

Corruption Through Political Contributions in Japan

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REPORT ON RECENT BRIBERY SCANDALS, 1996-2000

1. Overview of the System of Political Finance in Japan

After a series of corruption scandals shook Japan from 1988-1993, the long-time ruling Liberal Democratic Party (LDP) lost its majority in the Diet in the 1993 elections after 38 years in power. A multiparty coalition took over the government and initiated a package of political reform legislation. The four reform bills introduced a new electoral system, new regulations on political donations, government funding for political parties and a special legal status for political parties. The aim of the reforms was to tighten the system of legal controls, to increase penalties for wrong doing by politicians and to make the flow of money more transparent. The legislation passed the Diet in November 1994 and went into effect a month later. With regard to political contributions, the most important change was that political donations to individual politicians or their personal fundraising organisations were ruled illegal after a transition period of five years, which ended on 1 January 2000. Instead of basing their campaign funds on contributions from the private sector, Japanese Diet members are supposed to rely on their party headquarters and local and regional branches as their main source of funding. To further ensure an independent money base for political parties, these are now entitled to receive government subsidies based on their share of seats in the Diet and on election results.

1.1 Political parties and their financial situation until 1993

The financial situation of Japanese political parties up to the introduction of government subsidies in 1994 can be briefly characterised by a contrast between a stable organisational framework with well-established local party chapters and regular party income on the side of the opposition, and a lack of such structures on the side of the Liberal Democratic Party (LDP), which ruled Japan from 1955 (when the LDP was founded) to 1993. The opposition Japan Communist Party (JCP) and Japan Socialist Party (JSP, later renamed Social Democratic Party of Japan, SDPJ) received most of their income from the sales of party publications and support payments from labour unions related to these parties. According to the reports of the Local Government Ministry (Jichishô), the Japan Communist Party was the party with the

highest nominal income in Japan for the last decades. The (then) opposition Clean Government Party (CGP, Kômeitô) was supported by donations from the lay Buddhist organisation Sôka Gakkai, which is closely linked to the party. All three parties could also rely on a regular and more or less stable flow of membership fees and on a network of local party chapters that would provide candidates with staff and organisational support for constituency service and election campaigns.

The Diet members of the Liberal Democratic Party (LDP), on the other hand, did not receive much support from their party. Since it was founded in 1955, the LDP has been split into several competing factions. Diet member's loyalty was more with the faction they belonged to than with the party as a whole. The main reason for the prevalence of factionalism in the LDP has been argued to lie in the electoral system that was valid in Japan until the 1994 political reforms. Under this system, members of the politically more influential Lower House of the Japanese Diet were elected in multi-seat, medium-sized electoral districts, with the number of seats per district varying from one to five seats. One consequence of this system was that, to win a majority in the Lower House, the LDP had to field several candidates in one district who were competing with similar political ideas for the votes of the same groups of voters. As differences in the political preferences of the targeted groups of voters were marginal and voter volatility was high, candidates had to campaign very competitively and until the last day of the election campaign period (Abe, Shindô, and Kawato 1994, 141). For a lack of arguments, they usually tended to outspend each other. During the legally prescribed campaign period of about two weeks, candidates could legally only spend a limited amount of money, depending on the number of registered votes per seat and the total voter population of the electoral district. In the 1990 Lower House elections, for example, the maximum legal spending was set at about 16 million yen on average.¹ In reality, however, LDP candidates in national elections in the 1980s and early 1990s exceeded the legal limit by at least six times and as much as by thirteen times (Fukui and Fukai 2000, 23-24).

The reason for such high expenses can be seen in the lack of organisational support from party headquarters and local party chapters, which were marginalised shortly after the LDP was founded due to the difficulty to offer equal support for up to five fiercely competing politicians. Aside from regular payments and important organisational support from their party faction, LDP Diet members had to organise their election campaigns by themselves. They had high expenses for offices, staff, communication and transportation costs, which were only partially covered by their allowances as Diet members. Most of the expenses, however, that Japanese Diet members incurred to win or retain their seats were related to the maintenance of their personal support groups. Members of such a personal support group usually included owners of local businesses, heads of religious organisations, and officials of the local agrarian cooperatives, in other words, important local figures who could gather votes by supporting a politician's candidacy. In that sense, Japanese Diet members' *kôenkai* can be considered *political machines* (Hirose 1993, 66; Curtis 1988, 177).

Electoral victory in Japan was and still is decided not so much by the quality of the political program of the competing candidates, but by personal contacts to their key supporters. For the cultivation of a good personal relationship with important local voters and in order to make sure that their personal support groups stayed active for the next election, in the 1980s the average LDP Diet member invested about 100 million yen per year (Iwai 1992, 127). Politicians are, for example, expected to give generous gifts at personal events in their followers' private lives. The main festivities at which such gifts are expected can be summarised under the term *kankonsô sai*, which is a contraction of the Japanese festivities for coming of age, weddings and funerals. The late LDP faction leader Watanabe Michio once stated that a Japanese Diet member always carries a white necktie in his right pocket and a black one in the left, hurrying from one ceremonial event to the next and leaving generous sums of money as gifts (Sone and Kanazashi 1989, 126). The distribution of money or presents during or, to circumvent the strict Japanese campaign laws, prior to election campaigns also has to be seen as part of this strategy. Apart from monetary gifts to their supporters, their families and friends, it is also considered a regular task of a Japanese Diet member to assist his or her constituents with bureaucratic matters such as tax problems, or to support them in finding jobs or places at prestigious private universities for their children.

Until the introduction of public funding for political parties and the simultaneous restriction of corporate funds benefiting individual politicians in 1994, Diet members drew the majority of their revenue from corporations and interest groups. The relationship between politicians and their "sponsors" from the corporate sector was thereby cemented by mutual obligations, which corresponded in essence to those in the "service contract" between politicians and their supporters in the electoral district described above. While local interest groups expected their Diet member to channel as many advantages as possible into that particular region, for example in the form of public works projects and government subsidies (see, for example Woodall 1996), corporations who financed individual politicians hoped for their backing in the central bureaucracy. The difference lay in the reward politicians received for their mediation. Whereas groups of supporters in an electoral district were able to mobilise great numbers of votes, sponsors from private industry made political contributions. The role of Japanese Diet members as paid mediators between their donors from the private sector and the bureaucracy thus was and still is comparable to that of lobbyists in other democracies.

After the Lockheed scandal in 1976, LDP party headquarters had left responsibility for political fundraising with individual politicians in order to prevent damage to the party in the case of future scandals (Blechinger 1998, 158-160). LDP Diet members thus founded their own private fundraising organisations in which companies that decided to "sponsor" a particular politician could become members. Monthly membership fees ranged between 5,000 and 20,000 yen on average, but could rise as high as 50,000 yen (Hirose 1993, 66). Since the Political Funds Control Law (Seiji

Shikin Kiseihô) obliged Diet members to make public all donations over 1 million yen, but did not limit the number of fundraising organisations that one politician could found, companies often resolved to split their contributions into several smaller amounts that were paid to different fundraising organisations. Thus, neither the amounts received by a certain politician nor the names of the donors had to be made public (Sone and Kanazashi 1993, 131). *The Far Eastern Economic Review* (9 March 1989, 19), for example, quotes a young Diet member who was supported by about 300 companies that paid him 32 million yen per year. Former Prime Minister Takeshita, in contrast, could rely on a support network that included about 4,000 firms (Iwai 1992, 82).

Problems arose from the combination of severe competition with other politicians from the same party within electoral districts on the one hand, and the high expectations for costly constituency service among voters on the other hand. With increasing competition for voters, the competition for funding also got more severe. Under pressure to pay off voters to keep their support, politicians were easy targets for blackmail by their supporting companies and the risk of corrupt activities increased. Companies could threaten politicians to divert their financial support to other Diet members in case their interests were not served in the way they expected. As a consequence, the independence of Japanese Diet members, which was already undermined by the need to raise money in order to pay for constituency service and election expenses, was further eroded. Especially those Diet members who had acquired a specialisation in lucrative policy areas such as construction, transport, agriculture, or health care mostly acted as representatives of the interest groups that were their "sponsors" (Inoguchi and Iwai 1987). As the following overview of major bribery scandals in Japanese politics will show, Diet members used the powers of their public office to promote the interests of their donors, for example in the bidding process for public construction projects (Takeda 1994), and thus opened another channel for systemic corruption in Japanese politics.

1.2 Recent Changes

In the political reform legislation of 1994, the Political Funds Control Law (Seiji Shikin Kiseihô) was changed with the intention to make the flow of political donations more transparent. The main idea was to shift responsibility for the raising of political funds from individual politicians to parties. This measure corresponds with the introduction of government subsidies for political parties, which was another important part of the 1994 political reform package. To increase the importance of parties within the political system, it was deemed necessary to destroy politicians' sources of financial independence and to increase their dependence on party headquarters for financial assistance. After a transition period of five years, starting from 1 January 1995, donations by corporations, labour unions, or other organisations to individual Diet members were ruled illegal. Between January 1995 and December 1999, contributions to individual Diet members were still allowed, but Diet members could only have one fundraising organisation to which donors could legally transfer

up to 500,000 yen per year.

During the transition period and as a consequence of the new regulations, politicians experienced a decrease in income. At the same time, contributions to parties also decreased due to a new restrictive policy line proclaimed by the leading Japanese economic organisation, the Japan Federation of Economic Organisations (Keidanren) in 1993. The financial problems of both individual Diet members and political parties were further influenced by the ongoing economic crisis in Japan in the 1990s. Given the strained financial situation of parties and politicians, some groups within the Liberal Democratic Party tried to delay or even prevent the abolition of donations to politicians. Debate became intense at the end of 1999, but was stopped by Prime Minister Obuchi, who succumbed to pressure both from the opposition and his new coalition partner Kômeitô (*Los Angeles Times* 19 November 1999). Since 1 January 2000, Diet members are only allowed to receive funds from individual donors (up to 1.5 million yen p.a.), local party chapters and party headquarters (without a limit). Moreover, individual electoral support groups may organise fundraising parties on behalf of a politician.²

In late 1999 and early 2000, in the wake of the new regulations, many LDP Diet members transformed their personal support groups (*kôenkai*) into local party chapters. Some politicians even founded several new local party chapters within one constituency to provide interested corporate donors with facilities to transfer contributions. The English language daily *Japan Times* estimates the average number of local party chapters per electoral district in Japan at about 19 (*Japan Times* 13 November 1999). Given the fact that there are usually between 250,000 and 450,000 voters per electoral district in Japan, this number seems considerably high. In December 1999, LDP party headquarters announced a move to further "refine" their party's organisational structure on the local level (*saibunka*). This new initiative should encourage members of local and prefecture assemblies to form their own local party chapters (*Asahi Shinbun* 10 November 1999; 23 December 1999)³. It is worth noting that this new initiative was started shortly after the announcement of the final ban on corporate donations to individual politicians. Since donations to party chapters, on the local as on the national level, have no limit attached, this initiative has to be seen as a move to keep the flow of donations intact. Thus, it is highly doubtful whether the new regulations will bring about a real change in the habits of political fund collection in Japan.

2. Major bribery scandals involving political contributions, 1993-2000

The following report refers to scandals involving political contributions in Japan on the national level, i.e. Members of the Upper and Lower House of the Japanese Diet. However, similar cases can be found on the regional and local levels.

2.1 The Sagawa Kyûbin scandal (1992/93)

To illustrate the situation before the end of the LDP's long one-party rule and also to provide background information on why the 1994 reform legislation was initiated, the first scandal to be presented here dates back to the early 1990s. Because of its financial dimensions and its consequences for the LDP, the Sagawa Kyûbin scandal can be seen as a notable case of corruption in Japan in the 1990s, being comparable to the 1976 Lockheed or the 1988 Recruit scandals that made international headlines.

Sagawa Kyûbin is a transport company, offering delivery services both to firms and private customers. Between 1980 and 1989, company profits had increased 400%, and in order to ensure further growth, the company tried to expand its service network nationwide. At that time, the transport sector in Japan was strictly regulated, and to provide services on a national level, firms needed a special license. Sagawa only held a license for the Tokyo Metropolitan area and thus applied to the Ministry of Transport in 1988 to get its license extended. The Ministry denied this application since deregulation efforts were on the way and new legislation was scheduled to be introduced in 1989. Until that time, no new licenses were to be handed out. For the management of Sagawa, which also expected an increase in competition once the transport market was deregulated and which therefore wanted to set up its network as early as possible, this was not acceptable. As a consequence, the head of Sagawa's Tokyo branch approached leading LDP politicians, especially those who were specialised in transport issues (the so-called "transport tribe" (*unyû zoku*) within the LDP), but also Diet members from other parties and asked for their mediation. Sagawa asked them to help speed up the Ministry of Transport's handling of its application for a license, and also lobbied for the inclusion of some detailed regulations that would benefit Sagawa's interests in the new legislation (Uozumi 1992: 82; Yamaguchi 1993: 20-22).

To build up support for its interests, Sagawa gave generous donations to Diet members and also organised lavish dinners and parties for politicians. When questioned by the Special Investigation Authority at the General Public Prosecutor's Office in Tokyo (Tokusôbu), the head of Sagawa's Tokyo bureau, Watanabe Hiroyasu, said that between 1988 and 1991, he had paid about 2.5 billion yen in donations to 200 Diet members and leading local politicians from the LDP and opposition parties (Kikuchi 1992). The largest sum was paid to the head of the Takeshita faction and Vice President of the LDP, the political veteran and fixer Kanemaru Shin, who received 500 million yen as a campaign contribution for the 1989 Upper House elections. Media reports at the time stated that the amount of money paid by Sagawa was much higher than the 2.5 billion yen that were discovered by the prosecution. The *Far Eastern Economic Review* (10 September 1992) estimates the actual sums paid were rather in the range of 70 billion yen. Additional flavour was added to the scandal when it became clear that Sagawa had not only paid political donations to the LDP, but also had helped LDP Vice President Kanemaru to establish contacts with one of Japan's leading organised crime syndicates, the Inagawa Kai, in 1987. At that time, a right-wing organisation had repeatedly disturbed the campaign activities of then LDP

Secretary General, Takeshita Noboru, who was in line to become the next Japanese prime minister. Negotiations with the right-wing organisation - which was aiming for hush money - were unsuccessful, and since right-wing organisations in Japan are structurally linked to organised crime, Kanemaru decided to ask one of the most powerful criminal organisations in the country for support. He had knowledge of Sagawa manager Watanabe's relations to organised crime. With his mediation, a "treaty" between the syndicate and the party was reached, and soon after, the right-wing activities came to an end. When this story was published, the Japanese public reacted with shock and anger. Support rates for the LDP dropped considerably, and calls for political reform increased.

Public anger grew even further when it became clear that almost none of the politicians investigated in connection with this scandal had to face serious consequences. Kanemaru was subject to prosecution since he had not listed the 500 million yen from Sagawa in his political finance report. Because of this violation of the Political Funds Control Law, he was sentenced to a fine of 200,000 yen in August 1992. Due to public pressure, he also resigned from public office in October 1992. In 1993, he was again arrested and indicted on suspicion that he evaded 1 billion yen in income taxes. Since no causal relationship could be documented between the contributions paid by Sagawa and any decision-making processes involving the company, all cases against the Diet members investigated in this case were dropped without any charges being brought. The only exception was the former governor of Niigata prefecture, who had received 100 million yen in campaign contributions in 1989 and acted as a mediator on behalf of Sagawa right afterwards. Together with two of his assistants, he was sentenced for bribery in 1994 (Matsumoto, Watanabe, and Isurugi 1996: 406). The Tokyo Sagawa Kyûbin case spurred the already deep public distrust in politics and contributed to the defeat of the LDP in the 1993 Lower House elections after 38 years of one-party rule.

2.2 The bribery scandal involving Osaka Oil dealer Izui Jun'ichi (1997)

This scandal started in 1996, when Osaka Oil dealer Izui Jun'ichi, head of the oil wholesaling company Izui Sekiyû Shôkai, was investigated for income tax evasion. In the course of the investigation, it turned out that Izui had given 2.17 million yen in cash to the former Administrative Vice Minister of Transport and former President of Kansai International Airport Co., Hattori Tsunenori, as a bribe to secure Hattori's assistance for one of Izui's acquaintances who was interested in a contract for custodial work at the airport (*Daily Yomiuri* 6 March 1997). When questioned by the authorities, Izui admitted to having bribed or attempted to bribe bureaucrats from the Ministry of International Trade and Industries (MITI), the Ministry of Finance, the Ministry of Transport, the Ministry of Foreign Affairs, the Natural Resources and Energy Agency and several other ministries.

Starting around 1987, Izui stated that he had wined and dined government bureaucrats on a regular basis, spending more than 500 million yen between 1992 and 1996 alone.

Izui gave presents to public officials after making their acquaintance, starting with confectionery and gift certificates, or bought them dinner or drinks if they did not want to accept presents. He then tried to use his relationship to public officials to ensure favourable treatment for his company with regard to public contracts, such as providing oil to electric power companies. What started out as a bureaucratic corruption scandal turned into a political bribery scandal as the investigation proceeded. During Izui's tax evasion trial, he alleged that he had also given money to politicians in the form of political donations. He also claimed that he did not only act on behalf of his own company, but also as an intermediary for Mitsubishi Oil Co. In order to win the company's support for its plans to secure offshore oil rights from Vietnam and also in connection with Mitsubishi Oil Co.'s efforts to sell imported coal to a public electric power company, he received 6 billion yen from Mitsubishi Oil Co. over a period of ten years (*Daily Yomiuri* 3 April 1997).

In September 1997, Izui gave a press conference at a Tokyo hotel during which he implicated a long list of leading LDP members as recipients of millions of yen in clandestine donations. Among the politicians on Izui's list were the current Japanese Prime Minister Mori, former Prime Minister Obuchi, former Secretary General Kato, and then Chairman of the LDP's Policy Affairs Research Council Yamasaki. Izui repeated these allegations in November 1997 as a sworn witness before the Budget Committee of the Lower House. He admitted to having paid 278 million yen to Yamasaki, 10 million yen to Mori, 5 million yen to Obuchi, and 1 million yen each to Kato and the former Minister of Health and Welfare (*Daily Yomiuri* 14 October, 29 November 1997). The money was transferred in the form of tickets for fundraising parties or as "car fares" after events, even if the politicians came to these events in their own cars. Although the LDP Diet members on Izui's list denied all allegations⁴ and documentary evidence could not be produced (partially because Izui had told his staff to destroy all receipts), the scandal had a damaging effect on the public image of the LDP, which tried to present itself as "clean" and "reformed" to the public after returning to government in 1994 and winning a slim majority in 1996. In October 1998, Izui was sentenced to two years in prison and fined 80 million yen on multiple counts of bribery and tax evasion (*Daily Yomiuri* 17 July 1998).

2.3 Scandal involving former Minister of Construction Nakao Eiichi (June/July 2000)

Nakao served as Minister of Construction from May to November 1996. The scandal involving his relationship with the Tokyo-based general contractor, Wakachiku Construction Corp., was uncovered in the course of a fraud investigation against a former businessman involved in the collapse of a trading house, Itoman Corp., in the summer of 2000. It became clear from evidence that, on the day of his inauguration as Minister of Construction, the former businessman Ho Yong Jung introduced Nakao to representatives of Wakachiku Corp. Following this initial contact, prosecutors provided proof that company officials or a go-between representing the firm approached Nakao at least six times in 1996 to get his support for the company to be

included in the list of designated bidders for public works contracts awarded by the Ministry. Wakachiku further asked Nakao for his support in their activities to recruit former Ministry of Construction officials to work for Wakachiku after retiring and thus act as intermediaries between the firm and the Ministry. As a reward for his support, Wakachiku paid a total of 60 million yen to Nakao. During the investigation, the Tokyo District Public Prosecutor's Office found out that Wakachiku also contributed money to the political fund management organisations of four ministers, two state secretaries and one parliamentary vice minister between July 1995 and June 2000. In detail, Wakachiku made donations to former Transportation Minister Nikai (480,000 yen), former Parliamentary Vice Minister of Education Okonogi (850,000 yen) as well as to the following members of the current cabinet: Minister of Agriculture, Forestry and Fisheries Tani (240,000 yen), Minister of International Trade and Industries Hiranuma (200,000 yen), Defense Agency Director General Torashima (1.5 million yen), State Secretary of International Trade and Industry Sakamoto (600,000 yen) and State Secretary of Transport Izumi (1.08 million yen) (*Daily Yomiuri* 29 July 2000). Nakao was arrested in late June 2000 for bribery, but ran for re-election in the July 2000 elections. He failed to retain his seat. The investigation is still going on (*Daily Yomiuri* 1 July, 2 July, 3 July, 4 July, 22 July, 29 July, 31 July, 1 August, 8 August, 11 August 2000).

2.4 Other bribery scandals implicating politicians (scandals that do not involve political contributions, but outright bribes):

October 1997: Scandal involving former Construction Minister Nakajima Kishiro, who was sentenced to 1 1/2 years in prison and fined 10 million yen for accepting a 10 million yen bribe from general contractor Kajima Corp. in exchange for obstructing a criminal complaint about bid-rigging practices in relation to public construction contracts. Both the former Vice President of Kajima Corp. Kiyoyama and Nakamura argued that the money was a "political donation for the reconstruction of the building industry" (*Daily Yomiuri* 2 October 1997). During the trial, it became clear that Kiyoyama had approached Nakamura in January 1992 with the request to influence the Chairman of the Japanese Fair Trade Commission not to file a criminal complaint against Kajima Corp. At the time the request was made, Nakamura received 10 million yen in cash. Following this meeting, Nakamura approached the FTC Chairman and tried to persuade him to drop the investigation against Kajima. A clear quid pro quo thus could be established. This was the first case in 14 years in which an incumbent Diet member was sentenced to prison on a bribery conviction. Nakamura appealed the sentence claiming that the money was not a bribe, but a legal political donation (*Daily Yomiuri* 8 June 1999).

November/December 1998: Scandal involving former Parliamentary Vice Minister of Defense Nakajima Yojirô. Nakajima, a 39 year old LDP Diet member and descendant of one of the pioneers of Japanese aviation and co-founder of Fuji Heavy Industries Ltd., was appointed Parliamentary Vice Minister of Defense in 1996. Shortly after he was appointed, he was approached several times by an old family

friend, the former Senior Managing Director of Fuji Heavy Industries in order to receive his support for the firm's bid for a contract to develop a prototype for a Maritime Self-Defence Force seaplane. On the day the companies' share was determined, in October 1996, Nakajima received 5 million yen in cash from the company. During the trial, prosecutors provided evidence that he received the money in full knowledge that it was a reward for the support he had given to the company. The scandal originally started as an investigation against Nakajima on the basis of claims that he had bought votes during the 1996 Lower House election, and that he had also submitted a false statement to the Secretariat of the Lower House in November 1996 in order to fraudulently receive higher public subsidies. In September 2000, the Supreme Court upheld an earlier sentence of the Tokyo District Court and sentenced Nakajima to 2 years in prison and fined him 10 million yen for bribery and fraud (*Daily Yomiuri* 29 November, 2 December, 3 December, 16 December, 29 December 1998; 15 July 1999; *Yomiuri Shinbun* 28 September 2000).

3. Conclusions: Foreign Companies and Political Donations in Japan

None of the major bribery scandals in Japan listed above involved foreign companies. Indeed, with the exception of the 1976 Lockheed scandal, no major political corruption scandal in Japan in the last decades included foreign companies (in the pre-war period, the 1919 Siemens scandal was the most noteworthy scandal in this context) (Murobushi 1982; Mitchell 1996). Do foreign firms pay political donations in Japan? What are the reasons for their absence in the list of scandals, and what predictions can be made for the future?

- I. One of the main reasons why foreign companies are not involved in political bribery scandals in Japan is that access for foreign firms to the Japanese market has been and (in several areas) still is difficult. Market access and the participation of foreign firms in large public works bidding processes have thus been highly politicised issues, especially in relations between Japan and the United States. For foreign firms that wanted to improve their chances to participate in a public works project in Japan, such as the Kansai International Airport, to only mention one example, it was thus easier and more convenient to approach trade representatives or Diet members and former Diet members from their home countries to speak on their behalf. Given also the high sums that were paid as political donations in Japan in the 1980s and early 1990s, this was also the more reasonable strategy.
- II. With Japanese politicians playing a role in the Japanese political and administrative decision-making process, which is played by industry lobbyists in other democracies, the system of political contributions in Japan is not easy to understand for foreign firms. Moreover, Japanese politicians still present themselves as representatives of their constituency and thus do not usually develop an international profile. If foreign firms were tempted to bribe a public official in Japan, the

probability is high that this person would be a bureaucrat, not a politician.

- III. Key industries in which bribery scandals are more numerous than others are, for example, aviation, oil and energy, and defense. In these sectors, the Japanese economy is either still very strongly regulated and the market is thus more or less closed to foreign firms (as, for example, in the area of defence), or these industries do not play an important role in Japan and Japan is thus not attractive for foreign firms from these sectors. Another starting point for bribery through political donations could be the large-scale privatisation and restructuring of industries, such as the privatisation of former state-owned industries in East Germany. Until recently, this issue was not important in the Japanese context. However, with the recent transition in Japan on the macroeconomic level, among other things due to the ongoing economic crisis, and with the restructuring of, for example, the Japanese financial sector, more foreign companies can be expected to enter the Japanese market. Since their Japanese competitors are no longer as strong as they were before, and since more mergers and acquisitions have to be expected in the future, there is a high probability that foreign firms will rather be seen as equals than as newcomers. From the perspective of corruption prevention, more political funding activities from foreign firms (and more fundraising activities of Japanese politicians with them) can be expected.

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1. rate for 17 January 2001: 1 US Dollar = 117,690 Japanese yen
2. The new regulations also prescribe that the origin of all donations over 50,000 yen has to be made public. Politicians are still allowed to hold and to sell tickets for fundraising parties; however, the names of all people or institutions that buy tickets for more than 200,000 yen have to be published (Matsuo 1994, 98-99).
3. The requirement to get a new chapter acknowledged by party headquarters is that at least 50 members of this new chapter sign up.
4. Yamazaki later admitted to having received 225 million yen in political donations from Izui. Prosecutors considered the money legal political donations and did not bring up any charges against government officials and politicians involved in the scandal, with the exception of former President of Kansai International Airport Co. Hattori, who was charged with bribery and received a suspended sentence of 1 1/2 years in prison. Mitsubishi Oil Co. was fined 2.6 billion yen in additional income tax (Daily Yomiuri 29 April 1998, 14 October 1998).

Source: <http://www.transparency.org/> 10/2000