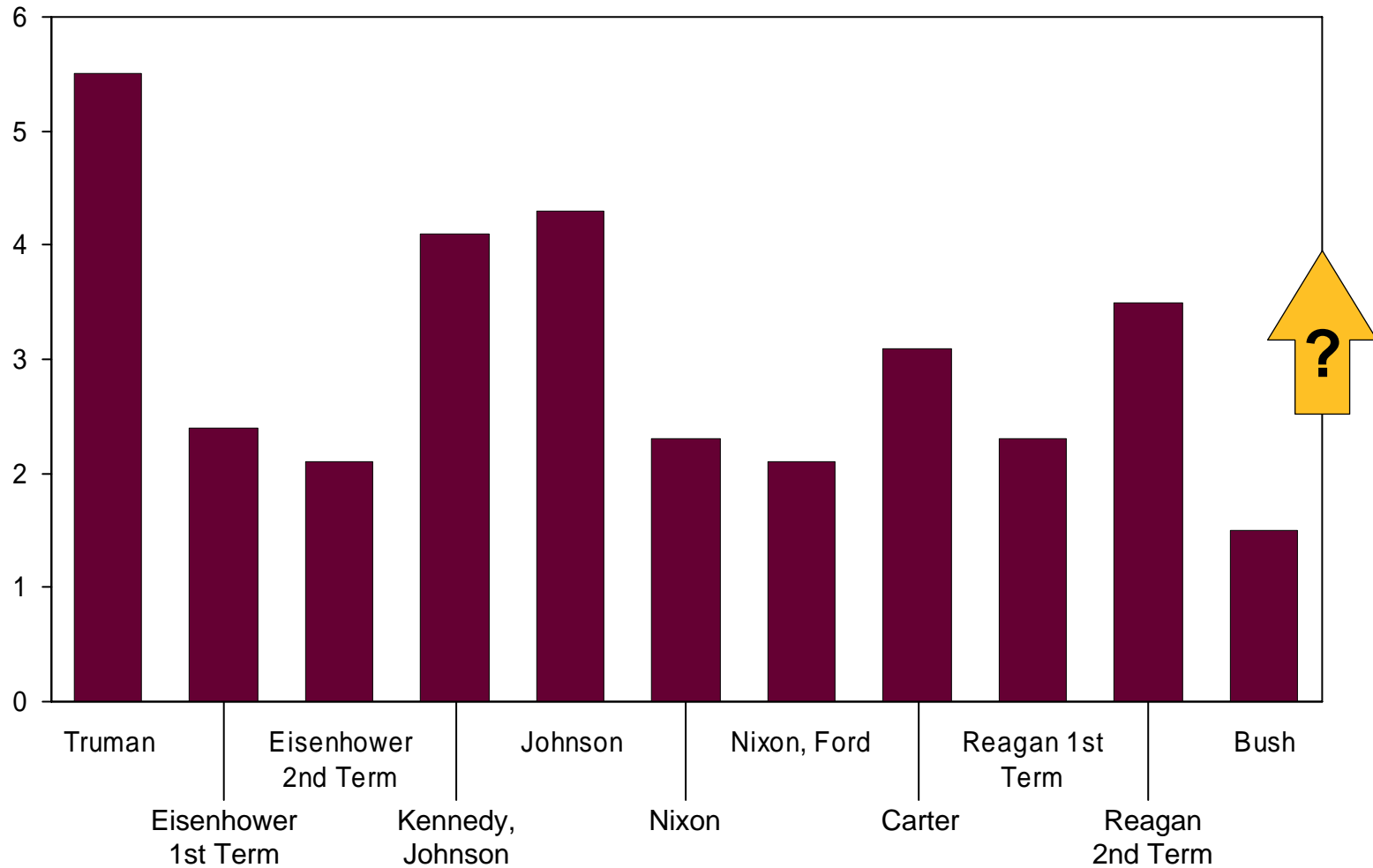


# Clinton's Agenda

At the highest level we have three dimensions..

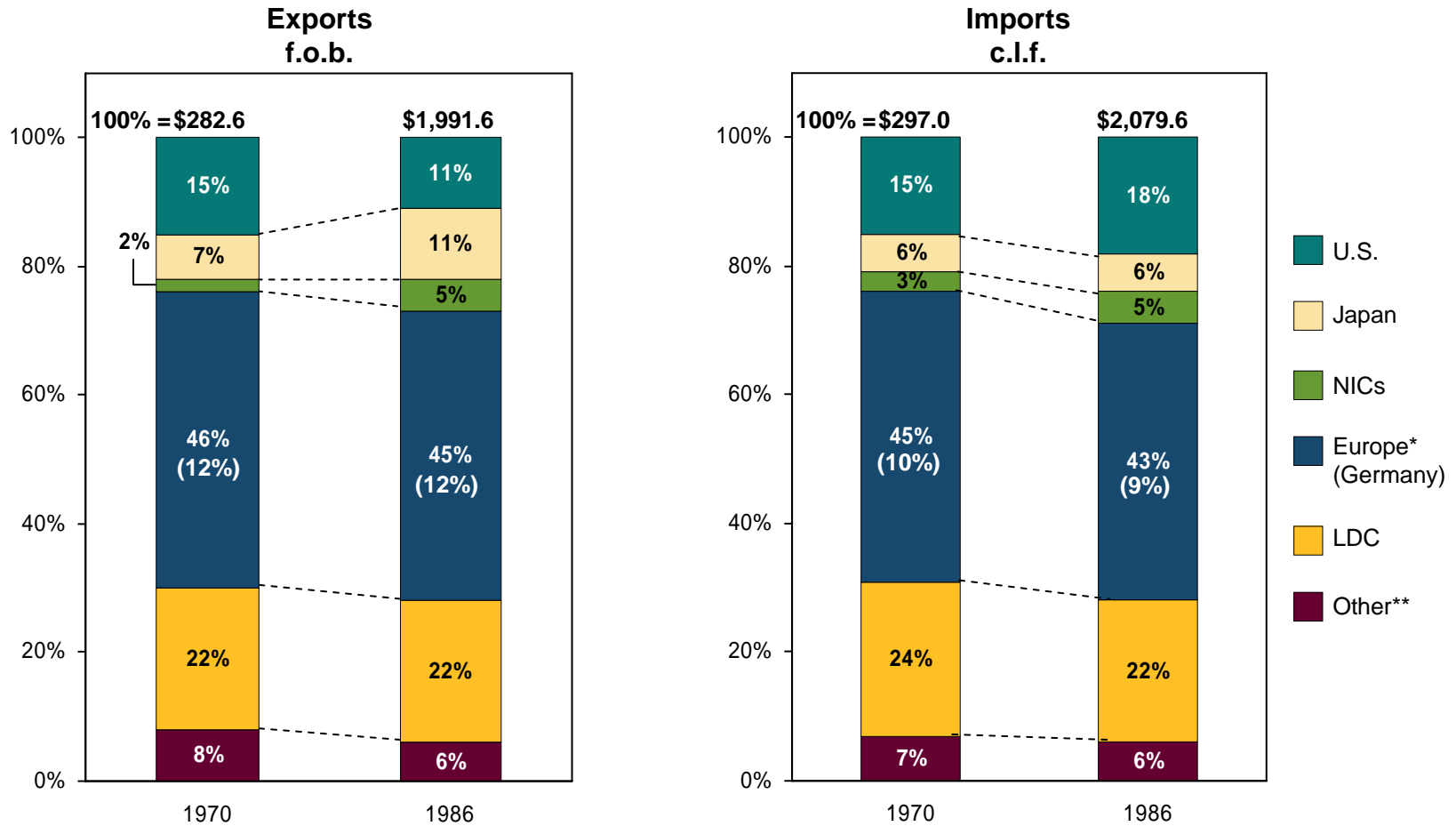


## Average Annual Growth in Real GNP, by Presidential Term



# Share of World Trade — 1970–1986

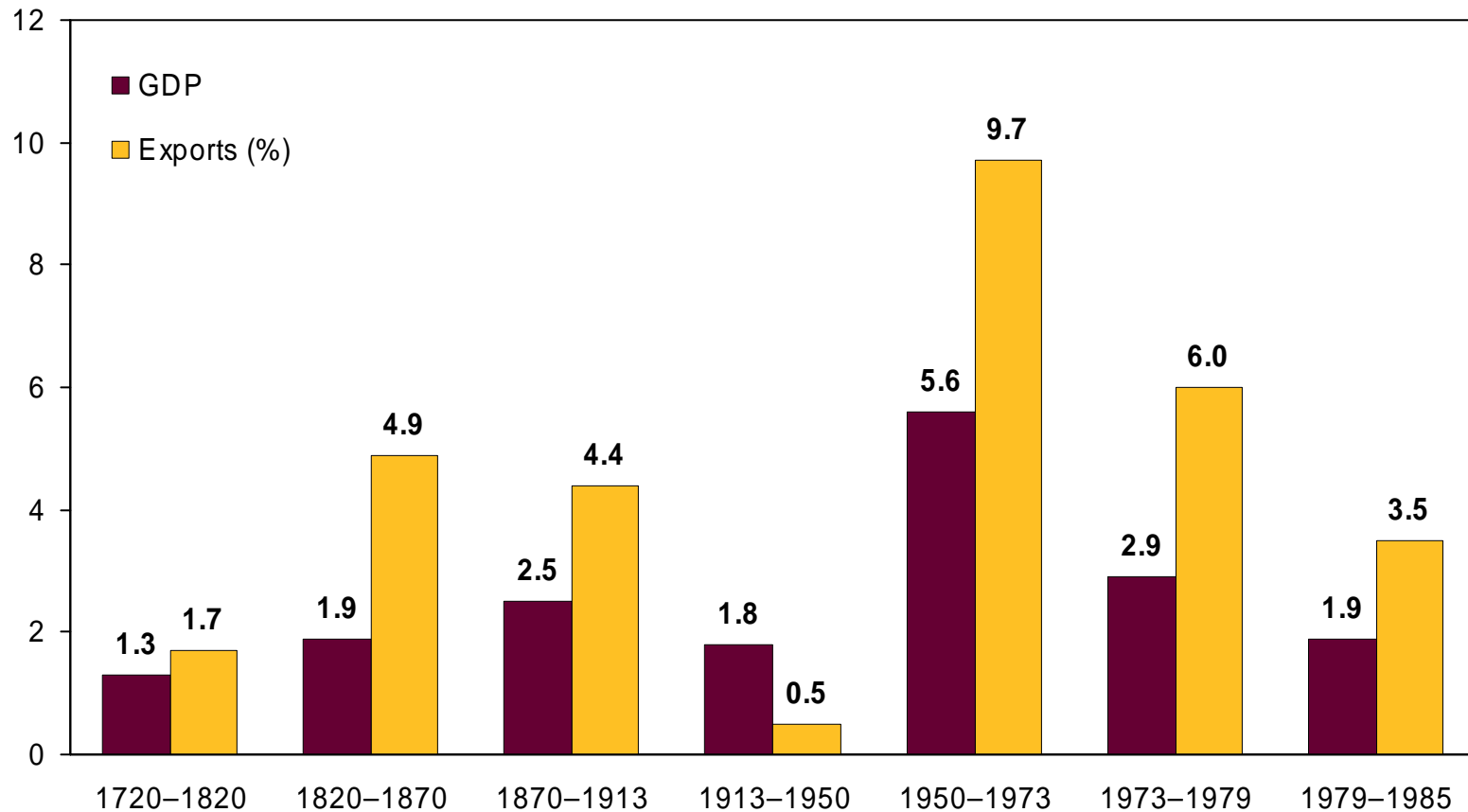
## \$ Billions



\* Europe includes EEC, EFTA and all other European states

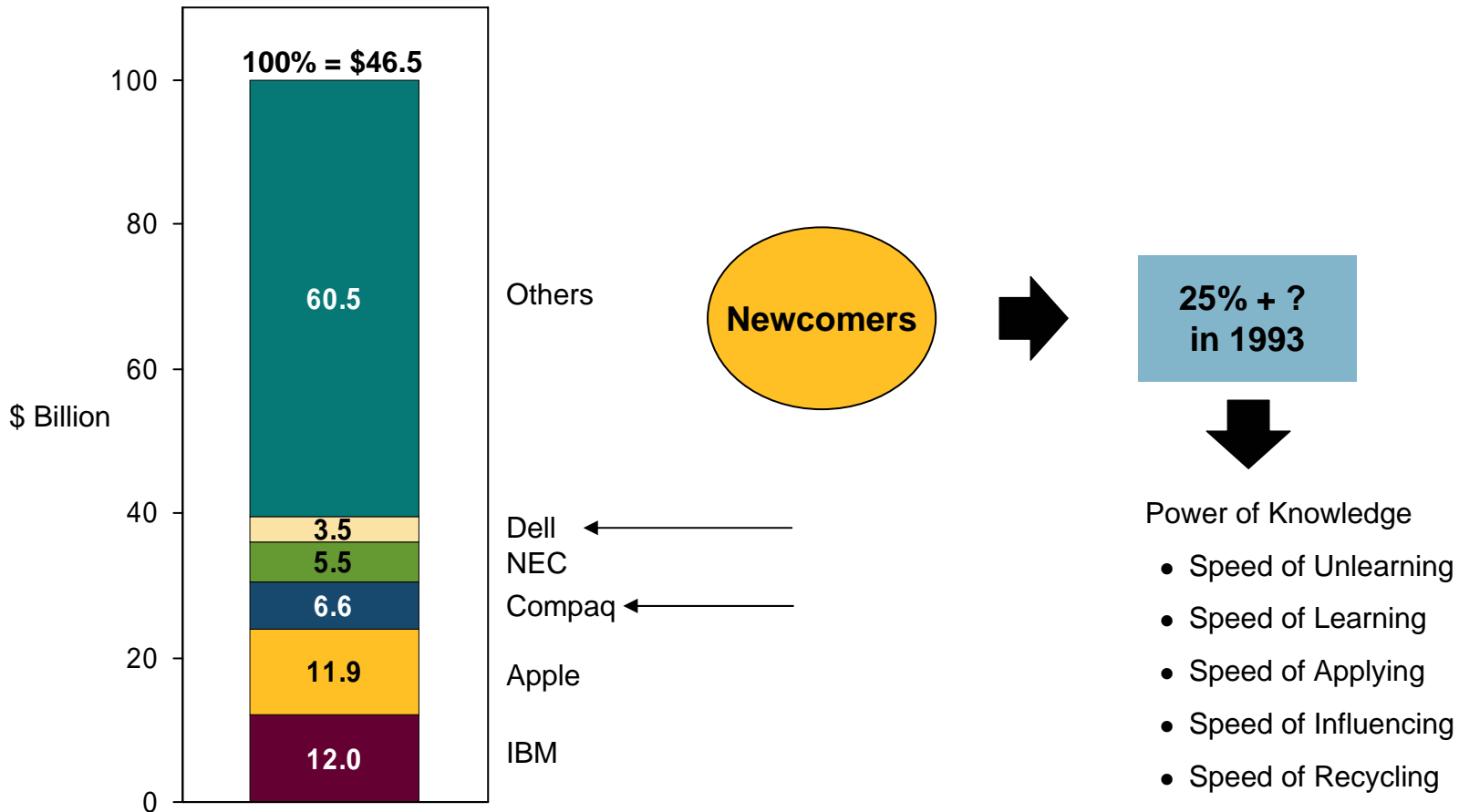
\*\* Other comprises Canada, Australia and New Zealand

# Historical Trends in the Growth of Real GDP and Exports in Selected Countries\* — 1720–1985



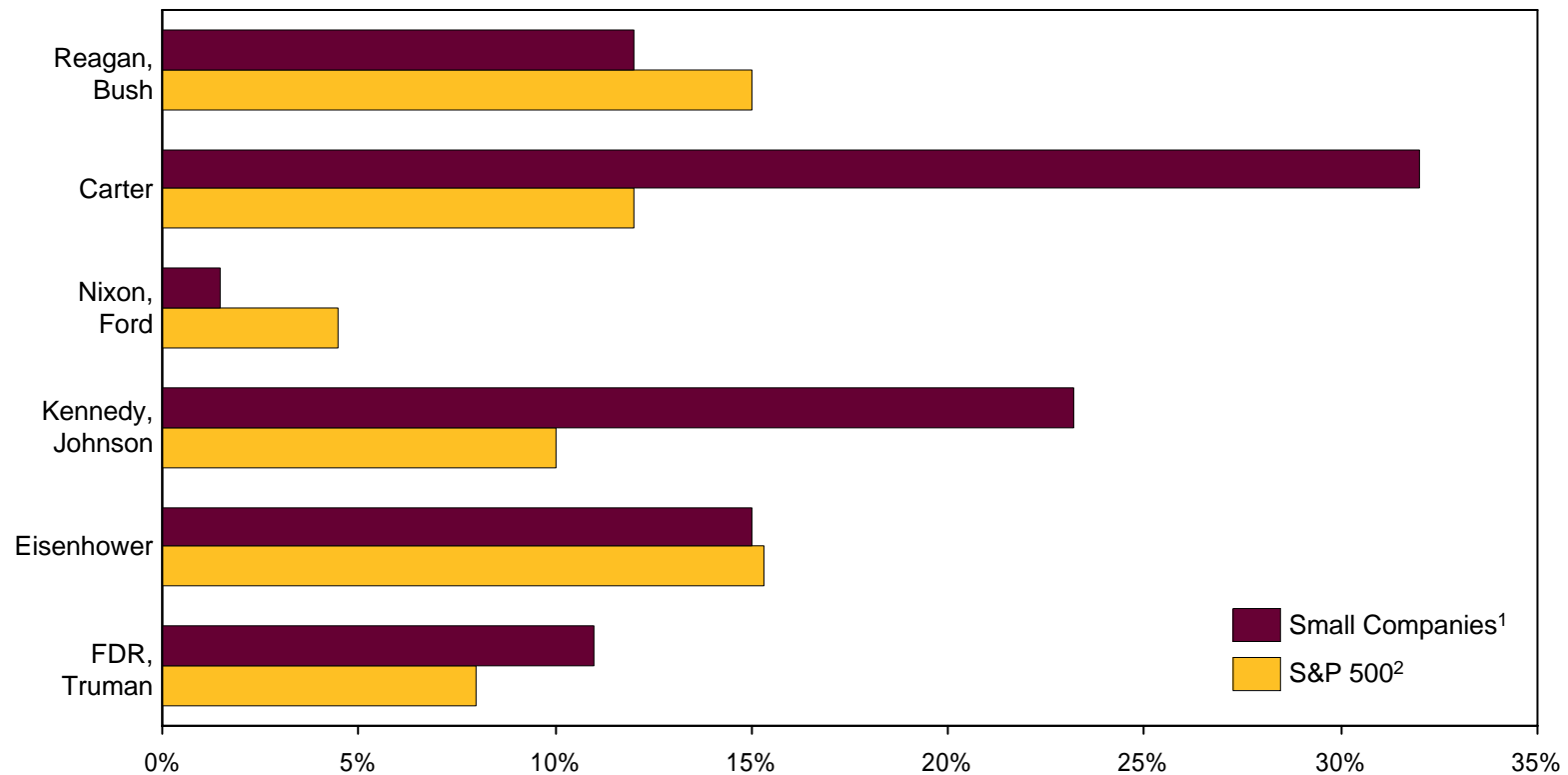
\* Average growth rates for 6 major industrial countries: France, Germany, Italy, Japan, UK, and U.S.

# Worldwide Personal Computer Market 1992 (\$ Billion)



## Small vs. Big

*Annualized stock market returns, in present, during post-depression year in various administrations*

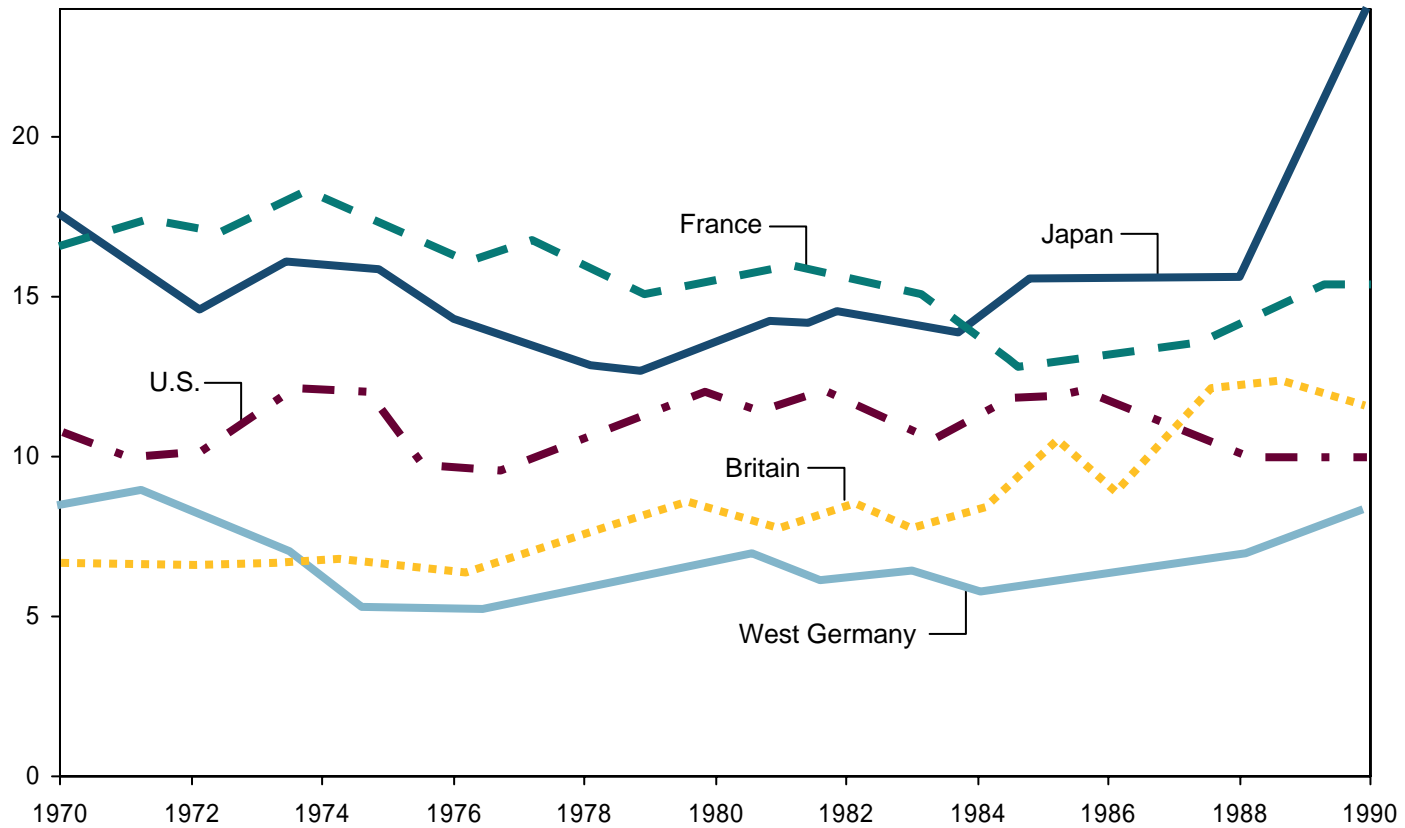


<sup>1</sup> Ibbotson Small Company Stock Index

<sup>2</sup> Standard & Poors 500 Stock Index

Source: Liberty Assent Management Co.

# Business Investment as Percent of GNP



Note: Investment and GNP are measured in constant prices. Figures should be to compare trends; absolute levels are not strictly comparable

Source: Data stream

# Japan's New Challenge

## Past

### Reactive Diplomacy

- Work with clear and well structured international issues
- Provide financial support to international crises
- Work as a Loyal member of U.S. led alliance

Success measured along  
"one single economic dimension"

## Present / Future

### Proactive Diplomacy

- Work with unstructured and fuzzy environment
- Identify issues
- Build consensus
- Define course
- Control eventual outcome
- Work as independent and partner responsible global partner



"Success along multiple dimensions"



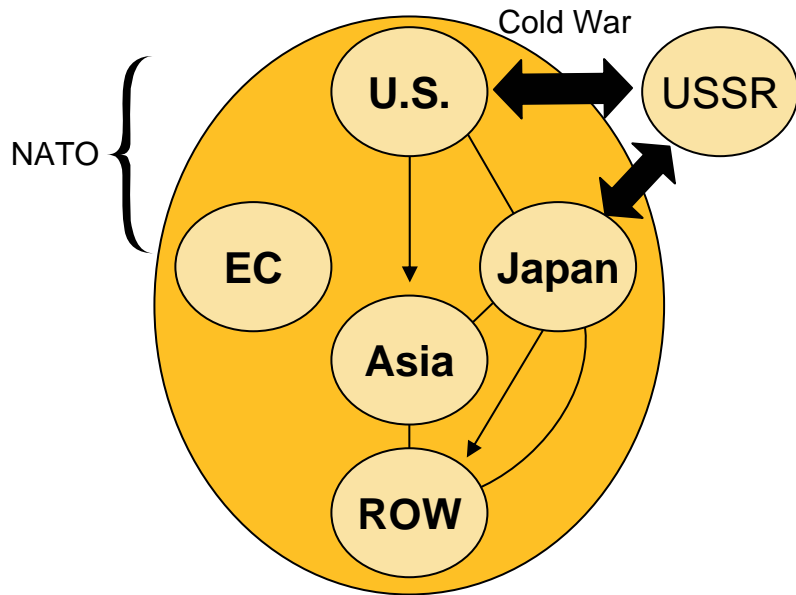
New attitudes (macro, micro)

New political and bureaucratic framework

# Japan and the World: Past and Future

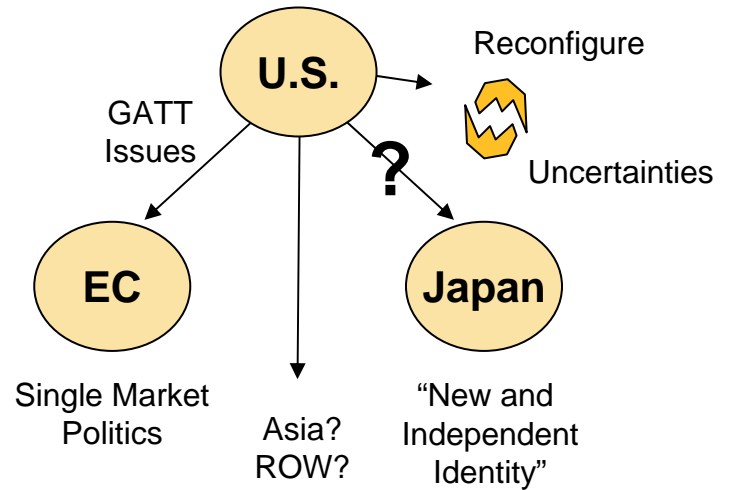
## New Dynamics

### Past



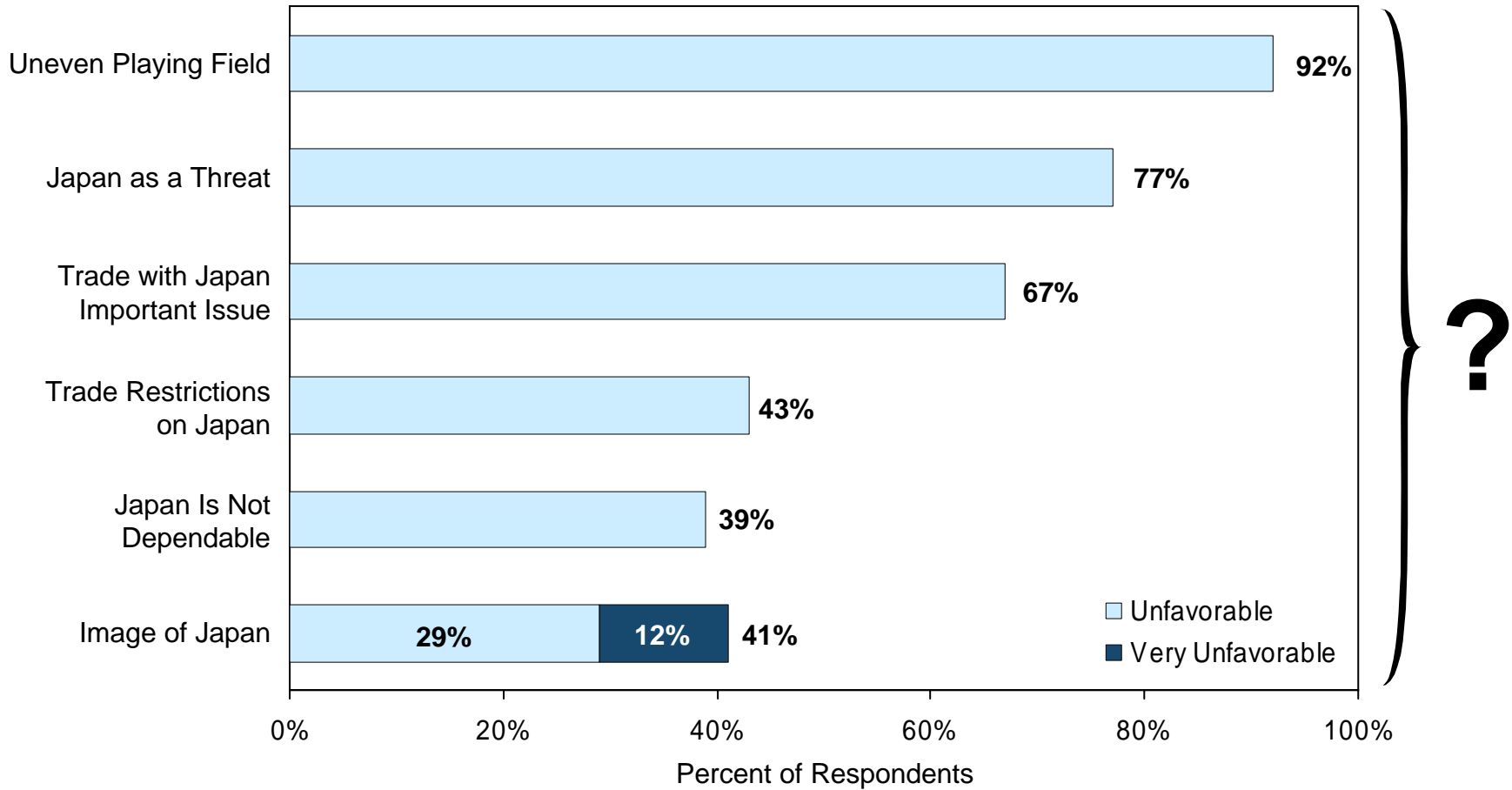
**Bond by Cold War Forces of Alliances**

### Future



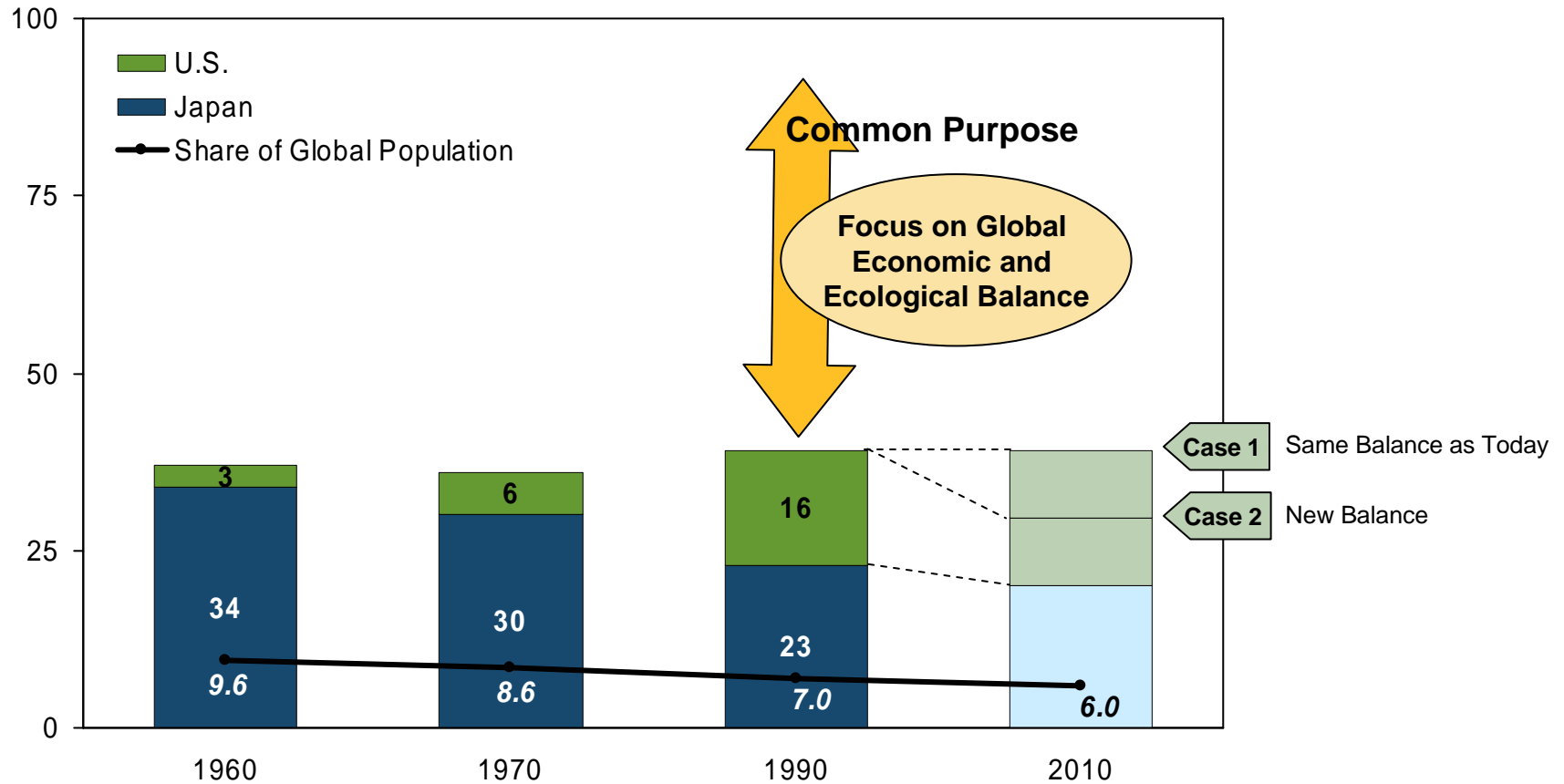
**Deconstruction of Past Geopolitical Architecture**

# U.S. Perceptions on Japan: Gallup Surveys 1991–1992

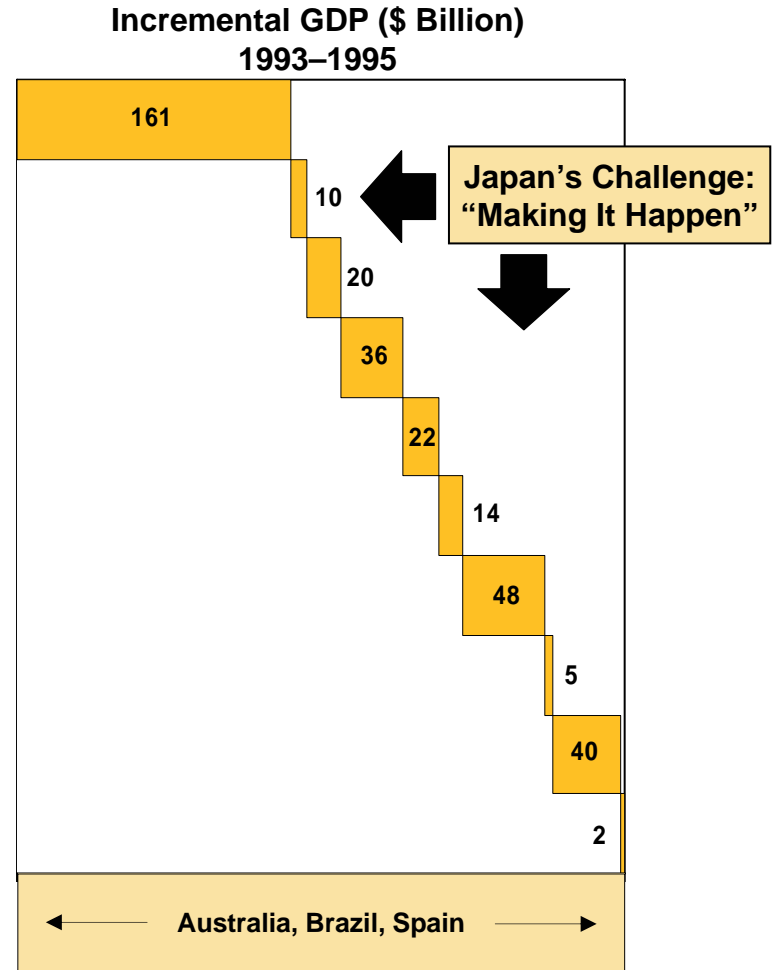
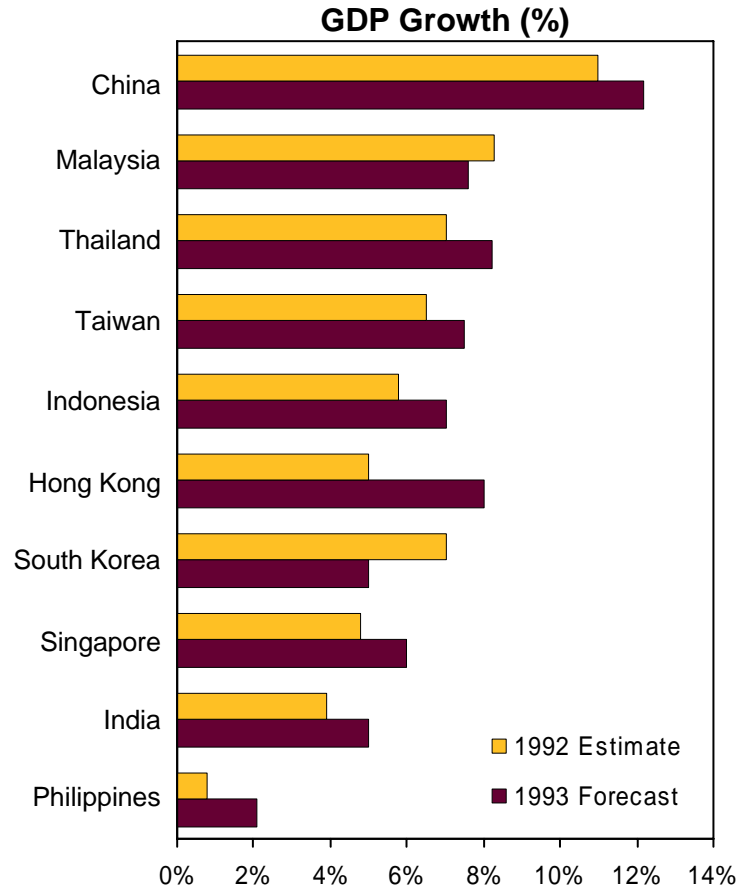


# Percent Share of Global GNP (Japan and U.S.)

*A common purpose*

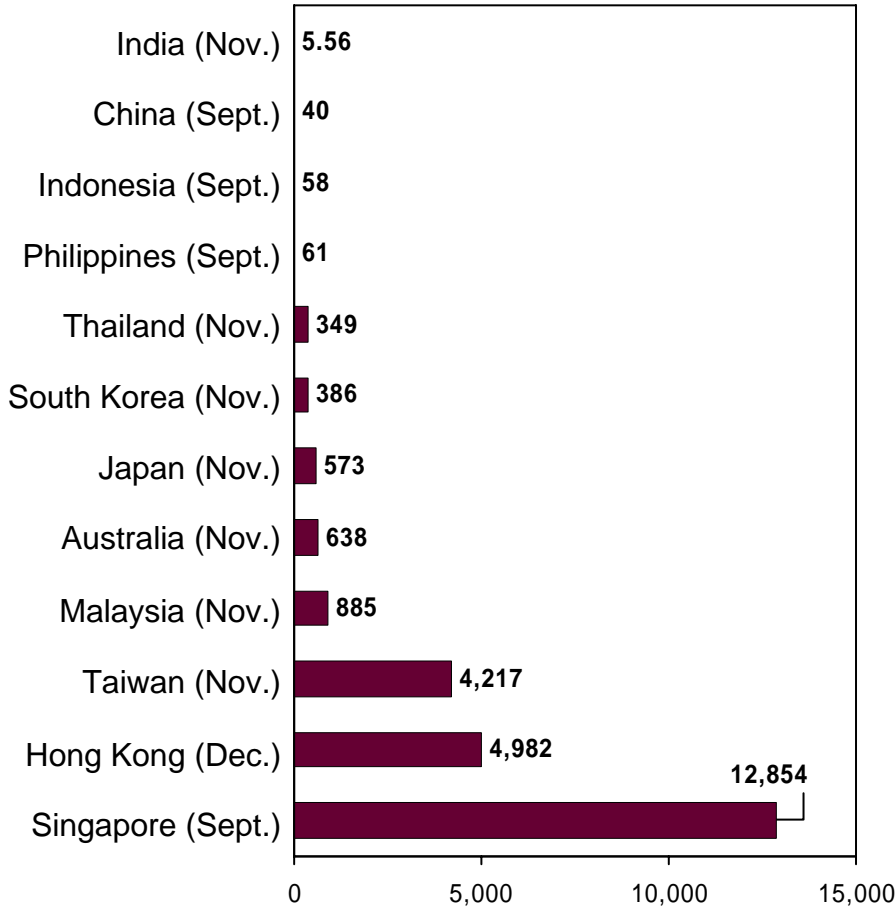


# The Asian Challenge

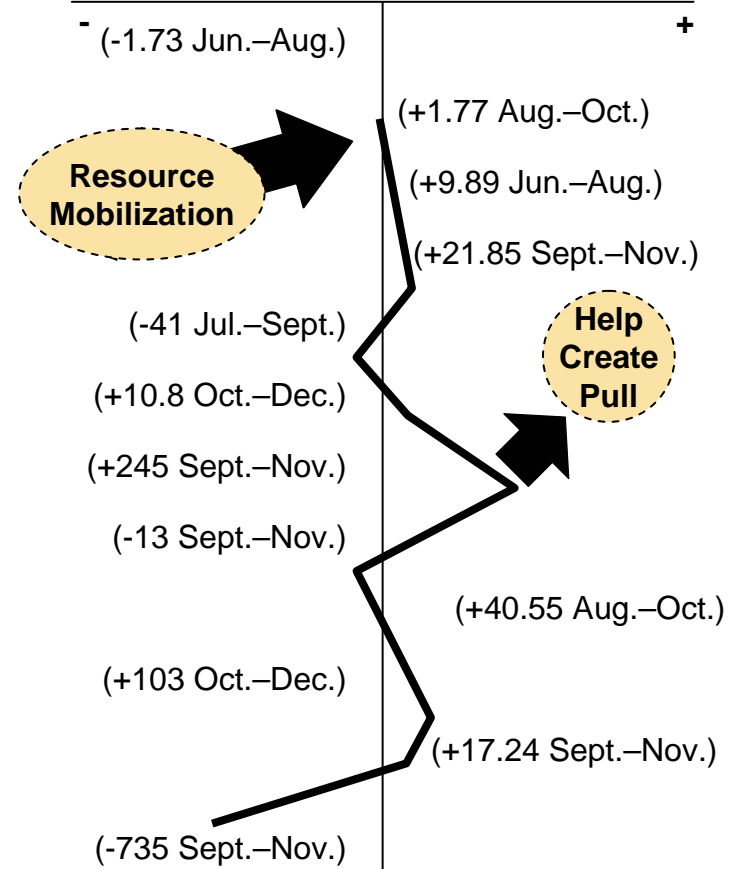


## Asia Pacific Nation will need different kind of supports

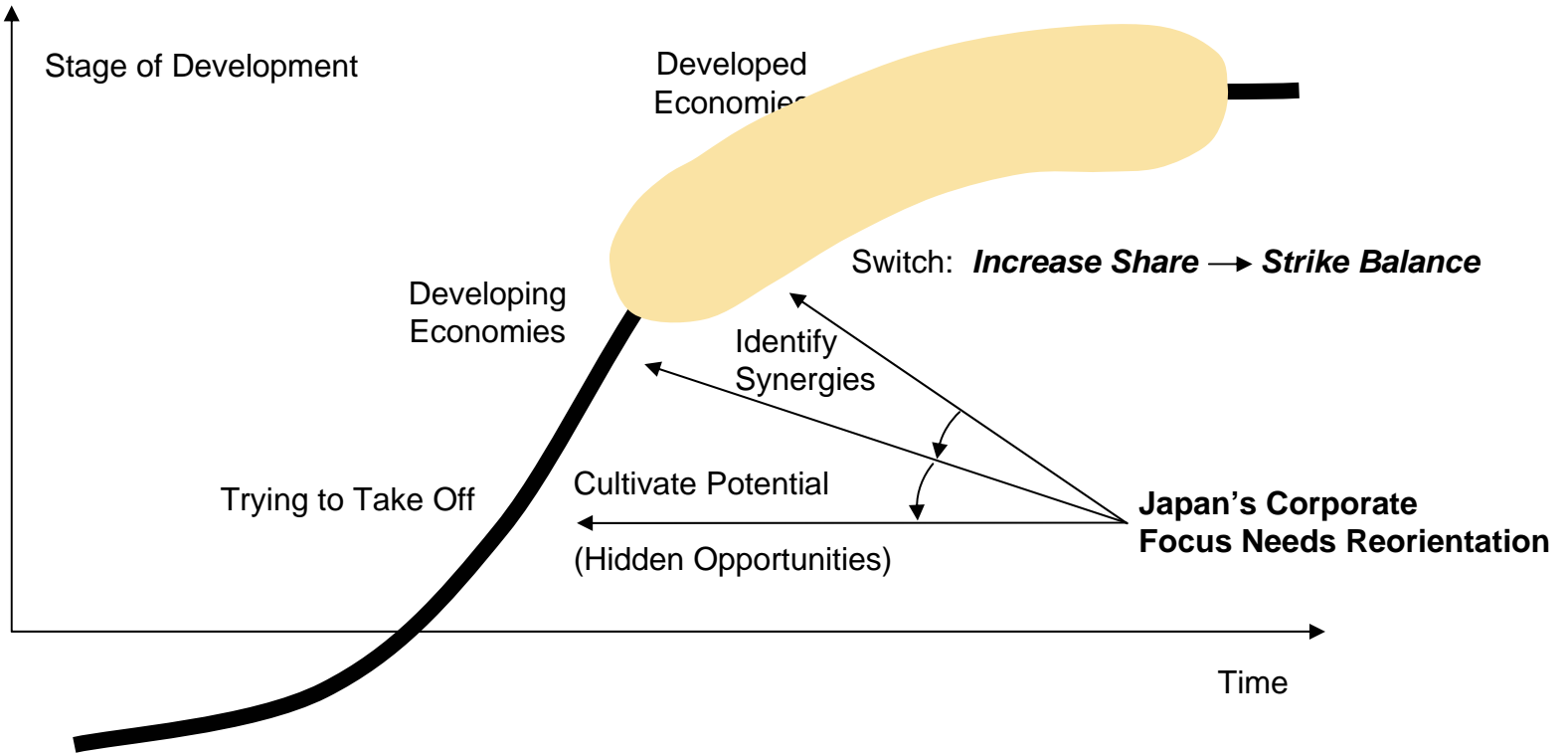
**Asia's International Reserves (\$ / Capita) — 1992**



**Trade Deficit / Surplus (Quarterly Basis, \$ / Capita)**



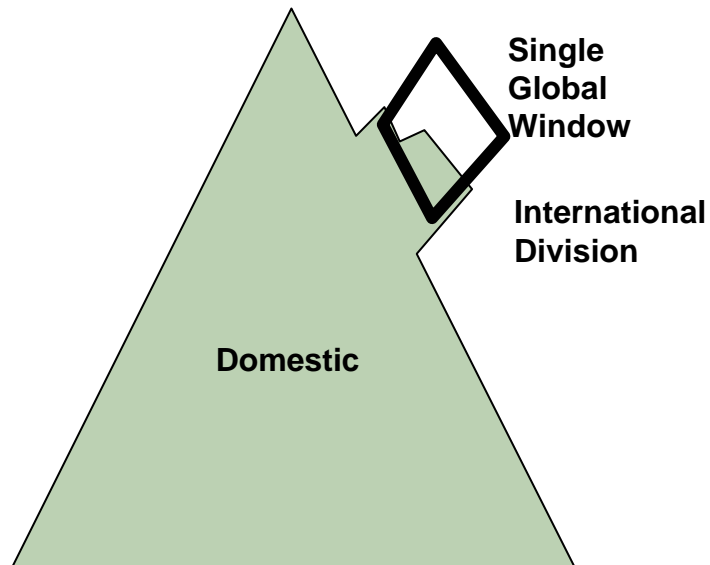
# Life Cycle of Economies and Japan's Roles



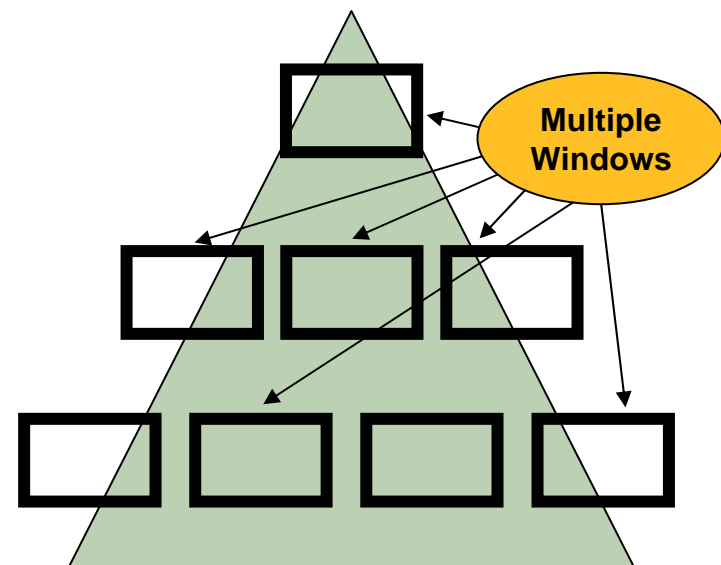
# Japanese Corporation's Globalization

*Organizations will require multiple windows to manage globalizations*

## Current Approach



## New Scheme



## Key Words: Towards 21st Century

*Along multiple dimensions fundamental shifts will be required*

Balance of Trust and “Trade-offs”

Balance of Trade

Network / Fluidity

Hierarchy

Heterogeneous Perspective

“Single View”

Share

Check

Involve

React

Catalyze Ideas

Control Share

Multi-form

Uniform

Extremization

Optimization

Unsettle

Stable

Frontier

Conventional