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Paving Over the Kansai
By Gavan McCormack

On Dango: The Famous "Yokosuka Navy Base Toilet Job"
By Tom Logan

The slopes of Mt. Rokko, overlooking the shores of Osaka Bay between Osaka and Kobe, constituted a nice vantage point in early 1994 from which to observe and reflect on where Japan was going. Was this the Japan that had been plunged into the depths of "unprecedented recession?" A panoramic vista of construction spread across the horizon. Ships--a steady flow of liners, cargo vessels, barges, tugs, and tankers--steamed in and out of the bay, passing Port Island and Rokko Island--both island cities in their own right (sometimes known as "Future City" and "Marine City of Culture" respectively) recently built on reclaimed land. Winding along the shore, also on reclaimed land, is the Hanshin (or "Bay Area") Expressway, linking Port Island adjacent to Kobe, Rokko Island, Phoenix Project on Amagasaki Bay, "Technoport Osaka," "Cosmosquare," "Harbor Light 21" Project, Izumi Otsu Bay Phoenix Project, to Rinku Town and out the causeway to Kansai International Airport.

The airport is a remarkable technical and engineering feat. The 511 hectare island on which it stands was built in 18 meters of water, on a base so soft and unpredictable that it had already subsided 10 centimeters by the summer of 1993, one year before it opened, and will continue to subside, at the rate of about one millimeter per day for the next several decades, thus requiring the services of highly skilled engineers to monitor the thousands of adjustable jacks on which it all rests. It was built on the sea, 3.75 kilometers offshore, because that seemed to be the only place on which it would be possible to build a 24-hour airport, but the cost has been horrendous: about 15 trillion yen, or five times as much as the Tokyo International Airport at Narita, though both are of comparable size. An additional three trillion yen will be needed to build the additional runways necessary to complete it.

Along the Osaka shoreline, the outline of the office towers that are going up around "Cosmosquare" may just be discerned. They include the World Trade Center Building and the Asia and Pacific Trade Center, which constitute Japan's largest commercial complex. Like the airport, it is to offer international communications and commercial facilities on a 24-hour-a-day basis.

Turning to the west, although also just out of sight, lie more focal points in the emerging transport and communications infrastructure. Linking Honshu just west of Kobe with the island of Awaji will be the Akashi Straits Bridge, 3910 meters long and due for completion in 1997. It will feature the longest suspension span in the world (1990 meters) and will cost an estimated 610 billion yen. Awaji island will also be linked directly to Wakayama, at the eastern end of Osaka Bay, and to Shikoku island via the Onarutokyo Bridge. Awaji and Shikoku will, in effect, cease to be islands.

Just inland from Osaka, Kansai Science City, a new "Cultural Metropolis" is taking shape. This will be a "model city that will combine scientific research with an attractive city and residential environment, making it a vibrant, international center for cultural and lifestyle studies and industrial development." Its "International Center for Advanced Studies" will host scholars from around the world for research and symposia. And in Osaka city itself the United Nations' Research Institute of Innovative Technologies for the Earth has just opened.

The Kansai region of Western Japan, once heavily industrial, is reorienting itself toward the 21st century as both the seat of ancient Japanese culture and a dynamic center of business, research, and international exchange to rival Tokyo. Already Kansai, with a population of 23 million, boasts a GNP equal to that of Canada. The area around which this wave of development is rising--the Inland Sea--was once devoted to "white sands and green pines," a chain of fine sandy beaches where the children of Osaka, Kobe, and the vicinity swam, fished, and played. Reclamation for industrial purposes (which involved the filling-in and "development" of the sea and sea-front) began in the 1960s. By now 95 per cent of the 160-kilometer shoreline of the bay is artificial, and the tiny pockets of beach such as Suma (famed from ancient literary texts such as the *Manyoshu*) fight an apparently losing battle against developers. The claims about forging a new "identity" which would be compatible with ancient cultural identity and with natural and environmental harmony must be examined in the light of such trends.

The context for this transformation of the bay, continuing unabated from the years of the "Bubble" through those of the recession, has been the search of Kansai's businesses for a response to the problems of changing industrial structure, as the advantages it once enjoyed in manufacturing, especially in heavy and chemical industries, eroded due to the high yen and competition from newly industrializing Asian neighbor countries. Around the shores of the Inland Sea, with Osaka as the hub, are concentrated 58 per cent of Japan's steel-making capacity, 40 per cent of its oil refining, 35 per cent of petrochemicals, 63 per cent of copper refining, and 76 per cent of lead refining capacity. But from the late 1980s Japanese industry "hollowed out" rapidly as the comparative advantage once enjoyed by the heavy and chemical sector eroded. By 1988, according to a study by the Osaka Center for Science and Technology, 1300 of the 7000 hectares of industrial land in the Osaka Bay area were lying idle. The strategy devised by leading Osaka business circles to meet these problems was to revive Kansai's regional economy through effecting a strategic switch away from its traditional strengths and into "soft," information, and cultural industries. The airport was to be the center of the structural transformation, projecting Osaka as the embodiment of a new Kansai (and "Asian")

lifestyle that would be based on leisure, consumption, entertainment, fashion, and information.

The vision of thus turning the whole of the area around the cities of Kyoto, Nara, Osaka, Kobe and Wakayama, plus the islands of Awaji and Shikoku, into a vast, "intelligent city" that would be somehow both "pastoral" and yet also a 21st century megalopolis is widely shared and rarely questioned. Regional pride and sentiment are powerful forces helping to disarm any opposition, and advertising promotion plays heavily on the theme of a distinctive (superior to Tokyo) Kansai identity, which also claims to be essentially "Asian." Since the citizens' group which campaigns for the preservation of Osaka Bay has a reported membership of 250 (although petitions expressing opposition attract many thousands of signatures), the prospects for blocking bureaucratic and corporate momentum intent on this particular form of development do not seem strong.

Regional planning, from the early post-war period to the present, has been characterized by such ambitious, impractical, "desktop" bureaucratic projects for reorganizing the country. The utopian rhetoric within which the prescriptions are couched cannot conceal the fact of their failure to address the problems of a sharpening polarity between the great megalopolis of Tokyo-to-north-Kyushu on the one hand and the rapidly depopulated countryside and mountain and coastal villages on the other. The obsessive focus on growth, neglect of social and environmental considerations, and promotion of large Tokyo (or Osaka) controlled mega-industrial groupings at the expense of regional, locally grown (*naihatsu-teki*) development has been so thorough and complete that such centrally planned development may take as long to redress as it took to accomplish. But the question of what the economic growth attained means, even for the residents of the megalopolises, and what the consequences are for the long-term future of the country as a whole, has to be considered further.

At the heart of Japanese growth is a contradiction that slowly became manifest in the 1990s. The Japanese people have worked hard for at least 100 years, each generation believing that its sacrifices would make life better and easier for the next one. Capital has accumulated, technology has been refined to the point where, in the 1990s, Japanese engineers are consulted by the rest of the world for advice on tunneling, bridge-building, island-creating, and so on, as once were the Scots, Germans, or Americans. But although the basic infrastructural unity of the Japanese islands--bridges, tunnels, rail and road--is now accomplished and would be little improved by further grand nature-remodeling, the real and growing need is for imaginative projects designed to undo some of the damage that has been done to the environment: de-concreting the rivers and coast, demolishing some of the dams that have silted up, restoring some of the rivers to their natural courses. Lake Biwa, for example--the country's largest lake--is currently in a parlous state after decades of virtually indiscriminate development and might cost something like two trillion yen to restore. Such a project would provide much local employment as well as meet the demand for "stimulus" to the economy, and it might produce a more livable Japan than that envisioned by some of the grandiose plans now on the drawing-board and being implemented in the Kansai and elsewhere.

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On Dango: The Famous "Yokosuka Navy Base Toilet Job" by Tom Logan

My first real understanding of the world of Japanese bid-rigging came in late 1987, when the American firm I was working for decided to submit a competitive bid for constructing a toilet facility on the U.S. Navy base at Yokosuka. As is now widely known due to legal action, Yokosuka was understood by many to be the site of a large and potent bid-rigging teahouse. (The term "teahouse," incidentally, does not derive from Japanese but from U.S. military slang. According to an uncle of mine who was stationed in Japan shortly after the Allied occupation, and who was assigned to a construction contracting unit for the U.S. bases, the term was already in use then to describe the places where Japanese contractors got together to decide what prices to charge the Americans. Perhaps the term was borrowed from the popular play and film *The Teahouse of the August Moon*.)

By the 1980s, the Yokosuka teahouse--which went under the innocent name of the "Star Friendship Club"--involved about one hundred national and local contractors, who met regularly under the guise of "studying safety procedures" in the process of carrying out US Forces Japan facility construction work. In addition to rigging bids on U.S. Navy contracts, they also arranged for local criminals to harass non-cooperating firms' employees at the main gate of the base and vandalize the vehicles and equipment of non-cooperating Japanese firms.

Few if any U.S. firms were anxious to enter such an environment. Fortunately for our firm, however, several Japanese companies were angry enough at the Yokosuka teahouse to serve as subcontractors for this small project, even though they were extremely sensitive to being exposed. They were therefore encouraged to wear the uniforms of our firm and assurances were made that we would ask for protection by U.S. Navy contract administrators, provided our bid was successful.

I must confess that I became very angry as our firm's U.S. executive stationed in Tokyo proceeded to explain what we were going up against. It seemed very "unfair" to me that projects financed by U.S. tax dollars were not only being split up by a group of Japanese companies at inflated prices, but that a U.S. firm operating in Japan had to approach such work with extreme trepidation. As the days continued, I heard further stories about cartels that had been active for years on other U.S. bases, for example the "Atsugi Kensetsu Bukai," and others at Misawa and Yokota. This at a time when many of these

same Japanese firms were receiving work in the U.S. on U.S. bases or on private and public construction work. Where was the sense of reciprocity, or *sogo shugi*, I wondered, as I worked hard to assemble a bid in conjunction with our timid subcontractors. I was to find out in short order.

On the day of the bidding, middle-aged business managers of our competitors gathered together outside a Navy Quonset hut where the bidding was to take place. Each had a nervous look on his face because apparently for the first time in a long time actual foreigners were to sit down in their midst while the bid packages were opened, and since we had not participated in the bid rigging, no one could guess what our bid would be. Each firm's price was called out by a Japanese assistant to the Resident Officer in Charge of Construction (ROICC). Interestingly, these were bunched in a small window ranging from approximately 17 million yen to 20 million yen, with wafer-thin price differences between the firms.

When our bid price was called, you could have heard a sakura blossom fall to the floor. It was fully one-half the average of the other bids of the teahouse members. Then came the clincher. The ROICC announced the U.S. government's estimated bid price; it too was approximately one-half the mean of the other firms (minus our company). In short, had our U.S. firm not participated, the Yokosuka teahouse would have won this bid at roughly double the amount it should have cost. I later confirmed with a number of Navy sources that a great majority of biddings that did not involve U.S. firms went precisely this way. The bottom line is that U.S. taxpayers are cheated and U.S. firms are unable to get a foothold in one of the most logical markets for them to start up in Japan: servicing their own government on DOD financed projects.

Not knowing that I could speak Japanese, the defeated contractors filed out, many muttering expletives that should not be repeated here, but basically along the lines of "the nerve of those *gaijin* to come in and upset our internal order." Although there were also a few sarcastic words of congratulation to us, the facial expressions betrayed what were the real sentiments that day of the defeated Yokosuka teahouse members.

Several weeks after this cryptic episode, groundbreaking for the Yokosuka Toilet Facility began. Our company and workers were concerned about possible harassment during the first few weeks of construction because there were past cases of physical assaults on uncooperative Japanese workers and business managers in connection with such projects. But U.S. Naval authorities made it clear that they would not tolerate any harassment in this case. Several months later the little restroom passed its final inspection with flying colors and the U.S. taxpayers were for once charged a fair construction price.

Approximately eight months later, Japanese authorities raided the offices of member companies of the Yokosuka teahouse for evidence of their long-term and endemic bid rigging, and the U.S. authorities followed with a large lawsuit that ended in the successful award to the U.S. side of \$32.7 million in damages. Ninety-nine Japanese companies were involved. Clearly the battle by the U.S. against *dango*, or bid rigging in the Japanese construction industry, was on, but the practice is far from being eradicated.

The Yokosuka experience led me to begin researching this odd practice of *dango*, and I found that article after article in the Japanese press testified to its widespread nature. I also discovered that the construction industry had developed an intriguing slang vocabulary to describe this subterranean world. Such terminology would emerge in discussions with contractors, in overhead offhand comments at receptions or bid meetings, and in my reading of the domestic Japanese press. Since bid rigging is far from being extinct, despite U.S. pressure and the SII and Framework talks, one can fully expect these colorful words and phrases to continue in use, also in Southeast Asia in connection with competitive bidding for projects by large Japanese trading firms under the terms of Japan's large ODA (Official Development Assistance) budget.

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Dango Dictionary

<i>Dango Dictionary</i>		
Japanese	English	Definition

<i>chosei</i>	"adjustment"	Contractors more and more do not like to use the word <i>dango</i> because of its criminal connotations; instead, they now prefer the term <i>chosei</i> , as in "adjusting" bids among parties.
<i>honmei</i>	"the chosen one"	Whomever the tea house selects to be the lowest bidder and thus win rigged bidding has this title attached to his firm. Once a <i>honmei</i> is established, nearly all firms will back away and observe the "internal order" of the industry so that they will have their turn some time down the line.
<i>ten no koe</i>	"voice from heaven"	Sometimes the procuring authority for a project clearly designates which contractor it wants to "win" the project. This is said to be <i>dango</i> on a <i>ten no koe</i> basis. How the favored firm gets to be chosen invariably involves favors, bribes, golf trips, etc. which block out competition from other firms.
<i>kuguri nuke</i>	"to dive bomb"	When rigged bidding agreements break down for some reason, one or several renegade firms may submit low bids. Sometimes these are surprise attacks, or <i>kuguri nuke</i> --i.e., all agreed to a certain price, but the errant firm comes in to grab the order, thus risking ostracism and retaliation by the other tea house members.
<i>satsu watashi</i>	"handing the sheet"	Bid-rigging members may meet anywhere to conduct their "around" illegal activity, but more often than not it is a coffee shop or restaurant near the bidding room. Each member will receive a slip of paper detailing the bid price he should submit for his company. One company is usually in charge of compiling the list and making sure each member is aware of his role in this theatrical performance.
<i>benkyo kai</i>	"study group"	The <i>tatemaie</i> , or stated, reason for these groups' existence is "fraternal," to exchange technical information, and so forth. What they really study is which projects are coming up for the year, who gets them and whether all are adhering to the industrial order of the cartel.
<i>shima</i>	"contractor's territory"	When one contractor is particularly close to a government authority, or has the backing of a strong politician who has been bribed, or has previously constructed in the area, the work will be known as his <i>shima</i> , or "island," and no other contractor must step in uninvited. Certainly foreign firms are entirely out of the picture. The best recent example was the construction work needed on the U.S. Ambassador's residence in Tokyo, which was originally built by Obayashi and hence was that company's <i>shima</i> . It got the bid.

<i>yogore yaku</i>	"filth manager"	Usually from the business-development section of a contractor's office, he interfaces with <i>dango</i> "fixers" in other firms and also maintains sensitive relations with local politicians and bureaucrats. Most bid-rigging activity is given to this individual so that should <i>dango</i> be uncovered, senior management can claim not to have a hand in it. If exposed, such <i>yogore yaku</i> are suddenly assigned to other sections of the firm, the company states that the irregularities will never occur again, and in due time the <i>yogore yaku</i> can be reassigned to bid-rigging.
<i>boringgu</i>	"boring"	This does not refer to something being uninteresting, but to boring as in taking a soil sample. Japanese contractors are constantly probing and monitoring the activities of their government procurement offices down to the village level, entertaining officials, giving gifts, and making incessant calls. The ultimate intent is to discover what the government's "estimated bid price" is for each project. Normally these figures are confidential, but the teahouse needs to know the amount so that they can figure out a reasonable bid that insures a healthy profit. Occasionally a corrupt local official will receive a business card from a construction firm's <i>yogore yaku</i> and reciprocate with his own card, with the secret government figure written down on it. This way no words are exchanged in public.
<i>san pa reebeito</i>	"3% kickback"	If a contractor utilizes a Japanese politician at the local level to exercise influence over the bureaucracy in order to win a bid, he is generally obligated to provide a kickback of approximately 3% of the amount of <i>dango</i> profits to the politician. These funds are deposited into secret bank accounts (<i>kakushi koza</i>) of politicians and sometimes government bureaucrats. In one form of bribery that avoids the passing of money in a physical sense, Japanese contractors will sometimes offer the corrupt officials free services, such as constructing additions to their homes at no charge, or building vacation lodges outright (e.g. former Prime Minister Hosokawa).
<i>naibu kokuhatsu</i>	"exposure"	If <i>dango</i> negotiations between contractors break down--as they often do--a leak to the public about the teahouse's activity is the last thing the contractors want. Therefore an angry contractor who never gets his rotational turn in bid-rigging, or one who is not short listed for failing to cooperate with the cartel, will tell the press or non-corrupt politicians about the impending anti-monopoly law violations, embarrassing everybody.