

Tracing the Potential of a Sleeping Giant

Time to Prove the Soothsayers Wrong

By Taichi Sakaiya

For many years business soothsayers have insisted that the economic foundation of Kansai is crumbling. The signs of decline are not to be found in the region's industrial production and distribution. Rather, they have appeared in the erosion of the economic superstructure of Kansai—corporate management, financing and information—relative to Tokyo.

Before World War II, Kansai's economic superstructure was strong enough to compete head-on with the capital's. In bill clearance, the best indicator of economic scale, prewar Osaka cleared 35.4% of the national total, a close second to Tokyo's 39.8%. With the addition of bills cleared in Kobe and Kyoto, volume in Kansai as a whole exceeded that of Tokyo and the rest of the Kanto region.

It was not until the late 1950s that Japan's economic concentration in Tokyo began in earnest, a move that coincided with the dawn of an era of mass production and mass consumption driven by an abundance of cheap petroleum energy.

A petroleum-dominated industrial society makes a virtue of producing and profiting from big undertakings. Individual tastes and regional characteristics go by the wayside, while delicate groundwork is needed to win the cooperation of

all concerned. Bureaucratic managerial skills are essential to keep things moving smoothly. Tokyo, the administrative center of the nation, became the natural choice for industry as well.

The concentration of economic leadership in Tokyo is evidenced by the moves by major Osaka corporations to relocate key headquarters functions to the capital. Usually the presidential office is the first to go, followed by the research, public relations and financial departments. Often only the sales department stays in Osaka.

Nemawashi, the time-consuming groundwork so essential to Japanese management, is to blame for this exodus. The presidents of major Kansai corporations had to go to Tokyo so often for *nemawashi* with government officials and economic organizations that they decided to station permanent staffs there. Today, big companies in Kansai have split their head office functions into two: one doing *nemawashi* in Tokyo and the other taking care of business as usual back home.

Enterprising character

As the profile of Kansai's economic superstructure has fallen, so too has the region's cultural vitality. Highly educated

high-income people gravitate to the center of economic activity, where they form a cultural market. Thus it was that Kansai's cultural activities rivaled those of Tokyo before World War II, but went into decline in the postwar years.

Yet now these trends are showing signs of change. People have begun to take issue with excessive concentration in Tokyo as production growth has slowed at the factories which formerly gave regional economies a degree of prosperity. The growing importance of information, culture and services in the economy has also challenged past assumptions. Even the Japanese government in principle supports decentralization, although it will be some time before concrete policies come to the fore.

Until such a time comes, Kansai has little alternative but to take the initiative in resuscitating its economy itself. The first step will be to clarify its identity, and there seems no better starting point than its traditional enterprising character.

Kansai merchants, it is often said, buy when prices are cheap and sell when prices go up. The Tokyo merchant, in contrast, buys where prices are cheap and sells where they are dear.

Playing off regional differences as they do, Tokyo merchants prize personal con-



The hub of Osaka City

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nections and attach importance to procedures and customs. Their Kansai counterparts, taking advantage of changes over time, rely much more on speculation, and are far less hesitant to chase after novelty. In fact, 57 of 74 new postwar businesses originated in Kansai, according to a recent survey. Most of them, including supermarkets, convenience stores, prefabricated housing and sportswear, were targeted on general consumers.

Take prefabricated housing, for example. Sekisui House, the industry pioneer, first marketed its prefabricated houses in Tokyo. Sales in the capital region were so poor, however, that the company switched its attention to Osaka, where it found a ready market. If front-running companies tend to stick to established products while others embark on new ventures to attract attention, then Kansai, now in a secondary position to Tokyo, can only close the gap by taking on challenges that Tokyo would not risk.

Tolerance of diversity

At the same time, Kansai should also take advantage of its local characteristics and seek to diversify. The mass production society of the past profited from the



Commuters at an Osaka underground shopping mall

existence of a vast, organized market orchestrated from Tokyo. Now, however, people have begun to shy away from standardization in favor of diversity as they reject the old assumptions of volume production and a throwaway culture.

With the oil crises of the 1970s shaking the complacency of those who had taken abundant resources for granted, a new age of enhanced options and made-to-order production has dawned which will finally do Kansai justice.

Kansai is a conglomerate of three distinctive cities—Osaka, Kyoto and Kobe—each with its own unique heritage and

culture. Their proud self-assertion is reflected in the region's economy, society and culture, making Kansai remarkably tolerant of diversity.

Plans are already afoot to carve out an important niche for Kansai in this new age. When complete, they will make the region a second national nucleus of international exchange and research and development, complete with a new international airport and academic city.

Another factor prompting the decentralization of Tokyo is the skyrocketing price of land. It now costs an average ¥65,000 (\$448 at the rate of ¥145/\$) per

International Garden and Greenery Exposition

The International Garden and Greenery Exposition (IGGE) will open at Osaka's Tsurumi Green Zone April 1, 1990 for a six-month run. Held under the auspices of the International Association of Horticultural Producers (AIPH), it will be Japan's fourth international exposition, following on the 1970 World Exposition in Osaka, the 1975 International Ocean Exposition in Okinawa and the 1985 International Exposition in Tsukuba. It is the first international flower exposition to be held anywhere in Asia.

The ¥172 billion exposition on the theme of "The Coexistence of Man and Nature" was originally planned as an event commemorating the 1989 centenary of the City of Osaka. It was upgraded to an official international exposition at a general meeting of the International Bu-

reau of Expositions in December 1985.

The Tsurumi Green Zone, the site of IGGE, is a 140-hectare urban park in the suburbs of Osaka, and is a perfect setting for the IGGE's three theme areas. The Mountain Area, to be located on hilly woodlands in the northeastern corner of the park, will be the nucleus of the exposition, featuring traditional gardens of the participating countries, including the Japanese government garden. The Field Area surrounding a small lake in the center of the site will double as a plaza. Lined with flower beds and trees, it will express the fusion of natural and man-made beauty. The City Area on a field southwest of the lake will house some 30 pavilions and entertainment facilities.

The exposition site will represent a "city of pleasure"—a bustling, lively and pleasant urban environment. Through-



The site of the 1990 International Garden and Greenery Exposition in Osaka

out the site, various displays, performances and events such as musicals and concerts by international singing stars will be staged. An estimated 20 million persons will visit the exposition with a daily turnout totaling 220,000 at peak periods.

3.3 square meters of office space in Tokyo, more than twice the ¥30,000 average in New York. Assuming the average worker needs 26 square meters of space in a highly automated office, it costs ¥260,000 more for such an area in Tokyo than in New York. Clearly, the concentration of headquarters functions in Tokyo is paid for in lower international competitiveness. Some foreign companies have already moved from Tokyo to Osaka, where land prices are not as high and business activities can be maintained just as well as in Tokyo.

Advantage of location

The third advantage Kansai has is its location, which gives it even better access to information than Tokyo. It is a mistake to assume that economic information is available only in the capital. True, that is where the government, mass media and most major corporations are to be found. But there is no need to be in the city to get that information. Government data is made public virtually simultaneously in every major city in the country. The mass media reaches every corner of Japan through newspapers, television networks and weekly magazines.

In fact, while the Tokyo-based media

is good at disseminating information throughout the country, it is poor at gathering news about outlying regions. In contrast, the local mass media is good at receiving information originating in Tokyo, but is poor at publicizing its own localities. In short, Tokyo residents are informed only about Tokyo, whereas people in the provinces get information about Tokyo and their own communities.

Kansai is in a unique position in this regard, for it still retains vast economic resources that themselves generate information. Add in the data readily available from Tokyo, and Kansai has the largest net information balance in the nation.

Tokyo is at an advantage in gathering information, thanks to its huge population and close contacts among its people. Such an atmosphere enables people to quickly grasp the latest social trends, and use this stimulus to produce new ideas. Yet Tokyo's innate caution about things new seems to cancel this out. If anything, Tokyo's information environment is deteriorating.

Lastly, Kansai should take advantage of its cosmopolitan mind-set as it turns itself into an international economic stronghold. Many assume that Tokyo is the only place in Japan where international business can be done. Certainly Tokyo is the seat of the government and

has Japan's foremost international airport. Yet in foreign countries, international business activities are not necessarily concentrated in the capital. Nor do they need to be in Japan.

Kansai has an international atmosphere and tolerance of outsiders which is lacking in Tokyo. Kansai people are more open-minded toward foreigners and more adept at making them feel at home. This is the cultural heritage of a region that has been open to the outside world since ancient times.

Even many permanent foreign residents of Japan prefer Kansai over other parts of the country, finding it an easier place to live and work. In fact, while more than 90% of joint ventures established at the initiative of the Japanese partner are located in Tokyo, only half of all foreign-led joint ventures are in the capital.

Numerous joint ventures and foreign-affiliated companies have set up shop in Osaka and Kobe, including such international giants as Nestlé and Procter & Gamble.

We are entering an information age in which knowledge will be of supreme importance. The people of Kansai will undoubtedly rise to meet the challenges of this era, and through their driving enthusiasm and gift for innovation will bring new prosperity to the region. ●

Kobe Fashion Town

Kobe Fashion Town is being built on the 13.5-hectare waterfront site of the Portopia '81 exhibition as Kobe's own challenge for the 21st century. The goal is to create an international fashion center which will introduce high quality Kobe fashion products to the rest of the world.

Already 25 fashion-related companies in the apparel, cosmetics, pearl and sports businesses have set up shop. In all, 38 companies are expected to be represented when the center is completed in 1989.

Kobe has been Japan's window on the world ever since its port was opened to international trade in the Meiji era. Its free and tolerant atmosphere is perfect for creating high fashion.

Kobe Fashion Town takes advantage of these qualities as it pursues the three themes of beauty, love and dreams. Organizers say their goals are to create beauty as a message to the people of the world,



Kobe, which is one of Japan's main sea ports, is promoting an ambitious "Fashion Town" project of its own.

to build a town of peace based on love for a dynamic and happy society, and to foster hope for the future as a heritage to be passed on to coming generations.

Eventually Kobe Fashion Town will be home to a fashion university and fashion

institute. Companies doing business there will also run in-house training programs to attract talented people to the community. An adjacent convention complex will be host to exhibitions and sporting and cultural events.