

BUSINESS INSIGHT 1996 Spring

**Top Talk: Toward the Creation of Kobe as an International City**

**Tetsuro Kawakami (President of Kansai Economic Federation and Chairman of the Board of Directors at Sumitomo Electric Industries, Ltd.)**



Tetsuro Kawakami

August 3, 1928: Born

March 1952: Graduated from Tokyo University of Commerce

April 1952: Joined Sumitomo Electric Industries, Ltd.

May 1975: Appointed as the Director and Manger of Accounting Department

June 1978: Appointed as the Managing Director

June 1980: Appointed as the Senior Managing Director

June 1982: Appointed as the President

May 1989: Received a Medal of Blue Ribbon

June 1991: Appointed as the Chairman of the Board of Directors .

May 1994: Appointed as the President of Kansai Economic Federation

This interview was conducted in 1996. So, what Mr. Kawakami talked in this interview and his background are original.

We desire that you search their website for the latest information.

Click this URL: <http://global-sei.com/>

The Great Hanshin-Awaji Earthquake is not only a problem for those who live in Awaji Island, Kobe, Ashiya and Nishinomiya. There should have been a lot to learn from the earthquake for all the business people living in Japan. If we could not learn deeply from

the event, we would lose the true words to talk about the things we lost in this tragedy to the future generations and people in the world. Needless to say, real learning involves some changes. With such thoughts, that is why we chose a special theme, “Dynamism of Reconstruction – Earthquake, People, Organization, Infrastructure -” (Issue 3, Vol. 2), when our editing work of “Business Insight” was finally recovered from the earthquake.

Probably many readers remember that the symposium of Research Institute of Advanced Management (scheduled on 20th January, 1995) was postponed because of the earthquake. The theme of the symposium was initially “Asian Business Network”. However, the subject was changed to “Kobe Reconstruction and Entrepreneur Sprints – Think About it in the Asian Business Network” after the quake. We invited Mr. Tetsuro Kawakami, the President of Kansai Economic Federation, asking him to give us a keynote address. The words spoken in the lecture for only one time is precious. But I would like to convey the words he gave us at the symposium to the members of Research Institute of Advanced Management. The ways of spending the first anniversary of the earthquake was different in each city. We spent our memorial day to edit this interview. The lecture of President Kawakami happened to be appeared in this very issue. The theme of his lecture was “Toward the Creation of Kobe as an International City”. We decided to use it as the title of this Top Interview.

I would like to share my thoughts with you in terms of Kobe reconstruction and creation. I am currently a member of the governmental reconstruction committee and have made many recommendations to the committee. So I would like to talk about the thoughts first, and it would be appreciated if some discussion or suggestions are made based on my talk.

## **Long-term Change of Japanese Economy**

Research Institute of Advanced Management is an academic institute, so I am not too sure if a manager who has been working in the economic world like me gives you a speech is appropriate. It has been 40 years since I started working, so I have experienced many things and watched many cases in the economic world. Needless to say, the Japanese economy has grown more amazingly than the economic growth seen in any other countries in the last 40 years. When I look back at the past, it makes me a

bit emotional. When I was studying business administration at university, Japan didn't have enough capital but had too much labor. Our propositions since we were university students were how we could reconstruct the country with no natural resources from the devastation after World War II, or how we could catch up with the developed countries. Fifty years after the war, the economic situation was changed significantly. We have too much capital or investment money, and we kept the status of full employment in a sense. However, it is undeniable that the economy or society has reached a big turning point now.

### **Increase in the Number of Employees**

The Korean War broke out in 1950. As the Fujiwara Theory says this was the start of Japanese economic growth. If we look at the change in the number of employees which specifically is the number of employees, it was 12.6 million in 1950. In 1990, it became 50 million. If the one big goal of the economic management was to create employment, it has created 40 million employees between 1950 and 1990. In other words, many jobs were created or the economy grew that much. I said the number of employees was 12.6 million, but if I include the employees other than salaried people, it increased to 38 million. About 12 million salaried people or we can call them middle-class people, increased to 50 million in the 40 years. The number of employees now is about 60 million. We can see how each organization or company has grown and increased the number of salaried people and how the number of sole proprietorships and self-employed (there are especially many farmers) decreased. And the income was also equalized. The employment data tells us all those things as I mentioned just now.

### **Japanese System as a Turning Point / Change of the Government Policy and Infrastructure**

There is no doubt that the Japanese employment system or Japanese management style was greatly successful in the past. However, we cannot deny that the social structure and the relation between employers and employees that has supported the economic growth reached a big turning point. It is an undeniable fact as business and industrial

people that the economic and social success during the 40 or 50 years after the war is becoming the negative factor for the future growth. I think it is the challenge for the current business people and academic institutes.

It seems like that the macro economic policies, which had been applied whenever the Japanese economy was in recession, are not working effectively this time. Until now, financial measures were necessary to get out of the economic recession and economic growth. As you know, this time, Japan is facing the economic recession that is zero economic growth for four years in a row. Even when looking around, we cannot find any developed countries with the zero economic growth for three or four consecutive years in Europe, American continent and East Asia. This is the worst economic recession in the Japanese history after the war. Even though macro economic policy approach had been successful for the past 40 to 50 years, we had experienced a series of failures for the recent five years. In other words, we are proving now that the macro economic measures that we applied till today were not effective. Moreover, people are feeling very strong sense of economic stagnation. It has been very hard to find measures to get out of the economic recession. As economic recovery measures, the government spent 45 trillion yen to support financial expenditures, financial burdens or public projects, but the nation's economic growth didn't even reach 1%. Therefore, it is undeniable that there are some kinds of weakness in national economy or economic society of Japan.

### **The Past Success is the Obstacle for Entrepreneurship?!**

The burden created in the past is getting bigger and bigger, becoming an obstacle to exercise entrepreneurship. We must calmly analyze that fact and think about how we can change the situation.

The theme is entrepreneurship and the Asian network. I'm sure that at least the network with Asian countries will be one of the keywords for the future. However, in order to encourage entrepreneurship in Japan, we should calmly look at the fact that the success in the past is the current obstacle and make an effort to remove it. This is also the problem of recovery for current Kobe and Hanshin area. I think this is the roots of the trouble that the Japanese society and economy have, so I would like to talk about that.

As I said earlier, Japanese economy was successful after the war that's unprecedented in human history. Especially in the 80s, we felt that Japanese economy or Japanese companies became the front runners of the world. As a matter of fact, we actually became the one. Of course, the industrial structure greatly changed in various ways, and the leading industry changed from time to time. For example, the textile industry was the leading industry in the 1950s but it has changed to the car/electronics industries between the 80s and 90s. So every 10 years, the leading industry changed. And the transfer of the driving force of the industry was done smoothly, as you know.

To be honest, I have no idea what kind of company or entrepreneur will be the driving force of the Japanese economy. Rather, I can't deny that there will be no companies or entrepreneurs who can take leadership. Because the source of success in the past became the obstacle, we have to remove it first; otherwise, new industries or businesses will not be developed. If the problem Kobe and Hanshin areas are facing is the recovery from the past, I think it is fair to say that new economic society in the areas will not be created. This is why I mentioned reconstruction and creation of Kobe at the beginning.

### **More Hopes on Micro-Business Administration than Macroeconomic Policy**

When I was studying at Hitotsubashi University, I learnt a German theory of business administration. The title of my graduation thesis was "Concept of Profit in Modern Business Administration". In Japan, we have had such German the continental way of thinking, and British and American the Anglo-Saxon way of thinking. Also in the historical prospective, we cannot deny that we have these two ways of thinking in management as mainstreams.

Therefore, Japan has to make a new creative economic society in the future but nothing comes from nothing. So it is important to learn from the path Japan has followed in the past or to import some concepts of new German or Anglo-Saxon way of business management. I would like the Research Institute of Advanced Management that is organized by Kobe University School of Business Administration to challenge these new issues and seek solutions through symposium, workshops and "Business Insight" with businesspeople in the world. At least in an academic aspect, I would like you, the professors and the members of the Research Institute of Advanced Management, to

make an effort or to show a direction.

In another words, I think in order to solve macro issues we need micro views, and there we have a hope in business administration. As I mentioned previously, the macro economic policy is about to collapse or at least is not as effective as before. If we don't pay attention to each individual management and corporation at the micro level, the macro economic policy doesn't function. For example, in such issue as investment allocation of public projects, it is not simply effective to follow the past patterns in the recent economic society. As I have already said, we should keep the good things from the past but it is necessary to conduct a big change at the foundation level if we really want to solve the complicated economic issues.

### **Concept of Reconstruction – Everyone has Their Own Way**

It's been about five months since I became a member of the governmental reconstruction committee of the Great Hanshin-Awaji Earthquake, and there are already about 10 various proposals. However, what I am not satisfied with is that there is a significant disagreement between the central government or bureaucrats and Kobe City, Hyogo Prefectural local governments and business people like us about the basic stance on what concept we should have in order to reconstruct Kobe and Hanshin area and to create new cities. In more detail, there are no adjustments or efforts to polish up the concept. There are many reconstruction theories or recovery theories in each standpoint. However, I couldn't help but think that there should be more analysis and examination of the effectiveness of those theories as a whole.

I can say that there are considerable disagreement between the central government officials, local governments and the business people about the recognition of the fairly big change in the given condition surrounding the Japanese economic growth and economic recovery after the war between the present and the last few decades, as well as about an analysis of the fact that how the change impacts the economy.

## **Can We be Accepted by Asian Countries Internationally?**

The main point of my talk is that the biggest difference from the past is that Japan is an open economy and also an economic society which must be opened. We recognize that Japanese economy and society has not yet reached the condition that can be called opened. We know that even though it is said that the Japanese economy is a market-oriented economy, we don't have real markets in Japan. Of course, it is not a problem that the Japanese market economy is different from the Anglo-Saxon's economy. Or the Japanese market economy doesn't have to be the same as the German one, either, as the German economy is said to be the social market economy, it has some strict social regulations such as labor relations. However, the government officials do not have enough recognition about how they should build up the Japanese market economy in the future, whether or not it is recognizable and acceptable internationally, and whether or not Asian countries will accept it. I think it is the assignment for not only Kobe but also Japan as a whole to decide how much we should reform the economy in order to accomplish what I've just said.

## **Driving Force of Asian Dynamism**

Asian economy or countries have grown rapidly especially from the end of the 80s to the present. I often visited Asian countries over the last decade and have seen a big difference in the ASEAN countries especially in China. I think the phrase, "Asian Dynamism", was created around the end of the 1980s. As opposed to the old views of Asia such as "Asian poverty" or "Asiatic mode of production", the Asian dynamic development has caught a lot of attention, and Asia became the center of growth in the world economy. The more I hear or see the dramatic development of India or possibility of the Chinese economy overtaking the American economy in 21<sup>st</sup> century, the more I feel that those stories has become real possibility.

I think there are various reasons for this. Singapore is an example of the development type of economy. Even though each country of the ASEAN and China conduct very oppressive political policies, they encourage direct foreign investments, and not completely but economically they liberalize trading. I think the biggest reason is that after the Plaza Accord in 1985, a bunch of Japanese companies expanded their business

activities in Asian countries and successfully applied Japanese management style in each country. That gave a very good influence to their national economy. We have been suffering from the economic recession since the beginning of the 90s, but the Asian countries are on the same path of growth that Japan took in 60s. So Japanese-style of macro economic policies, micro management, and industrial policies were applied in Asian countries, and each sector in Asia was developed as a result. I think Japan shouldn't mention this too much but there is no doubt that the policies were successful. Therefore, I think that Japanese-style of management or Japanese companies contributed greatly to the current Asian dynamism, a driving force.

### **Japan in the Asian Dynamism – Shouldn't We Do Something?**

On the other hand, as I have already mentioned before, Japanese economic growth has been zero for four consecutive years, but Japan has kept the highest per capita national income in the world. The economy, per capita national income of \$30,000 or \$40,000, is being formed. However, I have a doubt that whether or not Japan will be able to remain this condition in the future.

Since the beginning of the year, after the earthquake, Japanese Yen went up to 80 yen level to the Dollar (yen is becoming weaker recently). Therefore, from Japanese manufacturers and automotive industry to electronics are moving to East Asia. Some of them have gone to America but the major trend of the expansion is to East Asia. In this part, this is totally different from the past economic patterns, so I strongly think that Japanese economic policies or industrial policies should match the trend of the times. However, unfortunately, Japanese policies such as the budget distribution of the public projects are following the past patterns. I think this is going to be a huge problem in the 21st century.

### **Reconstruction in the Economic Transition Stage**

Considering such Japanese economy or industrial structure, the reconstruction after the great earthquake in Hanshin area is in a sense a chance to change the Japanese

economic management and the urban structure. In other words, we could turn this disaster around to improve ourselves. It is true, though, that people don't see it that way.

Now, let's focus on the reconstruction issue of Kobe and the Hanshin area. After the earthquake, various organizations for reconstruction were founded and formed by economic organizations, Hyogo Prefecture, Kobe city, etc. Some organizations are also formed even in the central government. And various discussions were made over those organizations. I think you all know about the discussions since it was reported on papers. There is a 10 year reconstruction project presented by Kobe City and Hyogo Prefecture. Next Monday (17th of July, 1995), there will be some discussion about this project at the government level, so some instructions were already passed around to us from the reconstruction headquarters. The government reconstruction committee consists of Chief Shimokobe who used to be Vice-Minister of National Land Agency and Chairman of National Institute for Research Advancement (NIRA) and seven members including myself. And the headquarters of the committee is the government itself, so it is an organization that gives advisory reports and suggestions to the Prime Minister and let him implement them. So, various adjustments are conducted in the government. So far, we have submitted nine advisory reports and suggestions and we have done a relative amount of work for the reconstruction. If we normalize the economy and industry after 6 months, we need a huge governmental funds or local governmental funds. Therefore, it will be important to prioritize measures.

## **Relative Position of Kobe Port in the World**

At the beginning of the reconstruction, there was no difference between us, the business people and the local government officials. In other words, what I advocated most strongly from the beginning was, for example, the reconstruction of Kobe Port. In addition, we should recreate the port with international competitiveness. We wouldn't have realized how much the relative position of Kobe Port has gone down without the earthquake. We believe that Kobe Port is the best in Japan. Kobe is the port that handled the most containers in the world in 1980. But it went down to the 6<sup>th</sup> place during '93 to '94. So I believe that even though we didn't have the earthquake, Kobe Port could have gone down to the 8<sup>th</sup> place by 1995 anyway.

Why has it happened? Our nation has 125 million people, and the per capita national income is the top in the world market. One of the representative ports of such country has gone down from the 1st to the 8<sup>th</sup> place. This means that there are some kinds of fault. The national total amount of import and export is one of the largest, but accurately speaking the second largest after America. However, the bulk amount is the world largest. The reason why the Kobe Port that could compete with America went down that much is because it didn't adjust itself to the big change of the era in both software and hardware aspects. It is a clear fact.

### **Krugman's Indication –Increasing the Amount of Bulks is the Only Solution?**

Especially, in terms of the Asian development, Professor Paul Krugman of Stanford University published his thesis, "The Myth of Asia's Miracle" in "Foreign Affairs" (1994 November and December Issue). In the thesis, he says, "People say "the Myth of Asia's Miracle" or "Asian Dynamism", however, when we look into what is going on, East Asia is now just doing what Japan has done in the past. That is all. Surely, the number of industrial nations or industrial manufacturing nations with bulky factories such as steel and petrochemical factories is increasing. However, when closely examined, there are no productive factories, new technology creations and new innovations. They are just emulating Japan, Europe or America, so the bulky volume keeps increasing. And national income per capita has just improved". As Krugman says, as the bulky productions like the Japanese steel industry keep moving to East Asia, the interaction between Japan and East Asia will be more frequent. Sharing tasks between Japan and Asia used to be completely vertical specialization, but now they are shifting to the horizontal specialization, so naturally, the item and personnel exchange are also increasing.

### **Pricy Kobe Port**

However, unfortunately, the growth rate of Kobe Port has been hovering at 1 or 2% for the last decade. The economy of hinterlands such as Hong Kong, Pusan and Kaohsiung of Taiwan cannot be compared to the Japanese economy. However, the amount of

containers the ports dealt shows double digit growth rates. The reason is simple. The cost of Kobe Port is too expensive and it is not convenient at all. It is true that it became a difficult place to work and the cost became ruinously expensive without noticing it. In the past, it is believed that the high cost is because of the expensive land, a lack of space and small land in Japan. That is one of the main reasons. It is true that our country doesn't have much land, and the density is high in the population density standpoint. It is its weaknesses as well as advantages. However, it is not impossible to improve the convenience of the port which is surrounded on all four sides by the sea and to reduce the port dues. The land price in Hong Kong must be three or four times more expensive than that of Kobe now. Even though the price of land is more expensive over there, the port cost is 30% cheaper. Here we have an inconsistency which is undeniable. And it is becoming worse.

When I met the president of a chemical company, we talked about this in various points of view. This has been saying for a while that if we compare the shipping cost from Seattle to San Francisco and all across the Pacific Ocean to Yokohama Port, and from Yokohama to Kobe, the shipping charge is 30% or 40% more expensive between Yokohama and Kobe. Considering the distance and the risk, it is strange, but is the reality.

For example, if petrochemical products manufactured in Kashima Coastal Industrial Zone in Ibaraki are sent to Sanyodo, they are shipped to Taiwan first. Then, these products are sent to each port such as Ube, Okayama and Hiroshima from Taiwan. That is much cheaper. Japan provides technical assistance and offers the expertise to Taiwan, so they can manufacture petrochemical, polyethylene and vinyl chloride products which are then sent to Kyushu and Chugoku endlessly.

### **Cost and Convenience in Internationalization**

The development of Pusan Port within the past 5 to 10 years is wonderful. They have many gantry cranes, and are highly convenient. Those containers are transported right into the port and are sent away to other ports. The system is that the containers are sorted in the cargo and transferred to other cargos to ship to Japan. After all, it is undeniable that it takes a circuitous route to Asian ports because of expensive port fees

and regulations in Japan. This is one of the reasons of the hollowing-out of the Japan. If we don't change those points I mentioned now, the economic reconstruction of Kobe and Hanshin area cannot be achieved. So the problem is fairly serious and has deep roots. In this way, it is necessary to have free competition of an inner harbor fee.

There is also a problem in cargo handling. The overseas harbors are open for 365 days with two or three shifts around the clock, however, the harbors in our country are closed on Sundays. At last, they are open all day Saturday but mainly operate in daytime and try to keep up by after-hours work. The moorage costs millions of yen per night, so if Japanese ports are closed on Saturday and Sunday, shipping companies obviously use the ports in Pusan, Kaohsiung or Hong Kong that are open on weekends. Those companies are completely internationalized. Since the shipping market is liberalized, 90% of the crews are non-Japanese. The nationalities of ships are not necessarily Japan, so they use vessels with a flag of convenience. So any ships from various nationalities can be chosen such as a Liberian ship. Nippon Yusen and Mitsui O.S.K. Lines built various facilities for their crews and discharging and handling of cargo in Kaohsiung, Hong Kong and Pusan. Of course, they don't invest in facilities in Japan but in other Asian countries. It is better if Japan can work together for mutual harmony and benefit with Asian countries. However since Japan has many faults and problems, Japanese economic growth has been zero for four consecutive years. So therefore, I think we must recognize these basic problems and change them; otherwise, Japanese economic reconstruction is not going to be done at all.

### **Economy/Industry as Foundation of Reconstruction**

There are many different people with different opinions in the reconstruction committee. For example, one says that we must make a strong earthquake-resistant city. Of course, it is right. Or one says that we must have a quake-absorbing structure. The other says that social welfare must be improved, and Kobe and Hanshin area must be user friendly cities for the elderly and those who need nursing care. These are also sound opinions, however, to make the ideas feasible, income must be created and increased or the annual governmental revenue must be increased. Otherwise, we cannot take care of those people or cannot create Japan which responds to the aging population. How can we increase income and revenue, or added values? If we don't find any solutions to the

question and act on the opinions urge to “make barrier-free facilities and train stations, create more elevators and escalators”, the local governments and companies would face financial collapse in the future. Or it leads us to super inflation.

Therefore, in terms of the reconstruction of Hanshin in the future, I think it is extremely important how we build the economy/industries in this new age and at the same time we must create an economic environment and culture where people can exercise entrepreneurship. It is seriously risky to have an idea as if Japanese economy and industries would develop with its own, deceived by the past economic success of our country.

When we had Miyazawa Cabinet, they created “Life Superpower”. I thought the phrase was extremely strange. I was a member of the council so I asked, “I’ve heard of the phrase, military superpower but not life superpower. What does it mean?” Their answer was creating a very wealthy society. There was nothing wrong with the idea, but a wealthy society or countries can only be built by the industries creating new economic situation and distributing its economic gain to people. The foundation of its concept has already been undermined. It is clear that without reviewing the past and changing the structure, life superpower is not going to happen. However, these members of the life superpower council are extremely lacking such awareness.. Even now when thinking about the reconstruction, the committee members do not have enough awareness.

### **Suggestion 1: Make Kobe Port Operate for 24 Hours, 365 Days**

I would like to give you my opinions. Firstly, at least Kobe Port must be restored as an internationally competitive port that used to be. In order to do so, the port needs to respond to various tasks such as container handling 24 hours a day, 365 days a year.. This leads to the expansion of job opportunities. It is only feasible if two or three shifts are introduced. If other countries have already succeeded in implementing the rotating shifts, why not us? If the employees have to work at night, the companies just have to pay extra wages to them. But working longer hours or increasing the product varieties will not get the cargo ships to Kobe. It is not that easy. The port fees must be brought down because it is 30% higher price than Hong Kong that has international competitiveness, and it is two times more expensive than Kaohsiung and Pusan. It is

the future problem to think about how we should reduce the fee.

## **Suggestions 2: Proactive Use of Information and Communication Technology**

One of the solutions to the problem is a use of information and communication technology. Japan is ahead in information and communication technology, but public investment is not made much. So I would like to say “invest intensively in the information and communication technology in order to reconstruct Kobe Port”. We need to establish the world’s quickest customs clearance procedures with less paper work and lower cost by using Information and communication technology. If they can unload the containers on the same day, those ships carrying containers to Japan will come directly without taking a circuitous route to Asian countries. Besides, Kobe is a very attractive city especially for the crews. There are mountains and seas; the city is clean and enjoyable. The food is delicious as well. Since it has such charms, we just need to reduce the fee and improve the convenience of Kobe Port. And more importantly, they should improve the part between the berth and the land transportation.

## **Suggestion 3: Railway Freight Transport at the Port Again – Lesson of Seattle Port**

Since I am also a Kobe citizen, I know the environment of Kobe is damaged by too many trucks and cars. The diesel fumes became environmental issues in urban area. It is also necessary to intensively address technology development in this field. In addition, railway freight transport was used in the port at one time. We might have relied on cars too much now. I went to Seattle this May. The Port of Seattle was seriously deserted at one time. However, Seattle implemented various drastic recovery plans. For example, when a Japanese ship came to the port, there was a train called Burlington right next to the ship. And then the containers are loaded to double stack trains with gantry cranes, and the trains would carry them to the East Coast using the transcontinental railroad. I think it is about 7,000km to the East Coast and that a freight train with about 40 vehicles runs to the East Coast. America is also a car oriented country, but I heard that the train was much cheaper than trucks moving across the country, and it is improving

the convenience. For example, if a truck driver has to drive from Seattle to New York or Washington D.C., the driver needs to take turns with many drivers. Or if the driver is the same, he has to stop and rest many times. That is why they use the freight transportation. Even that car oriented country like USA uses the train. Besides, Seattle is competing with other nearby ports such as Portland in Oregon, San Francisco, Los Angeles and San Diego. The ship owners with considerable freedom of choice choose a port depending on the cost and the convenience. And these ports make constant progress towards the realization of more reasonable and convenient port. This is the market economy in the real sense of the term.

#### **Suggestion 4: Total and Integrated Transportation System: Establishing Port Authority**

I said to the previous reconstruction committee that it is not about partial optimal discussion, but improve “information and communication transportation policy” adapting telecommunication technology or transport policy as a whole. I may say disagreeable things to people those who work at government office, but there are various ministries and local agencies hold jurisdiction over infrastructures, which makes everything complicated. For example, National Police Agency is in charge of the normal streets and roads, the Construction Ministry is highways, and the Ministry of Transportation is ships and ports. Of course, Customs of the Finance Ministry and the Immigration Bureau, the local agency of the Ministry of Justice, are also involved. As you can see, it is in confusion. Each Ministry and local agency may be doing their best but their measures and policies are not integrated to each other.. That is the huge problem.

Kansai Economic Federation is also suggesting to establish a unified organization like port authority (the name can be anything) that can issue all kinds of permissions and authorizations. Even in the customs clearance situations, people need to submit different kinds and enormous amounts of papers to each ministry. Just abandon those procedures, introduce electronic filing and services that people can deal with customs and everything else easily and much more quickly. Or they can even develop software for that. I am suggesting to the authorities that we can surely bring a relative number of ships back to Kobe Port by implementing the services. However, actually it is very

difficult to make it happen. It is because each ministry doesn't want to give up their authority and interests.

### **Suggestion 5: Beyond Zoning: Lesson of Silicon Valley**

What I said first about the reconstruction was to forget about an idea of zoning. The city planning is tied up with the ideas of zoning such as residential, commercial, educational facility, industrial facility areas. Zoning is an idea we had in the rapid growth period or in the industrialized age. Please look at the development of the suburb areas of San Francisco from Palo Alto to Silicon Valley. There is a great residential space in the area. Besides, it is an industrial park where various business enterprises gathered such as factories centered on semiconductor materials and software houses. The campus of Stanford University also beautifully located there. All of these are mixed and harmonized perfectly. Such a city is very fascinating place. The idea of "Educational facilities locating in suburbs far away from the city" is old fashioned. The cities without young people don't have charms. Therefore, everything, organized in order (or disorder in some cases), should live in a harmony. I am saying that I want the authorities to abolish various restrictions such as location system and regulations of so-called three industrial laws. However, there is some opposition saying, "Abolishment is out of question". So we haven't cleared it up. And yet the National Land Agency and Construction Ministry cannot drop the idea of zoning.

### **Suggestion 6: Toward an International City that Can Attract Asian Personals**

So what are we going to do with the harbor economy, the related industries and economies? The current industrial factories and manufacturing industries are the sources to create important additional values, so we should improve the environment surrounding those industries. Or it is important to sophisticate business activities or apply software. However, if we don't have businesses which create income, revenue or employment at the same time, a consumption city cannot exist. On top of that, it is crucial to attract advanced industries to the area. In order to do so, we need personnel.

East Asia, so called Chinese-oriented economic countries, has intelligent Chinese people. India has a very close relation with Kobe and there are many people who have exceptional ability in mathematics, computer science and information technology in India. Therefore, we should bring those people and create an international city where various nationalities are mixed and harmonized. I think it must be one of the ways we live in the future.

### **Should be Proud of a Good Impression about Kobe but should be Modest about it**

Fortunately, many countries have a positive image of Kobe. Kobe-ya's bread, Kobe croquettes and the water of "Rokko no Oishi-i Mizu" are the best sellers even among foreigners. It means that people have good impressions about Kobe. Jewelry and apparel industries and Western confectionary will also be flourishing but it is impossible to support the whole of Kobe and Hanshin area with only those industries. By the sophistication of existing industries or mixing harbor economy, new industry and software etc., we must create a new city. In order to do so, we must build the infrastructures. The national and local governments should create a big framework and establish environment where entrepreneurship is fully exercised. Otherwise, creation of new cities of Kobe and Hanshin area is not a possibility.

.

So, by looking back into the 50 years of history after the war, we need to clarify what are the impediments to the regulations or what are the bad customs. While implementing policies to eliminate cartel, we need to advance the reform of regulation, economic policies and industrial facilities. Additionally, we should implement the reform of the policy itself and need to form a public benefit federation.

There are millions of issues, and I would like to ask you to pay attention to such problems, analyze them academically and give us suggestions to create a new Kobe and Hanshin area. Thank you very much for listening.

[From Editors]

A practical person with no plan is a problem. On the other hand, it is more problematic if one just reviews and thinks too much without practice. I think Chairman Kawakami would definitely be a scholar if he didn't become a business manager. Chairman Kawakami does both thinking and practicing. Thus, his suggestions are very practical yet backed up by deep thinking. We can see his suggestions in various fields that are related to management. (For example, please refer to "Great Wisdom of Japanese Style Management" written by Tetsuro Kawakami, Ryuichi Nagao, Hiroyuki Itami, Tadao Kagono and Tetsuji Okazaki, published by PHP Institute Inc. This is a bit old but for the information about personnel issues, please refer to the interview in the following book, "Wanted Personals, Talked by 20 Top People" written by Toshihiro Kanai and Kansai Productivity Center, published by Toyo Keizai Inc.). Chairman Kawakami became a member of the reconstruction committee from the standpoint of a manager. Also this "top talk" tells us that there are representatives from different positions and places in the committee. Some viewpoints, we need to remember when making the Kobe and Hanshin areas come back to life, are pointed out in this interview.

He is a great speaker on entrepreneurship since he was a president of The New Business Conference Kansai for a long period of time. The macro policies are important but if they don't work as they are, we have to use the micro management – even though it is at a turning point now – we must deal with the problems properly, he said. He also gave us opinions and encouragement to Research Institute of Advanced Management in relation to the meaning of its existence. We must keep his words deeply in our mind and improve "Business Insight" to get great interviews.