Tomorrow's Affairs

By: Hiroshi Mikitani

Will Japan Be the World's Next AI Leader?

Pessimism about AI abounds, with many fearing widespread job losses, soaring inequality, and even the creation of deadly machines.

In Japan, however, one finds marked optimism. We believe AI will help our country to overcome acute labor shortages, improve people's daily lives, and recover global tech leadership.

According to an Ipsos survey, a quarter of Japanese feel anxious about AI's predicted impact on their lives – the lowest share of the 32 countries surveyed.

Only about one in ten Japanese believe AI will make the future worse, a far cry from the more than one-third of Americans who are pessimistic about the technology.

This divergence reflects several factors, but one of the most important may be Japan's long history of working with machines.

It is easy for us to imagine AI-powered applications and devices that aid, not replace, humans.

At a time when Japan's labor pool is shrinking – 30% of Japanese are already aged 65 and older – AI labor savings will be key to boosting productivity and saving critical industries.

Regulatory environment

It is with this future in mind that my company, Rakuten, has invested in developing both large language models and small language models optimized for the Japanese language and culture.

We are using AI to transform critical services, such as mobile networks. Instead of the vendor-locked, hardware-centric networks of the past, Rakuten Mobile's network makes flexible systems possible, enabling operators to mix and match components, while also minimizing energy consumption.

Potential glitches are reported, reviewed, and

fixed – all at a distance. Software upgrades are pushed out frequently. The network "learns" and makes fixes autonomously.

This innovation depends on an enabling regulatory environment. Fortunately, Japan has so far taken an "innovation-first" approach to AI governance.

> The goal is to make Japan the world's "most AI-friendly country"

Japan's AI Promotion Act, passed last year, imposes no stringent rules or penalties that could stifle AI adoption or experimentation, and creates space for close cooperation between the public and private sectors.

As noted in a 2024 white paper, the goal is to make Japan the world's "most AI-friendly country."

This contrasts with the European Union's focus on mitigating risks, reflected not only in its 2024 AI Act, but also in rules that limit access to data AI developers need.

Other AI innovators lag behind Japan when it comes to establishing supportive environments. Some emphasize social stability and state-directed innovation, while others are bogged down by long legal battles between rights-holders and AI developers.

AI-friendly policies

Japan's AI-optimism translates into AI-friendly policies. Japanese courts interpret our copyright framework to allow the use of third-party copyrighted works for training AI models.

This access to data attracts leading American frontier AI firms, such as OpenAI, to collaborative efforts with Japan-based companies like mine.

To be sure, Japan recognizes the importance

of ensuring the safe development of AI.

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It was under Japan's presidency that the G7 launched its Hiroshima AI Process, aimed at promoting "safe, secure, and trustworthy AI worldwide" and providing "guidance for organizations developing and using the most advanced AI systems."

But the resulting framework focuses not on stifling regulations or threats of fines. Instead, it aims to help companies design effective risk-management mechanisms and encourages transparent information-sharing and reporting.

While Japan's AI-friendly approach is already bearing fruit, there are pitfalls the country must avoid.

For starters, Japan must encourage wider adoption of AI tools: as it stands, only half of Japanese firms are using generative AI, compared to more than 90% in the United States, China, and Germany.

Japan must also avoid getting so hung up on small-scale AI adoption that we lose sight of the bigger picture – namely, the critical importance of generating our own global AI leaders.

We must strengthen our energy and cloud infrastructure, investing in electricity production (preferably from clean sources) and accelerating data center permitting.

We should avoid being swept up by counterproductive notions of "digital sovereignty," instead encouraging Japanese innovators to collaborate with frontier firms from the US and elsewhere.

With our highly skilled population, supportive regulatory environment, and openness to AI, Japan is well equipped to emerge as a global AI leader.

Now the government and business community must translate these strengths into concrete results.

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