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The 775 million dollar shock

At the center of the debate – corporate governance in Japan

by Jörg Raupach-Sumiya

A court ruling on a damage suit has rocked Japan's corporate world. Eleven former and current executives of the Daiwa Bank are supposed to compensate shareholders and the company up to $775 million – such is the ruling of the Ōsaka District Court of September 20, 2000. Why? In September 1995, losses of about $1.1 billion from illegal, off-the-books dealings in US treasury bonds became apparent at the bank's New York branch. On top of that, the bank tried to conceal these doings with false reports rather than reporting them to the US authorities in a timely and proper manner. As a result, the bank lost its US banking license and was ordered to pay a fine of $340 million. In their damage suit, shareholders pointed to the individual fiduciary duties of directors. These duties hold executives responsible for the illegal acts of their employees. Shareholders argued that the high losses and penalties resulted from an insufficient observation of these fiduciary duties, for which the executives should be held responsible. The court in Osaka ruled in their favor.

A different setting. "Who, after all, caused Sogō to expand its liabilities to such an extent? I told the banks that we didn't need further credits, but they pressured me to accept additional loans." So says Mr. Mizushima, the longstanding former president of the Sogō department store that, in July 2000, filed for protection from the courts. This was after prolonged restructuring efforts, negotiations on loan re-scheduling, and political intervention by the LDP of dubious legality. The fortunes of the company now depend on the legal process, but significant financial burdens for shareholders, creditors, and the Japanese taxpayer are inevitable. For a long time, Mr. Mizushima was considered one of Japan's most successful business leaders. He transformed Sogō from a small, regional retailer into Japan's largest department and retailing conglomerate. After the burst of the bubble economy, Sogō suffered a dramatic decline in revenue while liabilities piled up to about ¥1.7 trillion (about $17 billion). That ruined the company and Mr. Mizushima's fame as a business hero. As a result, both Mr. Mizushima's high-handed business style and the doings of the banks, particularly Japan's most venerable and prestigious Industrial Bank of Japan, came into the limelight. The banks came in for questioning as partially responsible for the disaster because, as main creditors and corporate shareholders of Sogō, they should have possessed early and deep insight into the company's dismal financial standing. Were they not also responsible for supporting Sogō's reckless business expansion way into the 1990s? Didn't they take charge of the illegal practices in their efforts to save the firm?

There are many cases like Daiwa Bank or Sogō in today's corporate Japan. Although these other cases may be less spectacular, they raise basic

State Secretary of the Ministry for Education, Research, Science and Technology, Dr.- Ing. E. h. Uwe Thomas, accompanying party and DIJ staff, 10 October 2000

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questions about the management and monitoring of Japanese companies, and the very principles of Japan's corporate governance system. Whose interests are companies to serve? What are the obligations and responsibilities of executives? How are they checked?

The legal situation in Japan is, in general, quite simple: A joint stock company should be managed in the interest of the owners, e.g. the shareholders, through their shares, are liable for the activities of the firm and, therefore, have the right to determine the direction of the firm. The Board of Directors (*torishimari yakukai*), appointed by the shareholders' meeting as the top decision-making and controlling body of the firm, bears responsibility for the company's strategy. The Board also decides on basic management issues and supervises those board members who execute the company's policy. In particular, it supervises the representative directors or president. According to the Japanese Commercial Code, an internal auditor (*kansa yaku*), or in case of larger companies an internal auditing committee, parallels the supervisory capacity of the Board of Directors. The auditor warrants the probity of the company's accounts and observes the activities and fiduciary duties of the board members.

Or so things should work in principle. In fact, Japanese shareholder meetings have degenerated to a largely ceremonial affair. 80% of Japanese shareholder meetings take no longer than 30 minutes. Many shareholders, mostly other friendly-minded companies, yield blank proxy votes to the board of directors, allowing them to control decisions. The decision-making and control functions of the Board have been more or less hollowed-out because most board members are former company employees who have advanced from within the company, often owing their success to the goodwill of the company president (*shachō*). It is, therefore, no surprise that many observers of Japan's corporate world question the independence of the Board of Directors. They deem that most board members lack an understanding of their role as an agent of the company's shareholders, an agent individually responsible for the shareholders' interests. Finally, internal auditors have proven rather powerless.

It seems justified to conclude that in many Japanese companies, legal frameworks serve their governing functions half-heartedly and management nearly acts unchecked. Academic research on Japanese corporations basically shares this view, but considers the Japanese main bank system as a supplementary system that assures the "contingent" governance of a firm's management. Meaning, the main bank exerts indirect control over a firm's management due to the bank's insider position as the firm's main creditor, shareholder, and supplier of various financial services. Theoretically, the bank can be an effective substitute for firm management in a crisis because the bank has deep, detailed, and up-to-date insight into the firm. The bank is, therefore, in a position to detect early signs of a crisis, and to take effective countermeasures such as dispatching directors or working out strategies for a turnaround.

However, recent developments and empirical research question the validity of this view. The ability of the main bank to perform governance functions rests on three main factors. First, it rests on the dominance of indirect, loan-based corporate financing over direct, equity- or security-based sources of funding. Second, it requires stability in a firm's ownership structure that has been warranted through cross-shareholding between friendly-minded companies and financial institutions and cemented by means of long-standing business relationships. Third, it functions best in tightly regulated and segmented financial markets, where the market position of the main bank is warranted under the guidance of the Ministry of Finance.

Since the mid-1980s, these institutional requirements have weakened considerably, undermining the foundations of Japan's main bank system. The liberalization and deregulation of Japan's financial system enhanced competition between the different types of financial institutions. These changes opened up access to new, global sources of funds and made companies (further assisted by the increase of their internal cash flow) less dependent on credit-based finance from banks. The opening and globalization of capital markets, the emergence of powerful, foreign investors, as well as the growing harmonization of international standards, such as bank equity norms or accounting and disclosure rules, is forcing Japanese corporations to be attentive to the requirements of global financial markets. This trend is further strengthened by the financial weakness of Japan's banking and insurance sector. These developments have accelerated the unwinding of cross-shareholdings and the dissolution of Japan's corporate groups, at the core of which stood the main bank system.

What remains is, to use a bit of hyperbole, a governance vacuum. Management is mostly left to itself – though it faces increasing pressures from financial markets and individual shareholders. However, the questions of responsibility and liability remain unresolved. An American lawyer with long experience in Japan reflected on these aspects of corporate governance. Having been involved in cases in which Japanese firms acquired holdings in the United States in the late 1980s, he states: "We were always wondering about the staggering high prices our Japanese clients were willing to pay for their acquisition targets, and we repeatedly urged them to re-negotiate. However, we were usually fended off by our clients who told us that their president had already decided the matter. Afterwards we learnt that in most cases the president and Board of Directors had received only vague information on the deal." The result of these widespread practices during the bubble has been a massive destruction of assets and shareholder value. In its scope and scale, it is unparalleled in recent history.

Unsurprisingly, reform of Japan's corporate governance system is of vital importance to the successful restructuring and revitalization of Japan's corporate sector. A heated discussion is underway, and important changes have already been decided, about matters such as the adoption of internationally accepted accounting and disclosure standards. But no consensus is yet in sight on reform of Japan's Commercial Code. However – after a long period of reluctance – Japan's lawmakers finally seem to be moving forward. The Ministry of Justice has announced a comprehensive overhaul of Japan's Commercial Code by fiscal year 2002, the first major reform since the end of World War II. From the point of view of Japan's corporate leaders, this is still far too slow. Under the leadership of their powerful business association, Keidanren, they demand faster changes. Not surprisingly, the limitation of the individual liability of board members ranks at the top of their wish list.

CURRENT RESEARCH

Market Strategies of the *sōgō shōsha* in China

The existence of big general trading companies (*sōgō shōsha*) that engage in international activities including trade finance, investment and project organization is a salient feature of the Japanese foreign economy, as well as of the Japanese economy in general. Drawing on the realization that institutions influence the processes and results of economic interactions, one must examine the role of general trading companies in Japan's international economic relations. This topic is especially relevant for Sino-Japanese trade relations.

Hanns Günther Hilpert takes a closer look at the activities and strategies of general trading companies in China and tackles the following questions: What are the business activities and strategies of these companies? What role do they play in Sino-Japanese trade relations and investment relations? Do Japanese companies have specific competitive advantages because of the presence of the general trading companies in China? How do the core competencies of the general trading companies affect their business partners? In addition to his particular focus on Sino-Japanese economic relations Hilpert also asks the broader question, how do the business activities of these firms in China affect structural change in the general trading companies themselves?

Methodologically, the research project draws on academic literature as well as current newspaper and business information. Above all, it employs empirical fact finding at the firm level. For the latter purpose, open-structured interviews have already been carried out in Tōkyō and Beijing. Results of the research were presented on 31 August 2000 at the joint DIJ-OAV conference "Doing Business in China: A Comparison of Strategies by German and Japanese Firms" held at the Hamburg Chamber of Commerce and on 23 November 2000 at the 17th EAMSA Conference in Singapore. Publications on the topic are planned for the future.

International Management and Human Resource Practices

Human resource management and personnel management policies were once regarded as a special strength of a distinctive Japanese management style. This view has increasingly been challenged in the low growth era of the 1990s. In particular, the applicability of Japanese human resource practices to international operations has been widely questioned.

Since the end of 1999, Jochen Legewie has conducted research in the area of international management and human resource practices with a special emphasis on Japanese overseas subsidiaries in Asia. His analysis focuses on the interplay between international control and coordination mechanisms and the use of particular personnel policies in Japanese firms. Legewie lays special emphasis on the role of expatriates in Japanese companies as compared to Western firms. Initial results of his research on the behavior of Japanese firms in China were published in the DIJ Working Paper 00/3 *Control and Coordination of Japanese Subsidiaries in China – Problems of an Expatriate-Based Management System* and in various journals (including *Far Eastern Economic Review* and *The Nikkei Weekly*).

DIJ Events

DIJ Symposium

Japan and Prussia

(Berlin, 7–8 September 2000)

During the period of modernization following the Meiji Restoration of 1868, Japan modeled itself in a number of areas on Prussia or, to be more precise, the Prussian dominated German Reich. As eager pupils with impressive diligence, discipline and a great willingness to learn, the Japanese became known throughout the world by the nickname "Prussians of East Asia". The aim of this symposium, carried out in cooperation with the Japanese-German Center Berlin, the DIJ, the German-Japanese Society, Potsdam, and the Konrad Adenauer Foundation in Potsdam, was to trace the long term influences of the German model in Japan and to analyze the image of Japan that has evolved in Germany.

Prussia's influence on the structure of the Japanese government and the construction of a modern army were most important. The foundations for this influence were laid by the Prussian East Asia expedition that was carried out during the end of the Togukawa era that succeeded in negotiating treaties with the Shogunate, including one governing trade relations. The Japanese delegation that made an extensive inspection tour through America and Europe between 1871–73 under the direction of Iwakura Tomomi, spent a few weeks in Prussia, showing great interest in its industry, political structures and military.

While Japan mainly borrowed from France in the areas of law and military during the first years of the Meiji reforms, it slowly began to emulate the Prussian model after the French defeat in the German-French war of 1870/71. From the mid 1880s onward, German military advisers carried out reforms in the Japanese army that enabled Japan to victoriously engage in overseas wars within a decade. Even more important was perhaps the adoption of the German system of the army general staff that was independent of the government and responsible only to the emperor, and which was to undertake frequent unauthorized actions in the future. Japan also followed the Prussian model in the drafting of its constitution and the creation of a legal system that was almost entirely based on the German authoritarian state with its strong emphasis on monarchy and military. German advisers helped shape Japanese efforts in these areas as well. In economic and technical fields, however, Prussia and Germany remained in the shadows of England and the United States for decades. The awakening interest Germany showed for the Far East contributed to the successive emergence of East Asian and Japanese studies, for example at the Humboldt University of Berlin.

There was hardly enough time during the symposium for the presentations of the papers and the ensuing discussions. Many questions remained unanswered and had to be singled out as possible topics of further study. Moreover, the participants were not always unanimous in their assessments, for example, on questions of whether the adoption of Prussian structures should really be held responsible for Japan's role in World War II or whether the Japanese constitution did indeed practically cease to exist in 1940.

DIJ Symposium

Discourses of Cultural Uniqueness in China, Japan, and Korea

(Tōkyō, 30 November – 2 December 2000)

Cultural identity, nationalism and regionalization were issues discussed at a symposium designed as the first in a series of investigations into Asian discourses of cultural uniqueness, a project which is part of DIJ's special research focus of "Japan in Asia". Mishima Ken'ichi (Social Philosophy, University of Ōsaka), Michael Lackner

Speakers and audience at the DIJ Symposium "Discourses of Cultural Uniqueness in China, Japan, and Korea"

(Sinology, University of Erlangen-Nürnberg) and Irmela Hijiya-Kirschnereit (DIJ) organized the symposium. It was funded by the Japan Society for the Promotion of Science (JSPS). Eleven papers were presented by scholars from Korea, China, Japan, and Germany and from the perspectives of Chinese and Japanese studies as well as from a wide range of theoretical approaches including those of social theory, cultural studies, and philosophy. This first meeting was dedicated to a screening of topics and statements of the problem by way of discussing case studies (cf. Antoni, Kurtz, Chon, Yan, Schulz-Zinda, Amelung, and Ônuki). Most of the papers also dealt with theoretical aspects, which formed a central issue in the papers of Richter, Kimae, Demirovic and in the organizers' introductory remarks.

The discussion revolved around questions of terminology, dealing, among others, with the question whether certain central notions such as "Selbstbehauptung" (self-assertion) are bound too closely to a German linguistic and academic background and have to be reconfigured in order to be communicable in English. It became clear that East Asian identity discourses, while having been triggered by and being addressed mainly at the "West", might also contain elements of exclusivity within the region. Forms of discourse as well as practices may be studied, for example, by way of comparing national founding myths, which can be regarded as exemplars of – sometimes hetero-determined – "invented traditions". Other issues emerged in the discussion, including the suggestion to take a more systematic look at the directionality of the thrust of the discourses and counter-discourses. Several papers, for instance, touched on the boom of books in the vein of a Japan, China, or Asia "that can say No". "Media and Transformations", or what Michael Lackner termed the "sedimentation" of a scholarly discourse in popular culture, will be another possible focus for further inquiry. These issues will be pursued in the form of large annual conferences and possibly intermediary workshops during a period of four years. Inclusion of South East Asian countries into the comparison and an opening-up of the investigation to include the English-speaking academy are felt to be the crucial next steps.

The following papers were read at the symposium: Klaus Antoni: An Asian Japan or a Japanese Asia? – Ishihara Shintarô and the Ideology of Asianism · Joachim Kurtz: Philosophy Behind the Mirrors: China's Search for a Philosophical Identity · Song U. Chon: Korean Nationalism – Its History, Present, and Problematic · Steffi Richter: Identity Discourses in 20th Century Japan: Thoughts on Their Origins, Dissemination, and Effect · Xu Yan: Between Affirmation and Negation: "Culture" in Chinese Discourses of Self-Assertion in the 1980s and 90s · Yvonne Schulz-Zinda: Historicizing National Founding Myths in North Korea and the People's Republic of China · Iwo Amelung: The Four Great Inventions: Self-Doubt and Self-Assertion in Chinese Histories of Science and Technology · Kimae Toshiaki: Nationalism in the Global Age – The Cases of Southeast Asia and Japan. Alex Demirovic: Cultural Identity, Nationalism, and Regionalization · Ônuki Atsuko: The Constructivist Turn in National Self-Assertion. Ultranationalist-Revisionist History Textbooks as A Case in Point.

DIJ Social Science Workshop

New Trends in Japanese Social Policy

(Tôkyô, 18 December 2000)

The workshop, which was organized by Verena Blechinger and Harald Conrad, dealt with recent developments in Japanese social policy. The first part of the workshop focused on the public pension insurance. Harald Conrad (DIJ) evaluated problems of minimum income security and redistribution, and Katsumata Yukiko (National Institute of Population and Social Security

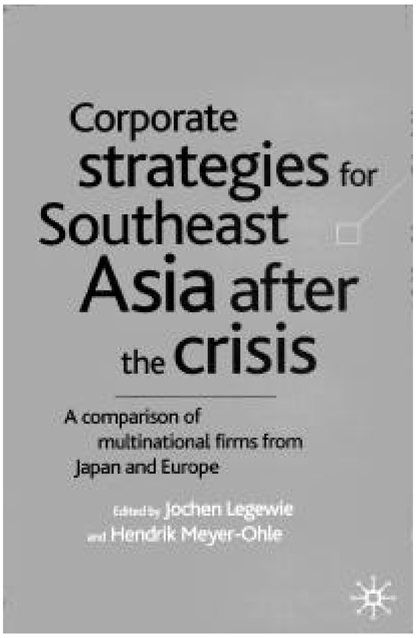
Social Science Workshop "New Trends in Japanese Social Policy"

Research) analyzed income support measures for the elderly. Hiwatari Nobuhiro (University of Tōkyō) commented on both papers. The second part of the workshop focused on the area of long-term care insurance and health care insurance. John Campbell (University of Michigan) examined the background for the introduction of the new long-term care insurance, and Paul Talcott (University of Tōkyō) analyzed the ability of political theories to explain recent reforms in the health care sector. Takagi Yasuo (Nihon Fukushi University) was the discussant for this part of the workshop.

The mixture of economists and political scientists proved to be very stimulating. The lively discussion focused first on why the last pension reform has hardly been publicly discussed, whereas recent developments in long-term care and health care insurance have received much media attention. The feasibility of reform measures with regards to an increasing number of interest groups and actors was another topic of the discussion. All participants agreed that new social policy reforms can only be implemented after a long and tiring policy process, and that big structural reforms are rather unlikely in the future.

DIJ Publications

Jochen Legewie and Hendrik Meyer-Ohle (ed.): Corporate Strategies for Southeast Asia after the Crisis: A Comparison of Multinational Firms from Japan and Europe. Basingstoke, New York: Palgrave 2000, 261 pp. (ISBN 0-333-91784-7)



This volume evolved from a DIJ Conference on “Economic Crisis and Transformation in Southeast Asia: Strategic Responses by Japanese and European Firms” that was organized by Legewie and Meyer-Ohle and was held in Tōkyō in June 1999. The book presents an in-depth analysis by experts from Europe, the United States, Japan and Southeast Asia who have long-standing research experience in Asian economies and international business. The authors draw upon new management theories and empirical research to analyze the questions facing multinational corporations active in the region, and go on to examine their strategies in production, marketing and corporate finance. They present a comprehensive overview of the current activities of multinational firms from Europe and Japan in Southeast Asia. The authors address both questions of international strategy and the role of multinational firms in a global economy, while taking into account how national differences affect strategic decision-making. In the final chapter, the two editors weave together the various results from the experience in Southeast Asia and offer general conclusions for the analysis of the current shift from national to transnational business.

CONTENTS: The multinational corporation: The managerial challenges of globalization and localization *(S. Young)* · Asian economies at the crossroads: Crisis, transformation, adaptation *(T. Yanagihara)* · The role of foreign MNCs in the technological development of Singaporean industries *(P.K. Wong and A. Singh)* · Options for strategic change: Screwdriver factories or integrated production systems? *(H. Yoshihara)* · Production strategies of Japanese firms: Building up a regional production network *(J. Legewie)* · Production strategies of European firms: Between retrenchment and expansion opportunities *(C. Molteni)* · Options for strategic change: Exploration or exploitation in marketing for new wealth creation *(T. Sakano, A.Y. Lewin and N. Yamada)* · Marketing strategies of Japanese firms: Building brands with a regional and long-term perspective *(H. Meyer-Ohle and K. Hirasawa)* · Marketing strategies of European firms: Reconfiguration and expansion *(K. Davies)* · Options for strategic change: The importance of equity, debt and internal financing for multinational corporations *(D. Tachiki)* · Corporate finance strategies of Japanese firms: Sophistication of local financing *(E. Katsu)* · Corporate finance strategies of European firms: Between opportunities and continuation *(S. Hemmingsen)* · Economic crisis and transformation in Southeast Asia: The role of multinational companies *(J. Legewie and H. Meyer-Ohle)*

Reports on Conferences

Joint Princeton-Columbia Graduate Student Workshop

National Identity and Public Policy in Comparative Perspective
(Princeton, 29 September – 1 October 2000)

The construction of identities underpinning the state and the impact of national identity on policy formation were the topics of a workshop organized by Julian Dierkes (Princeton University), Sophie Mützel (Columbia University) and Andrew Oros (Columbia University). In order to offer young scholars an opportunity to present their projects and to build networks across disciplinary and regional boundaries, the organizers invited 28 doctoral candidates to the Princeton University campus. Participants came from America, Europe, Israel and Japan, with backgrounds in the social sciences, modern history, and regional studies. Faculty mentors Peter Katzenstein (Cornell University), Michèle Lamont (Princeton University), Richard Samuels (MIT), David Stark (Columbia University), Charles Tilly (Columbia University) and Yoshino Kōsaku (University of Tōkyō) also participated.

An introductory lecture by Peter Katzenstein and concluding remarks by Charles Tilly framed the workshop. The participants met in small groups in order to shed light on the topic of national identity from different angles. These groups reflected thematic concerns as well as regional and methodological approaches. One of the regional sessions examined the Japanese case. In addition to Sheldon Garon, Peter Katzenstein, Richard Samuels and Yoshino Kōsaku seven students took part. The majority of the papers investigated the formation of national identity. They treated the question in terms of educational policy in the post-war period (Julian Dierkes, Princeton University, and Tamura Yūichi, University of Kansas), education of Japanese-American children during the occupation (Robert Fish, University of Hawai'i), professionalization of midwives in the first half of the 20th century (Hōmei Aya, University of Manchester), wartime "motherhood policies" (Hori Hikari, Gakushūin University) and governmental film promotion in the 1940s (Harald Salomon, Humboldt University). Andrew Oros (Columbia University) examined the impact of national identity on policy formation in view of post-war security policy. The discussion that followed dealt with topics ranging from the historical orientation of research on national identity in Japan, the relationship of research on Japan to Japanese science and its contribution to the development of theory.

All participants confirmed the success of the workshop. This can be attributed to the formulation of a topic promoting interdisciplinary and interregional discussion, efficient preparation via the internet, the innovative organization of sessions, and the mobilization of generous sponsors. Thanks to the support of the Japan-United States Friendship Commission, the Japan Foundation and Princeton University and Columbia University, accommodation and part of travel expenses were reimbursed, which contributed to the international nature of the event. The accommodation of participants in the beautiful Nassau Inn and the accompanying program encouraged communication.

JDZB Workshop

Shareholder vs. Stakeholder Values – The Case of Japan

(Tōkyō, 13 October 2000)

About 50 participants convened to discuss recent issues related to Japan's corporate system. The Japanese-German Center Berlin (JDZB) organized the workshop in cooperation with Stanford University, the International Management Development Seminars (IMDS) of Sophia University, and the Keizai Kōhō Center. Discussion centered on the question of changes and reforms raised by the various stakeholder groups in Japanese firms and their respective interests in response to the ongoing globalization of financial markets. In their papers, experts from Japan, the United States, and Germany spoke to the theoretical as well as practical issues of corporate governance. In particular, they addressed issues such as the design of executive boards; the implications of changes in corporate finance; trends in Japan's labor market; and developments in Japan's commercial code and other regulations. Expert discussants then debated the premises raised in the presentations. From the DIJ, Jörg Raupach-Sumiya commented on developments in Japan's industrial relations. Despite the broad variety and complexity of issues presented, ample room was given for lively and focused discussion. The exchange highlighted certain deficits in the theoretical frameworks used and also revealed the problems of empirical methodology that still make comparative studies of national systems of corporate governance a difficult affair. Naturally, the situation in Japan triggered a lively debate that pointed to remarkable progress from reforms, while also recognizing a significant amount of inertia. All in all, the workshop fulfilled its goal of developing a comprehensive research agenda for an international conference on corporate governance planned by the JDZB for the year 2002.

19th Annual Hōsei University International Conference

Japanese Foreign Direct Investment and Structural Change in the East Asian Industrial System: Global Restructuring for the 21st Century

(Tōkyō, 30 October – 1 November 2000)

This conference at Hōsei University brought together 27 experts from Japan, Europe, North America and Asia. The topic on the agenda was the current industrial restructuring process in East Asia. Foreign direct investment and activities of Japanese companies constituted the focus of the analysis, with special emphasis given to recent developments in the automobile and electronics industry. As would be expected, the conference did not reach a consensus on these issues. However, the papers and subsequent discussions succeeded in highlighting three general trends that characterize recent and future developments within the East Asian economy. First, the industrial and economic center is slowly shifting from Southeast Asia to Northeast Asia. Second, besides being a production site, East Asia is also rapidly gaining in importance as a market in its own right. Third, these two general trends mean, in part, that the Japanese firms that have so far dominated a wide number of industries are increasingly challenged by Western competitors.

The nature of presentations ranged widely from highly insightful analyses to general descriptions. The audience was less heterogeneous. Among the 100 participants that came from both academia and private business, there were only a few non-Japanese. Jochen Legewie, who served as chair, discussant and panelist, represented the DIJ.

17th EAMSA Conference

Globalization and the Uniqueness of Asia

(Singapore, 23–25 November 2000)

This year's annual conference of the Euro-Asia Management Studies Association (EAMSA) took place on the brand new Singapore Campus of the INSEAD Business School. The campus had just been inaugurated the preceding month and the conference was the first event held at this new location. Thirty papers presented in 6 sessions covered new trends in the management and corporate culture in Japan and Asia. Hanns Günther Hilpert represented the German Institute for Japanese Studies. He talked about the activities of general trading companies (*sôgô shôsha*) and their strategies in China.

The keynote address by Tommy Koh of the University of Singapore and the presentation by Hong Hai, CEO of Tiger Balm-maker Haw Par Healthcare Ltd, addressed the conference topic. Whereas Koh talked about "Globalization and the Uniqueness of Asia" explicitly, Hong Hai referred to the topic in the context of "Cultural and Corporate Governance Conflicts in East Asia". Both speakers argued that specific, culturally-based values in Asian societies drove the economic rise of Asia and the business success of Asian companies. By contrast, the closing session of the conference supported the convergence thesis. In particular, conferees argued that both the successful Anglo-Saxon corporate model and the influence of new information and communication technologies were forcing adaptation and convergence onto Asia. The discussion that followed asked whether true convergence is realistic and feasible. If not, how would one identify the uniqueness of Asia? Although no consensus was reached, the lively debate shed some light on the contrasting points of view.

Book Reviews

Yoneyama Shoko: The Japanese High School: Silence and Resistance. London, New York: Routledge 1999 (Nissan Institute / Routledge Japanese Studies), 287 pp. (ISBN 0-415-15439-1)

Okano Kaori and Tsuchiya Motonori: Education in Contemporary Japan: Inequality and Diversity. Cambridge, New York, Melbourne: Cambridge University Press 1999 (Contemporary Japanese Society), 272 pp. (ISBN 0-521-62686-2)

In 1999, Japanese educational sociologists published two important works in English. Both promise to expand the international discussion on Japanese education by analyzing what Yoneyama calls the "crisis" (p. 1) and what Okano and Tsuchiya call the "complex dynamism" (p. XI) of the Japanese school system.

Yoneyama concentrates on secondary schools and especially on school problems. As a starting point she introduces the reader to "the school killer" in Kōbe, a high school student who murdered a handicapped child in 1997. In her introductory chapter on methodology and comparative problems, Yoneyama labels the English discourse on Japanese education a "branch of *Nihonjinron*, focused on the socialization aspect of Japanese society" (p. 20), naming authors such as Hendry, Duke, White, Peak, Lewis, Beauchamp and Rohlen. Yoneyama aims at overcoming functionalist views in the field of sociology of education with its tendency to reproduce the normative consensus by introducing a critical perspective.

With her own methodological approach Yoneyama tries to overcome these shortcomings. In "Control: The Structure of Silence," she adopts an international comparative perspective. The material reflects data from Yoneyama's Ph.D. research in Japanese and Australian senior high schools conducted in 1984. "Responses: Conformity and Resistance" focuses on problems in Japanese education including *ijime* (group bullying) and *tōkōkyohi* (school phobia/-refusal). Here Yoneyama combines an analysis of Japanese discourse on *tōkōkyohi* and individual views of students.

Okano and Tsuchiya's book covers a much broader range of topics and incorporates both objective and subjective perspectives. The first chapter introduces analytical frameworks from the field of educational sociology. The central analyses draw on Japanese and English discussions of schooling and education, and present a well-founded and critical review of the sociology of education research. Chapters 3, 4 and 5 consist of case studies that focus on different topics and social groups, including girls, the poor, elite school students, rural youth, and minorities like third generation Koreans, *buraku* children or returnee students. They pay special attention to the role and situation of teachers as central actors in the education process. The wide range of perspectives arises from the authors' aim to present diversity within the Japanese educational system. This appears in an examination of educational systems both as institutions and as interactive processes in schools. A review of education history and concluding remarks on recent educational reforms (until 1997) link up the contents.

In contrast to the wide range of topics and perspectives in Okano and Tsuchiya's volume, Yoneyama's book lacks a description of the wide variation in Japanese schools. Of course it is important to point out problems in schools, such as violence by teachers, and to give voice to students themselves. Yoneyama favors detailed descriptions of quantitative and qualitative empirical data and presents a close analysis of Japanese academic and public discourse on school refusal. Also, we should acknowledge that Yoneyama includes international comparisons in the first part of her book, even if this comparison is not consistently extended to her discussion of school problems.

However, the characterization of Japanese (and Australian) schools would have gained relevance if intra-social differences, for example between boys and girls, different school levels or regions, etc., were included in some systematic fashion. One receives the impression that the relevance of specific situations has often been sacrificed in an attempt to create a tidy analysis.

Yoneyama wants to introduce readers who are "not familiar with the growing Japanese crisis literature" (p. 244) to critical reviews of the education situation. Her analysis resembles these so-called critical perceptions, which often exaggerate and sensationalize Japanese school and youth problems. Here a comparative perspective would clarify what about the problems (or discourses) is unique to Japan.

Yoneyama's study is indeed "disturbing" as the publisher announces. And this should attract many readers who have been waiting for a book on the authoritarian and troubled state of the school system after too many English-language publications have overemphasized the positive aspects of Japanese education practices. However, although the author satisfies the wish for a book on the problems in Japanese schools, she cannot live up to the high expectations raised in her introduction like overcoming approaches in the tradition of *Nihonjinron* and functionalism. The analysis would be better with fewer generalizations. The price she pays for addressing these difficult school problems from the perspective of the victims of education is the lack of a sustained and objective analysis.

Okano and Tsuchiya are much closer to a critical but balanced evaluation of education. Their work describes Japanese education by taking differences within the system into account while also considering national and international discourses on schooling. The authors describe the social praxis in schools and include perspectives of students in "varied social locations" (p. 53; as a combination of class, gender, minority status and region), because different possibilities and resources influence their experience of schooling. Their findings are grounded in field studies and other ethnographic research. This methodological approach has gained much attention in Japanese educational sociology in the 1990s. The "ethnography" presented here is not the work of a single, independent researcher, but the compilation of a number of case studies. Combining recent sociology of education literature, in both Japanese and English, the authors have constructed an easy-to-follow analysis of a complex system.

Co-authorship by two researchers with different academic and personal backgrounds (age, country of living, teaching environment) has obviously contributed to the quality of the book. The conception of the whole book gives an impression of a careful reviewing and editing process by the publisher. Unfortunately, the readings suggested at the end of each chapter introduce only English publications. Nevertheless, the book presents a well-rounded overview on a wide variety of relevant topics and contributes to a better understanding of Japanese education.

These two books are interesting examples of Japanese authors gaining a voice in the English discourse on Japanese education. In both cases, the author's entered the discursive arena via Australia. Yoneyama and Okano both studied or worked with Sugimoto Yoshio, the series editor of the Contemporary Japanese Society Series, at La Trobe University. The books provide further access to Japanese (and English) readings in their respective fields. However, although this new, critical focus is a much-needed correction of the overly optimistic analyses of the 80s and early 90s, we should be careful not to swing to the opposite extreme now. We must not only concentrate on the problematic sides of education because this carries the same danger of representing the successes and failures of Japanese education as a question of cultural uniqueness.

(Susanne Kreitz-Sandberg)

Pernille Rudlin: The History of Mitsubishi Corporation in London. 1915 to present day. London, New York: Routledge 2000 (= Routledge Advances in Asia-Pacific Business, Vol. 10), 245 pp. (ISBN 0-415-22872-7)

There are only a few corporate histories that are of major interest to readers other than historians. This holds true especially for Japan, where this type of literature is popular. This book by Pernille Rudlin is exceptional in that it approaches corporate history by examining the historical development of a subsidiary abroad, rather than focusing on the headquarters of a single company. Doing so, the book enables the reader to gain rare historical insights into a current topic, the internationalization of Japanese firms and their management. Hence, while the work of Rudlin is of great interest to the field of industrial history, it is equally important for scholars of international management studies and industrial sociology.

The book examines the history of the London branch of the Mitsubishi Corporation that, until recently, was the second largest Japanese general trading house. Eight chapters make up the main part of the book. They treat the period from the start of the century until 1990. As their titles suggest, each chapter looks beyond activities in London to analyze topics such as “Survival through international diversification (1921–30)”, “Securing resources to rebuild Japan (1947–60)”, and “Supporting Japan’s foreign investment (1971–80)”. Local business expansion is viewed in interdependence with the development of the Japanese economy and in close relation to the Mitsubishi headquarters in Tōkyō.

The book is based on two leitmotifs that run throughout the whole analysis: first, the function of the Mitsubishi Corporation as a “flag waver” for Japan and its economic interests and, second, the high dependence of the Mitsubishi London branch on the corporate headquarters back in Japan. In her examination, Rudlin illustrates how little has changed over time with regard to both. Despite a continuous expansion of activities of the London branch, including a European supervisory function, the local business still remains highly dependent on Japan. While in the past, the London branch mainly served as a European window for obtaining resources for Japan, at present the branch acts as a link in the vertical supply chain for Japanese manufacturers. It still has no self-contained, full service operations. Business going beyond the traditional field of servicing Japanese customers continues to be rare. According to Rudlin, the main reason for this limited business range reflects more than the lack of local decision-making authority of the London branch of Mitsubishi. Rather, it reflects a lack of an internationalization of management at the corporate level worldwide. Even in 1999, the Mitsubishi London branch employed 38 Japanese sent as expatriates from headquarters in Japan; the number of locally hired staff did not exceed 105.

Many examples illustrate that there is a rift between these Japanese expatriates and locally employed staff that has not been effectively bridged. The rift continues to hinder information flows that are of crucial importance for innovation and growth. Even the introduction of modern information technologies including facsimile and e-mail did not manage to bridge this gap. By contrast, it enforced it. Rudlin illustrates that the ongoing use of the Japanese language for communication by facsimile and e-mail between the headquarters in Tōkyō and the Japanese management in the London branch continues to exclude local employees from important information flows and thus hinders a cooperation across (language and) cultural borders.

As a result, the author draws a rather pessimistic conclusion in the final chapter that weaves together recent developments and future prospects for Mitsubishi Corporation in London and globally. She predicts huge problems for Mitsubishi Corporation. If it fails to implement the English language as its corporate language worldwide and if it fails to truly internationalize its management, it will be difficult to return to a profitable growth path.

These findings confirm the results of a number of recent studies dealing with the internationalization strategies and problems of Japanese firms. Hence, this book offers interesting empirical evidence relevant to an important topic but nothing substantially new. The value and fascination of Rudlin’s study are rather to be found in the huge pool of examples and anecdotal evidence showing the concrete problems Japanese firms have when they try to act globally at the local level.

The author herself was an employee with the Mitsubishi Corporation in the Tōkyō and London branches between 1990 and 1999 and she speaks of the potential efficiency, but also frictions in the cooperation between Japanese and non-Japanese employees. Her time as a Mitsubishi employee and a thorough knowledge of the Japanese language enabled Rudlin to make good use of the huge company archives in Tōkyō and London, to conduct many interviews with English and Japanese colleagues, and to draw on personal experience in both countries and cultures. The result is a book that is characterized by deep insights, understanding and empathy. Written as a corporate history, the study comes with some lengthy parts that are of little interest to non-historians. Despite this minor flaw, the book is strongly recommended to all those interested in the past and current internationalization of Japanese firms. This process continues to produce unsolved management problems that are best illustrated by those who experience these processes themselves. Last year, Rudlin quit her job at the Mitsubishi Corporation due to the limited possibilities for career advancement available to foreigners.

(Jochen Legewie)

Other Matters/ Outlook

Personnel News

Dr. Sven Saaler, Humanities Section, joined the DIJ as a research fellow in November 2000. From April 1998 to August 2000 he held teaching positions at the University of Kanazawa and at the Center for Japanese Studies at the University of Marburg. His doctoral thesis, “Between democracy and militarism: The role of the Japanese Imperial Army in the political changes of the Taishō era, 1912–1926”, was submitted to the University of Bonn in 1999. It was published by Bier’sche Verlagsanstalt, Bonn, in December 2000 (= Bonner Japanforschungen, Vol. 21). Sven Saaler’s research work at the DIJ concentrates on Japan’s prewar foreign and colonial policy, also contributing to the present DIJ research project “Japan in Asia”.

Dr. Jörg Raupach-Sumiya, Economics Section, left the DIJ at the end of December 2000. During his 18 months at the institute, he researched issues related to the recent changes in Japanese management, such as corporate restructuring, corporate governance, and start-ups / venture capital. In addition, he established and managed the DIJ Business & Economics Study Group. Jörg Raupach-Sumiya took a position as the General Manager of Administration of Human Resources at NEC-Schott Components, a joint venture between the German Schott Glas group and NEC in the field of electronic packaging.

Dr. Harald Conrad, Social Science Section, was awarded the Ehrhardt Imelmann Prize from the Faculty of Economics and Social Science at the University of Cologne. The Faculty honors outstanding academic research with this award every three years. Harald Conrad received the award for his dissertation on reforms and problems of the public pension system in Japan. It was published in 2000 by Tectum Verlag, Marburg, under the title “Reformen und Problembereiche der öffentlichen Rentenversicherung in Japan”.

DIJ Study Groups

Starting in January 2001, the DIJ Humanities Study Group and the DIJ History Study Group became a joint venture organized by Nicola Liscutin and Sven Saaler. The monthly meetings of the DIJ Humanities & History Study Group provide young scholars and Ph.D. students in all fields of the humanities an opportunity to discuss their work in progress with a keen and international group of researchers. The schedule can be found on the DIJ homepage. Those interested in attending or in presenting a paper are kindly requested to contact liscutin@dijtokyo.org or saaler@dijtokyo.org.

As of January 2001, the DIJ Business & Economics Study Group will be organized by René Haak (haak@dijtokyo.org) and Hanns Günther Hilpert (hilpert@dijtokyo.org).

DIJ Forum

On 30 January 2001 Professor Jay Rubin, Harvard University, spoke about “How to Carve a Wind-Up Bird: Murakami Haruki in English”. His English translation of Murakami’s 3-volume novel, *Nejimakidori kuronikuru* (1994/95), published in 1997 as *The Wind-Up Bird Chronicle*, was consequently translated into German (*Mister Aufziehvogel*, 1998). The controversy concerning translation via a third language attracted much attention in the German media this past summer. As the translator of the English version (or versions) upon which the German version was based, Jay Rubin offered his views on translating and “adapting” a novelist’s major work. In this case, pinning down an “original” text proved almost as elusive as the process of literary translation itself.

For information on upcoming events, please consult our website (http://www.dijtokyo.org).

DIJ Library

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The strength of the Library of the German Institute for Japanese Studies (DIJ Library) lies in its holdings of German-language materials about Japan in the humanities, the social sciences and the economic sciences. It also collects publications related to the history of German-Japanese relations. In this respect, the DIJ Library houses among other things a noteworthy special collection of primary resources that were written and printed by German POWs in the Bandô prisoner-of-war-camp (Bandô Furyo Shûyôjo) in the 1910s. Likewise, it acquires reference holdings such as bibliographic tools, encyclopedias, (special) dictionaries, character dictionaries, dictionaries for personal names and place names and the like.

The DIJ Library currently holds more than 8,000 titles that comprise about 10,500 volumes. German-language material constitutes about 90% of the collection, Japanese and English materials constitute approximately 10%. Stacks are open to all users. The DIJ Library preserves open-access shelving in the literal sense of the word; except for rare book titles and off-prints, every user has direct access to books, periodicals and reference holdings.

The DIJ Library is a reference library and at the same time, a regular member of the Japan Special Libraries Association (Senmon Toshokan Kyôgikai) and as such participates in the interlibrary loan service within Japan as well as internationally. Created in 1988 when the German Institute for Japanese Studies was established, the library collection has been electronically indexed and cataloged from the very beginning. The library catalog went online in 1999 and can be accessed through http://dijbib.dijtokyo.org.

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