

## TADAKATSU SANO

Attorney-at-law at Jones Day; Former Chief Executive Assistant to Prime Minister Yukio Hatoyama

**Nicolas BARRÉ, Managing Director, *Les Echos***

Sano-San, from a Japanese point of view do you look at the Chinese also having a strategy on the Internet of maybe not owning the Internet but trying to dominate parts of this seventh continent as Charles-Edouard called it?

**Tadakatsu SANO, Attorney-at-law at Jones Day; Former Chief Executive Assistant to Prime Minister Yukio Hatoyama**

Do you mean China? I think that China wants to create its own independent regime even in the fields of Internet, ICT and technology. One reason is because they use a completely different language than some others. Of course Google and some others try to adapt their business so that they “work” the Chinese language, but still it is based on some other logic, it is different and it is also that the infrastructure of the Internet itself might be different and the government can regulate it in a certain way. That is the same thing as we have seen in Europe too, in that sense, so I think that China has the idea to keep its own sovereignty in regulating or controlling information.

Going back to crisis issues, many times a crisis arises because some government aid is needed. At that time you need to have real public support, so even though the company is operating globally, the company tries to say that “I am American” rather than saying “I am global”, but if you are very healthy and conditions are good enough you may not say so. You can say you are multi-national like you said about Google. You can say I am German; I am French. You can say the company is Amazon, you could say I am Japanese or something. In that sense, which side is really asking about the nationality? The security issue as I said includes export controls and the likes. In many cases you have an address in our country so you have to follow our rules and you have to meet all the requirements imposed by our country. Which system or rights or protections you are includes when declaring your nationality raises very interesting.

**Charles-Edouard BOUÉE, Chief Executive Officer, Roland Berger Strategy Consultants**

It is a two-way street. Governments are using the companies as a source of leadership, also taxing them and asking them to be loyal, to follow the rules and national security requirements. Sometimes this can become a little out of hand for companies. For instance, some Middle East and Asian countries have asked BlackBerry to release its decryption codes to prevent uncontrollable encryptions circulating inside their territory or between their citizens.

But companies abiding by the rules can count on government support. It is like with your parents, you feel proud, you go out, and you are successful, but when you have some troubles you come back to the family and get some help. You ask: “is my old bed still there in the bedroom?”, and, of course, your dad and mum will always say “yes, I have prepared a good soup for you and you are my son”.

**Nelson CUNNINGHAM, President, McLarty Associates; former Special Advisor to President Clinton**

The question of China is an interesting one because I think those of us outside China—both Americans and Europeans, as well as many of the countries other than China that are rising up in the developing world—feel we can benefit from one set of rules that is a global set of rules that everybody can sign onto. However, I think many Chinese believe they benefit from having a separate set of rules, and that China is a walled garden in which their rules can prevail. This is going to feed some conflicts about who regulates the Internet. Is it the existing international bodies, or will the new Chinese standards come into play? We are seeing this in the trade policy space. The TPP includes most of the major Pacific trading partners, but it does not include China. One might ask whether it will ever include China. It might, but that would require China to decide that it is going to abide by international trading rules rather than by the rules that it wishes to expound.



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Take an example like Alibaba, which is a big Internet company, it is a B2B business among other things, and Baidu is a big Chinese search engine. They are listed on the New York Stock Exchange and they have raised a huge amount of money there. We do not know who the real shareholders of Alibaba are right now. At the same time, because it is listed in New York it has to be regulated, it has to meet all national security requirements governing other companies listed in New York. That is not China. They have to have multi-jurisdictional regulations of course but at the same time Alibaba could be subject to the American security regulations and so on. Many global companies cannot be completely without any nationality even if they are becoming global, and for tax reasons they can move to somewhere else, but the national government policies are to attract the kind of global companies who are capable of paying a huge amount of money in tax. Therefore everybody wants to get some of the revenue, so there is competition amongst governments. That is not the global company's issue, though.

**Charles-Edouard BOUÉE, Chief Executive Officer, Roland Berger Strategy Consultants**

What is interesting about China is the way it pursues a dual goal. On the one hand, we need to set global rules for the 7<sup>th</sup> continent, so that large digital companies can operate in a fair way everywhere, in Europe, in Asia, etc... And on the other hand, we need to rebalance the game, and let new champions – that are not American – emerge.

This is exactly what China is doing. We have been working with some of Uber's competitors in China, proving that China can have national champions and provide alternatives to the global champions. And at the same time, China is more and more inclusive, open to global digital firms.

**Tadakatsu SANO, Attorney-at-law at Jones Day; Former Chief Executive Assistant to Prime Minister Yukio Hatoyama**

That is right. There is something in the competition. If you have really good products and if you can expand that kind of product outside of your own national companies or your own country, you can be global. Toyota has done this. Even though they operate mainly in Japanese, they are now also operating their factories in English. That is the de facto language, the operating language, but still their technology itself is a Japanese "product" that can be used in many other countries. Therefore Toyota, even though it is still keeping its very clear national identity and brand it can still be very much a global company. An important point for the global company is that their competitive edge is really their ethics. Keeping very good ethics is the most important thing. One of the in-house legal leaders of a big U.S. global company told us that they are not doing anything, they are just concentrating on compliance and risk management and establishing the ethics of the company and impressing that kind of culture on more than 100,000 employees across the world. I think that is very impressive.