

Globalization for Local Governments
---Threat or Opportunity?---

- 0 4

Jiro Yamaguchi, Hokkaido University

- * Paper for the Workshop *Local Governance in a Global Era –In Search of Concrete Visions for a Multi-Level Governance*, 7-8 December 2001
- * None of these papers should be cited without the author's permission.

Globalization for Local Governments-----Threat or Opportunity?

Jiro Yamaguchi, Hokkaido University

1 Structure of Globalization in the Japanese Governmental System

Two Faces of Globalization

Globalization usually means the enhancement of market economy, larger competition, and rapid movement of capital and influx of cheaper goods from developing countries. In an advanced country like Japan, whose economy has already matured, globalization means the increase of instability of life for many people. In Japan, we have only few industries with sufficient competitiveness in the global market, automobile, electronic appliance and machine tools. Other sectors in which most people work enjoyed rent under the “convoy system”. Even in the competitive sector, companies have been relocating domestic plants to China and South East Asian countries. Therefore, those who find new opportunity for investment and profit are far less than those who feel victimized or marginalized by the “jungle law” of competition.

For most local governments, globalization is causing serious problems, especially regarding sustenance of local economy. First of all, local governments in the rural area still depend on agriculture, which is the least competitive in Japan. Even if there is a manufacturing sector, employment is slashed by relocation of the production center. Employment in local communities is supported by the public sector through public investment.

Besides that, there is an artificial reason for crisis of local governments. Recently, Prime Minister Koizumi has been proclaiming “structural reform”. It is more than obvious in Japan that we need reform in the economic structure, as well as in the government in order to cope with globalization. These reforms will be difficult to cope with for local governments that have been supported by development policy by the central government. The central government is trying to reduce the budget for public investment, which amounts to 6% of GDP or 30% of the national budget, because the fiscal debt is now 666 trillion yen. It also aims at abolishing or privatizing public corporations that are in charge of regional development or public investment. For example, Japan Highway Corporation is now the focus of administrative reform. JHC is constructing toll-paid express highways all over the country at already busy highways in metropolitan areas. The high toll of express highways is considered as a symbol of inefficient public service in Japan, as well as that of excess burden on business and urban dwellers. Thus, so-called reformers insist on privatizing JHC. In this case, express highways would halt in rural areas.

In this sense, globalization is thought to be demolishing the old, but stable structure of public policy. In fact, regardless of where one lives or works, most people

are involved in globalization. For instance, farmers who complain about influx of cheap green onion or mushroom from China benefit by cheap clothes made in China. When they think about policy toward globalization, they are not so much consumers, but as producers.

However, globalization does not necessarily mean disaster. In the context of worldwide democratization since the end of the cold war, globalization implied penetration of democratic standard into Japanese society. While globalization accompanies consumer sovereignty in the economic aspect, it brings about citizen sovereignty in the political aspect. Up until the 1980s, there was no basic institution for civil society to control government power. We did not have freedom of information or administrative procedure law. The bureaucracy enjoyed wide discretion in implementing regulation policy. As foreign companies tried to enter the Japanese market, they have come to realize that Japanese public administration is an anomaly when compared to western standard of rule of law. They criticized that the administrative process was too closed. Facing complaint and criticism, the Japanese bureaucracy was obliged to establish such basic institutions. Although the bureaucracy still has large influence on policy-making, citizens have more say in the process of policy-making. In this context, the 1990s was a decade of development of civil society in Japan. Globalization of information galvanized citizens of critical concern, to move toward political and administrative reform. Even at the grassroots level, they emphasize reform of assembly and civil service, based on the Western model.

Stress caused by Globalization and Reactive Policy-making

The institutional changes explained above are taken for granted, and thus no one seems aware of the linkage between institutional reform and globalization. Since Japan has been in the worst depression for years, they connect globalization to threat to economic stability, as described above.

It is very remarkable that Japanese government responded to globalization quite reactively. In other words, threatened by globalization, governments are taking measures to reduce pain that is accompanied by globalization, and their policies are makeshift without long-term outlook. For Japanese policymakers, globalization is a given, or fait accompli, and accordingly they are not interested in defining globalization so that Japan can benefit from it.

In the 1990s, the making of global rule on banking regulation, intellectual property, and environment protection became the most important battlefield in international politics. Hegemony means ability to reflect the national interest in those rules about global issues. However, Japan kept silence in that process. Japanese public administration conformed to these rules passively, which caused such serious problems as decline of the banking sector. Therefore, globalization brings about a counteraction-- tide of nationalism which relates globalization to conspiracy of

United States or Western countries. Needless to say, elites in the policymaking circle are distant from nationalism. However, they do not seem to have a sense of direction about grand design of public policy. It is true that Japanese bureaucracy lacks national strategy. Instead of taking part in the framing process of globalization, domestic politics are occupied with how Japanese policy will adapt to globalization. At the beginning of the 1990s, some economists and political analysts expected that globalization would ruin the “iron triangle” or ossified structure which is composed of interest groups, politicians and bureaucrats in charge of respective policy field. Opening of the market and deregulation was thought to demolish vested interests and make Japanese politics more consumer-oriented. In fact, the more globalized Japanese economy became, the more pork barrel handouts the government offered to farmers and the local business community.

At the local level, governments patched up economic stresses caused by globalization. Without fundamental policy change, they carried out makeshift against relocation of plants or influx of cheap agricultural product from developing countries. All the bureaucracy could do was implement large construction work in deteriorated areas and pay subsidies for farmers without competence. However, these policies resulted in postponing the real issue.

2 Strategy for Counter Globalization

Regime Innovation for Local Governance

While Japan struggles with globalization, the biggest problem is that the central bureaucracy is incompetent in handling the challenge. I can point out several reasons for such incompetence. The Japanese bureaucracy is so tightly specialized that no one can coordinate a policy from a broad point of view. Political initiative is too weak to lead to drastic policy change. There are many problems in the socialization process of higher civil servants in Japan. They are taught to belong to each ministry organization as a family, and to attach respective interest by all means.

Above all, it is the highly centralized structure that makes the Japanese government incapable of solving the challenge accompanied with globalization. As John Naisbitt pointed out, in Global Paradox, small business becomes more powerful in more globalizing society. This is true about public service. Local governments can improve social service quicker than the central government. They can also work out unique policy for revitalization of regional economy featuring their own tradition and culture. In Europe, regional and local governments appear to be stimulated by globalization and have tried to establish their own policy.

On the contrary, there are many restraints on policymaking in local governments in Japan. Although more and more local governments and citizens have come to realize that dependence on the national government is no longer a key to the challenge of globalization, they are still influenced by the central control.

Traditionally, the central government has relied on local government to implement and complete policy under its strict supervision and control by means such as the dispersion of subsidies through a system of commissioning work to local government. However, this subsidy dispersal system, which attaches to specific projects stipulations on the use of such funds, has created a huge gap between budget supplies and the demands of local residents. In addition, maintaining such a system of subsidizing local projects incurs high costs over and above the necessity to communicate and communicate policy between local and central governments. This dependence structure brought about not only waste of money, but also corruption.

In this sense, devolution of central government's power and the autonomy of local government are urgent tasks if the government is to be rendered more competent. We need a new regime in which local governments can work out proactive policy vis-à-vis globalization, instead of reactive policy. Since we cannot escape from globalization, we should make way by connecting ourselves with the global community. It is necessary to develop an idea of counter globalization, rather than anti globalization. As we saw, rescue package for victims of globalization is of no use in the long run. We should reestablish regional or local policy to pursue values such as safety or environment that the current globalization is undermining. Based on heritages in local communities, it is possible to provide goods and services to global community that is eager to cherish endangered values. In fact, there are indications of new trials in agriculture and tourism industries in some regions in Japan.

Policy Innovation through Local Governance

When we think about an innovated regime, the second aspect of globalization, which is the maturation of civil society, becomes a key factor. There is no textbook about how to adapt to globalization, and the bureaucracy has no answer to this question. We urgently need a model of governance in which government, functional groups, professionals, and citizens can work together to cope with common challenges to their community. Resurgence of civil society at the grassroots level enhances possibility and actuality of a governance model in Japan.

For example, at the present time, unemployment is the most serious problem in Japan. The government can hardly stop the downsizing of firms or the shift from permanent jobs to temporary jobs. At the same time, non-profit organization is proliferating in various fields, such as environmental protection and development aid. They provide important opportunities for participation in the society. Japan is following the vitalization of civil society as seen in Europe. Workers' cooperatives in Kanagawa prefecture is the most advanced case in Japan. There is a local political party, the Kanagawa Network, where there are more than one hundred local assembly persons. Members of this party have established a non-profit organization to provide care service for elder people, as well as nursery service. They also have another non-profit organization, or Kanagawa style Oxfam, to promote aid for developing

countries. They are succeeding as business, and more and more people are finding opportunities to participate in social activity.

There are other examples. In creating attractive product in local industry or amenity of a city, government bureaucracy cannot direct the whole project. In some localities, governments enmesh civic movement into policymaking and implementing system. Cooperation among government and various civic activities is indispensable to creating unique characteristics and industry in the region. If local governments have to differentiate themselves and create individuality in order to survive globalization, policymaking based on local governance is essential. What Naisbitt pointed out about the business world is true to public policy. There are some governors of entrepreneur character. For example, Governor Yasuo Tanaka, who was a connoisseur writer, elected in 2000 in Nagano after the collapse of development-oriented administration by the former governor, is now trying to revitalize small businesses, such as sake brewing and confectioners. His strategy is that Nagano can differentiate itself not by building mechanical infrastructure but by promoting unique product and crafts that have long traditions. These leaders of the new type are increasing gradually in Japan.

Global Challenges and Local Governance

I discussed specific issues that globalization brought about to local governments. Now, I would like to turn to universal challenges caused by globalization. Globalization is engendering worldwide issues that no one can escape from. Ecological and environmental problems are the most typical example, and everyone knows it is a very important issue. However, not many people know how to participate in solving them. There is an obstacle to the solution--- "tragedy of commons". Everyone cannot be blamed for the destruction of the environment. Therefore, they can easily continue to damage the environment without feeling guilty, because the damage one person makes is almost negligible. However, if everyone contributes to the damage, destruction to the environment will continue. Even if a global agenda like the Kyoto Protocol is determined, it is very difficult to enforce such rules. That is why local agenda for specific action is desperately required.

Concerning environmental issue, coercive approach is not practical at all, because everyone has a tendency to neglect regulations. It is indispensable for effective regulation that everyone feels he/she participated in the policymaking and that they chose the rule by themselves. In this case, the model of local governance is quite significant. When they tackle the global environmental problem, there should be a division of labor between central government and local governments. The former should think out the entire framework through negotiation in international arena. However, it cannot but rely on the latter for enforcement of the rules it made. Local governance in this case means that a local government and various civic activities work together to break down the general scheme into specific codes. Whether

national government can contribute to the solution of global challenges greatly depend on the capability of local governance. In this sense, local governments have more opportunity when national government takes global issues more seriously.

Conclusion Capability of Democracy and Role of Local Governance

In the twenty-first century, we are going to face many difficult problems relating to globalization. I would like to aggregate them into two big questions. The first question is whether democratic policymaking can control globalized economy. The second one is whether democracy can control our way of living. In order to tackle these two, it is decisively important that global democracy and local democracy work together. On the one hand, we should invent a democratic system for policymaking to secure human values against juggernaut of globalized economy. For this purpose, we should seek the possibility of democracy at the supra national level. At the same time, we should specify local agenda to implement such policies. Without the capability of local democracy, we would not be able to solve future challenges in the twenty-first century.

Strengthening democracy is an urgent requirement in the twenty-first century. Democracy meant an exchange system between participation by the people and interest allocation by government in the twentieth century. However, government cannot afford to distribute interest because of economic uncertainty and fiscal stress in the twenty-first century. People can no longer expect to get more affluent because of environmental limit. The most crucial challenge for democracy is how we can make consensus on troublesome issues such as reduction of energy consumption through democratic institution. We should change democracy into a system in which people not only raise demands to policymaking, but also participate in the solution of common problems in communities. Otherwise, democracy of twentieth century style would continue to scatter senseless patches of pain with globalization, as was the case in Japan in the 1990s. In this process, the model of local governance will be very significant.

At the end of the twentieth century, local governments were regarded as victims of globalization, and they also considered themselves alienated from prosperity by ruthless globalization. However, their role will become much larger, when people can no longer evade global issues however troublesome. In this sense, opportunities are wide open for entrepreneurial local governments in the twenty-first century.