TOPICS

Keidanren Makes Fresh Start under New Leader

Prime Challenge: Deepening Policy Dialogue with DPJ-led Gov't

By Hiroshi OKABE

Photo: Kyodo News

Keidanren Chairman-designate Hiromasa Yonekura speaks during the first Asian Business Summit held in Tokyo in March.

The Japan Business Federation (Nippon Keidanren) is set to come on line in late May under the new leadership of Hiromasa Yonekura, chairman of Sumitomo Chemical Co., who succeeds Fujio Mitarai, chairman of Canon Inc. It is the first time for the powerful business lobby to choose its chairman from companies affiliated with former *zaibatsu* conglomerates, which were broken up after World War II. The prime challenge for the Yonekura-led federation, commonly known as Keidanren, is to bolster its relations with the administration of Prime Minister Yukio Hatoyama, who is also president of the Democratic Party of Japan (DPJ). With closer ties between the DPJ-led government and the business community, Japanese industry intends to beef up its international competitive edge. Yonekura, 73, clarified his aspirations as a top Japanese industry leader at the Asian Business Summit held in Tokyo in March. "Japan can contribute to growing the global economy even further by helping expand domestic demand within Asia through greater investment and technological transfer," he told the inaugural summit of the group, held at the initiative of Mitarai, 74.

At Sumitomo Chemical, Yonekura mainly worked on the business planning front. He is known to have some of the richest international experience in the Japanese chemical industry. From the 1970s to 1980s, he participated in a project to build a petrochemical complex in Singapore and laid the groundwork for Sumitomo Chemical's global operations. Also, he was president of the company for about nine years from 2000. During that period, the firm invested 1 trillion yen in a project to construct a petrochemical plant with the world's largest production capacity of its class in Saudi Arabia with state-run Saudi Arabian Oil Co.

"Mr. Yonekura is a highly-knowledgeable person of excellent caliber. Also, he is rich in international experience, which is vitally needed in the current age," Mitarai said at a news conference when asked about the reasons for handpicking Yonekura as his successor. "Mr. Yonekura also is well-versed in the federation's activities as he worked for the business community over a lengthy period." Mitarai expressed hope that Yonekura will push "economic diplomacy" focused on the stable supply of natural resources and energy, thus urging him to help reinforce Japan's ties with resource-rich countries.

During the decades-long reign of the conservative Liberal Democratic Party, the chairman of Keidanren used to be dubbed the "prime minister of the business world." This was because it preserved powerful clout over the political community as the nation's largest business group. The strong sway stemmed largely from its political donations amounting to as much as 10 billion yen per year. In the wake of a string of political funding scandals, however, Keidanren stopped arranging political donations for companies and industry groups in 1993. To restore political influence, the business lobby began annual assessment of the policies and achievements of political parties in 2004 to offer member companies a guideline for political donations. Yet in March 2010, Keidanren decided to end its involvement in political donations despite their advantage as a powerful source for holding sway over the political world. With no such tool in hand, is it possible for Keidanren to push through its policy recommendations? Yonekura faces a real test of his leadership with regard to what direction Keidanren should pursue.

Since the inauguration of the Hatoyama administration in September 2009, many economic policies it has pursued have gone against the business group's recommendations. In compiling the national budget for fiscal 2010, it appropriated a generous amount of funds to boost domestic demand by pledging such measures as child-rearing allowances and effectively making high school education free. On the supply side, however, the new government's policies seem insufficient to prop up corporate activities. Further, Hatoyama's pledge to reduce greenhouse gas emissions by 25% from 1990 levels by 2020 met with strong opposition from Keidanren, which says such a measure only contributes to weakening Japanese industry's competitive power. To reconstruct debt-ridden national finances, Keidanren proposed that the consumption tax be raised in stages from the current 5% to around 17% by fiscal 2025. However, the Hatoyama administration vowed to keep the tax rate unchanged over the next four years, a period matching the term of lower house membership.

With the Japanese economy mired in a deflationary downturn, Japanese corporations are being outpaced by South Korean and Taiwanese peers in such high-tech products as personal computers, semiconductors and liquid crystal display panels. Furthermore, it is highly likely that Japan will tumble to the world's third-biggest economic power this year as China will surpass Japan to become the second biggest after the United States. Japan needs to face up to such severe circumstances, and the Yonekura-led Keidanren has a responsibility to deepen policy dialogue with the government to hammer out effective policy measures to put the Japanese economy back on its feet.

TOPICS

Sony, Panasonic on Offensive in 3D TV

Seeking to Overtake World Leader Samsung

Two Japanese home electronics giants – Sony Corp. and Panasonic Corp. – have launched an offensive in the field of 3D television in a bid to catch up with Samsung Electronics Co. and other South Korean rivals that dominate the global market. As the South Korean competitors have got a huge lead on Japanese firms in the world flat-screen TV market, the future of Japan's consumer electronics industry depends on whether they can regain their competitive edge in the looming "3D TV era."

Sony, the maker of the *PlayStation 3* game console, aims to distinguish itself through a broad lineup of game software, movies and other content compatible with the 3D technology by drawing on expertise of all affiliated firms in the fields concerned. Sony is also planning to make its *PlayStation 3* and personal computers compatible with the 3D format, pushing 3D-related sales up to 1 trillion yen in fiscal 2012.

Meanwhile, Panasonic has come up with a strategy to establish an early lead in the United States – the world's largest consumer market – over Samsung and other rivals by forging a marketing alliance with US electronics retailer Best Buy Co. It also will start 3D broadcast there in June in partnership with a major US satellite TV company. Taking advantage of its leading role played in setting 3D image coding standards, Panasonic is seeking to sell one million 3D TV sets globally in fiscal 2010 and to grab a 50% share of the world market.

Both Sony and Panasonic regard 2010 as the first year of the "3D TV era" on the back of growing worldwide popularity of 3D blockbusters like the Oscar-winning *"Avatar,"* which took in record global box-office revenue. Animated 3D movies such as *"UP"* are producing a string of hits. Riding the tide, the two firms expect brisk sales of 3D TVs.

In late February, Samsung became the world's first company to start selling 3D TVs by putting them on the South Korean market. It also began sales in Europe and the United States. Samsung is seeking to ride on the crest of momentum it gained in the global flat-screen TV market to garner a lion's share of the 3D pie. Sony Chairman Howard Stringer has conceded that it is Samsung's age now as far as the TV market is concerned.

Other players in the electronics market such as Toshiba Corp. and LG Electronics Inc. have made clear they will enter the 3D TV market. Although Sony and Panasonic are set to go ahead with the 3D TV business at the risk of their future, some industry sources express concern that increased competition could throw both companies into a war of attrition – undercutting rivalry – and derail their scenarios.

Will *Seiho* Make Comeback?

Dai-ichi Life Insurance Goes Public

Dai-ichi Mutual Life Insurance Co., which once dominated the global investment market as one of Japan's leading institutional investors known as the *seiho* (life insurers), was demutualized into a stock company and listed on the Tokyo Stock Exchange on April 1. It marked one of Japan's largest initial public offerings with its market capitalization of 1.4 trillion yen. Economists are pinning high hopes on the listing to stimulate the stock market and the economy as a whole as the firm's millions of policyholders were allocated shares or cash. Industry attention is focused on whether the IPO will trigger a revival of Japanese life insurers, which have been outstripped by their foreign competitors in corporate size.

The Dai-ichi listing has drawn attention because of its sheer size, with as many as 7.38 million of its policyholders allotted shares or cash. Policyholders eligible to receive one or more shares are given the option of holding on to their stock or cashing out. Those allocated less than one share were offered cash. "Gains from stock sales and cash income will stimulate consumption, pushing up gross domestic product," a midsize securities firm official predicts. The number of Dai-ichi shareholders is the largest among publicly traded companies in Japan, surpassing that of Nippon Telegraph and Telephone Corp. The fact arouses a sense of anticipation that it may inspire those who have been strangers to stock trading to start investment in the stock market, leading to market revitalization.

Japanese life insurers had topped world rankings for a long time and had a strong presence in the international financial community with huge amounts of assets under management. Nippon Life Insurance Co. ranked top and Dai-ichi second in the world in terms of assets at the end of 1995. The high rankings were attributed to the mutual ownership structure that allowed stable management by making acquisitions by other companies difficult as a mutual company does not have shares issued. On the negative side, a mutual company has limited options for fundraising and cannot conduct corporate acquisitions through stock swaps.

Japanese life insurers are lagging behind major foreign rivals that have converted from mutual companies to publicly traded stock companies and accelerated merger and acquisition (M&A) deals. Nippon Life dropped to sixth and Dai-ichi to 10th in the world rankings at the end of March 2009. "Amid a significant tide of changes such as the declining birthrate, the aging society and the shrinking population, it is necessary to convert to a publicly traded stock company to drastically overhaul our business structure," a senior Dai-ichi official says. The insurer is poised to activate M&A deals in prospective markets such as Southeast Asia.

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