

"Tough words" Karatsu at the APO Secretariat

The APO was fortunate to have Dr. Hajime Karatsu, one of Japan's most respected and outspoken economists, speak to participants of the APO multi-country study mission on "Productivity and Quality Enhancement for Senior Executives" held in the APO Secretariat on 24 February. A 1981 Deming Prize winner, he is the author of the hard-hitting book *Tough Words for American Industry*, published in 1988. In the book he tells American corporations to get their act together by abandoning short-term profit motives and improving quality and productivity instead of blaming Japan for the then faltering American economy and trade deficit. Dr. Karatsu is currently Professor Emeritus, Tokai University, Japan.

Dr. Karatsu said that the development of the Japanese economy was the result of the making of things, especially with high value added. As an example, he said that raw iron ore costs about ¥2000 per ton. When this is processed into steel, the value goes up to ¥50,000 per ton. When steel is used to manufacture automobiles, the fetching price goes up to ¥1 million per ton. Value is added by skills and technology. For this reason, a country's initial economic growth is usually associated with developing the industrial sector. In a mature economy, the service sector will become more important, at least in job creation. Employment in the industrial sector will decline as more automated technology is employed. Dr. Karatsu said that 90% of robots in the world are located in Japan. New technological developments will be centered on six areas: IT, new materials, life sciences, new energy, environment, and space development. These will fuel Japan's future economic growth.



Dr. Karatsu (standing) making his presentation

According to Dr. Karatsu, in 2000, 25% of Japanese manufacturing capacity was located overseas, contributing about three million jobs worldwide. Each year, about 300,000 of these job holders are sent to Japan for training, usually for one year. However, in recent years there has been a reversal of this hollowing effect as overseas branches are returning to Japan to cope better with the rapid speed of technological change. He emphasized the importance of adaptability to change in the new world environment and the vital leadership role of top management in this matter. When asked about the future of the Japanese economy, Dr. Karatsu responded that he was not worried about the next 10 years as the current economic and business leaders would still be around to take care of things. Beyond that he could not tell. He added that current leaders must develop the next generation of leaders to ensure Japan's continued growth and prosperity. 🌀