The Politics of Telecommunications Reform in Japan

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Ever since the early 1980s, telecommunications reform has been one of the most critical policy issues in Japan, the United States, and others. The reform often aims to introduce competition into the markets previously dominated by monopolistic company. Given the influence of such a reform on the overall economies and industries, the reform process is likely to accompany the political conflict among politicians, bureaucrats, and private business. This study analyses the telecommunication reform process in Japan, and seeks to contribute to the understanding of the issue of how the Japanese policy-making process is characterised. This issue is one of the most controversial issues regarding Japanese politics and political economy. Early studies of the Japanese political system articulated the bureaucracy-dominant model, seeing the bureaucracy as a dominant role in the policy-making process in Japan. In recent years, quite a few scholars present the pluralistic model of the Japanese political system, arguing that the influence of bureaucracy vis-à-vis politicians has been waning, and that societal actors have played a significant role in shaping economic policy in some cases.¹

In order to clarify the nature of the political system, it is a useful way to analyse the development of debates in a particular policy issue, paying attention to the issues of who are involved in the policy-making process with what preferences, and what political interactions are undertaken among the major actors. For this purpose, many scholars have conducted research on specific industrial sectors in Japan (Samuels, 1987; Friedman, 1988; Rosenbluth, 1989; Noble, 1989; Tilton, 1990). This paper adopts a sector specific approach, taking up the telecommunications industry as a target sector.

The Japanese telecommunications industry was long dominated by one particular issue: how should the Nippon Telegraph and Telephone Corporation (NTT) be reformed. Not only did the debate over this issue last for 14 years but it also involved a number of actors — politicians, bureaucrats, related companies, business federations — and high political stakes. Although the debate incorporated complicated technical arguments regarding the management of NTT, the major political point at issue is rather simple: Should NTT be broken up or not? On the one hand, the Ministry of Posts and Telecommunications (MPT) and its supporters

¹ These two models are discussed in detail in the following section.
sought to break up NTT in order to introduce fair competition in the telecommunications market. On the other hand, NTT and its proponents attempted to block the breakup.

In considering the character of the Japanese political system, it is crucial to pay due attention to the dynamics of political change. The Liberal Democratic Party (LDP) ruled Japan for 38 years, and the decision making was patterned during the one-party period. However, the LDP’s single party reign ended in August 1993. Even after the LDP came back to power in June 1994, it has been obliged to form a coalition or engage in extra-cabinet cooperation with small parties. Thus, the institutional changes are likely affect the nature of the policy-making.

This paper seeks to answer two related questions by analysing the development of policy debate over the regulatory reform in the Japanese telecommunications industry. The first question is how the policy-making process regarding the NTT reform issue is characterised. The second question is how the changes in government formation affected the policy making over the NTT reform issue. In order to answer these questions, it first examines the existing literature on the Japanese political system.

**Japanese political system**

There has been much debate over the nature of the Japanese political system. Early studies of Japanese political economy articulated the bureaucracy-dominant model. The model stresses the critical role of the bureaucracy in Japan’s economic policy making. One of the most celebrated scholars of this persuasion is Chalmers Johnson. Although Johnson admits that the bureaucracy is influenced by pressure groups and political circles, he argues that ‘the elite bureaucracy of Japan makes most major decisions, drafts virtually all legislation, controls the national budget, and is the source of all major policy innovations in the system’ (Johnson,

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2 This bureaucracy-dominant model can, in a broader sense, be seen as a variant of the elitist interpretation that posits that the Japanese political scene is dominated by three elite actors: politicians, bureaucrats and business leaders. As Ishida (1987) argues, the bureaucracy-dominant model is the Japanese version of the elitist model that bureaucrats have relatively more influential power in policy making compared with politicians and business leaders.
According to the bureaucracy-dominant model, the central bureaucracy has the capability to determine economic policy goals autonomously from political parties and interest groups. The bureaucrats pursue these goals with a wide range of policy tools, by varying formal industrial, monetary and fiscal policies, and by informal administrative guidance. The private sector is dependent on the bureaucrats and follows their policies and guidance.

In recent years, the bureaucracy-dominant model has been criticised as ignoring the pluralistic nature of the Japanese political system. The major criticism of the bureaucracy-dominant model comes mainly from two directions. The first is that relative importance in policy making has gradually shifted from bureaucrats to LDP politicians. More than thirty years in power enabled the LDP to enhance the function of the Policy Affairs Research Council (PARC), the LDP’s deliberation organ, in formulating government policy. PARC, which consists of 17 divisions (bukai) attached to each ministry and a number of investigative committees and special committees became a central organ which examines and approve any bills or policy plans before being submitted to the Diet. The power of the LDP also strengthened as the LDP politicians called on zoku to play a critical role in the policy-making process. Zoku field requests from local governments and interest groups and lobby the central government to incorporate their requests into public policy. In the budget compilation process, zoku wield lobbying power towards the Ministry of Finance (MOF) in order to satisfy demands from the spending ministries with which they have close relations (Sakakibara, 1991: 73).

The shift of importance in decision making from the bureaucracy to the LDP could be considered merely a sideways shift within a still-strong state (McKean, 1993: 80). However,
this has much to do with the rising influence of the private sector in policy making. As Calder (1988a) finds, the policy stance of the LDP has been strongly influenced by the interests of its supporting clientele and interest groups. Insofar as the LDP’s power derives from the support of various interest groups, its strength vis-à-vis the bureaucracy implies that private interests permeate the policy process more strongly by restraining the influence of bureaucratic power (McKean, 1993: 80-81).

The second criticism is that interests of societal actors permeate the policy process. Many scholars conduct empirical research and demonstrate that there are quite a few incidences where the private business has played a critical role in formulating government policy. Samuels (1987), who takes Japanese energy policy as a case study in investigating interaction between state and society, argues that industrial development in Japan was not attained by strong government leadership but by negotiations between bureaucrats and firms based on ‘reciprocal consent’. According to his explanation, firms were willing to give the state jurisdiction over markets but they retained control of those markets. Kitayama (1985), in his case studies of the textile and steel industries in the 1960s, stresses the role of the private sector in policy implementation as well as the policy formation process. He argues that industrial policy was not formed by unilateral intervention from the Ministry of International Trade and Industry (MITI), but by a process of reciprocal interaction between societal actors (industrial associations) who exerted pressure for realising their interests, on the one hand, and MITI that had its own policy preferences, on the other. This process was often mediated by relevant Diet members. Tilton (1990) asserts that in the Japanese basic materials industries, the bureaucrats delegate policy design and policy implementation to relevant industrial associations, under what he calls ‘decentralised corporatism’. MITI helped industrial associations to develop internal consensus and exert market controls in respect of prices, production capacity, and cartel formation.

Recent research has extended the analysis of the range of policy issues on which business and government interacts, and extracted a similar conclusion. Mason (1992)
contends that not only did domestic business initiate foreign investment policies but it also had a great influence on the timing of introduction and substance. This critical role played by business was seen even before the 1960s when the power of the government was more influential.\textsuperscript{6} Rosenbluth (1989) arrives at a similar conclusion in her case study of financial reform in Japan. She puts emphasis on the role of private institutions in propelling the transformation of the regulatory structure in the financial system. Calder (1993) focuses on the role of industrial credit allocation, and explains the economic growth of Japan in terms of ‘corporate-led strategic capitalism’. He argues that the government has served as a stabiliser rather than as a proactive strategist, while private initiative in the long-term credit banks, and banks and general trading companies in \emph{keiretsu} groups identified emergent industries and fostered them by providing substantial financial inputs for a long period of time.

As the previous studies demonstrate, it is useful to take up a particular industry and explore political interactions among actors involved in the policy development in the industry. This study, adopting this sector specific approach, examines the regulatory reform in the Japanese telecommunications industry. The regulatory reform of the telecommunications industry has been promoted since the early 1980s in many countries including developing countries. In addition, the telecommunications industry is emerging one of the most critical sectors in Japan both because it is regarded as a major sector after the automobile and electronics industries are matured, and because it is expected to be a absorber of over-employment produced by offshore shifts of the manufacturing sectors.

The reform of the telecommunications industry in Japan has already attracted academic interest. Some scholars have examined political interactions over the privatisation of NTT in 1985 and political confrontation between MPT and MITI over jurisdiction of value-added network (VAN) services (Johnson, 1989; Muramatsu, 1991; Gow, 1991; Iio, 1993; Nakamura, 1996; Vogel, 1996). Others investigate the influence of liberalisation in the industry on conditions of market competition (Harris, 1989; Sato and Stevenson, 1989; Noll and Rosenbluth, 1995). The most crucial issue in Japanese telecommunications after the 1980s concerned with policy implementation as well as formulation.
was how to restructure NTT, a giant telecom carrier. In December 1996, a conclusion was reached after a 14-year debate. It is a valuable work to examine what political interactions were conducted over this issue from its beginning in 1982 to the conclusion in 1996, and to reveal the characteristics seen in the policy making.

In examining the NTT reform issue, this study takes into account two critical aspects. The first is the influence of diverse interests. In order to understand whether the policy-making process is pluralistic or not, it is necessary to analyse carefully the preferences and actions of various actors involved in the policy making. In fact, intensive discussions and political negotiations were undertaken after the reform issue was first taken up in 1982. Not only NTT and MPT, the direct parties of the reform issue, but also politicians of the LDP and the Japan Socialist Party (JSP), trade unions, zaikai represented by Keidanren, and other administrative agencies were involved in the policy-making process. This study pays particular attention to the role of the Japan Telecommunication Workers’ Union (zenkoku denki tsushin rodo kumiai, or zendentsu for short), NTT’s trade union. In the studies of the Japanese political system with an elitist perspective, organised labour was regarded as being excluded from substantial political participation. Even scholars who characterise the Japanese system as corporatism give a minor role to labour (Pempel and Tsunekawa, 1979). The minor role of labour in the policy process in Japan is also revealed in comparative studies. For instance, Hart concludes, in his comparative study of state-societal arrangements for explaining international competitiveness in five industrialised countries, that the Japanese system is characterised as high influence for the state and business but low influence for labour (Hart, 1992). We need to examine whether this is the case in the NTT reform issue or not. Equally important is the role of international influence. Foreign pressure, gaiatsu, is broadly regarded as a major factor changing commercial policies in Japan (Calder, 1988b; George, 1997).

Indeed, quite a few schemes designed to open up the Japanese market have been adopted as

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6 For a similar argument, see Encarnation (1992).

7 Zaikai are often described in English as ‘business world’ or ‘financial circles’, but could better be defined as groups ‘of people who, apart from their identification with specific companies or industries, speak from the capitalist position and exert a strong influence on politics’ (Tanaka, 1979: 64).
a consequence of *gaiatsu*.\(^8\) However, the NTT reform issue seemingly had nothing to do with *gaiatsu* given that its main objective was to secure fair competition among Japanese carriers by breaking up NTT. At the same time, competition in the world telecommunications markets among major carriers has been intensive in the 1990s, and this trend might influence the discussion on the reform of the Japanese telecommunications industry.

The second aspect is the influence of political changes after the collapse of the LDP’s single party reign. Most of the previous research was carried out during the LDP’s long-term rein. The LDP’s single party reign ended in August 1993. Even after the party returned to the government in June 1994, it has been obliged to form a coalition government with or to require extra-cabinet cooperation from other parties. As a result, the LDP has been compelled to coordinate views among the ruling parties. The negotiations over the NTT reform ranged from the LDP’s single government to the coalition government comprising the LDP, JSP, and New Sakigake party. Changes in government formation are likely to affect the debate over the issue. Thus, the NTT reform issue is valuable for clarifying the nature of the Japanese political system as well as the influence of the political change on policy-making.

**Political interactions over the reform of NTT**
The dispute over the NTT reform lasted for 14 years from 1982 to 1996. The major focus of the study is directed towards the policy-making process leading to the final conclusion in 1995-96. However, the NTT reform issue was postponed twice in 1983 and 1990. In order to clarify the character of the policy development in the issue, the case study starts with the first discussion over the NTT reform in 1983.

*The postponement of the decision in 1983 and 1990*
The NTT reform issue began when the Second Provisional Council on Administrative Reform (*Rincho*) took up the issue for a target of privatisation.\(^9\) *Rincho* issued its final report on the

\(^8\) The major examples are the Market Oriented Sector Specific (MOSS) negotiations in 1986 and the Structural Impediments Initiative (SII) talks in 1989 and 1990.

\(^9\) *Rincho*, set up in March 1981, was an extra-cabinet advisory council to the prime minister. The deficit in the government’s general account grew from 1.6 per cent to nearly 6 per cent of the Gross National Product (GNP) between 1974 and 1980. *Rincho* aimed to resolve this financial bind by simplification and rationalisation of administrative operations.
issue in July 1982. The report recommended that NTT would be transformed into a special corporation to be wholly owned by the government, and be reorganised into a central carrier and several local carriers within five years.

NTT was split into two groups over the reform issue. Executive vice-president Yasusada Kitahara strongly objected to the reform, and his stance was supported by elite corps of engineers and retired NTT executives. By contrast, reform-minded Hisashi Shinto, who assumed the presidency in January 1981 as the first outsider president, was willing to privatise and restructure NTT. Shinto had a strong sense of crisis about the future of NTT, whose employees were lacking private entrepreneurship under the form of ‘public corporation’. He also felt the necessity of changing management form from public corporation that impeded flexible management and swift decision-making to a private-sector corporation.

Zendentsu, NTT’s trade union, adopted an ambivalent stance. The union opposed the economic liberalism revealed in the Rincho proposals from social democratic tenets such as public services of telecommunications and social responsibility for providing universal services (Otake, 1992: 126-27). At the same time, it was dissatisfied with the management form of ‘public corporation’, which restricted the company’s freedom to set wages on its own initiative, and did not provide its workers with the right to strike for wage increases. In spite of NTT’s sound economic performance, the annual budget passed by the Diet fixed the wage at the uniform level as other public corporations like Japan National Railway with huge deficits. Zendentsu expected that privatisation would enable NTT management and labour to acquire freer decision on the wage level and to obtain due compensation for rationalisation efforts.

Although zendentsu officially continued to oppose Rincho, it gradually accepted the idea of privatisation. In November 1981, a convention of local committees’ chairmen formed a consensus to aim at creating an enterprise under the nation’s common ownership, not owned by the government. In October 1982, Akira Yamagishi, Chairman of zendentsu, expressed to NTT President Shinto an idea that zendentsu would abide by the decision on privatisation at the Diet (Komori, 1988: 9-25). In spite of flexible attitudes towards privatisation, zendentsu
adamantly opposed the breakup, which would undermine its organisational and financial power.

MPT, responsible for supervising NTT, was at first opposed to the reform of NTT. MPT opposed the privatisation on the grounds that it would undermine the sovereignty of telecommunications and the rule of universal services. MPT considered that it was possible for NTT to rationalise management even in the form of public corporation (*Mainichi Shimbun*, 8 December 1981). Interestingly, the assertion based on provision of public services was in line with that of *zendentsu*. However, the objective of opposition was completely the reverse. MPT was apprehensive that a decline in government regulation as a result of privatisation would enable NTT to direct huge profits from monopoly primarily towards a rise in wages.

MPT’s stance was supported by the LDP’s *yusei* (postal) *zoku*. Several *yusei zoku*, former MPT officials in particular, held that NTT could make efforts for rationalisation even in the form of ‘public corporation’ (Komori, 1988; 15). Shin Kanemaru, an influential *yusei zoku*, announced a plan on the NTT reform just before *Rincho* released the report. The plan suggested changing NTT into a ‘public organisation’ that the government would provide the whole capital through investment securities. This plan aimed to find a compromise with the *Rincho* plan, considering opposition from LDP’s *yusei zoku*, MPT, and the Kitahara group in NTT.

In December 1982, Prime Minister Yasuhiro Nakasone required Ryutaro Hashimoto, Chairman of the LDP’s Committee on Administrative Reform, to coordinate opinions on the NTT reform issue among parties involved. The most crucial problem in reaching an agreement was the coordination with *zendentsu*. In August 1983, Hashimoto met Masao Komori, Secretary-General of *zendentsu*, and JSP’s Sanji Muto in order to discuss conditions for the reform. Hashimoto showed an eleven-point ‘private plan’ for the NTT reform, and they reached an agreement by withdrawing the breakup clause in the plan. The following month, Hashimoto proposed the final plan for the reform, which received the LDP’s approval. In the end, *Rincho’s* views on privatisation and the introduction of competition were adopted, but the breakup was not achieved. In December 1984, the NTT Law and the
Telecommunications Business Law were approved. Four months later, NTT was privatised, and new common carriers (NCCs) were allowed to provide services in the telecommunications market.

The NTT Law had supplementary provisions. Provision II stipulated that the government should review the status of NTT within five years after the company’s establishment. In March 1988, MPT asked the Telecommunications Council (denki tsushin shingikai, or dentsushin for short), an advisory body to the Posts and Telecommunications Minister, to deliberate on the NTT reform issue. The panel issued an interim report in October 1989, then the final report on 2 March 1990. It proposed that NTT should be split into a long-distance unit and a local unit by 1995 in order to introduce fair and effective competition for creating an active and efficient telecommunications market. While the long-distance unit would be free from government regulation, the local unit would remain under existing regulations. The report also recommended that NTT’s mobile telecommunication department should be split off by March 1992.

The report reflected the stance of MPT that advocated the promotion of competition in the telecommunications market through the breakup of NTT. MPT’s adherence to the breakup sprang officially from its desire to encourage competition in the telecommunications industry and to bring benefits to consumers through better services and lower prices. However, MPT had hidden motives to push for the breakup. MPT aimed to retain the post for amakudari. The more companies that emerge as a result of the NTT breakup in the telecommunications industry, the more places are reserved for retired MPT bureaucrats to land a job. In addition, MPT bore a historical grudge against NTT. NTT and MPT were one ministry, the Ministry of Communications (Teishinsho) before 1949 when the ministry was

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10 In the deliberation process of the bills, zendentsu lobbied politicians to amend their contents. One observer argues that ‘the bills were drafted by MPT, but all significant modifications were made by zendentsu (Nikkei Bujinesu, 6 November 1989: 21). For political activities of zendentsu, see Otake (1992: 130-36).

11 Amakudari, liberally ‘descent from heaven’, is a custom where bureaucrats descend into high positions in industrial associations or companies. Bureaucrats, through amakudari, exert influence on industries and companies as well as secure beneficial position in retirement. According to a survey by
split into the Ministry of Posts (Yuseisho) and the Ministry of Telecommunications (Denki tsushinsho). The latter changed into a special public corporation, Nippon Telegraph and Telephone Public Corporation (Denden kosha) in 1952. At the split in 1949, the brightest officials moved to the Ministry of Telecommunications that would administer the industry with a future growth. In addition, not only did the Diet retain control over NTT’s budget and personnel but also NTT virtually operated telecommunications policy officially under MPT’s jurisdiction. The position of one of the two lead supervisors in the Telecommunications Administrative Office at MPT was reserved for an NTT official, and major positions for technical officials at MPT were also reserved for NTT (Suzumura, 1996: 22). MPT sought to augment its power over telecommunications policy through the breakup of NTT.

In spite of MPT’s desire to break up NTT, the report of the telecommunications panel faced a formidable array of opposition from various actors. NTT management and labour opposed the report on the grounds that the split of network into long-distance and local units would lead a rise in price of local calls as well as the deterioration of services for users. They also feared that the split would undermine NTT’s research and development (R & D) prowess. While NTT management lobbied LDP politicians, NTT labour, zendentsu, lobbied politicians in opposition parties except the Japan Communist Party. NTT also won MOF over to its side. NTT prepared for the posts for retired MOF officials after privatisation. For instance, Muneo Ohashi transferred from the director of MOF’s Tariffs Bureau to a managing director of NTT, and played a crucial role in blocking the NTT breakup (Saito, 1991: 199).

Other major actors were also opposed to the reform of NTT. Zaikai regarded the timing of the reorganisation too early. For instance, Kozo Uchida, a managing director of Keidanren, argued that although the breakup between local and long-distance units was inevitable for securing fair competition, a conclusion should be reached after deliberation for some three years (Asahi Shimbun, 3 March 1990). The Fair Trade Commission (FTC) issued a report in September 1989, recommending that it was too early to make a decision on the breakup, and required further deregulation in the telecommunications industry. MITI also

Yomiuri Shimbun, as of July 1995 MPT sent 52 ex-bureaucrats to 33 companies under its jurisdiction as
criticised the report, asserting that it referred to deregulation in the telecommunications industry insufficiently. MITI had received a report from the Information Industry Committee of the Industrial Structure Council, which recommended that a priority should be given to the promotion of deregulation and the reform of NTT should be postponed for a while.

The actor who played a decisive role in finishing the debate at this stage was MOF. MOF took control of offering the NTT shares to the public after the privatisation of NTT. Since neither deadline for nor the method of selling stocks was not defined by law, MOF had to take responsibility for managing the stock selling in terms of its price, timing, and amount (Park, 1997: 29). The price of the NTT stock was 1.19 million yen at the first offering in November 1986, and the price rose up, reaching 3.15 million yen in April 1987. However, the price fell down sharply in 1988 when MOF conducted the third offering. MOF was criticised for the price down and its arbitrary offering. The announcement of the breakup plan by the panel accelerated the price fall. The investors were worried about likely changes between the NTT stocks at the moment and the stocks of the divided NTT. The price fell by 400,000 yen between October 1989 when the panel issued the interim report and 2 March 1990 when the final report was announced. MOF intensified its criticism of the panel report on the grounds that it adversely affected the prices of NTT shares. The ministry at first requested MPT to pay attention to the protection of 1.6 million shareholders. However, after the NTT stock fell below the price level at the first offering on 19 March, MOF demanded the revision of the breakup plan including its withdrawal. MOF Minister Ryutaro Hashimoto repeatedly criticised the breakup plan at the cabinet meetings, arguing that the plan did not show a clear-cut method to break up NTT, and this drove down the value of NTT shares. What is of importance is that MOF adopted its stance in order to protect itself from criticisms of price down of NTT stocks. It paid little consideration to the influence of the NTT reform issue on the long-term development of the telecommunications industry.

When the Telecommunications Council issued the report in March 1990, the LDP showed its ambiguous stance on the NTT reform issue. The LDP lost the majority in the upper top executives (Yomiuri Shimbun, 4 November 1995).
house election in July 1989 due to public criticism of the introduction of consumption tax and the arbitrary stance on the opening of the rice market. Given that all the bills should pass through the upper house and that the opposition parties were reluctant to restructure NTT, the bills regarding the NTT divestiture were unlikely to be approved. Accordingly, the LDP’s stance on the issue was unstable. Tsutomu Hata, Chairman of the policy sub-committee of the Telecommunications Policy Committee exhibited a positive view on the report, holding that ‘the breakup plan is basically regarded as an appropriate method among the members’ (Nihon Keizai Shimbun, 9 March 1990). At the same time, he argued that the shape of NTT after the breakup is unclear, and details in the report should be clarified (Nihon Keizai Shimbun, 10 March 1990). The policy sub-committee was inclined to pay respect to the breakup plan that the telecommunications panel proposed after nearly two-year deliberation. However, as MOF’s opposition to the breakup intensified, the LDP gradually retreated from the support for the panel report. Hata failed to persuade the party to delegate the final decision to him, although this was a common way in which the LDP reached a conclusion on a controversial issue (Iio, 1993: 196). At the meeting held on 16 March, the policy sub-committee decided to observe negotiations between MPT and MOF. At the final stage, MPT made concessions, seeking a compromise by postponing the decision on the issue for three years. However, MOF considered that the withdrawal of the breakup plan was indispensable for the recovery of the NTT stock price. After the intensive negotiations among the LDP, MPT, and MOF, the government announced on 30 March that the breakup issue was frozen for five years.

To summarise, the NTT reform was initiated by Rincho, an advisory council to the prime minister. This means that the NTT reform was a national issue from the early 1980s. The privatisation of NTT proposed by Rincho was carried out, but the breakup was postponed after the LDP coordinated opinions of parties concerned. The NTT reform issue was discussed in 1990. In spite of MPT’s earnest assertion, major actors opposed the breakup. In this time, MOF was the decisive force blocking the breakup. Because of MOF’s strong opposition, the reform issue was postponed again.
The postponement of the decision in March 1996

In April 1995, the Minister of Posts and Telecommunications requested the Telecommunications Council to study the NTT reform and produce a report. On 29 February 1996, the panel issued a report, entitled *The Status of Nippon Telegraph and Telephone Corporation Toward the Creation of Dynamism in the Info-Communication Industry*. The report recommended that NTT should be split into one long distance carrier and two regional carriers by the end of March 1999. It also suggested making the long distance company compete in the international telecommunications market while maintaining restrictions on the two regional companies. During the deliberation and after the announcement of the report, the groups that supported the breakup of NTT and those that opposed it manifested their stance and undertook activities for influencing the policy making.

After the panel began the deliberation on the NTT reform, NTT launched successive countermeasures to block the breakup. NTT announced in September 1995 that it would open local telephone-line networks so that NCCs would have some 6,000 points of interface instead of one point per prefecture. This decision was painful for NTT because the opening would reduce its revenue by 700 billion yen for the coming five years (Fujii, 1996: 58). In addition, NTT agreed in the following month to reduce the line-linking charges that long-distance NCCs paid for connecting their lines to NTT’s local lines by 16.8 per cent from 12.57 yen to 10.46 yen. Furthermore, NTT announced in November 1995 that it would cut down the number of employees from 195,000 to 150,000 by the year 2000. These measures aimed to publicise NTT’s rationalisation efforts and to dampen the criticism that NTT impeded fair competition by using its monopolistic power. The opening of local network was particularly effective for breaking an important rationale for the breakup.

*Zendentsu* implemented various activities for opposing the breakup. *Zendentsu* dispatched lobbyists to every panel member before the report was released. In addition, *zendentsu* sought to provoke grass-root movements against the breakup. Its local branches organised some 80 gatherings where nearly 1,000 opinion leaders deliberated the breakup issue. Some 70 gatherings summed up a report that opposed the breakup, and sent it to the
LDP’s *yusei zoku* and the panel members. Zendentsu also pressured the Japanese Private Sector Trade Union Confederation (*rengo*) to oppose the NTT breakup. Accepting this pressure, *rengo* called on the Administrative Reform Council in December 1995 not to adopt a policy stance to restructure NTT. This incident shows *zendentsu’s* strong influence within *rengo*.

*Zendentsu* attempted to lobby politicians as well. But there was an antagonism between the union and the LDP from late 1994 to early 1995. Sadao Yamahana, the former Chairman of the JSP, sought to form a new party, and *zendentsu* was a major supporter of this move. For instance, at a central committee in November 1994, Koji Kajimoto, Chairman of *zendentsu*, urged Yamahana and his supporters to secede from the JSP and form a new party (*Mainichi Shimbun*, 16 November 1994). The LDP, which formed the coalition government with JSP and the New Sakigake party in June 1994, was anxious about this move because a shift of considerable numbers of JSP politicians to the new party would place the coalition government in verge of collapse. In September 1994, several LDP members established a study group concerning the NTT reform issue in order to send a message to *zendentsu* to arrest political activities for the new party (*Mainichi Shimbun*, 30 November 1994). The LDP’s Jiro Kawasaki visited NTT’s headquarters and requested President Masashi Kojima to stop the political move of *zendentsu*, otherwise the party would retaliate in the breakup issue. Akira Suita of the New Frontier Party, which welcomed the move of Yamahana, visited the NTT headquarters and asked the NTT management implicitly not to restrain political activities of *zendentsu* (*Mainichi Shimbun*, 15 January 1995). *Zendentsu* eventually decided to suspend the support for the new party in March 1995, and the new party did not come into being.

*Zendentsu* was obliged to reconstruct good relationships with the LDP. In August 1995, the union invited the LDP leaders to its national convention for the first time in its 45

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13 *Rengo* was formed in November 1989, and Akita Yamagishi, former Chairman of *zendentsu*, assumed its chairmanship from its birth until 1994.
year history. At the convention, Chairman of " zendentsu " Kajimoto announced that it would support any politicians according to individual policy orientation. This announcement was extremely crucial not only because an influential trade union changed its support base from the party to individual politicians but also because a representative trade union that supported the reformist parties for long time exhibited a likely support for conservative LDP politicians.

MPT adamantly pushed for the breakup. MPT organised two study panels under the director general of the Telecommunications Bureau. One was concerned with R & D in the telecommunications industry. The report issued in September 1995 argued that the US telecommunications market could retain strong competitiveness because the breakup of AT&T created and enhanced competition in specific research areas, and hinted at the necessity of the NTT breakup. Another private study panel on the future of the telecommunications industry issued a report in October 1995. It suggested that NTT should be divided into regional and long distance companies to ensure fair competition, and that barriers between domestic and international telecommunications should be lowered in order to strengthen the competitive edge of the Japanese telecommunications industry. The half of the panel member assumed the membership of the sub-committee on the NTT reform under the Telecommunications Council (Asahi Shimbun, 2 March 1996). In November 1995, FTC drew up a report concerning the competition policy in the telecommunications industry. The original draft stressed the necessity of deregulation, not referring to the split of NTT. However, MPT pressured FTC. The final report evaluated the breakup of NTT as an effective measure to clarify conditions for competition, although it pointed out that deregulation was indispensable for this aim (Kato, 1996: 76).

In addition to the commitments by NTT management/labour and MPT, other actors exhibited their views on the NTT reform issue. The sub-committee on deregulation of the Administrative Reform Council issued a report on the NTT issue in December 1995. The report hinted at the breakup, stating that ‘it is desirable to change NTT, a monopolistic company, into the management form in which true competition rules work’. But, the report suggested that the detailed methods of divestiture should be discussed at the telecommunications panel.
Keidanren had a strong interest in the NTT reform issue as its Committee on Information and Telecommunications Policy had long deliberated on it. Keidanren was divided into two groups over the breakup of NTT. The opposition group was communication equipment producers which were referred to as the NTT ‘family’ companies. NTT has procured large portion of its equipment from four firms - NEC, Fujitsu, Hitachi, and Oki Electric - and other small suppliers.\(^{15}\) For instance, NEC obtained one fourth of its sales in communication equipment (some 900 billion yen annually) from NTT (Nikkan Kogyo Shimbunsha, 1996: 132). The family companies also worked together with NTT in developing communication equipment at NTT’s Electrical Communications Laboratories. Accordingly, they stood in line with NTT, opposing the breakup. The supportive group comprised NCCs represented by DDI Corporation, Japan Telecom, and Teleway Japan, and their parent companies such as Kyocera, Toyota, and Tokyo Electric Power. The competitors argued that NTT, the world’s biggest telecom giant, impeded fair competition by using its monopolistic power.

Keidanren issued a report entitled *Views on the Future Information and Telecommunications Market* in January 1996. Before releasing the report, intensive discussions were repeated and the stance of the report changed according to bargains between the supportive and opposition groups. A preliminary draft summed up in early November 1995 lent priority to the promotion of deregulation, denying the regional division of NTT. NCCs complained of this draft, and Shoh Nasu, Chairman of the Committee on Information and Telecommunications Policy as well as Chairman of Tokyo Electric Power, concluded that the report included both opinions for and against the partition. However, Tadahiro Sekimoto, Chairman of NEC, strongly objected to this idea, and the final report omitted the opinion supporting the breakup. Thus, in spite of its persistent interest in the NTT issue and the recognition of importance of the issue, Keidanren failed to show a clear stance as a leader of business circles.

\(^{15}\) NTT retains huge buying power. The annual value of investment in equipments is some 1.8 trillion yen after privatisation.
When the Telecommunications Council issued the report, the LDP, SDPJ, and New Sakigake were in power in a coalition government that was first formed in June 1994.\textsuperscript{16} The breakup of NTT was an unlikely option for the coalition government. The SDPJ, whose major supporter was zendentsu, was far from supporting the breakup. On 22 February 1996, the SDPJ clarified its stance officially to oppose the NTT breakup, arguing that there is no rational reason for such an action, even before the telecommunications panel announced the final report. The party also sent a document in which it asked the panel members to object to the breakup.

The coalition government paid respect to the SDPJ’s stance. After the three-party coalition was first formed, the post of Posts and Telecommunications Minister was assumed by the SDPJ politicians, Shun Oode, Issei Inoue, and Ichiro Hino. These ministers were unlikely to proceed with the breakup. For instance, at the first interview as the Minister, Oode explicitly stated that he had opposed the NTT breakup and this view would not change so easily (Asahi Shimbun, 2 July 1994). The fact that the minister’s post was allocated to the SDPJ meant that even the LDP was cautious about pushing for the NTT breakup.

In addition, the government was in a political plight when the Telecommunications Council issued the report in February 1996. Because of the disruption over the housing-loan companies (jusen) issue, the dissolution of the lower house and a resultant general election were likely. Politicians hoped to avoid making an enemy before the election by articulating their stance on controversial issues like the NTT reform. Moreover, politicians were keen to get support from zendentsu, which announced in August 1995 that it would support individual politicians who stood in line with its policy stance irrespective of parties. When the central committee of zendentsu was held on 22 February 1996, Koichi Kato, Secretary-General of the LDP, in addition to the SDPJ’s Secretary-General Kanju Sato, attended the committee meeting. Kato exhibited a passive view on the breakup issue, arguing that the LDP would conclude the issue after intensive discussions with the SDPJ (Asahi Shimbun, 22 February 1996). Although some members of the LDP’s yusei zoku were supportive of the breakup, the

\textsuperscript{16} The JSP changed its name to the Social Democratic Party of Japan (SDPJ) in January 1996.
majority of the LDP politicians were reluctant to push for it. When MPT executives explained the implications of the panel report at the joint committee of the Telecommunications Division and other two committees on 5 March, opinions against the breakup were loudly voiced (Mainichi Shimbun, 6 March 1996).

The coalition ruling parties organised a 20-member work team on the NTT management form headed by Taku Yamasaki, Chairman of the LDP’s PARC, on 1 March 1996, the following day when the panel issued the report. The team held hearings from NTT, MPT, FTC, and so on. The LDP’s Telecommunications Division and the Telecommunications Policy Committee decided on 19 March to postpone the settlement of the NTT issue on the grounds that it was impossible to make sufficient discussions on the issue only for one month. After this decision, the main arguing point shifted to the period of the postponement. While NTT sought to postpone the issue for three to five years, MPT asserted that the final conclusion should be reached within one year in order to make use of the direction shown by the panel report. The SDPJ naturally asserted the postponement for three years. The LDP, paying respect to the panel proposals, contended that bills regarding the NTT reform should be submitted at the next regular Diet. On 26 March, the work team eventually decided to postpone the decision until the next Diet regular session. The SDPJ made concessions on the period in exchange for promoting deregulation in the telecommunications industry, which would contribute to the decrease in the necessity of the NTT breakup.

In brief, major actors showed more interest in the NTT reform issue and serious confrontation was seen between the supportive and opposition groups in 1995 and 1996. Although the telecommunications panel recommended that NTT should be broken up, the final decision was postponed largely due to the LDP’s political judgement to maintain the coalition government with the SDPJ, which was under the strong influence of zendentsu.

The final conclusion in December 1996
MPT and NTT resumed negotiations on the NTT reform in September 1996. Three months later, they formally agreed to reorganise the company. According to the agreement, a holding company will be established and NTT will be restructured into one long-distance and two
regional carriers, all wholly owned subsidies of the holding company. MPT was obliged to coordinate views within the government on legal and tax measures required for the reorganisation such as the amendment of the anti-monopoly law and commercial law, the introduction of the consolidated-basis tax payment system, and reduction and exemption of capital gains tax. The agreement was a compromise between MPT that achieved the breakup in name, and NTT that maintained the unity of the whole company through a holding company. A critical question is why the 14-year dispute over the NTT reform ended at the time.

A prevalent explanation is changes in political influence among actors as a result of the general election in October 1996. MPT regarded the election as the last chance to achieve its policy objective to break up NTT. The SDPJ, which had been least supportive of the breakup, was likely to be defeated in the election. In order to curtail the influence of the SDPJ, MPT mobilised chiefs of nation-wide local post offices for campaigns to support the LDP candidates.

Zendentsu was also serious in the election. It changed its support from the SDPJ to the Democratic Party in late September, which many SDPJ politicians moved to and was expected to be the third ranking in the election. Zendentsu expected that the party would join a coalition government after the election and exert influence on behalf of the union. However, the result of the election was unfavourable for Zendentsu. The union recommended 174 candidates, but only 64 won. The union provided five candidates with organisational support, but four out of five defeated. The Democratic Party secured the third ranking position, gaining 52 seats, but this number was far less than expected. It did not join the government either. Prime Minister Ryutaro Hashimoto began his second cabinet in November 1996 under the LDP’s single party government. The LDP gained freer hands over the NTT issue, and NTT management and labour seemingly stood in a severe position.

However, Zendentsu provided partial support with the LDP politicians in case of defeat in the general election. In the election, Zendentsu’s central office recommended three LDP candidates, Taku Yamasaki, Chairman of PARC, and Hiromu Nonaka and Jiro Kawasaki, representative yusei zoku. The local branches also recommended a dozen or so LDP
candidates (Asahi Shimbun, 17 October 1996). The support from zendentsu was a crucial factor enabling Yamasaki and Nonaka to defeat their strong rivals. Zendentsu retained influence through these politicians. As far as the influence of the SDPJ was concerned, the party halved its seat from 30 to 15. However, even after the LDP organised the single party government, the influence of the SDPJ did not decline sharply. The LDP failed to secure the majority in the lower house, and still needed the cooperation of the SDPJ. The SDPJ did not join the government but offered extra-cabinet cooperation.

A more vital force that led MPT and NTT to compromise was the necessity for NTT to embark on international business. NTT was prohibited from engaging in international telecommunications services under Article I of the NTT Law. In May 1992, NTT was allowed equity participation in domestic communication projects in foreign countries on the grounds that the projects belong to ‘domestic services’ without services over national boundaries. However, NTT was prohibited to participate in or merge with foreign carriers engaging in international business. As a consequence, NTT’s foreign investment was meagre compared with other mega-carriers.

In the international scene, the world telecommunications market was rapidly changing as competition among major telecommunications carriers became intensive. In February 1996, the US Congress passed amended communication laws, which abolished regulations on domestic communication. The laws removed borders among the local area call business, long-distance call business, and cable televisions. In early November 1996, British Telecom (BT) announced the merger with MCI. As a result, major carriers were formed into three mega-groups: Global One, a consortium of Deutsche Telekom, France Telecom and Sprint Corp. of the US; World Partners of AT&T and others; and Concert of BT and MCI. Although NTT

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17 In November 1992, NTT embarked on international business by agreeing to participate in the joint venture, the Thai Telephone & Telecommunication, which installed 1.0 million lines in rural part of Thailand.

18 Between 1989 and 1993, the amount of foreign investment was $10.4, $9.2, $3.2 and $2.1 billion in BT, AT&T, Deutsche Telekom, and France Telecom, while NTT’s amount was $0.1 billion, only 1 per cent of BT and AT&T (Akebono, October 1995: 17).
was the world biggest telecom carrier in terms of sales, it could not lead or join any global alliances because of government regulation.

The influence of international competition was seen in the Japanese market, the second largest market in the world. In October 1996, AT&T announced an entry to the market by call-back services, which would provide international calls at a 40 per cent cheaper price than its Japanese rivals. Furthermore, multi-media services made the separation between domestic and international calls irrational. NTT announced in September 1995 that it would launch the open computer network (OCN) service in 1997. The OCN is a computer communications network suitable for communications that do not require real-time capability like internet. Although the OCN was NTT’s key strategy in the multi-media era, it was likely to violate the NTT Law because it had a merit in connecting overseas internet.

In response to these changes, NTT raised a sense of crisis in falling behind in competition with major carriers by continuing unproductive quarrels with MPT over the breakup issue. NTT President Masashi Kojima, who stubbornly opposed a compromise with MPT, retired in June 1996, and Junichiro Miyazu assumed the NTT presidency. He was keen to break in the world telecommunications market. His particular interest was directed towards the Asian market where western carriers were rapidly making inroads. He would become the first Chairman of the Asia Multimedia Forum organised in June 1997. He had already had an idea to establish this forum in autumn 1996 (Nikkei Sangyo Shimbun, 30 January 1997). Therefore, a quick settlement of the reform issue was indispensable for promoting the advancement into Asia.

The rising competition among major carriers also motivated politicians and business leaders to allow NTT to start international telecommunications services as soon as possible. The Economic Council announced in October 1996 an interim report on the reform of economic structure. The report urged NTT to enter the international telecommunications sector in order to increase Japan’s competitiveness in this field. Prime Minister Ryutaro Hashimoto was apprehensive of the delay of NTT in embarking on international business. Hashimoto could not join talks among the world leaders about the internationalisation of the
telecommunications business at the Group of Seven Summit in Lyon, France in June 1996. This experience reportedly motivated him to consider NTT’s international business more seriously (Asahi Shimbun, 7 December 1996).

On 31 July 1996, Hashimoto suggested to vice-minister Mitsuo Igasashi that MPT examine the approval of NTT’s embarking on international business. In August, NTT was also required to consider the advancement in international business at a wise men meeting of the Promotion Headquarters of the High Telecommunications Society headed by the prime minister. These factors encouraged MPT and NTT to resume negotiations on the reform issue in September. In spite of the understanding of the rising necessity for NTT’s embarking on international business, MPT was reluctant to approve NTT’s international business. It feared that NTT’s embarking would jeopardise international telecommunications carriers, especially Kokusai Denshin Denwa (KDD). In addition, MPT adhered to the panel report that proposed that the long distance carrier after the breakup would provide international telecommunications services. It regarded the approval of NTT’s international business and the solution of the reform issue as a pair issue. NTT gradually showed a flexible attitude towards the breakup issue. It officially asserted that the breakup contradicted trends in the world telecommunications market towards merger. However, in the unofficial negotiations with MPT, NTT hinted at the possibility of accepting concessions in exchange for the approval of NTT’s international business (Asahi Shimbun, 15 October 1996).

The announcement of the BT/MCI merger accelerated the negotiations between MPT and NTT that did not go smoothly until October. An executive official of MPT who pushed for the breakup stated that after the announcement of the merger, the guarantee of fair competition between NTT and NCCs became the second issue next to responses to international competition (Nihon Keizai Shimbun, 19 November 1996). NTT President Miyazu also stated after the BT/MCI merger announcement that gaining entry to the international market had become NTT’s ‘top priority’. Thus, the focus of negotiations shifted from the promotion of fair competition in the domestic market to the approval of NTT’s international business after

\[19\] Asian Communications, 12 January 1997: 12.
November. In mid November, MPT submitted survey documents to NTT in order to confirm NTT’s requests concerning the reform. Then, MPT drafted a holding company plan that paid due respect to NTT’s hope to hold the integrity of the whole company.\textsuperscript{20} NTT accepted MPT’s plan, judging that it would overcome various problems resulting from the reform such as preservation of shareholders’ right and reduction and exemption of capital gains tax.\textsuperscript{21}

The agreement in December 1996 brought an end to the 14-year dispute over the NTT reform issue. The result in the general election in October 1996 brought changes in political circumstances surrounding the issue, which seemingly put NTT management and labour in a disadvantageous position. However, a more vital force was potential competition in the international telecommunications market. The likelihood that NTT would be behind its western rivals in the world telecommunications market motivated parties involved to finish the issue quickly and to approve NTT’s international business.

**Conclusions**

In conclusion, we need to address two basic questions of this study: how is the policy-making process regarding the NTT reform issue characterised?; what influence did the change in government formation affect the debate over the NTT reform issue? The major actors that expressed meaningful opinions were NTT, zendentsu, MPT, MOF, Keidanren, FTC, advisory councils, the LDP and SDPJ. Rincho paved the way to achieve the privatisation of NTT, but its proposal to break up the public corporation was not adopted. The LDP took a lead in coordinating opinions and reached an agreement to privatise NTT without breakup. At the 1990 stage, MOF’s strong opposition was a decisive factor blocking the breakup. In March 1996, zendentsu and SDPJ became major forces to postpone the decision on the NTT reform issue. But eight months later, the reform issue settled down under the holding company system. The decline in influence of zendentsu as a result of the general election had some influence on settlement of the issue. Yet, potential threat from international competition was a major force leading NTT and MPT to make a compromise. Although the NTT reform

\textsuperscript{20} Interview, MPT, September 1996, Tokyo.
\textsuperscript{21} Interview, NTT, September 1996, Tokyo.
issue was mainly fought between NTT management/labour and MPT, the policy development involved various actors and interests. Not only did many actors have interests in the issue but also influenced the policy-making process. More significantly, the relative influence in reaching conclusions in various phases were diverse (Table 1). Thus, as far as the regulatory reform in the telecommunications industry discussed in this study is concerned, the Japanese policy-making process entails pluralistic nature.

Table 1  Policy development of the NTT reform issue

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Of particular note in assessing the influence of various actors on the NTT reform issue is a substantial role played by zendentsu. As discussed in the theoretical section, trade unions are regarded as being excluded from the policy-making process in Japan. In the case studies, however, zendentsu was one of the major actors influencing policy directions and outcomes. Zendentsu’s influential role is explicable for several reasons. First, Zendentsu has maintained tight organisational solidarity and preponderant financial power. The average ratio of unionisation is estimated to be some 23 per cent in Japan, but zendentsu has organised 99 per cent of the employees (Park, 1997; 33). Although the number of members decreased from 278,000 in 1985 when NTT was privatised to 215,000 in 1996, it still retains the biggest number of union members as a single union in Japan. The union’s financial power is also tremendous. Zendentsu collected 1,500 yen from each member annually, and the total amount
of 350 million yen were prepared for funds conducting political activities regarding the NTT reform issue (Suzuki, 1996: 61).

Second, Zendentsu retains direct political clout by holding national Diet members. In 1989, the union had 11 closely related SDPJ members including six members from the union itself. In addition, Zendentsu has constantly retained more than 300 local diet members from the union. These members have played a crucial role in provoking grass-root movements supporting the union’s stance as well as lobbying the national Diet members. The union also affects the policy-making process through the SDPJ, which stood on the support of labour unions. The SDPJ was heavily dependent on Zendentsu for vote mobilisation and financial backup. An executive of the SDPJ states that ‘the party can say nothing to Zendentsu but follow its interest because it has tremendous financial and voting power’ (Asahi Shimbun, 30 November 1995).

Third, Zendentsu had a strength in its flexible adoption to changes in circumstances. Before NTT was privatised in 1985, Zendentsu flexibly changed its policy to seeking greater participation in managerial decisions and not opposing the company’s rationalisation. This new policy stance served to a cooperative relationship between management and labour (Nakamura and Hiraki, 1997: 237-43). Moreover, before the general election in October 1996, it changed its support from the SDPJ to the Democratic Party. The union also supported considerable number of LDP politicians as well in order to secure influence in case of the LDP’s victory. As already discussed, the postponement in March 1996 was partially a result of Zendentsu’s flexible strategy to change its stance from party-based to politicians-based support.

A point needing attention is that Zendentsu is an exceptionally influential trade union in Japan in terms of organisational and financial power, as well as close connections with a political party. Therefore, regarding Zendentsu whose political power is exceptionally strong as a common case in Japan misses the point.

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The influence of international factor is also worthy of noting. The international influence is normally seen in the form of *gaiatsu*, direct pressure from foreign governments and firms. However, *gaiatsu* did not play any significant role in deciding on the policy direction in the NTT reform issue. The US government had a crucial interest in NTT’s procurement policy and exerted pressure for expanding the procurement opportunities to foreign firms. It also played a substantial role in adopting the Motorola – a US company – format to the infrastructure of mobile telephones in Japan. But, the US pressure was not apparent in the NTT reform issue. The influence of internationalisation is seen indirectly; that is, it changed preferences of major actors such as NTT and Prime Minister. In the second half of 1996, the sense of crisis that NTT might be behind other telecom carriers in international business shifted the main focus in the reform issue from domestically-oriented competition to competition in the international scene. The agreement was reached when the threat from international competition was mixed with the domestic political consideration. The NTT reform issue is a case where threat of external market power drove policy change within a state.

In answering the second question of what influence the political change affected the policy outcomes of the NTT reform issue, it is useful to examine the role of the LDP that had been the key political actor in deciding on the issue. The case studies revealed that the LDP did not necessarily play a constructive role in the issue. Indeed, the LDP played a critical role in deciding privatisation of NTT and coordinating the VAN war between MPT and MITI in 1984 (Johnson, 1989; Muramatsu, 1991; Noll and Rosenbluth, 1995). However, the LDP’s role was not prominent after 1990. This does not mean that bureaucrats led the policy process. MPT’s intention to break up NTT was realised with substantial concessions after failing several times.23 Indeed, the LDP was required to play a coordination role and made the final decisions. However, the party often encouraged MPT and NTT to find solutions by themselves without showing its clear stance, and its final decision was just to postpone the conclusion.

23 In this sense, this study makes a contrast to Vogel’s conclusion that MPT was relatively autonomous from societal actors in realising its policy objective (Vogel, 1996).
The minor role of the LDP in the NTT issue is explicable for several reasons. The first and most crucial reason is that the NTT issue was politically too sensitive. MPT has retained a traditional constituency for the LDP. MPT mobilises for election campaigns the chiefs of as many as 25,000 local postal offices, which spread over the whole country. Since their prestige is high in local communities, they can influence the voting actions of local residents. At the 1996 stage, politicians were particularly sensitive to the election because a shift from a system of multi-member electorates to a system of single-member electorates with a proportional representation system raised an importance of organisational voting power retained by zendentsu and MPT. The LDP did not hope to make an enemy by clarifying its stance on the issue.

Second, because of the technical nature of telecommunications policies, politicians tended to avoid fundamental and substantial debates over the NTT reform issue. The breakup issue presupposed complicated technical arguments regarding the access-charge systems between NTT and NCCs and corporate plans for the multimedia age. Politicians reportedly helped to miss the main arguing points by avoiding the technical debates, adhering to myopic matters such as revenues of the companies after breakup (Fujii, 1996: 143-44). This seems to exhibit the limitation of zoku. Zoku have two characteristics: specialists in a particular policy issue, and agents of interest groups. The strength in the former character is desirable for making policy discussions actively. The latter role sometimes impedes the sound policy development by creating clientele politics. The minor role of the LDP politicians in the case studies hints that their role as policy experts is limited in the technically complicated issue areas like telecommunications.

The third reason is relevant to the change in government formation. At the 1996 stage, the LDP could not take an initiative in the NTT reform issue because it formed a coalition government with the SDPJ and New Sakigake. The LDP’s PARC was not the final deliberative organ under the coalition government. The LDP had to consult the final decision reached within the party with other coalition members. The coalition government set up a work team to deliberate on a given issue, and the consensus reached at the work team level is discussed further at a ruling party executive council and the ruling party caretaker’s
conference. This decision-making process takes time compared with the LDP’s single-party government. In the case studies, the coalition parties formed a work team on the NTT management form on 1 March 1996. However, substantial deliberation lasted only for one month, and the conclusion was postponed.

In addition, the LDP paid due consideration to maintaining the coalition government. The LDP was out of power from August 1993 to June 1994. After it returned to power, it was keen to be a ruling party by holding the coalition government. One example is that just before the Murayama Cabinet began in June 1994, an executive of the LDP suggested to zendentsu that: ‘the LDP will oppose the NTT breakup if zendentsu supports the coalition government. If necessary, we will prepare a sworn document signed by the LDP’s President and secretary-general’ (Asahi Shimbun, 4 August 1994). As explained above, the post of posts and telecommunications minister was allocated to the SDPJ throughout the coalition period. The LDP could not ignore the preferences of the SDPJ, and the NTT reform issue was used as a key card to achieve the objectives to maintain a coalition. Thus, the political change from the single-party to a coalition government constrained the LDP’s capability in policy-making in terms of the decision-making process and the necessity of political consideration.
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