

A Multitude of Talents To Turn the Tide of Fortune

By Fumihiro Koizuka

Japan is a small country, with a land area less than that of Montana, the fourth-largest state in the United States. It is overpopulated with 120 million people, and generates the second-biggest gross national product (GNP) of any nation in the free world. And the contrast between the eastern and western parts of this compact, crowded nation is in many ways much more marked than in the enormous United States.

The terms most often used when talking about different regions of Japan are "Kanto" and "Kansai." Kanto means east of *kan*, and Kansai means west of *kan*. *Kan* itself is the phonetic reading of the Chinese character for *sekisho*, or checkpoints in feudal Japan. Anyone traveling from one fief to another had to pass through one of these checkpoints, and one of the most important was at Hakone near Mt. Fuji in today's Kanagawa Prefecture. East of the Hakone Checkpoint lay Kanto, including Tokyo and Yokohama, while to its west was Kansai, encompassing Osaka, Kyoto and Kobe. Geographically, however, Kansai refers only to the small region around Osaka-Kyoto-Kobe rather than to everything west of the Hakone Checkpoint. Conversely, Kanto refers not only to the Tokyo-Yokohama district, but also to the much broader plains lying to the north.

I am not defining Kanto and Kansai to play geography teacher, but to stress the fact that, despite Japan's small size, Kanto and Kansai constitute two major forces. Each has its own distinct politics, economy, culture, academe and art. Their citizens have different eating habits. Even the electric power cycles are different. In Kansai, small as it is, the citizens of the three big cities of Osaka, Kyoto and Kobe sentimentally think that their own respective cities each constitute an independent sphere tracing back to historical circumstances. Indeed, there is a fine difference between the three in their cultural and economic activities.

Any discussion of Kansai business corporations and their executives must keep

in mind this subtle difference not only between Kanto and Kansai but also among Osaka, Kyoto and Kobe.

Friendlier toward Tokyo

Further complicating the matter, the Kansai business community has changed dramatically, and April 1987 was the watershed. Before the spring of 1987, anti-Tokyo and antigovernment sentiments were predominant among Kansai businesspeople. Now, the Kansai business community is pushing "collaboration" rather than "competition" with the central business community in Tokyo. Instead of emotionally resisting the central government, it now approaches the central government deliberately and aggressively as it seeks to establish close connections with national leadership.

This change in mental attitude was the result of the first major reshuffle in 10 years at the top of the Kansai Economic Federation (KEF), an organization of the region's business leaders. Hosai Hyuga, honorary chairman of Sumitomo Metal

Industries, stepped down after 10 years as chairman of KEF, passing the post to Osamu Uno, chairman of Toyobo Co. and his junior by 11 years. Upon assuming the chairmanship, Uno carried out a sweeping house-cleaning, replacing the venerable incumbent vice chairmen of the powerful organization with younger talent. Although younger than his predecessor, Uno is no youngster himself at 69, having been born in 1917. And while the average age of the new chairman and KEF's nine vice chairmen is 6.5 years younger than that of the old leadership, their average age is still 67. Yet to those familiar with the activities and leadership of KEF for the past 20 years or more, the recent reshuffle was dramatic. In the new chairman's words, the personnel reshuffle was essential to "creating a Kansai with strong individuality."

Thus, in the spring of 1987, the Kansai business community entered a commendable period of renovation. The KEF's rejuvenation was essential to creating a Kansai business community vital and vigorous enough to prosper in the 21st century. Many hope the changes will prime the revival of the Kansai economy.



A typical scene at the Osaka Station

Fumihiro Koizuka is economic news editor in the Osaka office of the Mainichi Shimbun. He specializes in the Japanese economy.

Since the start of the 1980s and the Japanese economy's shift from an era of high growth to a moderate growth regime, the Kansai economy has been at a low ebb, an impression borne out by many economic indicators. As the center of economic activity has tilted rapidly toward Tokyo, the Kansai has been losing its prominence as one of the two pivots of the Japanese economy—a position which had remained unquestioned up until the end of World War II.

Riding an updraft

The concentration of economic activities in Tokyo and the concurrent decline of the Kansai economy has manifested itself in many ways. In 1985, for example, people moving from the Kansai to Tokyo, almost all of them adult white-collar workers and their families, exceeded those moving from Tokyo to Kansai by 27,000. This accounted for much of Tokyo's excess inflow of 123,000 immigrants from other prefectures during the 12 months and occurred because competent businessmen were forced to accept posts in Tokyo on company orders. The increase in Tokyo's population is also evident from housing starts. Whereas housing starts in Tokyo registered a year-to-year increase of 18.8% in 1986, those in Osaka-Kyoto-Kobe increased only 3.8%. This increased demand for housing in the capital is one factor behind the recent land price spiral in central Tokyo.

The story is the same wherever you look. Department store sales were up 5.8% in Tokyo in 1986, but up only 1.5% in Osaka. The number of newly registered

automobiles, up 6.1% in Tokyo but 3% in Osaka in 1986 and household income, some 10% higher in Tokyo than in Osaka. Tokyo is riding an updraft and Osaka cannot keep up, and the gap is widening. The same tendency is evident in all indicators of economic activity, be it the number of computers in operation, stock market turnover, or turnover in public and corporate bonds.

Another example is even more alarming. Data compiled by the *Asahi Shimbun*, one of the three most influential national newspapers in Japan, shows that Osaka-based "Kansai corporations" have conspicuously relocated headquarters functions to Tokyo during the past 10 years. A survey of 30 major Kansai corporations conducted at the end of June 1987 and published in the evening edition of the *Asahi Shimbun* on August 22 showed that the number of board directors residing in Osaka decreased by 30 persons during the past 10 years and that the number residing in Tokyo increased by 142. Many of the top executives responding to this survey said they thought further population shifts to Tokyo were "inevitable in the future." They explained that planning divisions, which chart the future course of corporations and international divisions, could not perform satisfactorily if left behind in Osaka.

Informed of the results of this survey, KEF Chairman Uno told the *Asahi*: "Corporations concentrate in Tokyo because quality information converges in Tokyo. Yet if the concentration of firms in Tokyo continues at the current pace, it will hurt the sound development of the Japanese economy as a whole. We must develop Kansai into a unique source of information."

Quality of leaders

What must the Kansai business community do to escape the doldrums and regain its past prosperity and vigor? The answer will be provided largely by the future activities of Kansai business leaders, including the newly appointed chairman and vice chairmen of KEF, and their counterparts with the Osaka Chamber of Commerce and Industry, Kansai's other business standard-bearer. A clue might also be found in the achievements of the influential corporate leaders who have propped up the Kansai business community for the past 20 years, comparing their contribution with the work of Uno and the other new leaders who have taken upon themselves the responsibility for the Kansai's economic future.

Two leaders shared the helm of the Kansai business community during the high economic growth period: Yoshishige Ashihara, honorary chairman of Kansai Electric Power Co., and Hyuga. Both are still hale and hearty, and are known for their hard work. The two men held important KEF posts for 10 long years, during which they endeavored to raise the status and position of the Kansai business community by influencing the political leaders and central government bureaucrats of their time.

Born in 1901, Ashihara is advanced in age, yet his physical stamina and sharp intellect are in no way inferior to men 20 years his junior. He is highly regarded for his undaunted spirit, well befitting a man born in the crucial Meiji era (1868-1911) during which Japan transformed itself from a feudal to a modern state. When we speak of Ashihara's achievements, however, we must not forget to mention the late Ichizo Kobayashi, one of the greatest corporate executives the Kansai has ever produced.

Kobayashi, another man of the Meiji era, was the owner-president of Hankyu Corporation, a prestigious Kansai private railway company. His achievements were many, ranging from upgrading the transportation network in the Keihanshin (Kyoto-Osaka-Kobe) area to urban development and even the founding of the all-girl Takarazuka Revue Troupe, a Kansai cultural institution which also has American fans. No business undertaken by Kobayashi ever ended in failure. Dedicated to efficient management, he developed his companies into a highly profitable group of corporations.

When Ashihara entered the Electric Lamp and Electric Power Division of Hankyu Corporation, one of the predecessors of today's Kansai Electric Power Co., in 1924, Kobayashi was senior managing director and the No. 2 man in the company. Kobayashi thoroughly trained Ashihara in the ABCs of efficient business management. Thanks to this training, Ashihara was elected president of Kansai Electric Power, Japan's second-largest power company after Tokyo Electric Power Co., at the age of 58. Ashihara has striven constantly to raise the technical expertise and earning power of Kansai Electric, which under his guidance established Japan's first successful commercial nuclear power plant.

Ashihara likes to say there are two things of which he is proud: Kansai Electric Power's rates are the cheapest among Japan's nine electric power companies—a product of efficient corporate management—and he has won the con-



Kansai Electric Power Co.
Its rates are the cheapest in Japan.



Hankyu Corporation, a prestigious private railway company in Kansai, was established by the late Ichizo Kobayashi, regarded as one of the greatest corporate executives the region has ever produced.

fidence of successive prime ministers and influential members of the ruling Liberal Democratic Party. For the latter he has used personal contacts going back to his high school days, thus establishing durable links between the Kansai business community and central government officials and political leaders. The "Kitchokai" group, which Ashihara manages, is the venue for the incumbent prime minister to meet Kansai business leaders once a month over dinner. Ashihara took the initiative in creating such opportunities for Kansai business leaders to meet Japan's successive leaders. The Kitchokai's guest list has included the late Eisaku Sato, Kakuei Tanaka, Takeo Miki, Takeo Fukuda, the late Masayoshi Ohira, Zenko Suzuki and Yasuhiro Nakasone, the incumbent prime minister.

C

oncealing true intentions

Hailing from Takamatsu City in Shikoku, Ashihara is by nature antiestablishment and antibureaucrat. However, as a prominent Kansai business leader, he has never missed an opportunity to open unofficial channels like Kitchokai with central political authorities and bureaucrats. It was these connections that enabled him to unify the Kansai business community around his open displays of opposition to Tokyo. Many top Kansai business leaders are skilled in the art of concealing their true intentions under the cloak of principle, and Ashihara is no exception. Yet while it is easy to brand them as "two-faced," that misses the point. This skill is a product of necessity as Kansai business leaders try to catch up with their Tokyo counterparts.

Hyuga, who succeeded Ashihara as KEF chairman, is of a different mold. The two have much in common, though Hyuga, born in 1906, is also his own man. He is, in fact, one of the very few Kansai business leaders who was not born there, but in Kanto-Yamanashi Prefecture, to be exact.

Hyuga worked his way through the

University of Tokyo, graduating in 1931. Wishing to become a central government bureaucrat, he sat for the higher civil service examination and knocked at the door of today's Ministry of International Trade and Industry (MITI). In the end, however, he chose the private sector, joining the now-defunct Sumitomo & Co., the holding company operated by one of Japan's leading prewar financial combines (*zaibatsu*).

His subsequent career was no less unusual. He was secretary to a state minister under the second Konoe Cabinet of 1941, shortly before the outbreak of the Pacific War. Later, in 1965, he was responsible for the so-called Sumikin Case in which he vehemently opposed administrative guidance by MITI bureaucrats during the high-growth period and championed free competition.

Hyuga's bold quarrel with the bureaucrats, particularly at a time when industry was docilely submitting to their control, earned him the support of the Kansai business community and fanned the defiant spirit of the region's businessmen. It was not the first time. In 1964, immediately before this incident, Hyuga was co-chairman of the Kansai Committee for Economic Development, the theoreticians of the Kansai business community. In this post, he took an openly anti-Tokyo stand over a confrontation between the Finance Ministry Banking Bureau and Daiwa Bank, an influential Osaka financial institution. He finally succeeded in persuading the ministry not to forcibly divest the bank's trust division.

These confrontations have given Hyuga a "hawkish" image. He offered no quarter in implementing his philosophy of raising business efficiency through free competition and self-help efforts. His uncompromising dedication was not always welcomed by central government officials and bureaucrats. Yet he was instrumental in gaining many concessions for the Kansai business community by aggressively promoting its views and outdebating central government bureaucrats. In government circles Hyuga and other Kansai

business leaders were jokingly called "development businessmen" because of the many big projects they proposed and the way they maneuvered for government funding.

During Hyuga's term as KEF chairman, many problems were resolved and many projects put on track. Big projects that are well under way include the Kansai International Airport, the Kansai Science City and resumption of construction work on the Great Akashi Bridge, among the longest in the world, to link Akashi, Hyogo Prefecture, with Awaji Island in the Seto Inland Sea.

Yet in order to carry out these giant projects, the Kansai business community needs the central government's help, like it or not. Instead of bowing to the bureaucrats and pleading for budget appropriations, Hyuga preached "the importance of these projects for Japan and the world." This approach won him the support of the central government and political circles. In contrast with Ashihara, flexible and nimble in behind-the-scenes maneuvers, Hyuga might be called a "man of steel" who grapples squarely with political leaders and the bureaucracy.

Under these two superb leaders—the flexible Ashihara and the steely Hyuga—the Kansai strove to strengthen its economic foundations and raise its status in the nation.

M

ingling in the capital

Times have changed, however, and today the current running through the Kansai business community is heavier on "collaboration" than on the "confrontation" of the Ashihara-Hyuga days. The leaders who have brought about this philosophical change are KEF President Uno and Keizo Saji, president of Suntory Ltd. and head of the Osaka Chamber of Commerce and Industry.

Unlike the old "men of Meiji"—virtually a synonym for "stubbornness"—Uno and Saji are "Taisho-men" from the 1912-1926 Taisho era, a time which bred many liberals and romanticists. Moreover, Uno comes from the textile industry, a pacesetter in high fashion and high technology, while Saji owns one of Japan's premier whiskey and beer manufacturers. He is a man of culture, in love with music and art. Because they are both in industries in which success depends on the ability to accurately grasp consumer needs, they have a keen awareness of the times. Much of the difference in approach between them and such old-type leaders as Ashi-

hara and Hyuga—who represented the electric power and steel industries, respectively—undoubtedly stems from their industrial careers.

Uno and Saji are in perfect accord on what must be done. Unlike Ashihara and Hyuga, who tried to raise the status of the Kansai business community through confrontation, the new leaders strike no defiant poses against the Tokyo business community and bureaucracy. Rather, they go out of their way to approach and mingle with various circles in the capital. In their view, Kansai has a unique role of its own to play, different from that of Tokyo. Kansai businessmen, in their opinion, should contribute to Japan and the world by giving full play to Kansai's own characteristics, within the context of Japan's ongoing internationalization.

On August 29, 1987, Uno contributed an article to the *Mainichi Shimbun* which aptly describes the attitude of businessmen in the Kansai region. He wrote:

"Kansai in the 21st century will create culture that will lead the next generation. Big projects, such as the construction of the Kansai International Airport and the Kansai Science City, are aimed at breaking through the problems which beset the Kansai economy today and sustaining the vitality necessary for reinvigorating the constitution of the region's economy. Moreover, they will serve to thaw Kansai's currently frozen stock of history, tradition and culture, reviving them for a new flowering in the 21st century. The original basic research, global economic functions and affluent lifestyles which the regenerated Kansai area will bring about will help Japan to survive in the world at large. Indeed, these are the only things that Japan will be able to contribute to world society."

I believe this passage does credit to Uno, a romanticist who wishes to infuse fresh cultural and economic vitality into

Kansai's long traditions and make them bloom anew. I am not naively optimistic enough to think the Kansai business community can emerge from long stagnation simply by changing leaders. Yet the current of the Kansai economy has clearly taken a turn for the better, and there is a premonition of a brighter future in the air. The new leaders of the Kansai business community—Uno, Saji and those around them—are full of vigor, and more than willing to innovate.

Typical of these innovations is the campaign to "strengthen global financial functions," being zealously pursued by industry, government and academe. The campaign, which aims to turn Osaka into a world financial center comparable to Tokyo, is being promoted by the "Liaison and Promotion Council for Strengthening Osaka's Global Financial Functions" which was established on August 26, 1987 and is headed by Uno himself.

The council has already achieved one of its immediate goals—that of starting futures trading in Osaka before it reaches Tokyo. Futures trading—already in the mainstream of financial transactions in the United States and Britain—began on a limited basis in Osaka in June, with just 50 stocks involved, though there are plans to expand.

Trading volume has so far been disappointingly low. It remains, however, the first such market in Japan, succeeding despite the slow start and initial fears that it would be hampered by the fact that the names "Osaka" and "Kansai" are virtually unknown to people overseas, especially compared with Tokyo.

Futures trading is expected to begin in the capital next year.

While it will not be easy, Osaka could yet become an international financial center. William Brodsky, president and chief executive officer of the Chicago Mercantile Exchange (CME), explained how Chicago was reborn as a financial

center vis-à-vis New York when he addressed the International Symposium on Futures Trading held in Osaka on August 26. Chicago, Brodsky said, had followed the example of rice futures trading at Dojima, which prospered in Osaka during the Edo period of 1603–1868. In short, the fountainhead of futures trading was Osaka itself, the economic center of Japan more than a century ago.

If so, it may not be impossible, as Uno says, to make history and tradition grow new flowers.

Following the symposium, not only industrial and academic leaders in Kansai but also local government officials from Osaka Prefecture and Osaka City were in high spirits, parroting the catchphrase, "Let's Learn from Chicago." As Tokyo sets its sights on European and American markets, Osaka might well find new possibilities in the markets of the Asian-Pacific region, expected by many to be the main arena of the world economy in the 21st century. It could have international financial functions different from but no less important than those of the capital.

Kansai's new century

This past summer there were two major incidents in Tokyo which brought a gleam to the eyes of anti-Tokyo Kansai businessmen. One was an acute water shortage, and the other a power blackout which on the afternoon of July 23 left 2.8 million households in the Tokyo metropolitan area without electricity. Both were signs of the social ills caused by overconcentration in Tokyo, and underscored the need for the "decentralization" long advocated by the Kansai business community. The uncontrollable land price spiral in Tokyo adds fuel to the fire.

The comment of Kansai people that "Tokyo is not a fit place to live" may be a trifle extreme, but there is little doubt that the concentration in Tokyo has gone beyond tolerable limits. The multipolar decentralization of Japan advocated by the central government's fourth overall national land development plan (so-called *Yonzenso*) is probably essential. And in that event, Kansai must be given a second look. The region has a wealth of human resources covering not only history, tradition and culture but industry and academe. Moreover, with new leaders advocating "collaboration," the Kansai industrial world is again on the march. The catchphrase "the 21st century is Kansai's century" may have started as propaganda. It could yet prove to be true. ●



Kansai businesspeople meet their counterparts from Asian and Pacific countries at a convention held in Osaka in October.