



## Globalization of Japanese manufacturing: Back to Spirits of *Oumi Merchants*

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I sincerely wish all of you a Happy New Year.

Looking back over the last year, the FIFA World Cup stirred up passion across the world, and the hot air from the football stadiums turned into hot winds, which hit Japan in August. Consequently, the average summer temperature hit a new record high in 2010; the highest since statistics began to be compiled 113 years ago. In contrast, the Japanese economy was hit by cold waves as if a procession of “chilling” figures put aside the scorching summer heat from our mind, including the sluggish growth rate around 1%, the continuing deflationary trend over the last 20 years, and the unemployment rate of approx. 550,000 university graduates standing at 5%.

I have no objection to the point raised in the New Growth Strategy as follows: Industrial reorganization and co-existence through compartmentalization with an eye on global markets centering on Asia are essential for Japan to reawake itself in the 21st century. And yet, the current state of Japanese manufacturing is far from one of globalization. Japan’s economic position has been declining, as seen in the change in its world competitiveness ranking from the glorious No. 1 in 1990 to No. 27 in 2010, according to the IMD World Competitiveness Yearbook, IMD (located in Switzerland). This means that Japan is no longer an attractive place to invest from abroad. Furthermore, compared to other advanced countries, the inflow of highly skilled foreign personnel into the domestic labor market is stunningly low, even if such talented foreign workers would otherwise contribute to the revitalization of Japan.

In addition, it is a common belief that “the more globalized, the more hollowing-out of Japanese manufacturing,” and its serious implications have been deepening year after year. To take an example, free trade agreements have compelled a great number of global companies to rush into rapidly-growing Thailand, which now ranks No. 26 in terms of world competitiveness and is the largest manufacturing base in the ASEAN region. Meanwhile, “the great power of manufacturing” as self-claimed by Japan is on the brink of collapse. We have to seriously think about the meaning of globalization in order to avoid the hollowing-out of the domestic manufacturing industry.

At present, I work at Ritsumeikan University’s Biwako-Kusatsu Campus, which is located east of Lake Biwa. The lakeside region called “Kotou” is a production center for hemp fabrics in Shiga Prefecture. Hemp is susceptible to dryness, but the humidity

here in the Kotou region is sufficiently high, owing to humid mists from the surface of Lake Biwa and the Echigawa River, which springs forth from Cordillera Suzuka. There is no doubt that these natural blessings have contributed to the development of hemp fabrics; but there is more to it. The peddling know-how of *Oumi Merchants* (Shiga-born merchants back in the feudal era when Shiga Prefecture was known as *Oumi-no-Kuni*) also played a big role in the development. *Oumi Merchants* carried on their trade in domains outside of *Oumi-no-Kuni* and before long they took a firm foothold there. Gaining the trust of residents in such an outpost was more important than anything else for those merchants, and their know-how is summarized in the following sentence: “Three parties must be satisfied.” According to the *Kakio-oki* or the last will and testament (1754: the fourth year of *Houreki*) of Nakamura Jihei II, peddling must satisfy not only sellers but also buyers. On top of this, his will also stresses that peddling must be good for the public as well.

Now what should we do to make our new manufacturing growth strategy satisfy all of the three parties: sellers, buyers and the public in Asia? The “green” or “life” innovation listed as an important issue in the new growth strategy will surely be an issue to satisfy the public. However, to make it also satisfy sellers and buyers, we must exercise wisdom. How about rebuilding the Manufacturing Silk Road for the 21st Century across Asia by expanding the ancient Silk Road, which began to thrive as a trade route in Central Asia more than two thousand years ago? An astronaut once said a good thing: “When you leave the Earth, you will realize that there are no borders on Earth.” With this spirit, people would flexibly and freely come and go along the Manufacturing Silk Road, having their sights set on joint development, joint manufacturing and joint consumption by capitalizing on each nation’s geographical advantage, climate, standard of living, humanity, religion and the like. This future Silk Road would also be able to satisfy all of the three parties: sellers, buyers and the public. That is my wish. If I am permitted to wish a little more, in contrast to the ancient Silk Road, whose terminal was located in the farthest east, then called “*Asuka-kyo*” (ancient Japan’s capital during the Asuka Period (disputed 538 or 592 - 710)) or “*Heijo-kyo*” (during the Nara Period (710-794)), I wish for the farthest east to become the starting point in the 21st century.

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