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**Dialogue: How Has the Policy Process for
the Information and Communication
Industry Changed? The Takenaka Round
Table and Prospects for 2010**

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New Style of Leadership by the Koizumi Administration

Shoji: The process of policy formation in Japan has changed considerably since the 1990s. With this in mind, I would like you to discuss how the power relationship between Kasumigaseki (home of Ministries and Japanese bureaucracy) and Nagatacho (location of the Japanese Diet and politicians) has changed, how private sector specialists and scholars are involved, and how we should approach policy discussions on information and telecommunication which are expected to be actively conducted through 2010.

Kato: Mr. Kishi, as private secretary to Mr. Heizo Takenaka, you observed the so-called Koizumi Reforms from the Kantei (Prime Minister's Office) when Mr. Takenaka was the Minister of State for Economic and Fiscal Policy under the Koizumi administration, and also from the Ministry of Internal Affairs and

Communications (MIC) when Mr. Takenaka was head of the ministry. In terms of economic policies, I don't think the Koizumi Reforms had effects deserving of all media attention they received except those regarding financial policy and privatization of the postal service. But, at the same time, I regard the reforms as very significant in that they introduced the Kantei-led policy process. Back then, I was in the United States and was living in an ivory tower of academia. But, as I observed the prevalence of the Kantei-led process in the policy arena and the aggressive moves by the Murakami Fund and Mr. Takafumi Horie, I decided to come back to Japan, thinking, "There is no way I'm going to miss the opportunity to experience changes happening in Japan!" But, the situation has changed since that time back to the old-style bureaucrat-led policymaking, and things now seem to be very much backward-looking.

Kishi: The policy process, including that for information and communications policy, was fortunately in a favorable environment during the Koizumi administration. In the background, the economy was good. Under such circumstances, Mr. Koizumi could use the Kantei-led policy process because of his uniqueness as a prime minister. Junichiro Koizumi, a capable leader, took over the Kantei, and his right-hand man Heizo Takenaka, who was from the private sector and could perform equal to or better than the bureaucrats, made policy proposals. Due to many fortunate events, policies were easily shaped in the right way. That period is now over, and things have fallen back substantially in recent years. There are many reasons for this, but primarily the bureaucrats' role has become larger as the economy has worsened. This phenomenon can be seen not only in Japan, but also in the general atmosphere at the recent World Economic Forum in Davos. Also, though things changed to some extent under the Koizumi administration, it was mainly due to his individual ability; the LDP (Liberal Democratic Party) was not changed at all. My personal view is that in many respects the policy process has moved back to where it was before the Koizumi era.

Kato: I would like to ask about the introduction of the Kantei-led policy

process under the Koizumi Reform. I thought there was a structural change. But, would you say that it rather depended on the individuals who were involved?

Kishi: Unfortunately, I can't deny that the change was not fundamental, but superficial. Back then, there were unique characters like Junichiro Koizumi and Heizo Takenaka in the administration. Some people say the Council on Economic and Fiscal Policy functioned well, but it is not that Council members from the private sector wrote strategies. I think five and half years was too short to change the process and sustain it for a long period of time.

Policy Making Requires Bureaucratic Experiences

Kato: That shows a sort of a dilemma. Even under the Kantei-led process during the Koizumi administration, it was, after all, bureaucrats like Mr. Kishi and Mr. Yoichi Takahashi who wrote policies in the Kantei. I suppose members from the private sector in the Council also made certain contributions, but what I've heard is that Mr. Kishi and others actually led the process, from preparing the content of papers to steering meetings strategically. Generally, people talk about politician-led and bureaucrat-led processes as two alternatives, but even the politician-led

process requires bureaucratic know-how to be effective. In the United States, the know-how needed for policy making is accumulated in various places such as in think tanks because talent moves more freely between government administration, academia, the private sector and research institutes; however, in Japan it is monopolized by Kasumigaseki. Reforms require the know-how that is concentrated there. Mr. Takenaka already had experience as a bureaucrat, knew many bureaucrats, and had a keen sense of political balance, and Mr. Kishi, with his unique character, joined him. If there had been no cooperation from bureaucratic staff like Mr. Kishi at that time, I'm not sure whether the reform of the policy process could have reached that level of achievement.

Kishi: That's a very important point. The media often says, "The bureaucrat-led process is no good; the politician-led process is desirable." But, since democracy intrinsically has elements that result in pork-barrel spending, as soon as the politician-led process is adopted politicians become more willing to engage in pork-barrel spending. We need to stop it and provide the right rationales. Although people talk about the politician-led process, there is no guarantee that it leads us in the right direction, because the politicians are not

well-staffed in Japan. Also, Japan's private think tanks have limited capacity, so only those who are working or have worked in Kasumigaseki can be a reliable source of know-how related to policy making. How can we support politicians and guide them in the right direction? There should be a team including academics to support them.

Kato: If we must take advantage of the knowledge and skills of bureaucrats, they need to be controlled appropriately, which is very difficult. Did Mr. Koizumi appoint Mr. Takenaka by sheer chance?

Kishi: Yes. But, Mr. Takenaka accepted the appointment because he trusted Mr. Koizumi.

Shoji: Mr. Kishi, how did you first come to associate with Mr. Takenaka?

Kishi: When the IT Strategic Headquarters (Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society) was established in 2000 under Prime Minister Mori, I was sent there from the Ministry of Economy, Trade and Industry (METI), and Mr. Takenaka was a member from the private sector. After that, I was his assistant and then suddenly became his Private Secretary when Mr. Koizumi asked Mr. Takenaka to be a minister.

Kato: In discussions among young politicians and critics, they tend to just throw out words like "politician-led" and "bureaucrat-led", but Mr. Takenaka was one of a few people who thought about matters thoroughly and strategically, and tried to actually work within the political reality. Our parliamentary system grants members of the Diet the authority to control bureaucrats, but the attention of politicians tends to be drawn to things that attract votes, leading to less emphasis on policy making. Therefore, bureaucrats as well as Diet members with connections to bureaucrats are very powerful in the policy-making arena, which is what Mr. Takenaka attempted to change. Mr. Takenaka successfully introduced the Kantei-led process as Minister of State for Economic and Fiscal Policy. He then became the Minister of Internal Affairs and Communications (MIC), and you, Mr. Kishi, also moved to the MIC along with him. When Mr. Takenaka was appointed as Minister of Internal Affairs and Communications, did he have a vision of continuing to implement policy reforms based on the Kantei-led process that he had put in place?

Kishi: Yes, exactly. Of course, he used the power of the Kantei because the Minister of Internal Affairs and Communications was a member of the Council on

Economic and Fiscal Policy. Also, he knew that, unlike the Minister of State for Economic and Fiscal Policy, the Minister of Internal Affairs and Communications had more authority over the bureaucrats. So, he was determined to bring reforms wherever possible within one year. He then started to engage in the "Triple Reform" of fiscal issues for local governments and reforms in information and communications.

Bureaucrats Follow the Right Vision

Kato: After Mr. Takaneke became Minister of Internal Affairs and Communications, the Takenaka Round Table (Round Table Discussions on Communications and Broadcasting) was established and dealt with information and communications policy which was Mr. Kishi's specialized field. Were bureaucrats at MIC cooperative toward the Round Table? Also, bureaucrats at the former Ministry of Posts and Telecommunications (MPT) were seen as aggressively micro-managing regulators for the industry when Mr. Kishi and I were at the Machinery and Information Industry Bureau of the former Ministry of International Trade and Industry (MITI). I have the impression they were a lot different from this past image. What is your view on this?

Kishi: Very interestingly, in the year 2000 bureaucrats were a major opposing force; however, some, although not all, Director-level bureaucrats and others told us that they would offer any amount of cooperation for the right reforms. Every Round Table meeting was accompanied by an enormous amount of documents, and it was possible because of the assistance from these bureaucrats.

A reason for this could be that they had studied competitive policies over twenty or so years since the privatization of NTT. They surely had protective policies in the area of broadcasting, but at least those who were working in sections dealing with NTT-related issues started to be aware of the idea of competition. Also, the fact that three government agencies were combined into the Ministry of Internal Affairs and Communications (MIC) may have given them stronger motivation to perform well in the new organization. Observing from the Minister's office, I noticed the remarkable efforts of Director-level bureaucrats.

Kato: There are many bureaucrats who are sort of naive and are pursuing ideals, so if the right vision is presented to selected people, they make great efforts.

Kishi: Despite the low salaries of bureaucrats, the work is demanding and the amount of overtime is large. But, they make marvelous efforts because there are

a lot of people who are dedicated to working for the public. All of them must have a strong motivation to do the right thing. So, high-ranking bureaucrats need to set an example by taking risks themselves to realize what is right.

Ruling Party's Agreement in the Absence of a Boss for *Zokugin*

Kishi: One thing I contemplated deeply was how the Round Table could maintain its influence after Mr. Takenaka completed his term and we had a new Prime Minister. After all, it was the Minister's private Round Table so its reports could be ignored once he and the others involved had moved away from their positions. Therefore, we tried to achieve an agreement between the administration and the ruling party so that proposals from the Round Table could not be scrapped right away. This was very difficult because the interests of ruling-party politicians intricately connected with one another. Thanks to the efforts of Senior Vice Minister Yoshihide Suga, an agreement could be reached even though the Minister of Internal Affairs and Communications (MIC) was extremely busy when the Diet was in session. Mr. Suga did all the behind-the-scenes consensus building, which showed me how one politician could make such a significant change.

Kato: Among politicians, what was the reaction to the Takenaka Round Table from the ruling party.

Kishi: There was a great deal of interfering opinions coming from politicians favoring NHK, NTT, and so on. The problem was the lack of a leader for *zokugiin* (Diet members who know specific issues and policies well and are well connected with bureaucrats of the associated ministries, and cater to relevant special interests) in the area of communications and broadcasting. Many *zokugiin* existed in that area, but they did not have a boss-like figure. Everybody was arguing irrelevant things, which resulted in fragmented discussions.

Kato: The *zokugiin* could not organize themselves only in the field of information and communications? Or, is it because their organizational backbone was beginning to crumble due to the effects of the Koizumi Reforms or the first-past-the-post system?

Kishi: I think *zokugiin* themselves are losing power. We can safely say there are less influential figures who can organize people in the way the Liberal Democratic Party (LDP) traditionally did. The structure that has supported *zokugiin* is not as strong as it used to be, with the coming and going of politicians and the

continuation of the first-past-the-post system. I think that's a good thing.

Kato: But, since there are both positive and negative aspects with *zokugiin*, the key is whether they can be effectively used. In some cases, the decision-making process of the LDP was such that if an important figure like Seiroku Kajiyama could be persuaded, *zokugiin* favoring the commerce and industrial sectors followed suit. However, if the structure of *zokugiin* collapses, we may have to get politicians to agree one by one. For example, the Abe administration, which succeeded the Koizumi administration, tried to pursue the Kantei-led process, but I think it was tremendously difficult for Abe to achieve because of split opinions within his own party and the absence of a Koizumi-like, strong leadership in the Kantei.

Kishi: The lack of solidarity among politicians should actually mean that the Kantei can more easily take the lead in various issues. As for why it cannot be achieved, I think of the importance of the supporting staff for the Prime Minister, because one politician can accomplish only so much. The staff can include bureaucrats, scholars, and politicians, but who surrounds the Prime Minister is very consequential.

Kato: It is not easy to acquire personnel from outside the bureaucracy because of

the time it takes to train people and the immobility between jobs in Japan's labor market. Training people with no experience is more difficult. However, there aren't many bureaucrats who are both capable and looking in the right direction.

Kishi: But, with effort it is possible to gather the right people together. Remember the Industrial Revitalization Corporation established during the Koizumi administration? Mr. Kazuhiko Toyama joined the Corporation and truly talented members were gathered from the private sector. That's why they could restructure and revive so many companies. I think two factors significantly contributed to the success: talented people joined because Mr. Toyama had a good reputation and people trusted him, and they shut out political influences. If such a key person is brought onboard other well-qualified people follow suit. It's not impossible to do the same in other situations.

Uniqueness and Issues of Information and Communications Policy

Kato: What are major differences in information and communications policy compared with other policy fields? What aspects of the policy cause problems in relation to the current policy process?

Kishi: Information and communications is a very unique field among industrial policies. First of all, the industry tends to be monopolistic, but if too much competition is encouraged, the development of the broadband infrastructure slows down, and the United States is a good example of this. In Japan, NTT has developed broadband networks while competing with other companies, which deserves praise. Fast technological advancement and a strong tendency toward monopoly make it difficult to promote competition in the industry. Secondly, broadcasting policies have been shaped more by notions of journalism and freedom of the press than economic policies, and a business management perspective has been completely missing. I think the future requires a balance of journalism and management. But, such a mindset does not exist in regulators or industry insiders.

There is also the complex problem of convergence. My view is that laws on the convergence of communication and broadcasting have no more than a superficial effect, but that the private sector does not move without them. I think the essence of the problem regarding convergence is actually a business model problem associated with how the media changes its business model and how new industries develop

their models. The answer requires creativity in both technical aspects and business models, so venture companies should thrive in this regard. But, this is not happening. There is only so much that policies can do in this field. Therefore, the question is how to induce the private sector to make efforts.

Another issue is the broadcasting license. The license for broadcasting stations is for allocating radio frequency spectrum. But, now that we have a broadband network, the basis for providing the license becomes vague. The mass media will continue to exist in the future; however, we must reexamine why licenses are issued to the media. When spectrum is freed from constraints of the licensing system, spectrum auctions may be needed to optimally allocate the scarce resource. Moreover, some say that the mass media should be regulated because of its influence, while the Internet is left unregulated. This is a somewhat illogical argument. Nowadays, young people enjoy services mostly available on the Internet, showing little interest in watching television. For example, YouTube perhaps has more influence over the public than NHK. The question is whether it is OK not to regulate its content because it is a part of telecommunications technology. It makes more sense to seriously consider this issue as it is true that the Internet is gaining more influence than the

traditional media.

Also, there is the significant question of what should be done for the local media, which will be discussed more this year. The local media is important in terms of maintaining local communities, cultures, and values; however, local newspapers and broadcasting stations have gone bankrupt worldwide. In fact, discussions on the issues facing the local media have already started in United Kingdom. How should we position the local media in the Japanese economy in the future? Should the government get involved and provide support? These questions must be carefully considered even during the time of an economic crisis.

In addition, the copyright system must fit the area of information and communication technology, but no country is dealing with it appropriately. Businesses involved with information and communication technology cannot work well unless this issue is resolved because their activity is based on intellectual property. There is a peculiar dimension to this problem for Japan in that MIC is responsible for telecommunications and broadcasting sectors, while METI deals with the manufacturing side of the ICT industry. Information and communications policy is difficult to construct theoretically to begin with. There are also many separate problems.

Kato: It is said that in the past the major problem in the process for information and communications policy was the existence of two separate agencies—the former MITI and MPT—sharing responsibility. How problematic is the fact that, at the present time, MIC and METI have different standpoints, given the amount of problems that exist?

Kishi: I think the most important problem in information and communications policy is the narrow views held by MIC and METI. Too much focus is put on how to increase the markets for only information, electronic devices, telecommunication, and broadcasting industries. But, other factors exist for information and communications policy such as creating growing industries and creating new employment in the short run and raising the country's international competitiveness in the long run. What kind of policies do the United States and United Kingdom currently have? The Obama administration has announced a push forward for ICT. According to the budget allocation in the recent economic plan, 20 billion dollars is allocated to creating electronic medical records as opposed to 7 billion dollars for the broadband infrastructure. They are now trying to convert 15% of the medical records electronically and create

employment in the medical field. The United Kingdom announced its ICT strategy "Digital Britain" on January 29th which aims at strengthening broadband infrastructure and the creative industries in which the United Kingdom has advantages. That is, their digital strategy includes sectors, such as information content, that were traditionally slightly outside the area of information and communications. In addition, they aim to drive the United Kingdom's economy with applications provided by electronic government. Comparing terminals, infrastructure, platforms, and content and applications, content and applications have great spillover effects on other industries. I think the scope of information and communications policy needs to be widened to such a degree. Otherwise, it would be actually difficult to increase competitiveness or productivity with IT.

Kato: Regarding the policy process, the classical problems associated with government's vertical administrative structure still exist in the areas of copyright, telecommunications, broadcasting, and manufacturing. But, other areas seem to have fewer problems. The impression I have is that there are many issues which can be dealt with solely by MIC. What is the actual situation?

Kishi: I can agree as well as disagree with your observation. I agree because sectors currently creating added values are those with increasing oversight by MIC. I disagree because Japan must create industries which can bring in foreign currencies when the domestic market shrinks in the future. It's possible to export communication services, but since exports of terminals and whole systems are too much for MIC to handle, METI naturally has a lot of work to do.

Kato: Are there other problems in addition to the traditional problems with the vertical administrative structure? If the focus is limited to solving problems involving information and communications policy, perhaps, the policy process needn't be Kantei-led?

Kishi: I don't think it's an area for which the Kantei-led process is needed. The only solution may be integrating the Agency for Cultural Affairs and METI into an organization with greater authority, putting it in the Cabinet Secretariat, and allowing it to direct relevant ministries and agencies in issues such as deregulation in the areas of health care, electronic government, and communications.

Relationship between Domestic Competition and International Competitiveness

Kato: In discussing the uniqueness of the policy for the information industry you mentioned natural monopoly. I wonder what its relation is with the antitrust law (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade). In the environment in which communication services cannot compete internationally, Japan's policy led to the divestiture of NTT and opened the company's network infrastructure to other communication companies. A reason for this might be the prevention of natural monopoly. But, one can argue that such a tough policy towards NTT won't make the company internationally competitive. This issue involves technical and theoretical discussions like the demarcation of markets, so one solution is to make the Japan Fair Trade Commission responsible. However, it might not work that easily because the Commission is far more dominated by lawyers and is a weaker entity when compared to foreign counterparts. I was a negotiator for a working group for internationalizing competition laws at the WTO and observed that most qualified people were working for not only the FTC (Federal Trade Commission) of the United States, which has been responsible for many of the regulations and legislations, but also the Directorate General for Competition of the EU. Their discussions are very

sophisticated even from an economics standpoint.

Kishi: I think the most desirable pattern for companies is to become strong through competition in the domestic market and to develop goods and services that can compete internationally. However, often, companies' hands are full in surviving domestic competition, and they can't even think about entering foreign markets. Balancing the two is very difficult. Facing the domestic decline in population, companies must consider overseas markets. But, in terms of competition, Japan's Fair Trade Commission tends to look only at the domestic market rather than learning from international trends. The question is how far competition in domestic markets should be promoted. Basically, I prefer policies favoring competition, but often struggle in finding an answer. I would disagree with the idea that the NTT divestiture is simply justified because of the company's enormous size in the domestic market.

Kato: It matters how the market structure of the global market, as well as the domestic market, operates. We must ask ourselves how the world judges situations that are clearly determined as monopolistic in Japan. Actually, there are cases in which small countries whose market is open to foreign entities have

not created an antitrust law in the past because it is simply not necessary, such as in the case of Hong Kong. The logic is that because companies compete in the international market even though they don't in the domestic market, whether they are monopolistic in the domestic market is meaningless. In case of tangible goods, it is true that international competition easily occurs because of their exportability. On the other hand, many types of services are less exposed to international competition, so domestic monopoly of such services is likely to be harmful.

Kishi: It is wrong to think only about the domestic market and split up of NTT simply because of its enormous size. Competition policy should be based on strategic positioning in the global competitive environment. I have been following discussions of American and British journalists since around last summer. They frequently use the phrase "government-private sector partnership" in discussing policies. They say, "Japan or Asia succeeded with a government-private sector partnership. Without it, there is no chance to win in the global market." Simply put, a government-private sector partnership is an industrial policy. As I do, these journalists have the idea that pure competition is not the only important factor when we think of global market

presence. And government should get involved in a tactful manner when helping companies enter global markets, even though competition is the basic principle, government involvement can be necessary.

Kato: Did the Takenaka Round Table postpone reaching a conclusion on this matter?

Kishi: Yes, they did, intentionally. I wonder if splitting NTT into companies with small market values is really beneficial. At the moment, how many Japanese companies get into the top ten companies globally in terms of market value? Divestiture would be right for individual communication industries, and more so for the domestic market. But, it is clearly disadvantageous for Japan once the global economy is taken into account.

Kato: The review of NTT's administrative structure was supposed to be completed by 2010 according to discussions in the Takenaka Round Table. But, now the agreement between the government administration and ruling political party says it will start in 2010.

Kishi: It was a compromise for reaching the agreement. But, if the ruling party is changed, the agreement will be

Kato: Even if the ruling party changes, can the starting year of 2010 be maintained?

Kishi: I don't think it's possible. It seems it would be difficult to start the review in 2010. Given the rapid changes in the industry, a reintegration of NTT could be an option. NTT is the only company in the communication industry that can make substantial infrastructure investment as well as new investment in other areas. My opinion is that Japan needs a company with the potential to make profits in the global market—a player capable of entering lucrative markets. Therefore, I am for the reintegration of NTT.

Who Will Be Responsible for Information and Communications Policy from 2010?

Kato: If the government is engaged in information and communications policy in 2010, what type of process will be used? The Takenaka Round Table included a mechanism that allowed the participation of people outside the existing policy process. I don't think such a system or group currently exists in the field of information and communications policy.

Kishi: MIC currently holds a round table

discussing future issues and tries to prepare policies for 2011 and beyond. They are thinking the direction of the policies should be maintained even if the administration changes, but their efforts are still limited. There are now few people in the Democratic Party who understand this field. Realistically speaking, in order to develop an information and communications policy effectively in such circumstances MIC bureaucrats at the Director or Deputy-Director General level must take responsibility, propose the right direction in a forum including specialists from the private sector, and explain it to the next ruling party. Or, the Cabinet Secretariat should, again, issue a clear message that information and communications strategy is important to today's Japan. Then, a forum for open discussions should be created, which would attract people willing to contribute to this field.

Kato: Regarding the development of information and communications policy, I think the key is how to induce small outside players to enter an industry dominated by a natural monopolist. Unlike other industries, these small players change constantly. Also, politicians and bureaucrats tend to have strong connections to such an industrial giant.

Kishi: That depends on the content of the

policy. Among the factors the infrastructure layer tends to be monopolistic. Nothing can be done about it, so I think there is no need to increase the number of players, or that it's OK to reduce the number. Other factors that can create added value include devices, platforms, and content applications, and it becomes important how new businesses are created in these areas. Considering policies applied to these areas, I think competition policy has the potential to be very effective.

Google and Yahoo are foreign companies; the platform layer is completely dominated by the United States. There seems to be no chance to win in this area. Therefore, the fields in which Japan can potentially be a winner are applications, digital media content, and parts of information and communications technology like ITS (Intelligent Transport Systems). In order to gain market share in these areas it may be important to encourage competition in the field of applications and digital media content and create a lot of venture companies. Also, the present situation with ITS is that companies have no common OS. Therefore, industrial policy that encourages the collective effort of stakeholders together with competition policy should be prepared for different circumstances. The actions of all the parties involved should be based on what policy is best for their operations

and how internationally competitive players can be created.

Kato: What happens if the administration changes?

Kishi: We can say one thing: a change of administration will not lead to a drastic change in policies because both the Liberal Democratic Party (LDP) and the Democratic Party have the same structure. A major difference would come from whether they have people with experience in the administration of national affairs. This factor is decisively significant. If the Democratic Party takes over, only a few of their members have previous experience in running the country. This would make it difficult to run government operations including the management of the domestic economy and foreign diplomacy. They would eventually have to rely on bureaucrats more than the LDP has, or, if they don't take that route, things would get very messy.

Kato: Some have said the area of information and communications has been so highly specialized that a clear separation has existed between the roles of the administration and Diet members. *Zokugin* provide support for policies, but do not interfere much with their content. In this sense, this may be a field that isn't susceptible to the effects of a change of

administration unless the IT boom of the past reemerges. By the way, are there Democratic politicians who can be key players in information and communications policy?

Kishi: As far as I know, no one is qualified to be a key person in the area of information and communications.

Kato: In this area especially, it is important how knowledge and opinions from outside the government can be incorporated. However, Japan doesn't have organizations similar to the think tanks in the United States that are capable of preparing policies and can potentially counter the bureaucratic agencies of Kasumigaseki. Also, it seems that only a handful of university scholars in the information and communications field conduct their research vigorously with specialized academic analytical tools. It is a fast-changing field, so many are chasing the newest developments or are too friendly with bureaucrats or corporations. With this current situation, monumental policy ideas that would shake Kasumigaseki won't emerge.

Kishi: The continuation of the status quo may become disastrous, so well-executed outside control seems to be necessary. As for intellectual property, a change of the ruling party might be a great opportunity. We need a system which can strategically

incorporate what's available.

Shoji: I think Mr. Takenaka organized a very strong team centered on specialists from the private sector. How did he form the team?

Kishi: Basically, Mr. Takenaka is a maverick. Actually, there were a few core people including him, and different teams were organized for different issues such as the Council on Economic and Fiscal Policy, the Industrial Revitalization Corporation, and the teams dealing with the privatization of the postal service and clean-up of bad loans. Also, there were several core members of the press, and they supported his efforts. This support from the media helped him.

Shoji: I think Japan lacks a pool of qualified people. How did he recruit appropriate personnel?

Kishi: They were all people who we knew. It is said that Kasumigaseki and Nagatacho lack people who are up to the task, but there aren't many qualified people in the private sector or academia either. There were only a handful of well-qualified people with whom we had maintained some contact. This is how they were gathered.

Kato: Kasumigaseki and Nagatacho are run by a surprisingly small number of

people. There are cases in which a colossal policy plan is written by one young deputy director. This is a reputation-based community, so it is easy to get a rough idea of who has how much skill. Of course, one's skill must be confirmed, but much of the cost of searching for the right people can be saved if we rely on their reputation.

Shoji: Reading the minutes of various government panels, I often think, "If these people are the participants, nothing can come out of the meeting, with everyone arguing for his own interests."

Kishi: Such a problem gets worse unless the media criticize it. For example, the media made accusations about the sale of hotels and guest houses owned by the Postal Insurance holders (*Kampo no yado*) to ORIX Corporation partly because ORIX Chairman, Yoshihiko Miyauchi, was the chair of the Council for Comprehensive Regulatory Reform. However, the fact is that the Council was not responsible for the privatization of the postal service. On the other hand, nobody says anything about the participation of the representatives from the associations of doctors, dentists, and pharmacists in a group at the Ministry of Health, Labor and Welfare deciding medical service fees. The media has been one-dimensional in this regard.

Shoji: For the future, should horizontally positioned organizations like the IT Strategic Headquarters and Council on Economic and Fiscal Policy be created in the Kantei?

Kishi: There are too many such organizations set up in the Cabinet Secretariat. They should narrow down the issues and deal with them with headquarter-like organizations. Why have regulatory reforms shown no progress in the area of health care? Why can't they reduce medical service fees? It is because the stakeholders have too much presence in the council at the Ministry of Health, Labor and Welfare. So, there is no way they can achieve regulatory reforms and reductions in medical service fees. We must separate the process from parties with vested interest, have people who make the right arguments, and make a framework for politician-led decisions for each issue. Otherwise, things won't work.

Kato: Every policy field faces the problem that accepting too many outside opinions results in the inclusion of stakeholders such as people with vested interests and thus an impasse for fundamental policy reforms is created. What we need then is oversight by outside entities like the media. In this regard, it is a step forward that the minutes of council meetings have become publicly available in principle.

However, decisions regarding fundamental policy directions require not only simply listening to many opinions, but also embracing the values of individual leaders that come from their knowledge and experience. So, it is important that leaders set a direction boldly and be accountable to stakeholders and the general public.

Thank you very much for your time today.

(Recorded on February 13th, 2009)