

P R O F I L E

Conductor of Commerce

Interview with Rokuro Ishikawa, president of the Japan Chamber of Commerce and Industry, by Toshio Iwasaki, editor of the Journal of Japanese Trade & Industry

Comprised of 489 local chambers of commerce and industry with a total of 1.26 million corporate members nationwide, the Japan Chamber of Commerce and Industry (Nissho) is Japan's largest economic organization. In December 1987, Rokuro Ishikawa—chairman of Kajima Corp., Japan's largest construction company—was elected Nissho's new president. Born in 1925, Ishikawa is the youngest person ever to hold the chamber's top position. He started out as a bureaucrat in the Ministry of Transport, following that with a stint in the then state-owned Japanese National Railways, and made the move to the private sector. He was appointed president of Kajima Corp. in 1978 and chairman in 1984.

Ishikawa, an all-round athlete who is adept at swimming, tennis, horse riding, hunting and fishing, is equally talented in business, where he has helped Kajima retain its position as Japan's top construction firm. "Given the need to coordinate the steel, cement and many other industries involved, the construction industry is akin to an orchestra," says Ishikawa. Given his important role in Japanese economic affairs and the nation's efforts to maintain harmonious relations with its trading partners, Ishikawa's talents as a "conductor" are likely to be tested to the full.

Question: *In assuming the chamber presidency, you could say that you have taken the baton or helm of the Japanese private sector. With Japan such a major player in the world economy, the ac-*

tions of an organization such as the chamber can have a bearing on international affairs.

Ishikawa: As you point out, Japan is now a much more important member of the global economic community. We have also become the world's largest creditor nation. This is one factor. Another factor is that there is considerable uncertainty in a number of economic areas. There are, for example, questions about America's economic future, how to handle the developing countries' debt problems and how to deal with the problems facing the Soviet and other communist economies, and the question of how economic relations will develop between Japan and the European Community.

These are the factors that we have to take into consideration in thinking about Japan's economic future. Given this, it seems clear that the private sector and the Japanese government have to coordinate their economic policies, and I believe that facilitating this coordination is one of my primary missions.

Q: *The framework of international cooperation seems to be working in currency exchange, but there is less agreement in the trade sphere. Problems are especially evident in Japan-U.S. trade, and Japan-bashing has been on the rise in the United States.*

A: Since our economy is based on free-market principles, it is inevitable that some companies will do better than others and that imbalances will arise. However, this creates problems when major imbalances develop between countries—not just between Japan and America but between any two countries. Thus it seems clear that Japan must make the transition from an export-led to a domestic demand-led industrial structure. Since this restructuring will take at least five years, in the meantime we have to raise our import elasticity and work to make sure that imports have full access to the domestic market. Major efforts must also be made to expand domestic demand, including stepped-up public spending. However, government spending can only serve as a stimulus, and the brunt of the domestic demand expansion must come from private-sector capital investment, housing investment and increased consumption by individuals. Still, government policies to promote the transition and private business efforts for restructuring have gone very smoothly so far.



Rokuro Ishikawa

Q: *Trade imbalances persist with many areas, though, and Japanese exports are subject to a wide range of restrictions. Looking just at the Japan-U.S. relationship, there are restrictions on Japanese automobile, steel, consumer electronics and a long list of other products. At the same time, the U.S. is vociferously demanding that U.S. corporations be included in Japanese public works projects and that Japan open its agricultural markets to more American farm goods.*

A: Free competition is all very well, but friction is inevitable if you just follow the law of the jungle. That is why we need bilateral or multilateral trade negotiations to set mutually agreeable limits on trade in the major product categories. Likewise, we need to make a conscious effort to import finished products from the developing countries to facilitate their development and to ensure that our surpluses are recycled in the world economy. This means there has to be a cooperative government-business effort.

At the same time, it is necessary that our trade partners also do their part to solve these problems. The U.S., for example, is running deficits in its trade, national budget and individual consumer accounts, and it is essential that it work to put the economy back on a sound footing by encouraging its citizens to save more and spend less and by promoting more capital investment by industry. This was a major subject of discussion at the Japan-U.S. Business Conference this February, and even the U.S. business leaders at that conference expressed considerable concern over the future of the U.S. economy.

On currency exchange rates, the yen's level will basically be determined by economic fundamentals, and there is a limit to what can be accomplished by the joint intervention by the G-7 industrialized countries. That is why it is so important that the United States should get its economic act together.

Q: *Speaking of the Japan-U.S. Business Conference, some people have suggested that understanding among business leaders is even more important than understanding between governments.*

A: Business understanding is extremely important. We meet with U.S. business leaders at least once a year, and the next conference is scheduled to be held in July 1988. In addition, there are also regional conferences where Japanese businessmen can meet with businesspeople from specific sections of the U.S. Our ties are not, however, restricted to the United States. In the fall of 1987, a conference was held with busi-

nessmen from West Germany too. Japanese economic organizations have been very well represented at these business conferences.

Q: *Japanese market opening is a common thread running through all of these talks. Could we pursue that a little more?*

A: This question has several facets, but let me take them one at a time. As far as agricultural imports go, this is a question that demands a domestic response first, and it is such a very political issue that I do not see it being solved anytime soon.

Concerning the issue of participation by U.S. firms in Japanese public works projects, there has been no change in the policy of open and non-discriminatory competition as agreed on at the Nakasone-Reagan Summit and reaffirmed at the Takeshita-Reagan Summit. However, Japan and the United States handle public works contacts differently. Japan has a system of competitive bidding among approved contractors, similar to the European system.

Since public works projects are financed by the taxpayers, it is important to ensure that they are carried out efficiently and that the work is up to standard. Thus bids are only accepted from designated contractors—contractors who have proven their ability to do the job right. Within this group, the lowest bid is chosen and a contract is signed. This is the designated competitive tender system—a system adopted in many countries throughout the world. If a foreign company wants to win a contract for a Japanese public works project, it should follow the Japanese rules. The U.S. is complaining that they are being shut out of Japanese public works contracts, but I suspect it is more that they do not understand how the system works.

However, I do agree that Japan needs to make an effort to simplify the system in response to complaints that the Japanese system is overly complicated and too difficult for foreign firms to understand. The Japanese government is already in the process of looking into ways to accomplish this simplification.

The Japanese construction industry welcomes the participation of foreign contractors, and we have set up a special department to establish better communication with foreign firms and to help them learn their way around. Foreign contractors that have taken advantage of the opportunities in Japan are already doing ¥40 billion worth of business a year here. It is unfortunate that this fact does not get reported more.

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This is basically a private-sector business problem. If a contractor wants to win a contract, it has to do its best to meet the specifications and to provide the kind of service the customer wants. If a company is not prepared to do that, it will not succeed no matter how easy market access is—and the really good company will find that the market is already open.

Q: *Japanese industry has shown remarkable resilience in the face of the yen's appreciation and the structural recession, and Japanese companies have made a major effort to restructure and to move production facilities overseas to survive. I imagine the chamber has played a leading role in advising these firms.*

A: Because of the wide range of different industries and regions represented within the chamber, we are currently concentrating on activities to enable each area to take advantage of its special characteristics, on encouraging joint development efforts across industry lines and on developing new markets. These are all very important issues, and we are doing the best we can with cooperation and exchanges of information among local chambers throughout Japan.

Although it is true that Japanese industry is moving overseas and that this could cause a weakening of our industrial base at home, manufacturers really have no choice but to locate production facilities in low-cost areas with the exchange rates the way they are. One of the corporate chairmen who was at the Japan-U.S. Business Conference said, "Our only options are to produce domestically, to purchase domestically, to produce overseas or to purchase overseas. These are the only choices we have, and we have to make the choice that enables us to get the best cost-quality mix." This attitude may contribute to the further weakening of America's industrial base, but these are the realities of the competitive world we live in today.

Q: *I would like you to put your Kajima hat on for this next question. The construction industry has been a major beneficiary of efforts to stimulate domestic demand, and construction is booming right now. But what is the outlook for your industry?*

A: I think the construction industry has a very bright future. First of all, looking at the public works sector, the Japanese government only spends about half as much as the other industrialized countries do on infrastructure. Yet as the economy has grown stronger, it has become increasingly important to rectify this situation. And this has to be done now while the economy

is strong. Infrastructure facilities are a very promising field for the construction industry. The Fourth Comprehensive National Development Plan, for example, calls for the development of a nationwide high-speed transportation network that would put the entire country within one-day's commuting distance.

In the private sector, capital investment presents another very important market as Japanese industry restructures. Urban development and housing are other important markets. There are roughly 40 million homes in Japan, but many of these are substandard in terms of both size and quality—the sort of thing that led to their being termed "rabbit hutches" many years ago. This alone is a very big market. Taking all this into consideration, we are forecasting construction demand of roughly ¥1,000 trillion divided about equally between the private and public sectors. Because Japan's GNP is presently about ¥1 trillion a day, this translates into three years' GNP. While it is uncertain how much of this investment can be made over the next 15–20 years, it is safe to say that the outlook is good for the construction industry.

Q: *Theoretically, that is very impressive, but some people have suggested that the high price of land in Tokyo will have a dampening effect on domestic demand.*

A: I agree that Japan has been very slow in responding to the problem of Tokyo's soaring land prices. But there are a number of policy responses possible, one of which is to increase the supply of land so that it outstrips demand—which would bring prices down right away.

There are a number of ways it can be done. For example, waterfront land in Tokyo is almost all public property, and it should be possible to utilize this land for office and residential space. Other possibilities include the conversion of farm land within Tokyo's urbanized areas and easing some of the regulations that limit the amount of land that is available. One study has shown that the average height of all structures in downtown Tokyo is 2.5 stories at most. Easing the regulations and increasing the average building height would also make it possible for people to live closer to where they work and to cut their commuting times. Tokyo is no longer just Japan's leading city—it is an international center as well. And it is important to improve the amenities so that downtown Tokyo offers the same standard of living as New York's Manhattan or the center of London. ■