

Deputy BOJ Chief Named Governor Top Central Bank Post Left Empty Temporarily

By Hiroshi OKABE

The seat for the Bank of Japan (BOJ) governor, who steers monetary policy and is called the guardian of the currency, was left vacant temporarily for the first time in postwar Japan. Although the government nominated two people to replace BOJ Governor Toshihiko Fukui days before the expiry of his term of office in mid-March, the opposition camp, which controls the House of Councillors, voted against both nominees. While the government failed to appoint a new governor, Deputy Governor Masaaki Shirakawa became acting governor to launch a new BOJ leadership. Shirakawa was eventually named to the top post of governor three weeks later to fill the unprecedented vacuum. But confidence in Japan has been damaged. "Japan's Parliament voted down the government's latest nominee for the next governor of the Bank of Japan, leaving the central bank without a skipper at a time when the global financial crisis is escalating," *The Wall Street Journal* reported after the second candidate was rejected.

The government first nominated BOJ Deputy Governor Toshiro Muto for the position. After the Upper House rejected Muto, the government replaced the nominee with Koji Tanami, governor of the Japan International Cooperation Bank. Both are former vice finance ministers. In the world, it is not unusual for former top bureaucrats of fiscal authorities to head central banks. Muto was BOJ deputy governor for five years. Before the BOJ decided to terminate its quantitative credit-easing policy in March 2006 and its zero interest rate policy in July 2006, Muto undertook the central bank's difficult coordination with the government and political leaders. As head of the Japan International Cooperation Bank, Tanami has steered official development assistance to developing countries. The Democratic Party of Japan,

the largest opposition group, rejected the two nominees for the reason that fiscal policy should be separated from monetary policy.

Nominees for the BOJ governor and some other key posts are subject to Diet approval. Any nomination can be nullified by disapproval by either of the two Diet chambers. The brief vacancy of the central bank governorship indicates Japan's key political problem. This means that no major policy decision can be done under the staggered combination of the House of Representatives dominated by the ruling camp and the House of Councillors controlled by the opposition, although the Lower House can overrule the Upper House with a two-thirds majority vote over most other matters. Business leaders once gave strong warnings about the vacant central bank governorship. "The vacancy of the top Japanese monetary policy post could lead the rest of the world to doubt Japan's credibility," said Fujio Mitarai, chairman of the Japan Business Federation, a powerful business lobby known as Nippon Keidanren. "The vacant BOJ governorship can be taken as a message affecting Japan's international responsibility," said Tadashi Okamura, chairman of the Japan Chamber of Commerce and Industry.

Shirakawa, who has been abruptly promoted to the governorship, is a theory-oriented central banker who has long engaged in monetary policy practices at the BOJ. As he has offered to take over the basic monetary policy stance from the former governor, the BOJ is expected to make no change in its policy management. But the BOJ, which had been tightening monetary policy to raise ultra-low interest rates, is now in a difficult position as the US Federal Reserve has accelerated its monetary easing to avoid any recession. Under the current tense economic situation in which any mis-

take could trigger a global crisis, the new top central banker is required to steer monetary policy in a tough-minded manner.

Amid the global stock market decline since last year, share prices in Japan have posted sharper drops than those in the United States where the subprime mortgage crisis has originated or than those in Europe where financial institutions have incurred heavy losses in the aftermath of the crisis. Foreign investors have reportedly criticized Japan for failing to make progress in structural reforms and Japanese firms for closing themselves to foreign investment by introducing defensive measures against unsolicited takeover bids. Japan should show the rest of the world that it now has a new central bank chief who is respected not only domestically but also globally. This is a key step to dispel foreign doubts about the Japanese economy.

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Leaving No Stone Unturned Department Stores Courting Non-Japanese Shoppers

Major Japanese department stores, which have been hobbled by Japan's declining and aging population, are stepping up sales efforts targeted at Chinese and other overseas tourists. The Japan Department Stores Association, for instance, has drawn up guidelines on interpreter services and how-to manuals for sales clerks when addressing shoppers from abroad. The aim, of course, is to create a friendly atmosphere for foreigners to shop in Japan.

At the Takashimaya department store in Tokyo's Shinjuku, which has a fairly large number of overseas visitors, there are about 10 Chinese and English interpreters at work. At its five other stores, including those in Osaka and Kyoto, Takashimaya has prepared 5% shopping discount coupons targeted mainly at tourists from Asian countries. The management, in short, is working hard to

drive home the impression that Takashimaya is a "foreigner-friendly" store.

Takashimaya, of course, is not the only player in this "make foreign shoppers feel at home" game. At Matsuzakaya's Ginza store, employees practice Chinese greetings – *nin-hao* (hello, how are you), *qingshaodeng* (please wait a moment) – during customary morning pep-talk sessions before the opening time. Greetings apart, Matsuzakaya is also trying to draw in foreign group tourists not only to its top-brand merchandise and cosmetics but also to kitchen ware, wine and a wide range of other products. As China still imposes foreign-currency restrictions for overseas travel, Matsuzakaya is stepping up efforts to make it easier for Chinese shoppers to pay such as installation of terminal devices that can handle more than 10 types of *Yinlian* debit cards carrying the Bank of China's

Photo: Kyodo News



A Chinese woman interpreter of Takashimaya department store helps compatriot tourists do shopping.

"Great Wall" mark.

According to the Japan National Tourist Organization, the number of overseas visitors to Japan in 2007 topped the 8 million mark for the first time ever, rising 13.8% to 8,349,000. The number of foreign tourists, particularly from Asian countries, has been rising steadily. To Japan's struggling department stores, which have seen their combined turnover decline for 11 straight years, foreign tourists may very well be their savior.

Toshiba Quits HD DVD Business Selection & Concentration” Strategy Clear

Toshiba Corp. has announced withdrawal from the HD DVD business, abandoning its technology for next-generation DVDs after losing a turf war over a high-definition DVD format with the rival Blu-ray disk group led by Sony Corp. and Matsushita Electric Industrial Co. Toshiba's defeat is blamed on its failure to woo the software industry, including Hollywood studios. Following Toshiba's decision, Microsoft Corp. has stopped making HD DVD drives for its Xbox 360 video game consoles, and Paramount Pictures became the last major US studio to switch from the HD DVD format to the Blu-ray disk. As for reasons for quitting the business, Toshiba President Atsutoshi Nishida said he had made "a very painful decision" after concluding that continuation of the HD DVD business would deal a heavy blow to both management and consumers.

Toshiba's decision has left a wave of reper-

cussions in its wake. One is the pros and cons of the format war. In Japan, consumers were thrown into confusion two decades ago over a videotape format war between Sony's Betamax and Victor Co. of Japan's VHS. The government maneuvered behind the scenes to help unify next-generation DVD formats. However, negotiations for the unification broke down. Toshiba, which began selling HD DVD players two years ago, has sold about 700,000 of them worldwide. Although Toshiba says it will take all possible measures to ensure after-sales service, it was consumers once again who were tossed up and down by the format war.

Another interesting matter is favorable reactions to Nishida's decision. Japanese business leaders have been often criticized for being too slow in making decisions, compared with Western top executives. This time, however, the Toshiba head decided to

Photo: Kyodo News



Models show off a HD DVD recorder from which Toshiba has announced withdrawal.

make a dramatic about-face in a short period after Warner Brothers made it clear in early January it was defecting from the HD DVD camp. At the same time, Nishida decided to strengthen its nuclear power plant business with the purchase of Westinghouse Electric Co. and substantially increase production of "flash memory" computer chips. He articulated Toshiba's strategy, withdrawing from unprofitable businesses and refocusing its resources on competitive fields. The world business community is watching Nishida's next move.

Hiroshi Okabe is a business news editor at Kyodo News.