

International Review of Administrative Sciences

<http://ras.sagepub.com/>

Japanese Bureaucracy in Transition: Regulating Deregulation

Francesco Paolo Cerase

International Review of Administrative Sciences 2002 68: 629

DOI: 10.1177/0020852302684008

The online version of this article can be found at:

<http://ras.sagepub.com/content/68/4/629>

Published by:



<http://www.sagepublications.com>

On behalf of:



International Institute of Administrative Sciences

Additional services and information for *International Review of Administrative Sciences* can be found at:

Email Alerts: <http://ras.sagepub.com/cgi/alerts>

Subscriptions: <http://ras.sagepub.com/subscriptions>

Reprints: <http://www.sagepub.com/journalsReprints.nav>

Permissions: <http://www.sagepub.com/journalsPermissions.nav>

Citations: <http://ras.sagepub.com/content/68/4/629.refs.html>

Japanese bureaucracy in transition: regulating deregulation

Francesco Paolo Cerase

Abstract

The article draws attention to the implications for the Japanese national bureaucracy of the current economic crisis of the country and of its possible passage, after having been characterized as a developmental state, to a new regulatory state. This passage is best epitomized by the liberalization and deregulation policies recently adopted. In this context the questions examined are whether the bureaucracy will accept being the sacrificial scapegoat and how this could possibly take place. The argument advanced is that the bureaucracy is probably in the best position to control its own demise which means that in so doing it may well simply become its own successor. The most effective way it has to do so, is to *regulate* the process of deregulation under way. Further attention is then addressed to the Three-year Programme for Regulatory Reform and to a number of specific deregulation measures. Although some major changes introduced or being advocated in the Japanese civil service may deeply affect the bureaucrats' status and influence, what emerges is that, so far, the role the bureaucracy has played in planning and carrying out deregulation has remained quite central.

The problem

Whatever the diagnoses that have been suggested, all commentators agree that, since the 'bubble' burst at the beginning of the 1990s, Japan's economy has been entangled in a deep crisis that is washing away the image of success the country had built in previous years. Moreover, there is a general consensus that attempts

Francesco Paolo Cerase is at the Department of Sociology, University of Naples Federico II. A Japan Foundation fellowship allowed the author to conduct the research on which this article is mainly based. The field work took place between March and May 2001. The National Graduate Institute for Policy Studies in Tokyo — its President Toru Yoshimura and Vice-President Koji Nishimoto — provided a most suitable institutional environment. Professor Daiichi Ito of GRIPS was a very generous adviser. The help and assistance of Mr Masahiro Horie (former Minister's Secretariat Councillor for Public Management and now Deputy Director-General, Japan Postal Service Agency) was essential. Daiichi Ito's and Masahiro Horie's comments to a previous version of this article and those of Jong Jun were also precious. Moreover, the list of persons who in many ways made the research possible is much longer. To all of them the author wishes to express a sincere expression of gratitude. For the research the author availed himself also of a grant from the Department of Sociology, University of Naples Federico II. CDU: 35.047(52)

International Review of Administrative Sciences [0020-8523(200212)68:4]

Copyright © 2002 IIAS. SAGE Publications (London, Thousand Oaks, CA and New Delhi), Vol. 68 (2002), 629-647; 030127

so far to end the crisis have failed because they have fallen short of enacting radical structural reforms.

Pinning down what a structural reform is, however, often remains a rather elusive if not ambiguous matter. To some extent it has to do with abolishing those very institutions and measures of economic development and social protection that have previously ensured a specific form of both economic solidity and social cohesion. Long cherished institutions, such as employment for life, seniority wage scales or welcomed welfare measures, above all in the field of social security, appear no longer viable in the face of the much tougher conditions of globalized competition or in the light of a rapidly ageing population. If this is true, structural reforms imply little less than turning Japanese society inside out.

Whether the Koizumi government will be able to put into effect some of these reforms remains an open question. Getting the idea across to Japanese public opinion and producing an 'ideological consensus' (Takao, 1999: 290) may indeed represent the first necessary step in that direction. 'Can we keep the status quo? The answer is: no. We have to reconcile ourselves with the fact that ahead of us there is a time of bloodshed' was the crude comment of a Japanese expert. 'And how long that time will be, nobody can say', he added.¹ Yet, actually letting go of long subsidized or protected sectors of the economy or facing rising unemployment rates may well be a different story.²

But in the chronicle of the frustrations of the Japanese with their country's inability to get out of the economic crisis, attention has been increasingly centred on the responsibilities of the national bureaucracy. Indeed, the latter — after having been considered the most powerful actor at the centre of Japanese economic and political life³ — appears more and more as a possible scapegoat. Of course, this is far from an unexpected event. For quite some time much impatience towards the bureaucracy has been gaining ground in vast segments of the population, who are increasingly ill-disposed to see any aspect of their life 'bureaucratically' regulated. In fact, through so-called ministerial 'administrative guidance', 'an endless array of bureaucratic practices' control and steer Japanese daily life, to an extent well documented in the literature (McVeigh, 1998; Nakamura, 1999). Presumably fully aware of people's impatience with bureaucratic over-regulation, a number of Japanese governments have tried for quite some time to remedy and smooth matters out by turning to the advice of ad hoc committees. But again, the outcome is open to discussion (Elliott, 1989; Muramatsu and Krauss, 1996; Ito, 1997; Cerase, 1999).

Seen one by one, the regulations 'afflicting' Japanese daily life are probably not uncommon to most contemporary advanced countries. What perhaps makes the difference is that in the Japanese case they are very detailed, interlocked and enforced with considerable determination. In the end, impatience with bureaucratic over-regulation has undermined the people's trust. The once general respect for the bureaucrats' efficiency has increasingly given way to a resentment for what is perceived as an intrusion into one's life. However excessive the assertion may seem, Nakamura goes as far as stating that 'Japanese consumers believe

that government over-regulation [is] the primary source for the plight of their lives' (Nakamura, 1999: 133). Not to mention the loss of esteem and public confidence in the national bureaucracy due to recent cases of corruption that have somehow tarnished the image of integrity and concern for the national interest that the bureaucracy had succeeded in building for itself.

However, what is somewhat unexpected is that the bureaucracy also appears as a scapegoat in the criticisms coming from some sectors of government and big business, that is within sectors where, until recently, it found its main 'allies'. After all, the strength of the national bureaucracy has rested mainly on the fact that each ministry has had 'a tendency to represent certain related interests of society' (Muramatsu, 1997: 14). Communication, consultation and coordination between ministries and national agencies with major enterprises and industrial organizations has long been an established practice. Undoubtedly, the 'policy-making market', as a form of competition among the bureaucracies of the different ministries in representing socioeconomic interests, has provided them with an arena for securing and increasing influence. In the long run, however, it has led also to much criticized bureaucratic sectionalism and fragmentation (Muramatsu, 1997). And yet, coming from certain groups, and often echoed and amplified in the media, reports on the responsibilities of the bureaucracy have taken on a somewhat 'sacrificial' character. In the end, the notion that 'the failure of the market', far from coming from within the market itself, may stem from excessive public controls has increasingly gained ground.

Certainly, abolishing the influence of the bureaucracy, per se, can hardly be considered to be the thrust behind deregulation. As already hinted, tougher and growing global competition, internal financial difficulties, the fact that the patronage system upon which the Liberal Democratic Party had built its political dominance is definitively no longer viable — to name but a few — are concomitant factors which are considerably more relevant. Yet, once it is admitted that the bureaucrats' influence 'rests on the regulatory power they command' (Nakamura, 1999: 128), deregulation implies that the bureaucracy may well lose its grip on society and the latter become more distinctive and autonomous.

Whether the bureaucracy will accept this role of 'sacrificial' scapegoat and let itself be pushed to a backwater of the national scene — i.e. whether it will actually stop exercising any steering role and recede to a considerably more modest 'service' position — is, however, only one of the questions worth investigating. In point of fact, abolishing previous 'bureaucratic' controls and regulations does not mean abolishing any regulation of economic and social life. What is at stake may very well be more than a definitive shift of the Japanese state from being a developmental state, based on — in Johnson's terms — a peculiar mixture or coexistence of soft authoritarianism and capitalism (Johnson, 1982; 1987) to becoming a regulatory state. At stake is the capacity to put into effect a new, more flexible form of regulation. The other question worth investigating is the way in which is this taking place and the role the bureaucracy is actually playing.

One — and possibly the most effective — way open to the bureaucracy to

avoid relinquishing its source of power would be to *regulate* deregulation. Of course, this will require that regulation itself be reconceptualized and readdressed according to new strategies and objectives, but it means that the role of the bureaucracy will be no less central than the one it has so far played in Japanese polity and society. The more the bureaucracy can succeed in regulating the process of deregulation, the more it will remain the pivotal element in the Japanese system of governance. It is possible that deregulation, far from resulting in the debureaucratization of society, will itself be curbed by new administrative guidelines. Indeed, through the role it is playing the bureaucracy may actually control the process of its own demise thus regenerating itself. 'Bureaucraticism' — states Muramatsu — 'is the ethos of an elite which places emphasis on practical efficiency, functional specialization and dependence on fixed laws' (Muramatsu, 1997: 13). In this sense the ethos of Japanese bureaucracy may well remain the same.

In the following sections attention will be placed on the most recent proposals within the programme for promoting regulatory reform and on the novel character they are intended to represent. Some major changes being introduced or advocated in the Japanese civil service meant to affect the bureaucrats' status and influence will be mentioned. Next, a brief discussion of how the programme was actually compiled and the way in which deregulation is being managed in a number of specific sectors will help to put the questions and the argument advanced here into better focus and enable some tentative conclusions to be drawn as to where the 'transition' underway may lead.

The Three-year Programme for Promoting Regulatory Reform

In the cabinet meeting of 30 March 2001, the Japanese government adopted a new Three-year Programme for Promoting Regulatory Reform (*Kisei Kaikaku Suishin Sankanen Keikaku*).⁴ In line with the opening remarks of this discussion, the basic aim of the programme is to foster social and economic structural reform in the country. More explicitly, its main objectives are to bolster economic growth, revitalize the economy, realize an internationally open economy as well as achieving a highly transparent, fair and reliable economy. In this, reflecting the main issues that dominate the debate over regulatory reform (Gönenç et al., 2001), the programme relies heavily on removing entry barriers in competitive markets and on closely examining the pros and cons of the deregulation measures adopted or considered for adoption. In particular, it ensures that they are congruent with important non-economic objectives, such as universality of service and the well-being of society at large.

Accordingly, the reform foresees a radical review of all regulations with the purpose of promoting their abolition or relaxation and of revising their implementation whenever they appear to conflict with the principle that economic activity should be free with regulation limited to the necessary minimum. In this sense, in contrast to previous commentaries (Carlile and Tilton, 1998), a 'real' change may actually be under way. Indeed — as also emerged almost unanimously in the

interviews that were conducted — ‘competition’ in itself is to be considered as a fundamental asset and the role the government is required to play is to facilitate in all possible ways its beneficial effects on the economy and society.

Consequently, according to the reform programme, regulation is to undergo a transition from a licensing system to one of approval and then a notification system. Rationalization will imply not only simplification and clarification but also the adoption of private sector practices. More to the point, the reform aims at enforcing a new regulatory logic whereby administrative management is no longer based on prior regulation but rather on monitoring compliance to given rules. Finally, to be successful the reform effort is expected to be linked and co-ordinated with the actions of all other public actors involved, and to rely upon citizens’ concern.

Next, the reform programme spells out the measures to be adopted in different sectors, specifying the ‘basic policy’ to be followed and the ‘priority’ items that deserve regulatory reform. A distinction, however, is drawn between measures addressed to ‘individual sectors’ (such as legal, financial, education and research, and so on) and the so-called cross-sectors. Among the latter, a great emphasis is put on information technology (IT), ‘competition policy’ and ‘standards and certification’. The last two deserve particular attention here.

Promoting free and fair market competition is considered the basic condition for the revitalization of the Japanese economy and the realization of an affluent society.⁵ Consequently, an effective ‘competition policy’ is called for. Such a policy is to revolve around the enforcement of the Anti-monopoly Law, the abolition of regulations that limit consumers’ choice and the inventiveness of businesses. In this light a case is made for vigorous government actions aimed at severely preventing pricing and bidding cartels and dealing with illegal dumping or any other unfair trading practices. Specific attention is addressed to practices that may disadvantage small and medium-sized enterprises. These actions may take the form of direct investigations of the activity of individual firms or business by officials of the ministries or agencies in charge. Furthermore, concerted action between government bodies and commissions is called for in order to prevent ‘anti-competitive administrative guidance’, following the regulatory reform, from counteracting and neutralizing it. The importance of this point should not be overlooked. As Carlile and Tilton (1998: 206) point out, in the recent past regulatory reform in Japan has unfolded on two ‘planes’. One plane, associated with the centralized administration reform movement, is the one referred to in this discussion; the other ‘is that on which the ministerial — and sectoral — level decisions, or “mesolevel” decision-making, unfolds. In the Japanese regulatory reform processes the two planes have at best only tenuously integrated’.

Standardization alongside hierarchies (or formal organizations) and markets represents a third form for coordinating human action, including, of course, economic action (Brunsson and Jacobsson, 2000, Chs 1 and 2 in particular). The fact that within the Japanese Three-year Reform Programme a ‘standards and certification’ cross-sector is singled out as one deserving basic policy attention appears

at first sight to be in line with this kind of development. It is worth noting, however, that in referring to standards and certification systems, the reform programme addresses its attention specifically to those that are set and administered by the government with the purpose of safeguarding the livelihood, health and assets of the citizenry. But as a matter of fact these standards and certification systems may also turn into a burden for corporate activities or narrow the choices of consumers. In this case the programme calls for a revision of standards and certifications in order to limit them to only those that are actually deemed necessary. Furthermore — moving away from the present system — the government is required to promote: a transition toward a system based on ‘self-confirmation and self-maintenance’ by businesses on the bases of *ex post facto* measures; the international harmonization of standards; the adoption of performance-based standards; and the elimination of duplicate inspections that may originate from multiple laws.

As this brief review has tried to highlight, ‘The Three-year Programme for Promoting Regulatory Reform’ appears clearly inspired by the will to relax regulation, facilitate competition and enforce a retrenchment of bureaucratic control over economic and social life. As anticipated, however, under closer scrutiny the means envisaged to do so revolve on turning to a new form of regulation. Whether this is in line with previous experiences when liberalization or ‘freer market’ has, in fact, resulted in ‘more rules’ (Vogel, 1996: 138–65) or whether it will instead open the road to quite new developments remains to be seen. For sure, no matter how much it echoes a ‘marketization’ ideology and how couched in ‘managerial’ jargon the programme may appear, in the end its possible success rests on coordinated, concerted and, above all, vigorous government action. Faced with increasing economic constraints, the key words in envisaging a new process of governing seem retrenchment, letting go of many kinds of controls and leaving individuals free to pursue their interests as they see fit. But then retrenchment appears to be constantly counterbalanced by new administrative guidance, loosening control by monitoring compliance to new rules or freely pursuing or seeking individual interests by calling for concerted action. To sum up, more than marketization and managerialism, what is really sought is a new form of regulation.

The notion of ‘regulating deregulation’ around which this article revolves may not be new in itself. What is more likely to be new, however, is the fact that in the wake of the new deregulation thrust the bureaucrats may actually be induced to redefine the scope and content of the ‘guidance’ they are called to exercise. The main argument advanced here is that in the end this notion may be more congruent with a new form of governance close to the one conceptualized in recent literature (Pierre, 2000; Pierre and Peters, 2000). But whether and how this form of governance will actually take hold does not depend on how much current developments will contribute to shrinking the influence of the bureaucracy in the process of governing. Rather it will depend on the type of remodelling the bureaucracy will actually go through and on how this will allow it to keep a

central position in the process of governing. The signals that it will succeed in doing so are rather contradictory.

On the one hand, as already mentioned, never before has the bureaucracy found itself under siege from all sides and this may heavily condition its remodelling. Indeed, the way in which the bureaucrats as a whole come out of the siege will influence the effectiveness with which they will be able to perform the new regulatory role bestowed upon them. On the other, the stand it is actually taking in the remodelling process under way is not indicative of it stepping out of the limelight. After dealing very briefly with the first signal, the discussion will dwell at some length with the second.

Weakening the bureaucracy's esprit de corps and the ambiguities of managerialism

The strength of the national bureaucracy could hardly have become consolidated and its influence have pervaded society at large had it not been for the peculiarity of its relationships with the political actors and the characteristics of the Japanese civil service. The remodelling the bureaucracy is undergoing reflects the forceful questioning and the radical changes being advocated on both these aspects.

As to *the relationship with politicians*, it has long been a recurrent theme that the bureaucracy has actually been 'governing' the country in their place (Koh, 1989; Pempel, 1992; Abe et al., 1994; Johnson, 1995; Moon and Ingraham, 1998). The explanation may well lie in the shortcomings of the politicians more than in the invasive efficiency of the bureaucrats. But — it was stressed in interviews with both experts and top government officials — 'bureaucrats can no longer perform the job of politicians'. Their job can be nothing other than that of 'a good staff able to give good advice'. Whether this is about to occur is doubtful, if for no other reason than the bureaucrats provide the channels for contacts and exchange of information among politicians. As one high-ranking official put it, they provide 'the know-how for managing differences in opinion among politicians'. As it is, bureaucrats are still well entrenched in that core position of the governmental process where different views and interests intersect and compromises are reached.

As to *the characteristics (recruitment, career and retirement) of the civil service*, radical changes are also advocated. This is often supported by the argument that the Japanese administration needs to open itself to a managerial approach. Two points are worth discussing here: one relates to the fact that, if enacted, these changes may deeply undermine the strength of the bureaucracy's esprit de corps; the second is how much managerialism really counts.

To suggest that an esprit de corps pervades the whole bureaucracy may appear to conflict with what has been previously asserted in relation to the strong sectionalism and fragmentation existing among ministries (Muramatsu, 1997). Indeed, individual ministries are often identified as the major actors in conflict with each other for the control of given liberalization policies (Agata, 1997). And, as has been recently argued in another specific case, 'sanction power' is one of

the key variables explaining the variations in policy-making (Kawabata, 2001). However, even in these instances, what counts is that the organizational logic is the same and that one ministry prevailing over another is another way to reassert bureaucratic supremacy. In this sense strengthening the influence of a given administration and that of the bureaucracy as a whole go hand in hand. This influence could hardly be exercised if it were not nourished by the strong sense of loyalty the individual bureaucrat has towards his/her administration and, at the same time, the sense of belonging to the bureaucracy as a whole. It has been amply documented that the mechanisms by which both this sense of loyalty and of belonging build up are rooted in the recruitment, career and retirement systems of the Japanese civil service.

This system is now under growing pressure to change: allowing each ministry or agency to recruit new personnel autonomously, allowing 'side entries' from the private sector, moving training away from the generalist orientation, eliminating or loosening the career system based on seniority, doing away with the *amakudari* practice are major aspects of this change. What needs to be pointed out here is that the effects of these changes may be manifold. In particular, they may affect the bureaucrats' esprit de corps⁶ and this, in turn, may be of some relevance to their performance in the new regulatory role.

The worst blow to the bureaucratic esprit de corps may come from the change to the career system. As many commentators have noted (for example, Kim, 1988; Campbell, 1989; Cerase, 1995; McVeigh, 1998), it is within this system that the different strings leading to the bureaucrats' organizational cohesion and integration are closely knit together. However distant — to say the least — the career system based on 'entrance-year' originates from managerial principles and, whatever its shortcomings, it has nevertheless fulfilled some very crucial functions. It has provided a promotion mechanism that excludes no-one. Being perceived as a process that reinforces group identity, it has provided a mechanism capable of keeping tensions and conflicts under control. It has provided a mechanism of self-legitimacy. Because it is open to anyone who shows that they are doing the best s/he can, even those who may appear to come out as 'losers', in fact, feel legitimated in the position they hold. Finally, it has provided a cross-administration mechanism for the reciprocal recognition of the legitimate promotion of public officials. In this sense it has further strengthened their sense of belonging to the bureaucratic body as a whole. Whether these functions will still be fulfilled, and with the same effectiveness, once much tougher competitive managerial criteria of career are adopted, is at least uncertain.

Finally, it is worth noting that the end of 'life-long employment' may have a multiplier effect on some of the changes just mentioned. De facto no longer observed in the private sector, life tenure is still a rule in public employment. 'But' — commented an expert — 'life-long employment is no longer feasible, nowhere.' Admittedly, he went on to say, 'all this may produce some confusion, and we should try to minimize confusion, but we cannot avoid moving on with this kind of changes and experiment new systems. We need injections of new,

managerial ideas.' To what extent managerialism is indeed the challenge Japanese bureaucracy faces is the next question worth examining. Whatever the 'confusion' may be, what counts is that a 'confused' bureaucracy may be quite detrimental to the building of a new governance system. Seen in the light of the much criticized bureaucratic sectionalism and fragmentation, the loosening of the identification of public officials with 'their' administration which the changes just mentioned may lead to, may be considered a benefit. But the cohesiveness embodied in a generalized esprit de corps is also at stake. And the lack of a cohesive and homogeneous bureaucracy, seen in the light of the following discussion on how deregulation is actually taking place and being managed, may be no less detrimental.

The changes just referred to are usually framed within the argument that the Japanese administration needs to adopt a managerial approach. Indeed, they are seen as a way to overcome what is otherwise considered a resistance or simply the indifference (Nakamura, 1999: 130) of Japanese bureaucrats to the introduction of managerial principles and criteria. It has been noted that in many ways the Japanese bureaucracy comes quite close to the Weberian model (Kim, 1988: 15). Yet, it presents a number of peculiarities (and the previous comments have hinted at some of them) that grant it a distinctive institutional character. The emphasis some commentators put on managerialism may well serve to put this distinctiveness into better focus. At the same time, understanding this distinctiveness may help to highlight some of the persisting ambiguities of managerialism and its rhetoric and why in the Japanese case insisting on putting emphasis on it may be misleading.

A recurrent sermon found in most of the literature on managerialism is that anything connected to a bureaucratic ethos should be abolished. But the crucial problem in organizing remains that of limiting uncertainties and at the same time ensuring the best possible cooperation and coordination among the actors involved. The managerial answer to this problem is based on hierarchy (that is, authoritative relationships) no less than the bureaucratic one. And managerialism equally relies upon 'bureaucratic' principles and characteristics — such as well-defined organizational procedures and rules guiding individual behaviour, or clear division and assignment of tasks — meant to reduce uncertainty and strengthen cooperative behaviour and coordination.

Another recurrent theme in the managerial literature relates to the willingness of the individual actor to participate and contribute to the collective organizational endeavour. Now, no matter how hierarchical and rigid the Japanese bureaucracy may appear, there is ample evidence indicating that its officials seem to share a sense of mission and of participating to the pursuit of a common goal that is hard to find in many 'managerial' arrangements.

Moreover, managerialism puts a great emphasis on spelling out the 'objectives' to be met by each organizational unit, on measuring and evaluating individual performance according to how much these objectives are actually attained and on adopting practices that afford a better match between the objectives and

the outcomes of administrative action. However, when applied to the objectives of public administration, what really matters — and can make the difference — is how much those objectives reflect or respond to institutional obligations. Furthermore, the matching just mentioned, perhaps more than on the organizational arrangement, depends on how much a given administration is able and well equipped to carry out *ex ante* evaluations. Indeed, on closer examination the actual working of Japanese bureaucracy comes quite close to meeting the substance of these requirements. Of course, this is far from implying that the Japanese bureaucracy has rejected and dramatically moved away from its entrenched ‘bureaucratic’ organizational arrangement. It is more likely to mean that it can find within itself the institutional resources to adapt and absorb at the same time what are otherwise considered sweeping managerial principles and criteria in contrast with bureaucratic management.

The interpretation offered here is somewhat akin to the one referred to by Muramatsu and Krauss to explain the reform movement in Japan as evolving within its own institutional development process (Muramatsu and Krauss, 1996). In rejecting the accusation of being reluctant to accept managerial innovations, a top governmental official explained:

In Japan we [government officials] do not give new names to every new thing we do. In fact, many new things being proposed that are coming to us with new names are quite similar to what we have been doing for quite some time. . . . And since we do not give new special names to what we are doing, mass media are misled in thinking that what others [in some Western countries] are doing is new and innovative, whereas here we stick always to the same ways and are conservative. But actually we have introduced a lot of changes, with a step-by-step approach. And within the confinement of Japanese culture and behavioural patterns we have been very successful.

The practice of Japanese bureaucracy to examine *ex ante* and in some detail the feasibility and consequences of any new administrative measure may actually involve a lot of time spent not in calculations and forecasts but in innumerable painstaking meetings to consult with or hear all the different actors involved (both within and outside the administration). This practice, considered to be in line with the ‘Japanese way’, aims to provide the best ground for connecting the individual to the institutional task, and possibly initiating project-planning and team work, as well as at reaching a certain consensus among the parties involved in order to facilitate implementation and prevent later conflict. Whether the latter does, in fact, happen is an open question. It does, however, enable Japanese bureaucrats to anticipate with considerable accuracy the possible outcomes of administrative actions. What is more, it allows them to be constantly informed and well aware of the multifaceted implications of the measures they are required to enact. Even more to the point, the constant contacts with the different actors involved serve as a unique practice to learn how to take into account the different point of views and interests at stake, which is the first step in learning how to manage and coordinate through networking. However necessary the possession

of solid administrative knowledge and advanced skills may be, this specific competency is crucial for a new form of governance to take hold. Rather than the one related to a 'managerial turn', the question at stake for the Japanese bureaucracy may be how to capitalize on this competency. I shall return shortly to this point in the discussion.

Negotiating deregulation: the new regulators

'What I see' — said one expert in referring to the regulatory reform under way — 'is the bureaucrat becoming more of a prosecutor, and much less of a negotiator trying to accommodate so many different interests.' That the Japanese bureaucrat may learn to be more like a prosecutor is possible and perhaps desirable. What is more doubtful — and because there is no less need for it — is that s/he is becoming less of a negotiator. A review of how the Three-year Programme for Promoting Regulatory Reform was actually worked out,⁷ and a few examples of the way in which deregulation is actually taking place clarify this point.

After reviewing the reform programme (as seen in the second section), in the context of this discussion there are three underlying themes upon which it is worth centring attention: that indeed deregulation does away with many detailed and strict rules but, in many respects, it also results in new regulation; that the latter is conceived as the most effective measure to spur and at the same time control the developmental process of the country; and that, however tacitly, the bureaucracy remains at the centre of the process.

As to the first theme, deregulation — especially whenever it means doing away with authorizations, permits or licensing needed in order for anyone to be allowed to undertake a given activity — is meant to widen the spectrum of choices offered to any undertaking or enterprise or, at least, to facilitate or smooth its progress. Most of the time, however, and in particular in the cases referred to, deregulation is accompanied by new regulations that call for some kind of ex post control or evaluation over the actual performance of a given activity or performance. The relaxation of bureaucratic control over daily economic or social life that this kind of deregulation implies may then be counterbalanced by the ex post control the new regulations entail.

As to the second theme, new regulation is also advocated in order to reach such broad objectives as revitalizing the economy and realizing an affluent society. Consequently it is aimed at providing the best possible conditions for the functioning of the mechanisms through which — it is believed — those objectives can be reached. The new regulations associated with the strengthening of the 'competition policy' mentioned earlier are perhaps the best example of this. This condition is met, however, if competition is not only free but also 'fair'. In substance, the new regulations are aimed at ensuring that market forces are free to express all their assumed potential but also at avoiding 'unfair' competition. This may go as far as requiring, however paradoxical it may seem, that less powerful economic actors be 'protected' by 'asymmetrical regulations' when competing with more powerful actors, both national and international. In the end, the road to

achieving this may perhaps be quite different but spurring and keeping the process of the development of the country under control is still considered a major state concern.

Finally, however essential the political stimulus and support by government parties in favour of deregulation is, the responsibility for drawing up the actual three-year programme rested on the bureaucrats of the Ministry of Public Management.⁸ In accordance with Japanese practice, most of the 'talk' and 'negotiation' with all interested parties needed before an item could finally be included in the programme was carried out by them. The 'pros' and 'cons' for each item were carefully considered. Representatives of the industries concerned, consumer activists, experts and specialists together with officials from the Ministries concerned participated in the process. Of course, the agreement of the members of the policy committees of the government parties had also to be secured, since no cabinet decision can be taken without having previously ascertained the agreement of the governing political parties. This required further 'talks' and 'explanations'.

In this sense the programme was also the outcome of an enormous amount of 'bureaucratic' work. As one top official put it, 'deregulation or the items included in the programme may be new, but the way to conduct and sum up the process that has led to it, is quite familiar to us'. And — more to the point — 'we are accustomed to putting together different ideas or viewpoints; we know how to coordinate different opinions and interests in order to get to a final agreement and get things done; we know how to get politicians to agree'. In substance, the bureaucrats have served first as the recipients of the demands of the different interested parties and provided the connecting links among them. They have then proved able to merge and accommodate the different demands in a single proposal that all the parties concerned have found acceptable. This is what they *added* to the process. Once again here lies their specific competency. In this they may prove to be quite irreplaceable.

The themes just outlined emerged even more clearly in the discussion of a number of concrete deregulation measures governmental officials were involved in as part of their job and relating to different sectors, such as financial administration, electricity, telecommunications, transport. In particular, the discussion focused on

- deregulation concerning financial services, which has led to a relaxation of the rules allowing entry into the different categories of financial institutions (commercial, long-term credit, trust banks, etc.) as well as the type of services a given institution can provide;
- liberalization of the electricity supply, which has revolved, as in many other countries, around the separation of production or generation of electricity power from its transmission and distribution;
- liberalization of the telecommunications market, which has consisted, after the privatization of the Nippon Telegraph Telecommunications Public Corpora-

tion (NTT) in 1985, in repeated attempts to put into effect the end of NTT's monopoly in telecommunications services;

- deregulation of general passenger motor transport businesses, which has meant gradually doing away with the balancing of demand and supply as the basic principle for regulating new entries into these businesses.⁹

In line with the previous discussion, the liberalization measures in these sectors have always been advocated in the name of healthy competition and better service for the consumers. In general they appear to have been well received as timely and necessary. Furthermore, some commentators see in them a way to weaken the old ties between ministries or national agencies and related industrial interests, in the sense pointed out before. Yet, these measures have also spurred a debate as to their negative side effects or undesirable consequences. More explicitly, assuming that they will actually lead to lower prices, in more than one instance doubts have been raised as to their also leading to better services, to ensuring business transparency, keeping high standards in safety measures, preserving substantial equity — to name only a few issues. These issues were also discussed at some length in interviews with experts and governmental officials. The opinions that emerged were somewhat different and revealed, in the terms of one of them, a 'progressive' and a 'conservative' stand according to whether interviewees were more or less willing to espouse the argument of the overall beneficial effects of deregulation. Even more adamant was a senior civil servant from the Ministry of Posts and Telecommunications who spoke against what he called 'market fundamentalists' who 'simply do not see the devastating consequences that the blind acceptance of market rules and global competition would have for our egalitarian society and our traditional values'.¹⁰

However, all governmental officials interviewed agreed upon three points:

1. No-one questioned the specific deregulation measures taken in the matters their own ministry had jurisdiction on. These measures were always presented positively and convincingly as beneficial to Japanese economy and society.

2. Whatever the issues discussed, and regardless of whether the officials took a 'progressive' (i.e. more convincingly 'liberal') or 'conservative' (i.e. more 'traditional') stand, there was a general consensus that what is needed both for the effective handling of these issues and to ensure that deregulation will, in fact, yield its potential benefits, is *new rules* calling for concerted action, monitoring, inspection (and — if necessary — sanctions). The new ministerial guidelines — the format rules may ultimately take — must focus much less on the possession of prerequisites that have to be proved, for example, to enter a given business and much more on the performing standards that have to be met. As to monitoring and inspection, one official from the Ministry of Trade and Industry put it this way:

If you liberalize more, then the system must adapt to the more chaotic, voluntary, self-initiated process. And that may require more vigorous inspection, . . . it is important that everyone understands and adapts to the rules and guidelines.

And another from the Ministry of Transport asserted:

We do a lot of monitoring also by advice . . . We ask business operators to come and see us, but often they come on their own because they want to make sure they have understood correctly. . . .¹¹

3. In all cases governmental officials think that the responsibility for initiating whatever deregulation (or regulatory reform) measure rests with the political leadership.

At this point of the discussion the final question worth turning attention to concerns the government officials' perception of their contribution and role in the process of regulatory reform. The question is whether, and how, being part of this process is changing their outlook as bureaucrats, their way of looking at their job, their perception of what is asked of them or whether it simply represents another instance in which they have to readapt, keep doing the same job in a different way. In other words, whether it implies a real change of perspective or is it only a matter of (re)adjustment.

A double, and subtle, divisive line seems to emerge. On the one hand, there are those who take a neutral stand. They think that what is asked of them is just to be 'good interpreters', as one official from the Ministry of Transport put it. On the other, there are those who take a more active stand vis-à-vis the deregulation measures. However, they are divided between those who perceive that taking part in the new regulatory reform implies both the full acceptance of the logic that sustains it and a change in their mission (one might call them 'the globalized liberal'), and those who, in contrast, though acknowledging the benefits the regulatory reform can yield, believe that reaping them, without due control, can be detrimental to societal cohesion. Their stand is more 'traditional' in that they see their participation in the reform as a call for the reinforcement of their mission 'to work for the country', as an official from the Ministry of Posts and Telecommunications put it, and safeguard as much as possible national values (in a way they embody a kind of 'the last samurai').

Yet, whatever stand governmental officials seemed to take, from their accounts of the process of deregulation what emerged as common to them all was that they are at the centre of the scene. The perception all governmental officials seemed to share is that they are 'the regulators', which means that the task of *managing* the new rules falls upon them. One of them from the Ministry of Trade and Industry asserted straightforwardly 'We are the regulators. . . . We monitor . . . We do the necessary inspections . . .'. In the end, far from being on the defensive, the clear-cut impression they conveyed is that they actually control what is going on. Perhaps it is too much to say that this is taken for granted; certainly it appears as if it could not be otherwise. And this statement needs some conclusive comment.

Looking ahead to the not too distant future

In the course of the 1990s, a shift from government to the new concept of *governance* has emerged as the main development in the process of governing. Viewed as referring to the government's 'changing capacity to pursue collective interests under severe external and internal constraints' (Pierre and Peters, 2000: 7), in general it calls for a reorientation in the relationship between the state and civil society (Rhodes, 1997).¹² At stake is the capacity to reach 'mutually acceptable decisions' or facilitate society by doing 'more self-steering' (Peters, 2000: 36). This new conception of governance implies a new awareness of the interdependence existing between the different interests, and actors, involved in any given issue. The point is that this interdependence cannot be governed hierarchically. The guiding principle has become that effective coordination of the different interests at play can be better reached by negotiation, exchange, trust and reciprocity (Rhodes, 2000: 61) rather than by issuing orders. As in public management, increasing emphasis has been placed on networking skills related to communication, negotiation, persuasion and coordination.

However substantial this growing emphasis has been, to turn it into administrative practice has, nevertheless, not proved easy. To some extent this may be due to the fact that the new concept of governance although in many ways congruent with the NPM approach, in some other respects it has also been considered in contrast if not an alternative to it (Kickert, 1997). In particular, the morality of self-interest built into NPM and its subsequent objects of commitment (Virtanen, 2000: 336–8) may not be easy to reconcile with those of an effective coordination and harmonization of the different interests involved as called for by successful governance.

Pulling the threads of the previous discussion together, there is enough evidence to suggest that Japanese bureaucrats may, in fact, succeed more easily where others are struggling. However, the remodelling under way may not necessarily help. On one hand, their experience with negotiation and familiarity with reaching compromises may considerably facilitate their training in the networking skills just mentioned. This, of course, does not mean that there is a direct link between their former experience and the networking proficiency implied in the new governance approach. It means, however, that the bureaucrats' skill in persuading and mediating between different interests may prove to be quite a useful resource. Whether this will be ensured in a different service system is an open question. On the other hand, their moral commitment to the goals of their 'administration' and their capacity to evaluate effects prior to action may put them into a better position to keep the undesirable consequences of self-interest under control. Certainly, in order to do so they need to escape the trap of sectionalism and fragmentation — and to this effect marketization and managerialism can hardly be considered an antidote (see Kettl, 2000: 12). But they also need to resist the siren of a new divisiveness between 'traditionalists' and 'globalized liberals'. To this end, keeping a strong cohesive esprit de corps may help considerably.

Looking ahead to the not too distant future, it is hard to predict how events will

actually evolve. It is possible that the regulatory reform under way may prove an adequate frame in which to handle the critical situation the country finds itself. In that case the bureaucracy, far from having been a hindrance, may reasonably claim to have been an asset.

Appendix: a methodological note

As mentioned in Note 1, a great part of the data relevant to the discussion developed in the text was collected during the field work conducted in Tokyo from mid-March to mid-May 2001.

The main purpose of the field work was to collect reliable data about the deregulation process under way. Rather than opting for anything resembling a survey and following statistical criteria, the choice fell on qualitative interviews of both governmental officials involved in deregulation measures and experts who, for whatever reason, had a first-hand and deep knowledge of the reform process under way. Consequently, the work consisted mainly in three parts:

- The acquisition of mostly government official material related to liberalization and deregulation policies.
- Detailed interviews with high-ranking governmental officials aimed at ascertaining how concrete deregulation measures were being handled in their ministries. For this purpose, the Ministry of Finance (*Zaimusho*), of Economy, Trade and Industry (*Keizaisangyosho*), of Home Affairs, Public Management, Posts and Telecommunications (*Somusho*), and of Land, Infrastructure and Transport (*Kokudokotsusho*) were selected. Similar interviews with local government officials were also conducted. All the interviews, from a total of nine, except one, were taped and later transcribed.
- Detailed interviews with 'experts' were carried out and aimed at acquiring a somewhat non-governmental or independent point of view of the process under way from persons who, for different reasons, had first-hand knowledge of it. Thus, in some cases these experts were former governmental officials or politicians previously involved in deregulation policies, in other senior researchers of think-tank institutions or university professors who, in different ways, had participated in the preparatory work that led to the adoption of deregulation measures. Similar interviews with university professors who had been involved in liberalization and deregulation policies for their own research purposes, were also conducted. All the interviews, from a total of seven, were taped and later transcribed.

The field work included numerous informal 'chats' with university professors and researchers — mainly sociologists and political scientists — who, in many ways, could provide the necessary information regarding both the general context and other points of view on the matter being investigated.

Notes

1. For this and the following interviews referred to in the text, see the methodological note in the Appendix.

2. Protection of Japanese producers of stone leeks, fresh *shiitake* mushrooms and rushes used to wave tatami against surging cheaper imports from China, and the subsequent Chinese retaliation on a number of technological Japanese products, is a good example of the ambiguities that continue to surround the question. It was rather paradoxical that in the main 'Business: Domestic' page of *The Japan Times* of 31 March 2001, a five-column title 'Ministers Urge Curbs on Chinese Imports' appeared next to the title giving the news of the government 'deregulation plan', announcing — as will emerge in the next section — major 'structural reforms' as a way to foster national competitiveness.

3. A view well portrayed in the notion of a 'bureaucracy-led' nexus with politicians and civil society (the so-called 'Political Nexus Triad') (Moon and Ingraham, 1998). Moreover, Shindo (2002) has recently addressed attention both to the fact that in some sectors the bureaucrats' power has anything but diminished and to its 'pathology'.

4. The programme may be considered one more effort to push forward the overall administrative reform, a term — it has been pointed out — that associates regulatory reform with the idea of agency reorganization (Carlile, 1998: 76–7).

5. Whether setting effective conditions for fair competition is actually possible or only an elusive chimera is, of course, a different question.

6. Not to mention that the present system allows the individual bureaucrat to acquire a generalized and direct knowledge of the administration as a whole both in terms of the work practice and of the people who work in it, that is acquire what has been aptly referred to as 'workplace competency' (Mizutani, 1999: 359).

7. The Three-year Programme for Promoting Regulatory Reform includes 554 items. The bulk of these (about 250) reflect the recommendations made by the Regulatory Reform Committee to the Prime Minister in its final report. A good many items originate from within the Ministries and Agencies themselves. Others are based on requests or demands coming from different sectors of Japanese society or even from foreign operators. The report was presented in December 2000 and was the outcome of three years' work. In it the Committee also spelled out the background logic supporting the reform.

8. Hereafter the ministries' names are reported in a short form. Their full name is given in the Appendix.

9. The purpose here is not that of examining in any detail the liberalization policies adopted in these sectors. Reference to the cases mentioned is only meant to provide further evidence for the argument developed in the text.

10. In particular he referred to deregulation measures taken in the retail trade. His contention was that the new measures, in as much as they allowed big shopping centres to be opened in any locality, were, in fact, detrimental to the survival of small business. 'The result,' he went on to say, 'is that the shopping streets in small town, particularly in rural areas, are becoming abandoned ghost streets, and the cultural traditions of old Japanese communities are being destroyed.' Attention to this type of problem was also addressed by the deputy mayor of one of the central wards (*ku*) of Tokyo in exposing the main problems his administration had to face. In his ward, between 1994 and 1997 the number of retail shops had decreased from 4417 to 4272.

11. As to concerted action, however, the fact that the representatives of all the parties and interests involved participate in the process does not mean that they have the same influence over the proposals that are being formulated. Indeed, at times some of them may have no influence whatsoever (if for no other reason than they are little prepared to master or tackle the matter under discussion). For example, asked about the voice consumers' associations had in relation to the measures of deregulation being discussed, on the whole the governmental officials answered that they had very little or none. But unions as well, in

spite of the obvious employment implications some of the measures had, did not seem to have much of a voice. In spite of different recent signals concerning participation in the political process at large, this would seem more in line with previous findings that citizens' and other interest groups' participation in public administration is rather low (Jun and Muto, 1995). This leaves quite open the question of how effective the new regulatory system is in taking into consideration the different interests involved.

12. Of course, this is only one of a number of meanings and ways in which the term 'governance' has been used to characterize different models of public-private interactions (see Larmour, 1997; Stoker, 1998; Rhodes, 2000: 55–63; Jun, 2001).

References

- Abe, H., Shindo, M. and Kawato, S. (1994) *The Government and Politics of Japan*. Tokyo: University of Tokyo Press.
- Agata, K. (1997) 'Three Contentious Issues in the Political Process of Telecommunication Liberalization in Japan: Neglect of Infrastructural Problems?', in M. Muramatsu and F. Naschold (eds) *State and Administration in Japan and Germany: A Comparative Perspective on Continuity and Change*. Berlin: de Gruyter.
- Brunsson, N. and Jacobsson, B. (2000) *A World of Standards*. Oxford: Oxford University Press.
- Campbell, J.C. (1989) 'Democracy and Bureaucracy in Japan', in T. Ishida and E.S. Krauss (eds) *Democracy in Japan*. Pittsburgh, PA: University of Pittsburgh Press.
- Carlile, L.E. (1998) 'The Politics of Administrative Reform', in L.E. Carlile and M.C. Tilton (eds) *Is Japan Really Changing Its Ways? Regulatory Reform and the Japanese Economy*. Washington, DC: The Brookings Institution.
- Carlile, L.E. and Tilton, M.C. (eds) (1998) *Is Japan Really Changing Its Ways? Regulatory Reform and the Japanese Economy*. Washington, DC: The Brookings Institution.
- Cerese, F.P. (1995) 'Ingresso e carriera nell'alta burocrazia giapponese', *Amministrare* XXV(3): 377–95.
- Cerese, F.P. (1999) 'Winds of Change in the Japanese Public Administration: How Strong Are They?', in F.P. Cerese, F. Mazzei and C. Molteni (eds) *Japan and the Mediterranean World*. Naples: Fridericiana.
- Elliott, J. (1989) 'Administrative Reform: Another Japanese Success?', *Public Administration* 67(Aut.): 339–44.
- Gönenç, R., Maher, M. and Nicoletti, G. (2001) 'The Implementation and the Effects of Regulatory Reform: Past Experience and Current Issues', in *OECD Economic Studies. Special Issue: Regulatory Reform*. Paris: OECD.
- Ito, M. (1997) 'Administrative Reform in Japan: Semi-autonomous Bureaucracy under the Pressure Toward a Small Government', in M. Muramatsu and F. Naschold (eds) *State and Administration in Japan and Germany: A Comparative Perspective on Continuity and Change*. Berlin: de Gruyter.
- Johnson, C. (1982) *MITI and the Japanese Miracle*. Stanford, CA: Stanford University Press.
- Johnson, C. (1987) 'Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan', in F.C. Deyo (ed.) *The Political Economy of the New Asian Industrialism*. Ithaca, NY: Cornell University Press.
- Johnson, C. (1995) *Japan: Who Governs? The Rise of Developmental State*. New York: W.W. Norton.
- Jun, J.S. (2001) 'New Governance in Civil Society: Changing Responsibility of Public Administration', in J.S. Jung (ed.) *Rethinking Administrative Theory*. Westport, Ct.: Greenwood.

- Jun, J.S. and Muto, H. (1995) 'The Hidden Dimension of Japanese Administration: Culture and Its Impact', *Public Administration Review* 55: 125–34.
- Kawabata, E. (2001) 'Sanction Power, Jurisdiction, and Economic Policy-making: Explaining Contemporary Telecommunications Policy in Japan', *Governance* 14(4): 399–427.
- Kettl, D.F. (2000) *The Global Public Management Revolution. A Report of the Transformation of Governance*. Washington, DC: Brookings Institution Press.
- Kickert, W. (1997) 'Public Governance in The Netherlands: An Alternative to Anglo-American "Managerialism"', *Public Administration* 75: 731–52.
- Kim, P.S. (1988) *Japan's Civil Service System. Its Structure, Personnel and Politics*. New York: Greenwood.
- Koh, B.C. (1989) *Japan's Administrative Elite*. Berkeley: University of California Press.
- Larmour, P. (1997) 'Models of Governance and Public Administration', *International Review Administrative Sciences* 63(3): 383–94.
- McVeigh, B.J. (1998) *The Nature of the Japanese State. Rationality and Rituality*. London: Rout.
- Mizutani, M. (1999) *Kanryo no fubo (Characteristics of the Bureaucracy). Nihon no kindai (A History of Modern Japan)*, Vol. 13. Tokyo: Chuokoron-sha.
- Moon, M.-J. and Ingraham, P. (1998) 'The Political Nexus Triads in Three Asian Countries', *Governance*, 11(1): 77–100.
- Muramatsu, M. (1997) 'Post-war Politics in Japan: Bureaucracy Versus the Party/Parties in Power', in M. Muramatsu and F. Naschold (eds) *State and Administration in Japan and Germany: A Comparative Perspective on Continuity and Change*. Berlin: de Gruyter.
- Muramatsu, M. and Krauss, E.S. (1996) 'Japan: The Paradox of Success', in J.P. Olsen and B.G. Peters (eds) *Lessons from Experience*. Oslo: Scandinavian University Press.
- Nakamura, A. (1999) 'Reforming Government and Changing Styles of Japanese Governance: Public Administration at the Crossroads', in H.-K. Wong and H.S. Chan (eds) *Handbook of Comparative Public Administration in the Asia-Pacific Basin*. New York: Marcel Dekker.
- Pempel, T.J. (1992) 'Bureaucracy in Japan', *Political Science and Politics* 25: 19–24.
- Peters, B.G. (2000) 'Governance and Comparative Politics', in J. Pierre (ed.) *Debating Governance*. Oxford: Oxford University Press.
- Pierre, J. (ed.) (2000) *Debating Governance*. Oxford: Oxford University Press.
- Pierre, J. and Peters, B.G. (2000) 'Introduction: What is Governance?', in J. Pierre and B.G. Peters (eds) *Governance, Politics and the State*. New York: St Martin's Press.
- Rhodes, R.A.W. (1997) *Understanding Governance*. Buckingham: Open University Press.
- Rhodes, R.A.W. (2000) 'Governance and Public Administration', in J. Pierre (ed.) *Debating Governance*, pp. 54–90. Oxford: Oxford University Press.
- Shindo, M. (2002) *Gijutsu Kanryo: Sono Kenryoku To Byori (Technical Bureaucrats: Their Power and Pathology)*. Tokyo: Iwanami Shoten.
- Stoker, G. (1998) 'Governance as Theory: Five Propositions', *International Social Science Journal* 155: 17–28.
- Takao, Y. (1999) 'Welfare State Retrenchment. The Case of Japan', *Journal of Public Policy* 19(3): 265–92.
- Virtanen, T. (2000) 'Changing Competences of Public Managers: Tensions in Commitment', *The International Journal of Public Sector Management* 13(4): 333–41.
- Vogel, S. (1996) *Freer Markets, More Rules: Regulatory Reforms in Advanced Industrial Countries*. Ithaca, NY: Cornell University Press.