

Federation of Economic Organizations: Keidanren

By Kenjiro Horikawa

The Federation of Economic Organizations (Keidanren) was inaugurated in August 1946. Its predecessor was the Committee of Economic Organizations, formed the previous year.

The Pacific War ended in Japan's defeat in August 1945. Immediately after the termination of the war, then Minister of Commerce and Industry Chikuhei Nakajima summoned the top leaders of principal economic organizations and sought their opinion on how to rein in the economic confusion resulting from Japan's defeat and rehabilitate the country from the devastation left by the fighting. The economic leaders stressed the importance of building a consensus within the business community. The upshot was the establishment by four principal economic organizations of the Committee of Economic Organizations, later reorganized into the Federation of Economic Organizations or Keidanren.

From its inception, Keidanren's role was to build a consensus in the business community. Though various other economic organizations, such as the Japan Committee for Economic Development (Keizai Doyukai) and the Japan Federation of Employers' Associations (Nikkeiren), were inaugurated after the war, Keidanren was the central body representing the interests of the Japanese business community as a whole. Later, Keidanren was to be called the "head temple" of the business community and its chairman the business community's "Premier."

Three principal objectives drive Keidanren's activities. The first is to sound out the views of the business community on important problems facing it both at home and abroad and to present proposals and complaints to the government, the Diet (parliament) and other concerned organs. In other words, it serves as a pressure group representing the interests of the business community.

The second objective is to resolve international problems in cooperation with the economic organizations of other countries and conduct close exchanges with various nations. In this role it is a promoter of private-level diplomacy.

The third is to provide information to help the Japanese public arrive at a correct understanding of the business community and to arrange forums for the



Yoshihiro Inayama, chairman of the Federation of Economic Organizations (Keidanren)

exchange of opinions. In this capacity it acts as the business community's public relations office.

These three duties require a powerful staff and firm organization. Keidanren is fully equipped on both counts.

"An organization of organizations"

The regular membership of Keidanren is made up of 118 nationwide industrial organizations in mining, manufacturing, trade, finance, and transportation as well as 845 prominent business corporations. Not only most of Japan's big corporations but also the majority of its principal industrial organizations are regular members. This is a striking feature of Keidanren, which may well be called an "organization of organizations."

As Keidanren's influence grew in parallel with Japan's postwar high economic growth, big corporations in the raw materials industry sustaining the country's strong performance occupied the central position in the organization. Recently, however, Japan's changing industrial structure has given the assembly industry, *sogo shosha* (general trading houses), and banking and financial institutions a bigger voice.

Standing at the pinnacle of Keidanren is

the chairman. Yoshihiro Inayama, former president and now adviser to Japan's largest steel maker, Nippon Steel Corporation, currently holds this influential post. Assisting him are ten vice chairmen, all except one either current or former top executives of leading corporations. The sole exception is an officer appointed from the Keidanren Secretariat. Classified by industry, two vice chairmen are from the automobile industry and one each from the chemical, electric power, petroleum, banking, shipbuilding, steel, and electric appliance industries.

The chairman and ten vice chairmen constitute the Executive Council, which meets once a month. In actual practice, the Executive Council is the supreme decision-making organ of Keidanren. While the Board of Directors and the Board of Executive Directors, which meet once every month, are supposed to formulate the line of policy, they in fact merely approve the decisions made by the Executive Council. It is no exaggeration to consider the council the "cabinet" of Japan's business community, headed by its "premier." This is why the posts of chairman as well as the vice chairmanships are so attractive to corporate chief executives. Many self-nominated candidates as well as candidates recommended by others vie for the renewable posts in elections every two years.

Keidanren's structure—combining specialization with efficiency

Organizationally, Keidanren has two great strengths. One is the many standing committees that address specific problems, and the other is its Secretariat staffed with highly competent people to whom routine business can be entrusted without worry.

Keidanren has 48 standing committees. They include the Committee on General Economic Policy, which conducts comprehensive studies of important problems facing the business community; the Committee on Economic Research, which analyzes business trends; the Committee on Industrial Policy, which deals with the Anti-Monopoly Law and industrial policies; and the Committee on Fiscal and

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Monetary Policies, which studies fiscal management and monetary policies. There are enough committees to deal efficiently with any issue affecting the business community.

Keidanren also has bilateral committees to promote exchange with countries around the world. Just a few examples are the Committee on Japan-EC Relations, the Japan-Canada Economic Committee, the Committee on Cooperation with Indonesia, and the Committee on Cooperation with Africa.

The members of these committees are corporate executives, and the chairmen are the chief executives of big companies. The committees also frequently hold closed-door meetings of corporate middle management and corporate staff in charge of specific matters in order to

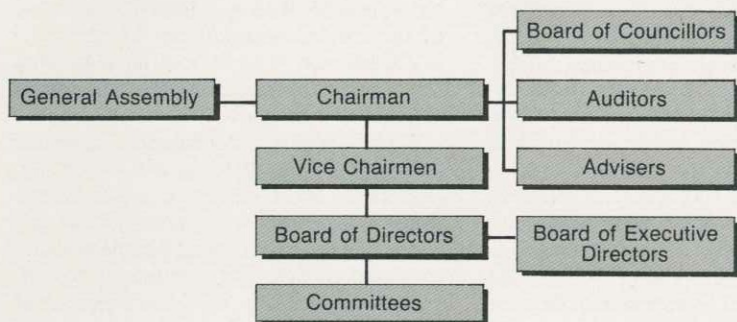
discuss problems in greater detail. Masaya Miyoshi, Keidanren senior managing director, explains that the organization makes it a rule to discuss problems exhaustively at four levels in order to form a consensus. Any issue will be addressed by corporate chairmen and presidents, board directors in charge of the matter under study, division and department managers, and the working staff directly involved.

The Secretariat provides behind-the-scenes support for the Executive Council, the Board of Directors, the Board of Executive Directors, and the various committees. Keidanren's policy is to employ only the graduates of four universities—the two top state-run universities, University of Tokyo and Hitotsubashi University, and the two top private universities,

Waseda and Keio. The 170 Secretariat staffers, 100 of them male, are the young elite of the business community.

The president of the Secretariat is the Keidanren executive vice chairman. A senior managing director and three managing directors serve as its officers. Under them are various departments, including the Energy and Industrial Affairs Department, which deals with industrial policy in general; the Financial Affairs Department, which handles fiscal and financial policies as well as taxation; and the International Economic Affairs Department, which is in charge of economic exchange with other countries. These departments have produced numerous experts in their respective areas, and are staffed with competent personnel who can discuss business issues on an

Keidanren Organizational Chart



Keidanren Committees

- (Committees)**
 Committee on General Economic Policy
 Ad Hoc Committee on Reform of Administrative Structure
 Committee on Public Affairs
 Committee on Economic Research
 Committee on Prices
 Committee on Statistics
 Committee on Industrial Policy
 Committee on Energy
 Executive Committee on Coal
 Committee on Natural Resources
 Committee on Distribution
 Committee on Transportation
 Committee on Environment and Safety
 Committee on Land Development and Utilization
 Committee on Agricultural Policy
 Committee on Information and Telecommunications Policy
 Committee on Relations with Small and Medium Businesses
 Committee on Fiscal and Monetary Policies
 Committee on International Finance
 Committee on Taxation
 Committee on Corporate Finance
 Committee on Economic Legislation
 Committee on Corporate Accounting and Disclosure
 Committee on Industrial Technology
 Committee on Oceanic Resources
 Committee on Life Science
 Committee on Foreign Relations
 Committee on Foreign Trade
 Committee on International Investment and Technology Exchange
 Committee on Economic Cooperation
 Committee on Overseas Projects
 BIAC (Business and Industry Advisory Committee to OECD) Japan
 Atlantic Institute Committee
 Organizing Committee of the International Industrial Film & Video Congress
 Ad Hoc Committee on Computer Software Protection

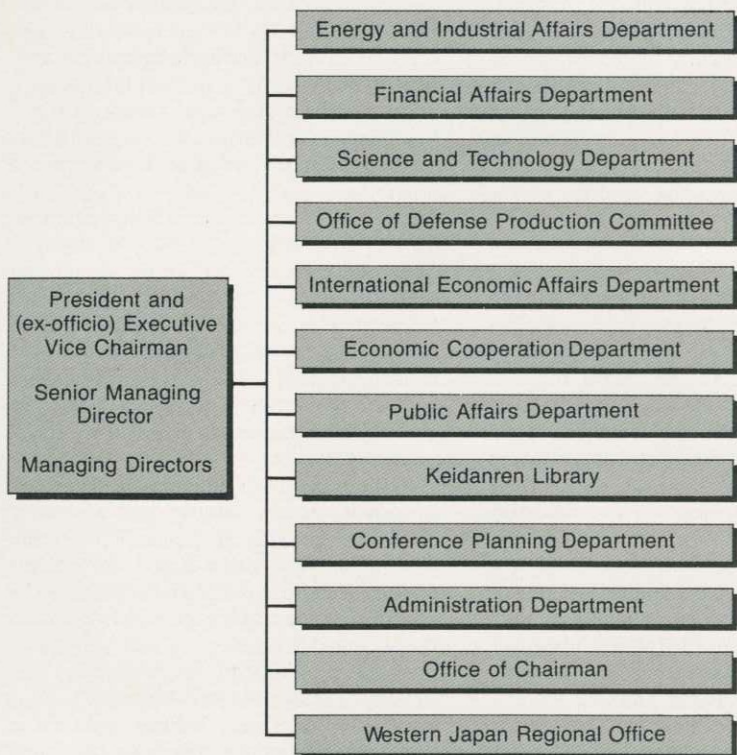
(Special committees)

- Defense Production Committee
- Space Activities Promotion Council

(Bilateral relations committees with countries or regions)

- Committee on Japan-EC Relations
- Committee on Japan-EFTA Relations
- Japan-Canada Economic Committee
- Committee on Japan-Thailand Cooperation
- Committee on Cooperation with Indonesia
- Japan-Brazil Economic Committee
- Japan-Mexico Business Cooperation Committee
- Japan-Venezuela Economic Cooperation Conference
- Committee on Cooperation with Africa
- Japan-Algeria Business Cooperation Committee
- Japan-Greece Economic Committee

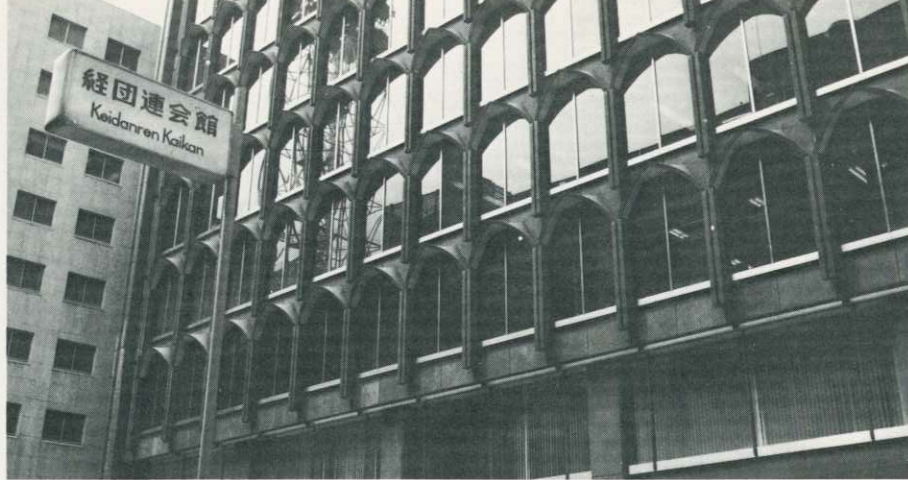
Secretariat



Keidanren Organizational Data

(as of October 1984)

Address:	9-4, Otemachi 1-chome, Chiyoda-ku, Tokyo 100
Telephone:	03-279-1411
Establishment:	August 1946
Membership:	1,040
	Regular members 963
	Recommended members 43
	Special members 34
Number of main officers:	Chairman 1 Executive directors 220
	Vice chairmen 10 Directors 500
Secretariat staff:	170
Annual budget:	¥1.9 billion (fiscal 1984)



Keidanren headquarters

equal footing with the elite bureaucrats of government ministries and agencies. Recently, some observers have even begun to say it is the Secretariat that is actually running Keidanren.

That being the case, government ministries and agencies can no longer ignore the thinking of Keidanren's Secretariat. They have increased their meetings with Secretariat officers to sound out their reactions to new policies. Bureaucrats of the Ministry of Finance and the Ministry of International Trade and Industry (MITI) are making more frequent visits than ever before to the Keidanren Kaikan building in Otemachi, Tokyo.

Government leaders, too, visit Keidanren. Keidanren holds its annual general meeting in May. It has become customary for not only the prime minister but also the finance minister, MITI minister, director-general of the Economic Planning Agency and other important state ministers concerned with economic affairs to attend this gathering and express their views about economic policy.

The Board of Councillors, which serves as an advisory organ to the chairman, is composed of the elders of the business community, and the prime minister as well as important state ministers often address its annual meeting.

An international perspective on business issues

The activities of Keidanren, backed by its powerful organization and competent staff, are extremely diverse. Recently, Keidanren has been concentrating especially on external economic problems and on administrative and fiscal reforms at home.

Chairman Inayama takes every opportunity to stress his favorite theme: "The international environment surrounding Japan remains severe. Trade friction stemming from trade imbalances not only with Europe and America but with developing countries as well is taking on serious proportions. If Japan should fail

to address this problem properly, it will become a serious political issue, and the world will turn to protectionism overnight."

In April 1982, Keidanren issued its "View Regarding Ways and Means To Improve Economic Friction with Foreign Countries" in which it proposed concrete measures to open up the Japanese market to foreign products. In September 1983, it issued "Opinion and Proposals on Maintaining and Strengthening the Free Trade System," a position paper in which it underlined the need to maintain orderly trade and promote international cooperation. Moreover, in June 1984, Keidanren dispatched a mission to investigate the investment environment in the United States that visited 23 states and probed the possibility of furthering industrial and technical cooperation with the U.S. through direct capital investment.

From January through February 1985, a Keidanren mission to ASEAN (Association of Southeast Asian Nations) headed by Chairman Inayama visited Malaysia, Indonesia, Singapore, the Philippines and Thailand. The purpose of this mission was to find ways to invigorate economic exchange between Japan and the five ASEAN countries at the dawning of the "Pacific Age."

The mission heard complaints about Japan wherever it went. It was told that Japan's import tariffs on plywood and palm oil are so high that ASEAN's exports to Japan are not expanding as much as desired. It also heard requests that Japan, as a technology-advanced country, more actively transfer technology and undertake direct investment in ASEAN nations.

Taking a serious view of these mounting complaints and demands, Keidanren barely waited for the return of the ASEAN mission to announce a proposal on measures to open the Japanese market, centering on lower tariffs for plywood. Keidanren vigorously urged Prime Minister Yasuhiro Nakasone and the government ministries and agencies concerned to implement these measures.

In this way, Keidanren is working ener-

getically to ease trade friction with other countries. Nevertheless, Japan's foremost business organization has problems of its own. The biggest is the increasing number of cases in which the interests of the business community conflict with the interests of individual corporations. Keidanren believes that import tariffs on plywood, for example, should be lowered at all costs as a step toward opening the Japanese market to foreign products. However, domestic plywood manufacturers, who number among Keidanren's corporate members, strongly oppose tariff reductions.

As regards voluntary restraints on automobile exports to the United States, it is Chairman Inayama's belief that Japan-U.S. economic relations as a whole would benefit from continued voluntary restraints in one form or another. However, automobile makers would prefer unrestrained free competition. How to coordinate these conflicting interests is now one of the most pressing questions confronting Keidanren. The Secretariat is playing the coordinator's role in trying to find a satisfactory answer.

Says Senior Managing Director Miyoshi: "The departments which the Secretariat most wishes to reinforce are those concerned with international affairs. It is difficult to train people who are qualified to deal with matters related to internationalization in a short period of time. Unless training is accelerated, we will find ourselves unprepared. Until now three members of the Secretariat have been sent overseas annually for study, but we have increased the number to five effective April 1985. When recruiting new staff, we make it a point to hire applicants with proficiency in a foreign language."

On administrative and fiscal reforms, Keidanren is pressuring the government to cut expenditures and ease or abolish the restrictions that have grown along with the excessive expansion of the administrative structure. In 1981, Keidanren, with the support of other economic organizations, organized the Five-Man Committee to Accelerate Administrative Reform. It has also backed the government-appointed Ad Hoc Commission on Administrative Reform and the Ad Hoc Administrative Reform Promotion Council.

Keidanren insists that giving free play to private sector vitality will stimulate economic growth. It has called on the government and other organs concerned to simplify and rationalize formalities for obtaining government approval, alleviate the tax burden on corporations, liberalize the telecommunications business, and flexibly implement Anti-Monopoly policy. Keidanren firmly believes that these steps will contribute greatly to the internationalization of the Japanese economy. ●