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You have questions:

How will the new government administration impact our business? Where are the new opportunities? What obstacles may arise for our business?

What policies will the new government most likely enact? Do our business plans in Japan take into account these anticipated

regulatory changes? How can a more systematic

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take advantage of the new opportunities

and overcome the obstacles? How

are our stakeholders impacted by

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Keith Henry

PRINCIPAL OFFICER, ASIA STRATEGY: A BUSINESS STRATEGY AND GOVERNMENT POLICY CONSULTANCY

By Julian Ryall Photos by Tony McNicol

For the past 25 years, Keith Henry has had his feet in two seemingly incongruent worlds in Japan: government and business. Working under James C. Abegglen, one of the founding partners of the Boston Consulting Group, Henry assisted some of the world's largest firms build a competitive presence in Japan. As one of the first foreigners to work for a Japanese politician, including two ministry stints when the lawmaker headed the Environment Agency and then the Defense Agency, Henry has acquired an insider's knowledge of the lobbying that occurs among politicians, business and government officials.

With the recent change in administration, there are serious implications and challenges ahead for U.S. businesses, including in their government relations and advocacy efforts.

How has the role of government relations changed in the last 25 years?

Back in the mid-1980s, I remember talking to a senior foreign executive in Japan about the need for U.S. business to take a more proactive stance with regard to government relations. He soothingly explained to me that his Japanese joint venture partner handled that messy work for him and that government relations was a black-box better left untouched by American business.

In the 1990s, the power of the "iron triangle"—of collusion among politicians, government and business in Japan—seemed so impenetrable that influencing policy-making in Japan was seen as almost impossible for the individual U.S. firm. Indeed, it seemed that without pressure from the U.S. government, access

would be impossible. Although corporate-government relations became an accepted appendage of business activities in Japan, more often than not, government relations meant relations with Washington, not so much Tokyo, in order to force large-scale regime change in Japanese business practices.

Today, government relations are very much an accepted part of the corporate landscape in Japan and the most effective government relations take into account the need to not only maintain positive relations with the U.S. government. Just as important—if not more so—are positive partnerships with a broad cross-section of key organizations and people in the Japanese government, business and trade associations, consumer groups, academia and the media. Today, for the most part,

confrontation has been replaced by partnership and the means to impact policy in Japan.

What is your view of this transition from confrontation to seeking out policy partnerships?

It's a very positive one. But as the old adage goes: "If all you have is a hammer, everything looks like a nail." We all have our favorite "hammer" to use when approaching government relations in Japan. Over the past 25 years, mine has been to search out policy partnerships on this side of the Pacific—in Japanese government, politics and business—when advocating the interests of my U.S. corporate clients. In the 1980s and '90s, some might have seen this as a "sell-out" to the Japanese—we sometimes forget how heated the trade disputes

were at that time—but down the years it has always proved to be the most effective approach for my U.S. corporate clients.

Government relations has changed over the years, but with fewer trade disputes on the horizon, does it have a role today?

The need for government relations is even more important today than it was 20 years ago. Much of Japan's economic future will be determined by public policy, and this, in turn, will dramatically change the competitive infrastructure of many sectors in Japan. For instance, creation of a more competitive and efficient service sector will be crucial to future growth in Japan. This means that public policy will increasingly be used as a tool to transform sectors such as healthcare, financial services, travel and tourism, energy distribution and telecommunications. By partnering with domestic interests in government, politics and business, U.S. firms should be in a position to anticipate, if not actually influence, positive policy outcomes in these areas. Failure to do so will put these firms at a competitive disadvantage.

How has the emergence of the new government affected the role of government relations?

I believe that the policy-making process will become more transparent to the casual observer and there will be more open participation for "outsiders," both of which are very good for Japan and U.S. corporations.

When I worked for a member of the Liberal Democratic Party (LDP), I asked him what was the best way to follow policy development. He advised me to attend the weekly LDP committee meetings, where key members of the party and bureaucrats would gather to debate policy, decide budget allocations, and finalize legislation for submission to the Cabinet Office and then to the Diet.

By attending these meetings over the years, I was able to observe the close interaction of the politicians, bureaucrats and selected private-sector business interests, and understand the balance of power among these three groups. But most of these meetings were closed to all but politicians, bureaucrats and their staff. Given the LDP's majority in the Diet, by the time policy was decided in the LDP, the subsequent public debate in the Diet was perfunctory and unenlightening—to say the least.

With the creation of the National Strategy Bureau, the Democratic Party of Japan (DPJ) appears to be splitting the roles of campaigning and policy-making by bringing the debate and formulation of policy into the government, where it will be more openly debated and, hopefully, more transparent to the Japanese people. In this sense, the DPJ will become more similar to a political party in the U.S., where the party organization focuses on campaigning and taking care of the party faithful, while policy debate and formulation is left to party members who are politicians in Congress.

What impact will this more open approach have on U.S. business?

The DPJ's more populist stance, combined with its more open approach to debating policy and drafting legislation, means that power will gravitate to the politicians and away from the bureaucrats and, to a certain extent, away from big business. This means that politicians will need to focus on a larger cross-section of the Japanese people when considering policies.

Of course, the traditional interest groups will not disappear anytime soon, but we should expect the rise of more consumer-oriented interest groups. For instance, we are likely to see the rise of interest groups that focus on the needs of retired people, single mothers, or parents of disabled children, or those concerned about preserving Japan's environment.

As these new voices are heard in the halls of the Diet, and politicians attempt to address a more pluralistic set of interest groups, policy-making in Japan will become much more fluid and dynamic, and, perhaps, result in some unexpected outcomes.

All of this means that U.S. businesses will need to target a much broader cross-section of organizations and key individuals for their government relations strategy, and certainly politicians will require more strategic focus than before.

What does this mean for government relations in Japan?

I have always been amazed when Japanese involved in government relations tell me with a straight face that government relations, meaning advocacy, does not exist in Japan. But that is a little like asking a goldfish what it feels like to be wet. Traditional Japanese interests involved in government relations are so much a part of the policy-



making fish bowl that they do not even recognize what they do as government relations. However, as more opportunities arise for outsiders, whether they be Japanese or not, to participate in policy discussions that lead to regulatory change, I believe that those involved in government relations as specialists will have more of an opportunity to represent the interests of those who traditionally have been left out of the policy-making process. That will be a good thing for Japan, its economy, and for U.S. businesses that have a strategic, well-executed government relations program. ■

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