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Asia

World

Tech

Business

Arts

Travel

Photos

Magazine

Search



SPECIAL REPORT

WHAT'S RIGHT

WITH JAPAN

TIME
ASIA

>> Introduction

● [Gross National Cool](#)

Japan is transforming itself into Asia's cultural dynamo—and might just reinvent its economy in the process

>> Arts

● [Rinngo's a Star](#)

One singer breaks J-pop's cookie-cutter mold

● [Rock-It-Yourselfers](#)

Japan's indie bands get respect

● [Scene Change](#)

Cultivating Japan's future filmmakers

● [Redrawing Rules](#)

The lone wolf of animation



TETSUYA MIURA FOR TIME

Urban Renewal: Tokyo's new Roppongi Hills development

What's Right with Japan

Forget about salarymen, gridlocked politics and zombie corporations. Japan is transforming itself into Asia's cultural dynamo—and might be reinventing its economy in the process

By [Jim Frederick](#) Tokyo

By now, you are no doubt familiar with the prosecution's case: Japan is in the midst of a long, slow slide into irrelevance. Those aiming to prove that thesis have held the floor for years. Their evidence is compelling. Despite a recent rally, Japan's stock market remains 75% off its 1989 all-time high. Zombie companies swamp the banks with bad debts, yet the banks refuse to cut off those deadbeat borrowers—which perpetuates the vicious cycle and ties up capital that should be put to better uses. Japan's economic growth, once the envy of the world, has stalled (perhaps permanently) as rival China continues to boom. And institutionalized political gridlock ensures that structural reforms so badly needed to kick start the whole system are always just over the horizon.

>> This Week's Issue



- [Table of Contents](#)
- [Subscribe to TIME](#)

>> Design

● [TomorrowLand](#)

Making Tokyo a more liveable city

● [Playing in Place](#)

Redesigning where Japan shops, works and plays

● [Street Wise](#)

Haute couture meets urban streetwear

>> Business

● [The Hip Sell](#)

Boutique ad firms wage a creative revolution

● [A Winning Combini](#)

7-Eleven's corporate victory

● [Cool Under Fire](#)

Heizo Takenaka's bold new financial order

>> Gallery & Graphics



● [Form & Function](#)

The leading edge of Japanese design



● [Tomorrow's City Today](#)

But what if there were another side to the story? What if the beginnings of a brighter destiny (and perhaps economic revival) are already stirring? According to an increasing number of believers, Japan's days as an industrial powerhouse may well be on the wane, but its role as a global trendsetter—in cutting-edge music, art, fashion, design and other pop-culture categories of every stripe—is only now just getting started. In Japan, they say, the future is cool.

Until recently, Japan's cool quotient was secondary to its industrial output. For nearly 50 years, Japan's economic fortunes—and its identity—have been intimately tied to its dominance as a producer of high-quality, high-tech exports. Thanks to the Japanese government's policies protecting targeted industries in the aftermath of World War II, the country became, in just two generations, the undisputed metal shop and electronics lab to the world. Denied an army, Japan instead transformed itself into an economic superpower, quickly building the second largest gross domestic product on the planet.

But a disastrous thing happened on the way to the 21st century. Starting in the 1990s, Japan discovered that its competitive advantage in its key export—manufacturing industries was not sustainable. Once the producer of 59% of the world's computer chips, Japan currently makes only 24%, according to research firm Gartner Dataquest. Just about any country, it turns out, can make a great stereo if it sets its mind to it, and even Japan's blue-chip manufacturers are now under unprecedented pressure. Today, Samsung television sets from South Korea are every bit as good as Sony's; Haier refrigerators from China match up well with Toshiba's; and even America's GM and Ford have proved that they can, when pushed, produce cars that meet Toyota's and Honda's in quality, price, gas mileage and durability.

In the wreckage of Japan's increasing inability to compete against the lower labor costs and rekindled ambitions of its rivals, however, a number of observers both inside the country and out are turning to the nation's creative and cultural enterprises as a source of potential salvation. For this has been one of the greatest Japanese ironies: even as Japan's economic leadership has been slipping for more than a decade, its cultural hegemony has only swelled. "Japan has changed from being a corporate manufacturing and industrial society to a pop-culture society," says Ichiya Nakamura, a visiting scholar at Stanford Japan Center and M.I.T. Media Lab. Pokémon has supplanted Astroboy in the hearts of schoolkids in more than 65 countries, and 60% of the world's animated—

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rebuild Tokyo

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• [The
Quest
for Cool](#)
TIME

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Japan's cultural
evolution

- [Archives](#)
- [Covers Gallery](#)

>> **Letters**

- [E-mail](#) your
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editor

cartoon series are made in Japan. Games running on PlayStation 2 and (to a lesser degree) Nintendo's Game Cube rule the video-game universe just as tightly as before, despite a frontal attack from none other than Microsoft and its sinister-looking black Xbox. And high-end Japanese fashion designers such as Hanae Mori, Yohji Yamamoto and Issey Miyake are not only as vital as they once were; they have also been joined by a generation of young turks such as A Bathing Ape, Jun Takahashi and Naoki Takizawa who set the style for hipsters from Berlin to Bangkok and beyond. Japanese films, TV series, music acts and lifestyle magazines, meanwhile, routinely spark fads all over Asia. (Turn on MTV in Singapore or Hong Kong and you are just as likely to see Ayumi Hamasaki as J. Lo.) According to Tsutomu Sugiura, director of the Marubeni Research Institute, an economic think tank, Japanese cultural exports—such as from the media, licensing, entertainment and other related industries—have tripled over the past 10 years to \$12.5 billion, while manufacturing exports have increased by only 20%. Granted, \$12.5 billion seems like a rounding error in Japan's \$4 trillion economy (Toyota alone hauls in nearly \$11 billion in sales every month), but it's still the result of a growth rate almost unheard of anywhere else.

1 | [2](#) | [Next >>](#)

QUICK LINKS: [Introduction](#) | [Arts: Rinngo's Star](#) | [Design: Tomorrowland](#) | [Business: The Hip Sell](#) | [Back to TIMEasia.com Home](#)

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>>>>>> WHAT'S RIGHT

WITH JAPAN

TIME
ASIA

>> Introduction

● [Gross National Cool](#)

Japan is transforming itself into Asia's cultural dynamo—and might just reinvent its economy in the process

>> Arts

● [Rinngo's a Star](#)

One singer breaks J-pop's cookie-cutter mold

● [Rock-It-Yourselfers](#)

Japan's indie bands get respect

● [Scene Change](#)

Cultivating Japan's future filmmakers

● [Redrawing Rules](#)

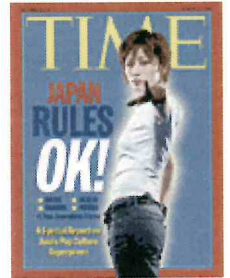
The lone wolf of animation

What's Right with Japan — page 2

Pop-culture production—the cultivation of hip—as the nation's saving grace? It's a concept you could call "Gross National Cool." In an influential essay by that name in Foreign Policy magazine last year, American writer Douglas McGray argued that Japan's unique ability to accept, synthesize and spin a host of foreign influences into something both global and local made it the odds-on favorite to become the world's next cultural superpower. With a 20- to 30-year head start on many of its Asian neighbors (pop culture is, after all, a luxury), Japan's cultural output is broad and deep, self-aware and ironic. But it is also devilishly approachable. Discussing the fact that the Sanrio corporation's ubiquitous Hello Kitty character is supposed to be from London, McGray wrote, "Hello Kitty is Western, so she will sell in Japan. She is Japanese, so she will sell in the West. It is a marketing boomerang that firms like Sanrio, Sony and Nintendo manage effortlessly. And it is part of the genius behind Japanese cultural strength in the global era."

Over the past year, Gross National Cool has developed into a kind of all-purpose buzzword in Tokyo among young, reform-minded government officials, entrepreneurs, journalists and others looking to shake up Japan's moribund political and economic system. It pops up frequently in newspaper headlines and wonky policy discussions. "Much of Japanese cool is about being underground or part of something exclusive," says Hiro Kishi, a 40-year-old senior adviser to Japan's Financial Services Minister and an outspoken proponent of pop culture. But cool doesn't always convert into cash. Even the influence of the supposedly massive U.S. culture industries far outstrips their economic importance. Consider: the U.S. media titans AOL Time Warner, Viacom and Walt Disney combined brought in only half the revenue in 2002 that oil giant Exxon Mobil did by itself. Instead, Kishi and others maintain that the significance of Gross National Cool—its spirit of iconoclasm and innovation—may be more pervasive, if harder to quantify.

>> This Week's Issue



- [Table of Contents](#)
- [Subscribe to TIME](#)

>> Design

● [TomorrowLand](#)

Making Tokyo a more liveable city

● [Playing in Place](#)

Redesigning where Japan shops, works and plays

● [Street Wise](#)

Haute couture meets urban streetwear

>> Business

● [The Hip Sell](#)

Boutique ad firms wage a creative revolution

● [A Winning Combini](#)

7-Eleven's corporate victory

● [Cool Under Fire](#)

Heizo Takenaka's bold new financial order

>> Gallery & Graphics



● [Form & Function](#)

The leading edge of Japanese design



● [Tomorrow's City Today](#)

Take the international status that being cool brings to Japan. Over the past decade, the country's cultural boomerang has been flying ever more confidently beyond the well-known strongholds of kiddie cartoons and video games. Painter Takashi Murakami, for example, has mounted one-man shows at London's Serpentine Gallery and Boston's Museum of Fine Arts in just the past two years. The Superflat movement of Japanese fine artists he helped organize has been similarly well received in traveling exhibitions worldwide. *Spirited Away*, director Hayao Miyazaki's adult-themed, animé masterpiece, won an Academy Award and the Berlin Film Festival's top prize. Even baseball players Hideki Matsui and Ichiro Suzuki are themselves successful cultural exports, being among the most popular players in the U.S. Major Leagues. Though the economic impact of all these achievements is hard to measure, the message they send about Japan's ability to compete culturally at a world-class level is undeniable.

Far more important than international status, say proponents, are the broader changes that Gross National Cool is already sparking in Japan's still regimented society. Japan's economic nightmare, they claim, has produced unexpected though beneficial social changes, thanks to the rising stock of entrepreneurs and others bringing about the birth of the cool. With on-again, off-again recession discrediting the traditional Big Business career path, never has individualism and risk taking looked more attractive.

Historically, Japan's best and brightest university graduates headed straight for government bureaucracies, big banks or export manufacturers. There, they were guaranteed lifetime employment, annual raises and the prestige of being a member of Japan Inc. Now, as the very foundations of Japan Inc. start to wobble, that bargain looks increasingly like a bum deal, and more potential employees are simply saying no. A London School of Economics-sponsored study last year, Global Entrepreneurship Monitor, found that "young (Japanese) people have been more motivated to start new businesses rather than opting to work in large established companies or in the public sector." And more of those corporate refugees, fueled by both desire and necessity, are founding their own movie-production companies, boutique advertising firms, DJ collectives, fashion-design studios, art galleries or any number of risky ventures that fuel, and eventually monetize, the cool. Says Stanford's Nakamura: "This is the period of change from the postwar generation who supported the manufacturing Japan to the younger generation who will be building the cultural Japan."

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Indeed, this period of change reflects a sentiment only
recently hatched, yet quickly gaining currency: that
Japan's future identity no longer rests in being the leading
manufacturer of goods—whether cars, cameras or
stereos—but as the world's foremost creator of cool.

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[1](#) | [2](#)

QUICK LINKS: [Introduction](#) | [Arts: Rinngo's Star](#) | [Design: Tomorrowland](#) | [Business: The Hip Sell](#) | [Back to TIMEasia.com Home](#)

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