


4-1990

Telecommunications Policymaking in Japan: 1980s and beyond

Roya Akhavan-Majid

St. Cloud State University, rakhavan@stcloudstate.edu

Follow this and additional works at: https://repository.stcloudstate.edu/comm_facpubs

 Part of the [Mass Communication Commons](#), and the [Other Public Affairs, Public Policy and Public Administration Commons](#)

Recommended Citation

Akhavan-Majid, Roya, "Telecommunications Policymaking in Japan: 1980s and beyond" (1990). *Mass Communication Faculty Publications*. 12.

https://repository.stcloudstate.edu/comm_facpubs/12

This Peer Reviewed Article is brought to you for free and open access by the Department of Mass Communications at theRepository at St. Cloud State. It has been accepted for inclusion in Mass Communication Faculty Publications by an authorized administrator of theRepository at St. Cloud State. For more information, please contact rswexelbaum@stcloudstate.edu.

Telecommunications Policymaking in Japan

The 1980s and beyond

Roya Akhavan-Majid

The major law which provided for the privatization of Nippon Telegraph and Telephone (NTT) in 1984 is up for review by the Japanese government in April 1990. Given the continuing domination of Japan's telecommunications market by NTT, ultimate divestiture of the privatized NTT remains a likely outcome of the review. Against this backdrop, this study presents an analysis of the forces which have shaped Japan's privatization and liberalization policy throughout the period 1980-89, and are likely to lead to additional reforms in Japan's telecommunications system in the course of the upcoming policy review.

The two major laws, the NTT Co Law and the Telecommunications Business Law, which provided for the privatization of Nippon Telegraph and Telephone (NTT) and deregulation of Japan's telecommunications market in 1984 passed the Japanese Diet¹ after a drawn-out process of bargaining and conflict resolution among major Japanese elite power groups, including NTT, the Ministry of International Trade and Industry (MITI), the Ministry of Posts and Telecommunications (MPT) and Japan's organized big business. While the passing of the two laws marked the resolution of some of the primary conflicts, major issues of contention remained unresolved, particularly with respect to the NTT Co Law. Reflecting this precarious state of compromise, an amendment was added to each of the two laws requiring a review of the Telecommunications Business Law in 1988, and the NTT Co Law in 1990. After a preliminary review of the Telecommunications Business Law by MPT in March 1988, the ultimate decision on the fate of the law was postponed to April 1990, when the related, more controversial NTT Co Law is up for review.²

Since NTT's formal privatization in 1985 the previous points of contention have sharpened considerably because of the unrestricted expansion of NTT into a sprawling monopoly and its continuing domination of Japan's telecommunications market. The upcoming review of the NTT Co Law in 1990 may therefore be considered to hold the promise of new reforms in Japan's telecommunications system.

Against this backdrop, the purpose of this article is to present an analysis of the elite conflicts which have shaped Japan's privatization and deregulation policy throughout the period 1980-89, and are likely to result in additional changes in Japan's telecommunications system.

Before going on to discuss the policymaking process, however, let us first examine the interests and policy positions of the different elite power groups involved in the policy process.

Power groups

US government

On the international level the US government has been the primary source of pressure on Japan to deregulate its telecommunications market. For many years US electronic manufacturers have sought to enter the telecommunications hardware and information services market in Japan with little success. The continued difficulty of entry experienced by the US manufacturers coupled with a ballooning US-Japan trade deficit finally led in the early 1980s to a renewed surge in trade friction which continues to this day.

As a country dependent upon exports of manufactured goods for its economic survival, Japan is particularly vulnerable to protectionism abroad. Thus, despite its own protectionist practices, Japan has been sensitive to protectionist overtures abroad, particularly in the USA, and has often made timely concessions to keep such overtures from materializing into action.

Among the powerful sources of pressure on Japanese telecommunications policy in the 1980s, therefore, has been the demand by the USA for more liberal procurement practices and larger purchases of US telecommunications products on the part of NTT and a more open and competitive information services market.

Japanese big business

At the national level the primary pressure towards liberalization and deregulation of telecommunications has been exerted by the big business leaders organized in the Japan Federation of Economic Organizations (Keidanren). As expansive businesses engaged in a constant search for new and lucrative markets, Japan's leading business enterprises exerted pressure on the government to create favourable conditions for their entry into the telecommunications market.

Among the conditions best suited to big business interests were:

- Elimination of NTT's monopoly and permission to enter the market;
- A broken-up (divested) NTT to ensure effective competition;
- Privatization of NTT;
- A deregulated market *vis-à-vis* domestic business; and
- Restriction of foreign investment in the domestic telecommunications market.

Of these conditions, NTT privatization and divestiture constituted two distinct policy elements favored by private industry for two very different reasons.

As far as the ability to successfully enter and compete in the data communications market is concerned, a divested NTT would have been far more amenable to the interests of big business in its efforts to obtain a share of the market than a privatized yet sprawling telecommunications giant, unrestricted in the scope of its activities. Thus without divestiture an ultimate privatization of NTT would contribute very little to creating the type of competitive market sought by private industry.

Yet privatization of NTT has been favoured quite strongly by private industry, particularly by Japan's leading electronics manufacturers, for an interesting set of reasons.

Despite its leading role in technological research and development, NTT has never made its own equipment. Rather, it has always bought more than 80% of its equipment from Japan's

top electronics manufacturers, such as Hitachi, NEC, Fujitsu, Sumitomo and Oki Electric, collectively referred to as NTT's 'family of suppliers'.³ It has done so, furthermore, not on the basis of competitive bidding among the different suppliers but in a consultative process based on collective pricing agreements.⁴ With the rise in the early 1980s of Japan's trade surplus to record figures, however, NTT's procurement practices began to come under increasing scrutiny by its trade partners, leading to mounting pressures for greater foreign procurement. As long as NTT remained a public entity under government management it would, according to GATT rules, be bound to respond to demands for more open procurement practices. If privatized, however, it would be exempted from this requirement. NTT's complete privatization could therefore benefit NTT's family of suppliers by relieving NTT from its legal obligation under GATT rules to practise open procurement.⁵

Another major advantage of NTT's privatization for Japan's electronics manufacturers, of course, would be to enable them to make a direct and profitable investment in the country's telecommunications market by acquiring their own shares in the privatized company.⁶

Finally, among the conditions favoured by Japan's big business was a telecommunications market as restrictive as possible to foreign competition. Thus, organized in Keidanren, Japan's big business lobbied for privatization and divestiture of NTT, deregulation of telecommunications business, and restriction of the level of foreign investment in Japan's communications market.

Ministry of Posts and Telecommunications

Japan's Ministry of Posts and Telecommunications is the policymaking and regulatory body overseeing the nation's broadcasting and telecommunications systems. MPT's regulatory authority over NTT thus constitutes a major element of its bureaucratic jurisdiction and power.

With the sudden rise of telecommunications in the early 1970s from a position of low priority on the national agenda to one of central importance to the nation's economic prosperity, an unprecedented opportunity was created for MPT to climb the ranks of power, even to the point of contending with MITI for the position of Japan's primary industrial policymaker. A privatized and divested NTT and a deregulated telecommunications market, however, would not only strip MPT of its direct supervisory authority over NTT, but it would also deprive it of its unique chance to expand the basis of its regulatory power.

Thus, in addition to opposing complete deregulation in the telecommunications market, MPT has shown a strong interest in keeping NTT intact as a giant corporation and, in the face of pressures for NTT's divestiture, has continually argued in favour of a single nationwide network.⁷ In addition, since 1979 MPT has given its wholehearted support to NTT's idea for an Information Network System (INS),⁸ designed to handle all types of communication, including voice, pictures and data in digitized form using a nationwide network of optical fibers. By rendering any kind of duplication extremely costly and inefficient, such a system, if successful, could potentially establish NTT's domination over Japanese telecommunications for many years to come.

In addition to the higher level of power entailed in overseeing a large nationwide telecommunications entity, MPT's preference for a unitary, as opposed to a divested, NTT may be considered to arise from the ease of control offered by a single giant communications network in times of political crisis or national emergency.

In response to the new demands on government telecommunication policy prompted by the advent of new media technologies, therefore, MPT has favoured a strong NTT and insisted on policies affirming its jurisdictional authority over the nation's traditional as well as new telecommunications entities.

Ministry of International Trade and Industry

Japan's Ministry of International Trade and Industry has played a central role in developing Japan's industrial policy and orchestrating the nation's economic activities throughout the post-war period. With the rise into prominence of telecommunications and information technologies in the early 1970s, however, MITI's continued domination of Japan's economic scene has come to depend largely on its ability to take charge of the country's telecommunications and related policies.⁹ In this context MPT's mandated authority to regulate the nation's telecommunications remains the primary obstacle in the way of MITI's continued performance as Japan's foremost economic policymaker.

A completely deregulated telecommunications market, eliminating the basis of MPT's regulatory power, and a divested NTT, allowing MITI to establish strong new competitors under its own administrative guidance, therefore, constitute the conditions most favourable to MITI's interests.

Thus, as it happens, MITI's support for NTT's privatization and divestiture and a liberalized telecommunications market arises not only from its solidarity with Keidanren and Japan's business community, but also from the primary importance of such politics to its own survival as a top-ranking ministry.

NTT

As far as NTT itself is concerned, both the NTT President, Hisashi Shinto, and the NTT workers' union, Zendetsu, supported the call for NTT's privatization.

Throughout the privatization and deregulation policy debate Hisashi Shinto acted as a strong spokesman for reforming Japanese telecommunications, arguing particularly for the need to free NTT from the cumbersome process of government supervision so that it could better respond to the demands of the new technology and the rapidly changing telecommunications environment.¹⁰

Although not a strong influence on policy, Zendetsu also supported the initiatives for NTT's privatization. As public employees, NTT workers did not have the right to strike. More importantly, the amount of annual wage increase they could expect was closely tied to that of other public enterprise employees, including those of such faltering enterprises as Japan National Railways (JNR).¹¹ This meant that no matter how profitable NTT might be, those profits could not be translated into wage increases for NTT workers as long as Japan's other major public corporation was beset with a ballooning deficit. By separating their fortunes from that of other public employees, NTT's privatization would allow the NTT workers to ask for and receive higher wage increases. The NTT workers' union, therefore, actively lobbied for privatization in the course of the policy process.

Policymaking process

Among the most popular policies of the Liberal Democratic Party (LDP) since the late 1970s has been the general policy of ‘administrative reform’¹² aimed at trimming the fat and increasing the efficiency of Japan’s numerous public corporations. This policy has been particularly popular because of its original emphasis on the need for reorganizing JNR, a public corporation considered by a majority of the Japanese public as a symbol of costly and inefficient operation. Running deeper into the red every year, JNR has been one of the most visible targets of the policy of administrative reform, and the primary source of the policy’s widespread public support.

It was within the context of this favourable climate that Keidanren, in alliance with MITI, launched its campaign for the privatization of NTT. At the time when the campaign began NTT was, as it still is, a highly profitable organization which not only did not rely on any government funds but actually paid an average of 120 billion yen annually to the government in ‘excess profits’.¹³ The generalized support for the policy of administrative reform, however, provided an ideal pretext for the proponents of competition in the telecommunications market to focus attention on NTT and argue for its reorganization. The publicly expressed logic of the argument was that, being a public corporation, NTT is susceptible to increasing inefficiency in its operation and thus, despite its present profitability, could begin to tax the public budget at some future point in time.¹⁴

The formal process of governmental policymaking leading to the enactment of two major laws addressing the reorganization of NTT and the future of the telecommunications business in Japan began in March 1981 with the launching of the Second Ad Hoc Council on Administrative Reform by Prime Minister Suzuki.¹⁵

Despite its formal character as a governmental committee, the Council was from the beginning under the direct influence of Keidanren. Among the most visible signs of this was the fact that the Council, appointed by the Prime Minister, was headed by the then Keidanren President, Toshio Doko, the founder of Toshiba and one of Japan’s most influential *zaikai* (business elite) members. Another sign of Keidanren influence was the concurrence of the council, both chronologically and in terms of its final recommendations, with the Keidanren Committee on Data Processing (later renamed the Committee on Information and Telecommunication Policy), established in 1980 under the chairmanship of the Fujitsu Chairman, Taiyu Kobayashi, with a mandate to formulate Keidanren policy on telecommunications and to draw up a proposal to be presented to the government and the ruling LDP.

Four months after the launching of the Second Ad Hoc Council the Keidanren policy committee formally presented to the government in July 1981 its ‘Proposal for promotion of progress towards the Information Society’.¹⁶ The proposal was followed by a more detailed set of recommendations submitted to the Second Ad Hoc Council in February 1982, advocating complete liberalization of the use of telecommunications and NTT privatization and divestiture.¹⁷

A few months later, in July 1982, the Second Ad Hoc Council presented its final recommendations to the Prime Minister, closely reflecting the position taken by the Keidanren Committee on Information and Telecommunication Policy. More specifically, the Second Ad Hoc Council recommended:

- opening the telecommunications market to private competition;

- turning NTT into a ‘special’ private company whose shares would initially be held by the government and later gradually sold to the public;¹⁸
- divestiture of NTT within five years into a central company operating trunk lines, and several local companies operating local telephone services.

From the beginning the recommendations made by the Second Ad Hoc Council, particularly those urging privatization and divestiture of NTT, met with strong opposition from MPT and its supporters in the LDP.¹⁹ Based upon the traditional tendency of similar institutions in Japan to compete with one another while joining with dissimilar groups to form self-sufficient heterogeneous coalitions,²⁰ different ministries in Japan routinely coalesce with factions in the LDP, forming competing cluster-factions or ‘tribes’ (*zoku*). Thus, after the Second Ad Hoc Council issued its report, conflict began to grow between the so-called ‘MPT tribe’ (Yuseizoku) representing a coalition between MPT and the Tanaka faction in the LDP, and the ‘MITI tribe’ (Tsusanzoku), representing a coalition between Keidanren, MITI and the Miyazawa faction in the LDP.²¹

Interestingly, the same factional divisions and coalitions were visible on the occasion of the designation of a new NTT President in 1985. The contenders for the position were the incumbent NTT President, Hisashi Shinto, a prominent businessman recruited from the shipbuilding industry to head NTT in 1981, and NTT Vice President Yasusuda Kitahara, who came from within the bureaucratic ranks of NTT. Originally introduced for the NTT presidency to Prime Minister Suzuki by Toshio Doko²² (the same Keidanren President who headed the Second Ad Hoc Committee), Shinto was backed by MITI, Tsusanzoku and Keidanren, while Kitahara was supported by MPT and Yuseizoku, the Tanaka faction of Yuseizoku in particular.²³ Following fierce infighting, the balance of power finally shifted in Shinto’s favour, mainly because of Tanaka’s illness, which removed him from the political scene in late 1984.

As the first step towards achieving a possible compromise on the issue of market liberalization, telecommunications lines were partially liberalized in October 1982 to permit the establishment of small-scale value-added networks for business usage.²⁴ In the meantime conflict continued to rage on the question of NTT’s privatization and divestiture, leading senior politicians outside the MITI and MPT ‘tribes’ to take action later in 1983 to obtain a compromise between the two contending cluster-factions.²⁵ In the course of the formal and informal negotiations that followed, the strong opposition of MPT and its allies succeeded in freezing the idea of NTT divestiture for the time being. In return, however, MPT agreed in principle to Keidanren/MITI demands for NTT’s privatization.

A partial compromise was thus reached between the two contending parties under the mediation of LDP elders based on the idea of privatizing NTT first and considering the desirability of its divestiture at some future date.²⁶

Once a basic compromise had been reached on the issue of NTT’s reorganization, the focus of the telecommunications policy debate shifted to the question of deregulation and the promotion of competition in telecommunications.

Having partially opened the telecommunications market in October 1982 by allowing businesses to start small-scale value-added networks (VANs) using NTT lines, MPT proceeded in 1983 to draw up a set of new laws aimed at regulating the activities of the new data communications businesses. Once again in September 1983 conflict began to rage between the two cluster-factions as MITI expressed its strong opposition to the introduction of any new regulations.²⁷

Against the backdrop of this unresolved internal conflict on the issue of telecommunications deregulation, the US government began to exert its own pressures on the Japanese government to allow foreign carriers to enter the VAN market without restriction.²⁸ Fearing the potential threat of competition posed to NTT by such US giants as AT&T and IBM, MPT insisted vigorously on the necessity for imposing some restrictions on the level of foreign capital invested in the new telecommunications businesses. Although motivated by a different set of interests, MPT's position in this case was in line with that of Japanese businesses intending to enter the telecommunications market.

Shortly after the announcement by MPT of its intention to restrict the level of foreign investment in Japanese telecommunications, pressures began to increase on MPT to agree to a compromise. Following an official meeting between the US ambassador to Japan and the Minister of Posts and Telecommunications in February 1984,²⁹ and other diplomatic efforts on the part of the USA, Japan's Ministry of Foreign Affairs intervened in the process, urging accommodation of US demands to avoid a new surge in the ongoing friction on trade issues.

Reflecting an ultimate compromise between the positions taken by MPT, MITI, big business and the US government, the final draft of the Telecommunications Business Law classified prospective telecommunications businesses into two categories. The first category, called 'Type 1' businesses, are those which own and operate their own telecommunications lines and equipment. The second category, called 'Type 2' businesses, are those which provide information services by leasing lines from NTT or other Type 1 businesses. Type 2 businesses are further divided into 'ordinary' and 'special' categories.³⁰ Special Type 2 businesses are defined as large-scale businesses which cater to a variety of clients and provide international as well as domestic information services. Different levels of regulation are then applied to the different categories of telecommunications business, in line with the scale and scope of their operations.

Of the two basic categories of telecommunications business, Type 1 businesses are more strictly regulated. Establishment of Type 1 businesses requires the approval of MPT. These businesses, furthermore, are subject to MPT supervision in various areas of their activity including service rates and decisions to interconnect or merge with other Type 1 businesses. Furthermore, MPT reserved the right not to approve applications for Type 1 businesses if it deems such entry to create 'excess competition' in the telecommunications market.³¹ The level of foreign investment in Type 1 businesses cannot exceed 30%.³²

As for the second category of telecommunication businesses, Ordinary Type 2 enterprises can start operation by simply notifying MPT, while Special Type 2 businesses need to 'register' with MPT, which means that they require MPT approval.³³ No restriction is placed on foreign ownership in the case of the Type 2 businesses, reflecting a partial victory for the USA.

Thus, through the compromise process, MPT succeeded in guaranteeing for itself some level of regulatory authority over new telecommunications businesses as well as in restricting foreign investment to a certain extent. The MITI-Keidanren coalition, on the other hand, succeeded in securing a certain level of liberalization and deregulation in the telecommunications market.

The final draft of the NTT Co Law which passes the Diet also in April 1984 (becoming effective in April 1985) reflected the compromise reached in August 1983 between the contending parties under LDP elders' mediation. Several provisions were added to the law, however, before its passage in 1984. The final draft of the NTT Co Law thus included the

following provisions:

- NTT shall be a private company.
- The new company shall be a joint-stock corporation.
- In addition to domestic telecommunications business, the new company can perform other services and engage in other related businesses subject to MPT approval.
- The government shall permanently hold no less than one-third of the shares in the new company.
- Foreigners or foreign corporations cannot hold shares in NTT Co.
- NTT Co shall (a) put priority on the public use of telecommunications in the case of disaster or national emergency, (b) invest 1-3% of its revenue in R&D, and (c) maintain a nationwide network.
- NTT Co shall be subject to the authorization of the minister of MPT in the following aspects of its operations: (a) entering new services and business activities, (b) annual budget and ‘work plan’, (c) appointment and dismissal of officers, directors and auditors, and (d) disposition of profits and manner of investment.
- The NTT Co Law shall be reviewed within five years after the incorporation of the new company.³⁴

As is strikingly clear from the provisions in the NTT Co Law, MPT’s interests held the upper hand in the final compromise reached on the principles of NTT’s reorganization. Not only did NTT remain intact as a giant corporation, but it was given the go-ahead for unlimited expansion into all possible kinds of related businesses. And despite privatization, not only does the government continue to hold the bulk of NTT shares, but almost all of the new company’s major business operations, including appointment of top personnel, budgeting and investment, continue to remain subject to MPT supervision and approval.

The ultimate enactment in April 1984 of the Telecommunications Business Law and the NTT Co Law created an ironic situation in which, while new telecommunications businesses were allowed to enter the market, they could scarcely hope to compete with the formidably powerful NTT. According to expert opinion, even at the time of its privatization NTT was so immense that new common carriers could at best hope to control 5-10% of the market by the 1990s.³⁵ As a partial response, Japanese businesses seeking to enter the telecommunications market as common carriers began to coalesce in joint ventures in order to share the risks entailed in the competition.

Early in 1985 three major consortia of Japan’s most powerful big businesses were formed as major competitors to NTT. These were:

- Daini Denden Kaikaku (which roughly translates into ‘second NTT’), a joint venture by Sony, Mitsubishi, Kyosera, Ushio, Secom and 200 other major companies;³⁶
- Nihon Kosoku Tshin (Teleway Japan), a joint venture sponsored by the Ministry of Construction and Japan Highway Public Corp, with the participation of Toyota, Mitsui, Sumitomo, Kyosera and 44 other companies;³⁷
- Nihon Telecom, a joint venture by Japan National Railways, two private railway firms, five banks and brokers, and 156 other businesses, including Mitsubishi which has holdings in all of the three new carriers.³⁸

As might be expected, the market has been far more active with respect to the entry of Type 2 businesses. As of 1988 there were more than 520 Type 2 businesses operating in Japan.

The three above-mentioned 'alternative NTT' ventures began operation as common carriers in September 1987, and provide long-distance service between Tokyo and Osaka, Japan's most lucrative telecommunications route. All three plan to extend their networks to Kyushu in the south and to Hokkaido in the north by 1990.

Thus far the three new carriers' only weapon against NTT, lower prices, has failed to win them the market share they originally expected. This is partly due to the fact that NTT has promptly responded to the newcomers' lower rates by price cuts of its own. Early in 1988, for example, NTT cut its long-distance rates by 10%, to offset the 20% discount offered by its competitors.³⁹

Despite the modest gains made by NTT's competitors thus far, their collective market share continues to remain well below 10% of NTT's 5 trillion yen market.⁴⁰ And while the three newcomers remained in the red during their first two years of operation,⁴¹ NTT continued to increase its profits at a rate of about 30% in fiscal 1986⁴² and 39% in fiscal 1987.⁴³

Not only NTT's efficiency and profits, but also its stature and overall domain in the field of information and telecommunications have grown rapidly since its privatization in 1985. Unrestricted by the NTT Co Law as to the range of businesses it would be allowed to enter, NTT has rapidly diversified its activities by establishing more than 120 affiliates in joint ventures with major national and international businesses. Among them is a joint venture between NTT and IBM Japan,⁴⁴ and another between NTT, three of its major suppliers, NEC, Hitachi, Fujitsu and one of Japan's major media conglomerates, Nihon Keizai Shimbun.⁴⁵ The joint venture with IBM led to an uproar on the part of Japanese big business, which saw the joining of the two international giants as a major blow to the interests of true competition in the market.

Thus, despite its success in opening the telecommunications market to a rapidly increasing number of Type 2 businesses, the 1984 reform of Japan's telecommunications is considered by many in Japan to have failed to create an environment conducive to effective competition, particularly with respect to common carrier businesses.

The growing evidence in favour of the need for reconstructing NTT has subsequently placed the MITI-Keidanren coalition on the offensive, forcing MPT to reposition itself on the divestiture issue. In preparing for the upcoming review of the NTT Co Law – and working under pressure from the proponents of an NTT break-up – the Telecommunications Council of MPT issued an interim report in October 1989, setting forth three options for NTT's reorganization:

- Keeping the present structure with necessary improvements;
- Breaking up NTT; or
- Divesting NTT of certain forms of business.⁴⁶

Barring a last-minute compromise between MPT and the MITI-Keidanren coalition, the ultimate divestiture of NTT remains a likely outcome of the upcoming review.

Endnotes:

¹ The term 'Diet' refers to the legislative branch of the Japanese government. The Diet consists of two houses, the House of Representatives and the House of Councillors. A bill becomes law upon passage by both houses of the Diet.

² "NTT: too successful for its own good?". *Economist*, 4 June 1988. p. 63. The March 1988 report issued by MPT's Telecommunications Council indicated a need for general improvement in the telecommunications business climate, but suggested that the improvements could be achieved without actual changes in the Telecommunications Business Law itself: White Paper 1988: *Communications in Japan*, Ministry of Posts and Telecommunications, Tokyo, p. 12.

³ Megumi Komiya and Jean-Luc Renaud. 'Privatizing Japanese telecommunications', *Intermedia*, March 1985. p 15.

⁴ Jon Woronoff. *Japan: The Coming Economic Crisis*, Lotus Press, Tokyo, 1980. One example of the effect of such pricing agreements is the fact that in 1985 NTT paid Sumitomo \$1.50/m for cables, while Sumitomo charged its US customers only 60c/m: see 'Japanese telecoms'. *Economist*, 30 March 1985. p 83.

⁵ It is important to note that following NTT's privatization the Japanese government agreed, for the time being, to maintain NTT's government status for procurement purposes under GATT rules; see 'What will GATT rules be worth?'. *Intermedia*, Fall 1986, p 5.

⁶ With the large number of companies eager to buy shares in the new NTT company, it is expected that the shares may not be held as widely as originally envisioned, particularly as the Japanese public is little used to direct corporate investment.

⁷ Norimasa Hasegawa. Director, International Affairs Division, Communications Policy Bureau, Ministry of Posts and Telecommunications, personal interview, 8 August 1985.

⁸ Keiji Tachikawa. 'Information Network System: new telecommunications converged with computers', *Studies of Broadcasting*, March 1983. p 51.

⁹ Other areas of special importance to MITI are the new techno-industries, such as materials science and biotechnology.

¹⁰ 'Turning NTT into private corporation'. *Oriental Economist*. April 1983. p 12.

¹¹ Yujiro Inada, political reporter, MPT Press Club, the Yomiuri Shimibun, personal interview, 14 March 1986.

¹² Hiroshi Shiono, 'The development of the system of telecommunications law in Japan', *Studies of Broadcasting*, March 1985.

¹³ 'Deregulation lets Nippon Telephone off the hook', *Economist*. 6 August 1983, p 57.

¹⁴ 'Turning NTT into private corporation,' *op cit*. Ref 10, p 11.

¹⁵ Norimasa Hasegawa, personal interview, 8 August 1985.

¹⁶ Taiyu Kobayashi. 'A new era of telecommunications; Keidanren's role, policy', *Keidanren Review on Japanese Economy*, No 91, February 1985. p 5.

¹⁷ *Ibid*.

¹⁸ 'Special' companies are established to handle business that is closely connected with the national interest. Though there are corporations with stockholders, they are subject to government regulation and supervision. Hisashi Shinto, 'Reform of telecommunications system in Japan'. *Japan Quarterly*, Fall 1984, p 381.

¹⁹ 'Turning NTT into private corporation', *op cit*. Ref 10, p 10.

²⁰ Chie Nakane. *Japanese Society*. University of California Press, Berkeley, CA, 1970.

²¹ Izumi Tadokoro. Director, Development Department, Japan Newspaper Publishers and Editors Association, personal interview, 11 April 1986.

²² Yujiro Inada, personal interview. 14 March 1986.

²³ Koji Suzuki, 'Fierce infighting behind NTT scenes', *Daily Yomiuri*. 2 April 1985.

²⁴ Kobayashi. *op cit*. Ref 16, p 6.

²⁵ Yoshiko Kurisaki. *The Policy-making Process During the Deregulation of Telecommunications in Japan. July 1982-April 1984: an Analysis of the Political Interests Involved*, Research Paper for Communications Law II, Faculty of Law, University of Toronto. April 1984, p 11.

²⁶ *Ibid*.

²⁷ Toshio Hatano. 'The new media nebula', *Japan Quarterly*, Fall 1984.

²⁸ Another US-Japan trade-related issue which surfaced during this time was the specific issue of government procurement of US spacecraft, particularly communication satellites. Based upon its primary policy of enabling Japan to develop indigenous capacity in all areas of space activity, the Japan Space Development Council opposed any government procurement of foreign communication satellites. In April 1984, under US pressure, Prime Minister

Yasuhiro Nakasone issued a new trade policy allowing government procurement of spacecraft from overseas ‘when hardware development in Japan is not required by Japanese space development policy’ (see ‘New trade policy may boost Japanese imports of satellites’, *Aviation Week and Space Technology*, 7 May 1984, p 16). Because of its obvious link to Japan’s space development policy, however, the actual level of liberalization under the new policy still remained subject to the discretion of the Japan Space Development Agency (NASDA), which continued to uphold a hard line against foreign procurements. The new trade policy did, however, send an encouraging signal to private businesses interested in purchasing satellites from abroad, and led to the purchase, under MITI’s guidance, of two US-made communication satellites (one from Hughes and the other from Ford Aerospace) by two consortia of Japanese businesses.

²⁹ Kurisaki, *op cit.* Ref 25, p 17.

³⁰ Maria Koyama. ‘The new communication age in Japan’, *Telecommunications Policy*. Vol 9, No 3, September 1985, p 183.

³¹ Although MPT has not yet had occasion to refuse permission to any Type 1 applicants, it has already exercised its authority to refuse granting other new telecommunications business licences on ‘excessive competition’ grounds. Early in 1986, for example, MPT turned down an application for a joint venture between Marubeni, Nissho-Iwai and Sony to enter the satellite communications business on the grounds that such a venture would create an ‘oversupply’ in the market.

³² Kobayashi, *op cit.* Ref 16, p 6.

³³ *Ibid.*

³⁴ Norimasa Hasegawa, personal interview, 8 August 1985. See also *Telecommunications Policy in Japan*, Ministry of Posts and Telecommunications, Tokyo, May 1985.

³⁵ ‘How to regulate NTT’. *Japan Times*, 26 February 1986.

³⁶ ‘Contenders for the NTT title’, *Economist*, 30 March 1985, p 82.

³⁷ *Ibid.*

³⁸ ‘A trade war in the air’, *Economist*, 12 January 1985, p 54.

³⁹ ‘Resourceful giant’, *Economist*, 26 December 1987, p 71.

⁴⁰ Tetsuro Tomita, ‘Liberalizing Japanese Telecom’. *Intermedia*, March 1988, p 39. At the time of this writing the yen-dollar exchange rate stands at approximately 142 yen per dollar.

⁴¹ ‘Redialling Japan’s telecoms’, *Economist*. 5 September 1987, p 57.

⁴² According to NTT President Hisashi Shinto. NTT’s profits exceeded 300 billion yen during its first year as a private company, an increase of about 120 billion yen over the previous fiscal year: see ‘Improved services in the wake of NTT privatization’, *Look Japan*, 10 May 1986, p 12.

⁴³ ‘NTT: too successful for its own good’, *Economist*, 4 June 1988, p 64.

⁴⁴ ‘NTT. IBM to establish joint communications co’, *Japan Times*, 27 September 1985.

⁴⁵ NTT joins four firms on telecoms service plan’, *Japan Times*. 23 May 1985. In addition to such direct tie-ups, NTT has continued to enter into a variety of other contracts with major Japanese and international businesses. A case in point is the joint venture between C. Itoh, Toyota, General Motors of the USA and Cable & Wireless of the UK to establish a new international telegraph and telephone company to compete with KDD, Japan’s only international telephone business to date. NTT cooperates in the technical field through its subsidiary NTT International (NTTI): see *Asahi Evening News*. 11 June 1986.

⁴⁶ Izumi Tadokoro, correspondence, 24 October 1989.