

TOKYO LETTER

Bid to Gain TSE Trading Floor Succeeds

When he became the first foreigner to work in the Tokyo Stock Exchange last November, Raymond Forbes was a bit bothered by all the newspaper publicity and the attention of Japanese in general. Now, it seems entirely natural for him to be working in Tokyo, providing him daily with fascinating insights into the differences in operation between Japanese and American exchanges.

The 23-year-old native of Brooklyn, New York, is no stranger to the world of stocks and bonds. His father owns a small securities company in New York and, recalls Raymond, "I used to spend my summers helping him out. From the age of 16, in fact, I spent five summers working in the New York Stock Exchange."

He studied Japanese at Colby College

in Maine, so that it seemed quite natural on graduation to bring the two interests together. During his summer vacation in 1981, he worked in Tokyo for two months with the New Japan Securities Company. On graduation, however, he approached Nikko Securities International about a job, "because a friend of my father worked there and it seemed the most logical place to start."

The approach to Nikko was successful and it was decided the young New Yorker should move to Tokyo for a year for first-hand study of Japanese securities. And that was how he came to make headlines by entering the Tokyo Stock Exchange. Now, he says, "I feel completely at ease working alongside Japanese brokers and dealers, without the slightest self-consciousness."

He quickly found that there were many differences in the way the Tokyo and New York Stock Exchanges operate. First, Raymond found that the majority of the *batachi* (brokers) were not much older than himself. "Most of them seemed to be in their 20's, while in New York I would say

the average age for brokers is about 35."

In New York, the more orders you execute, the more you earn. On the Tokyo exchange, however, the young American soon discovered that no matter how hard you work, your salary is more or less the same as the next man. "In New York, every order the broker executes earns him a commission. But there are no commissions in Tokyo, so there is no financial encouragement to work harder or be smarter than the next man. I would say that the average broker in Tokyo earns about 10,000 to 20,000 dollars a year, whereas in New York, the average broker can earn anywhere from 15,000 to 200,000 dollars. Mind you, the ones who earn 200,000 dollars are fairly rare."

Reflecting the Personalities of the Two Societies

Another difference that Raymond has detected is in the role of specialists (usually known in Japan as *saitori*). He explains: "In America, specialists take positions in the stocks they trade. In Japan they don't. Thus, the relationship between brokers and specialists in America is more delicate than it is in Japan, and the possibility of friction is greater. In Japan, *saitori* exist to ensure proper market functioning and keep transactions running smoothly. American specialists function in the same way, but they have the additional role of making money for their own companies. I would say that this reflects the personalities of the respective societies. I quickly appreciated that the basic concept in Japan is to place the interests of the group before those of the individual. Hence, there is little competition and friction between brokers and specialists. But this friction tends to occur under the American system, which is more of an individualistic than group cooperative one."

The differences in stock exchange operations do not end there. In Tokyo, for example, he discovered that the roles of broker and clerk are interchangeable. In New York, they are two separate posts, with the broker regarded as the senior. "In New York, clerks are not allowed on the trading floor during trading hours. The clerk's job is to relay the orders. In the



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New York exchange, for example, he does this by pressing a button that activates a buzzer in the broker's pocket. The broker then comes to pick up the order."

A Sort of Deaf and Dumb Language

As Raymond began to find his feet on the noisy, chaotic Tokyo trading floor, he started to notice differences in the way Japanese and American brokers handle orders. On the New York exchange, for example, orders of 100 and 200 shares are sent by machine. In Tokyo, about three-quarters of the orders are sent by machine, the rest by telephone or by unique hand signals in a sort of deaf and dumb language. Orders sent by hand signals are usually the larger ones.

According to the young American:

"Orders tend to be executed quicker on the Tokyo exchange because the broker does not have to waste time walking to and from the booth where the orders arrive. For example, if Sony is unusually busy, a member or two from a good part of the 83 securities firms will be, if not directly in front of the post struggling to execute an order, then at least in the general vicinity. As a result, an order can be executed within as little as three to five seconds after it arrives in the exchange. Orders generally take more time to complete in New York."

Apart from fitting in easily into his work at the stock exchange, Raymond has quickly adapted to the Japanese way of life. Everyone comments on how densely packed Japanese communities are because of the lack of land to house such a large population. But the American finds this can be an advantage. "Everything is

so close together that most places and things are always within easy reach. I find Tokyo a very convenient and easy city in which to live."

As a final comment on his short experience of living in Japan, he says: "It has often been said that it is hard for foreigners to assimilate and feel at home in the Japanese culture. Of course, if one does not speak the language, then obviously it is very difficult, if not impossible. But if you have studied the language, culture and customs of the Japanese and approach people on their own terms with respect for the Japanese character, then there is no reason why your stay in Japan should not be a rewarding and enjoyable experience. I can honestly say that I already feel at home among the Japanese, who, after all are just ordinary people like myself."

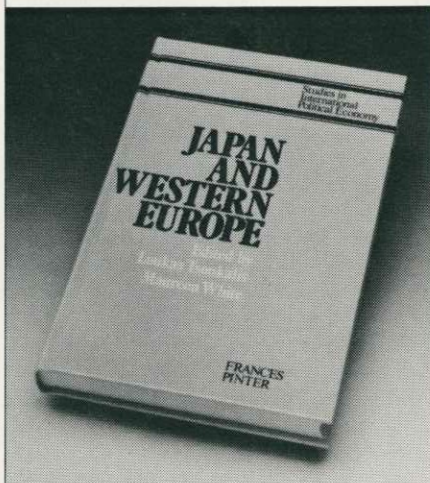
(Geoffrey Murray)

BOOK REVIEW

By Robert J. Ballon
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"Japan and Western Europe"

edited by Loukas Tsoukalis and Maureen White, London: Frances Pinter, 1982, pp. i-xiv, 1-222, index.



The original idea for this volume arose out of an international conference held in Britain in July 1980. Papers there presented were revised and new ones com-

missioned. The result is a remarkably homogeneous analysis of Japan-Western Europe economic relations by 14 authors; seven from Britain, four from Japan, two from France and one American.

In more than mere geographical terms, these two trade partners are to each other on the other side of the globe, suddenly more so with the faltering of a previous common denominator, the U.S. At one antipode are the Western European countries readily assuming that the industrialization process at home and in Japan is fundamentally the same. However, a French historian warns that "there is little doubt that Japan's process of modernization was mainly self-generated—albeit accelerated by the Western threat—and that the society which emerged is not a single replica of the industrialized West." (J.P. Lehmann, p. 23) There is, therefore, even today, too little knowledge and appreciation of Japan's potential in the collective impact of the U.S., Europe and Japan on the world economy. On its part, the European Community is hampered in its dealings with Japan. Bilateral relations between individual members and Japan remain largely the order of the day. (B. Meynell, Chapter 7)

"Until now, relations with Japan have acted as an important divisive factor inside the Community... The common com-

mercial policy of the EC hardly applies to relations with Japan." (L. Tsoukalis, p. 217)

At the other antipode, there is Japan whose inroads on European markets cause alarm. Its much touted industrial policy has to be evaluated for what it is, not for what it is said to be, namely, "it is the context for Japanese industrial policy, rather than the policy itself or its implementation techniques, that is exceptional." (J.C. Abegglen, p. 51) Nonetheless, the result is a highly efficient and dynamic economy where constraints, mostly external, affect the speed of growth rather than growth potential itself. "The major constraint would seem to be largely of an external nature—the vulnerability of the economy to the effects of rising commodity prices (which itself may trigger off) on the import bill, on the exchange rate and on domestic prices." (A. Boltho, p. 40) On the other hand, "by and large, the past history of Japan's foreign economic policy has been a succession of responses to external pressures rather than a premeditated and consistent trade philosophy... a phenomenon rooted in the Japanese political decision process whereby policy makers feel a need to build a consensus among the relevant parties..." Admittedly, "most economic issues in Japan tend to be seen in terms of the relationship with the U.S." However