

Sonjuku trip to Hungary: CEU Symposium for Shimada Sonjuku

by Shimada, Haruo

For July 13 to 20, 2016, we, Shimada Sonjuku members of class of 2014 and myself visited Hungary to participate to the symposium organized by Central European University specially for Shimada Sonjuku.

Why Hungary?

Why we chose Hungary for Shimada Sonjuku class of 2014 to visit as a major project of visiting abroad? Shimada Sonjuku has been visiting so far off the beaten grass countries such as Israel, Azerbaijan and Uzbekistan for its own special objective. Hungary is located in a pivoting place of central Europe. It has many unique and interesting features: heterogeneity of cultural backgrounds, long and complex history, and recently attracts a special attention as a port of entry for refugees or immigrants from Middle eastern areas to Europe. But above all, we decided to visit Hungary because of earnest solicitation and invitation of Professor Mel Horwitch, President of Business School of Central European University(CEU)located in Budapest which was established by the initiative of Mr.George Soros, and Ms.Mai Nomura, Strategic Partnership Manager, B.School, CEU.

In fact, Ms.Mai Nomura first met us when Sonjuku class of 2012 visited Azerbaijan in order to introduce her friends who have close connections with Azerbaijan to us.

We benefited a lot from her assistance. She was so much interested in our activities and the membership of Sonjuku and began soliciting us to visit CEU. She then introduced her supervisor, professor Mel Horwitch and he has visited Sonjuku

workshop even twice flying from Hungary. This was incredible. We were deeply impressed his genuine dedication as an international educator, and were attracted by his warm and profound personality. He said that he would make it sure to invite us as a formal guest to his school of CEU.

Warm and Earnest Invitation to CEU

With his formal invitation, our project of visiting CEU in Budapest started in fall 2015 as soon as we came back from Uzbekistan. We first thought of planning every details of the trip in our usual way. After a few times of communications, we received a package of a series of seminars as the Symposium for Shimada Sonjuku planned entirely by CEU. Since we have been conducting our overseas program on our own this is the first experience for us to rely on the entire planning by our counterpart. It took some time for us to well understand the meaning of what they are planning to do for us, I have exchanged mails many times with Mai and sometimes with prof. Horwitch. At some point, I realized that Prof.Horwitch and the team of CEU supported by Mai are truly thinking for the objective and benefit of Sonjuku, and I gratefully accepted the entire package with profound appreciation. Professor Horwitch sent us a mail that they will provide us with the “best in the world program” for us.

Preparation on Sonjuku Side

Having the program at CEU in Budapest determined, now it is our turn to prepare for the program. Since CEU will arrange several professors to give lectures and solicit discussion with us, we wish to maximize this opportunity to learn about what they wish to provide with us, to try to understand the problems and challenges Hungary and much more broadly CEE (Central and Eastern

European) countries are faced with, hopefully to understand the influences and implications of the long and complex historical backgrounds of Hungary and CEE countries on their contemporary challenges.

For these purposes, we decided to proceed the following preparations:

Study historical backgrounds of Hungary, CEE and broader Europe by reading relevant books in the relevant areas.

(2) Read personal profiles of professors who will give us lectures and lead the seminar

at CEU.

(3) Read articles contributed by the above professors who are supposed to give a

lecture and lead the discussion of forthcoming CEU seminars in July contained in

the book “Free Market in Its Twenties: Modern Business Decision Making in Central

and Eastern Europe” a book prepared for 25th anniversary of the CEU), 2013.

(4) Study about Hungary: Its history, geography, politics, economy, diplomacy, society,

cultures, tourist spots, food, and Japan-Hungary relationship

(5) Study relevant documents prepared by EU, EC, Think Tanks such as McKinsey Co.

etc. on economy, economic policies, special issues of Hungary and CEE countries.

Let us remind us here of how we tackled these items in turn:

We assigned Sonjuku members to read and report on about 20 or so books which deals with mostly histories of ancient to modern and contemporary European countries such as rise and fall of Roman Empire, Ottoman Empire, penetration of Christianity, Christian Revolution, the histories of Habsburg Dynasty, the Holy

Roman Empire, history of Hungary, Germany, France, Hundred Years War between

Germany and France, The Formation of EU, The structure and problems of EU, etc.

We spent a few months to discuss histories, problems and challenges of Europe

in order to understand the broad background of Hungary and CEE.

(2) We read personal profiles of the professors who will kindly give us lectures and lead

discussions when we join the seminars organized for Shimada Sonjuku when we

visit CEU. They include:

Professor Mel Horwitch, :Dean and University Professor

Professor Paul Marer: Professor of Business, coordinator, Academic Outreach

Professor Gyorgy Bogel: Professor of Management

Professor Noemi Alexa: Assistant Professor of the Center for Integrity in

Business and Government

Professor Robert Kramer: Ph.D. International Chair of Public Leadership,

National University of Public Service

Professor Jenei, Agnes: Ph.D. Dr. National University of Public Service.

Professor Yusaf Akbar: Associate professor of management and international

Business

Dr. Sally Schwager: Director of the Center for Teaching and Learning,
An Academic center at CEU

(3) Read articles written by above professors in the book “Free Market in Its Twenties:

Modern Business Decision Making in Central and Eastern Europe” a book

prepared

for 25th anniversary of the CEU), (with forward by George Soros) 2013.
to get

some preliminary idea as to what the prospective professors would think
and talk.

Mr. Kaneko, Hirofumi reports: Prof. Maciej Kisilowski "Introduction: Managers,
Entrepreneurs, and Leaders in the Ever More Complex CEE Environment" pp.1
~13, Free Market . . .

Mr. Hayashi, Norifumi reports: Prof. Paul Marer: "Eurozone Crisis and CEE"
pp.111~120.

Mr. Sugimoto, Tetsuya reports: Prof. György Bogel "Europe's Emerging
Countries and the Changing Geography of Innovation" pp.22~32

Mr. Hirata, Yohei reports: Prof. Noémi Alexa "Is There a Way Out? Promoting
Integrity in CEE through a Social Enterprise" pp.83~92,

Mr. Fukuda, Mitsuhide reports: Prof. Yusaf H. Akbar/Prof. Maciej Kisilowski
"Corruption in Central and East Europe: Economics, and Cultural Values" (with
prof Vukan Vujic) pp.65~72.

Mr. Takai, Ryu reports: Prof. Yusaf H. Akbar/Prof. Maciej Kisilowski "Preview:
The Way Forward" pp. 181~186.

Mr. Kimura, Kazunori reports: Prof. Yusaf H. Akbar/Prof. Maciej
Kisilowski "Redesigning the Bureaucratic Mind: Toward Fact-Based Thinking in
Economic Regulation" pp. 197~206.

Mr. Sengoku, Yasukazu reports: Prof. Mel Horwitch: "Crisis, Renewal, and
Leapfrog: Contributions of Contemporary Innovation and Business Strategy in
Europe's Periphery" pp. 187~196.

Mr.Ishii, Hiroaki reports: Prof. Mel Horwitch:”Conclusion: Joining the Twenty-First Century and the Need forCreative Professionalism” pp.239~250.

(4) Hungary: a general introduction and history :

Sonjuku members have tried to find books or sources about Hungary and I believe they have read them by themselves. I on the other hand, read several books and documents to learn about Hungary: its history, politics, economy, cultures, international relations etc by myself. Shortly before our departure for Hungary I summarized such information on 14page paper hoping we have some common knowledge for the issues of our common interest.

Hungary has a long and complex history partly because its geopolitical location. Since the era of Roman Empire, the area where now known as Hungary has been lived by many different nationals and tribes, and was controlled by major neighboring powers such as Ottoman Turkey Empire, Habsburg Dynasty, Russian Empire etc. Viewing back from the current Hungary, the historical changes since the era when Hungary was a part of Austria-Hungary Empire under the rein of Habsburg dynasty, bitter experiences of World War I and World War II, even worse experience of Socialist regime under the control of Soviet Russia, and the drastic change of regime to free market capitalism which is the basis of contemporary Hungary.

Through the modern and contemporary history of dramatic changes of Hungary, there seem to have existed times of good and bad memories, and events which kept remaining in the minds of people. For instance, the glorious years, at least in the surface, of Austria-Hungary Empire under the rein of Habsburg dynasty seem to be associated with splendid and gorgeous buildings of Palace, some government offices, public facilities as well as private monumental buildings which still remain

today. The choice of Hungary to have fought in the camp of Germany in both wars brought Hungary extremely disastrous consequences such as cession of large part of the territory and population to neighboring countries as often cited in the case of Tokaj area.

Even more bitter experience during the Socialist regime under the control of Soviet Russia, and the cruel and sad event of people's revolt against Soviet Russia in 1956, the scar of the sad event still remain in minds and bodies of many Hungarian people. The proud memory of epochal action of European Picnic which was executed by a handful of Hungarian activists on August 19, 1989. which triggered the chain effects which eventually led to the fall of Berlin wall in November 1989.

As of today, the rein and choice of outstanding prime minister Orban, Victor who studied in UK with the George Soros scholarship and accepts large sum of EU funds and yet critical against Brussel's policy for immigration and also against view of Soros, and leaning closer to Moscow will be remembered by Hungarians with some judgement in the future.

In addition to natural resources of beautiful landscape encompassing Deneb and rich soil fostering precious grapes for wines, Hungary is gifted by excellent human resources as exemplified by such outstanding talents as George Soros in finance, Erno Rubik of Rubik Cube and Neumann Janos(John von Neumann) of computer science among others.

In the world of music, Hungary musicians have certainly led the modern history of music as exemplified by Liszt Ferenc(Franz List), Kodaly Zoltan, and Bartok Bela etc. Incidentally, it may not be a coincidence that the outstanding musician of Japan, maestro Ken'ichiro Kobayashi emerged in the world of music by obtaining the first prize in the first Budapest International Conductor Contest in 1974 and later granted by Hungary government the best medals and awards who

contributed to the Hungary music world.

(5) Hungary: Economic Outlook prepared by European Commission 2016

I read this detailed report on Hungary economy prepared by European Commission Staff Working Document as recommended by Ms.Mai Nomura. This is a short-term expert observation of Hungary economy with some policy recommendations. I prepared a summary for the reference of Sonjuku members. The following two voluminous report (6) and (7) are also recommended by Ms.Nomura.

The report basically views that Hungary is on a balanced, albeit still relatively moderate growth path, gradually reducing its macro imbalances, which have widened in difficult years in the wake of Lehman shock crisis. I was particularly impressed by the fact that the short-term prospect of Hungary economic growth depends importantly the volume of EU funds. in addition, the fact that this kind of detailed document of overview and analysis which should be prepared by the government itself is also prepared by the international organization like European Commission as such gave me an impression that there seems to exist another government in this country.

(6) McKinsey Report 2013 “A New Dawn: Reigniting Growth in Central and Eastern Europe”

I read this lengthy report and summarized main points for reference of Sonjuku members. The report points to the fact that many of CEE countries have shown remarkable achievements in terms of economic growth from early 1990s till the breaking out of Lehman crisis of 2008 which only a few countries could match.

While these countries have been struggling to recover form the global recession since then, McKinsey experts propose that if they adopt what they term “new growth model for CEE.” The new model would favor investment led growth over

consumption,
and increase region's ability to finance its future growth and attract foreign investments.

(7) "Entrepreneurship in the EU and Beyond" Flash Eurobarometer 2012.

This is a very long report of a comprehensive international survey on entrepreneurship covering all EU member countries together with many non EU countries for comparison. It surveys on several critical factors or aspects such as employment status, drivers of entrepreneurship, perception of entrepreneurship and the role of education, entrepreneurs and employees.

EU research staff is convinced that enhancing entrepreneurship is critical to empower some of EU member countries whose economic viability is yet to be improved. The reality which emerges from this comprehensive survey is that it would still take a long way to go to encourage and train people to have strong entrepreneurship mindsets.

Setting Itinerary and Participants

We set the dates of visiting Hungary from July 13 through July 20. CEE formulated a good and intensive program for us to study and take a look around Budapest and its neighborhood.

Shortly before our planned departure, we thought that we should visit Japanese Ambassador stationed in Hungary to report that we plan to spend nearly a week in Hungary to study at CEU with their full-fledged cooperation. We thought that it is important for us to report our visit to Japanese Embassy, particularly because in view of the fact that Hungary has been the focus of international attention recently particularly of its deemed role of the port of entry of refugees and immigrants largely from the Middle East which constitutes a serious problem

faced by EU and European countries nowadays.

I wrote a letter directly to Ambassador Kosuge Jun'ichi telling him briefly about our project and our wish to pay a cordial visit to him. Even though this was a very short notice, he quickly understood our intention and offered his warm reception of us, particularly of providing us of an exceptional opportunity to give us luncheon reception on the day of our arrival in Budapest.

Since Sonjuku members are all very busy people, but finally we were able to line up the following 18 members to participate to this trip to Hungary.

Noguchi, yumiko Colcoat Co.,Ltd. CEO

Shimada, yoshisato Towa Pharmaceutical Co.,Ltd. Manager

Kimura, kazunori The Prudential Life Insurance Co., Ltd. Senior Planner

Ishii, hiroaki Ishii Iron Works Co.,Ltd. Senior board member, Head, Sales Dept.

Sugimoto, tetsuya Tokai-Denshi Inc Senior Board Member

Sengoku, yasukazu Sangikyo Corporation Vice President

Masanori, obara CVC Capital Partners Director

Hayashi, norifumi Akasaka Audit LLC / Akasaka International Accounting Co., Ltd.

CPA (Certified Public Accountant)

Kaneko, hirofumi Living Platform, Ltd. President

Fukuda, mitsuhide Aiful Corporation COO

Osano, sho Kokusai Kogyo Co.,Ltd. Head, General Business Dept.

Kasai, mariko Dentsu Inc. Senior Planning Officer

Fujita, ken Fujita Sangyo Principal Officer

Hirata, yohei Nomura Research Institute, Ltd.

Watanabe, shoya Watami Co., Ltd.

Koshihara, taro MFS Investment Management K.K. Stock Market Analyst

Akiyama, yuki Nezu Asia Capital Management (Hong Kong) Ltd. (Portfolio Manager)

(Previous Job)

Yamagishi, yo Miyakezakai Sogo Law Offices Attorney

Day 1(July 13, Wednesday)

Departure for Hungary:

Of the 20 Sonjuku members, there are several groups who go to Budapest using different routes, airlines and therefore arriving at different timing. Also some people

stay longer after the official wrap up of the CEU conference for Shimada Sonjuku. I wished from the beginning to go to Budapest using Turkish Airline flight leaving Narita

in the evening of July 13. Although, we meant to make reservation of this flight a couple of months ahead, due to mishandling of our travel agent who usually handle my case, it was difficult for me to secure the seat on this flight.

The targeted plane was obviously fully packed for some reason. I insisted to keep my request on the waiting list. Then, several days before our planned departure, a tragedy happened in Istanbul airport. A dreadful terrorism took place which caused some 20 casualties. It was an intolerable crime. A few days later, I was notified that I got a seat on the flight leaving Narita toward Istanbul. I had a mixed feeling on the consequence

On the day of departure, I thought everything was going well as planned. In the evening I got on the car which was being driven by my chauffeur. I was thinking many

events which would take place for this week in and outside of Budapest. I had a brief

experience of visiting Budapest 25 years ago, shortly after the fall of Berlin wall.

In my mind, I had a memory of beautiful scenery of the city of Budapest. The scene I saw was particularly impressive which was the view of Buda part of the city across the Danube near the Chain Bridge. Apparently the scene was a view from the top floor of the hotel Sofitel, where we would stay this time as well.

An Unprecedented Accident

I happened to try to examine how much cash I have in the small pocket of my bag which I always carry with me. The small inside pocket is the place I use to keep most important small things including the passport. I suddenly found that I did not carry my passport. It was not found in the small pocket, indeed no where within the bag. I was panicked. It is the first time ever in my experience of some 50 years of several hundreds of traveling abroad of forgetting passport.

I asked my chauffeur to stop the car on the side of highway. We have been driving nearly an hour from my office in the midst of Tokyo. Narita airport is about 10 minutes ahead. I called my secretary, Ms.Inoh. She was still working with Ms.Chida in my office.

I told Ms. Inoh that I apparently did not bring passport with me. She asked if I remember where I left it. I said that it must be in my room at home. She asked me if my wife is at home. I called my home. Luckily, Kimiko was there. I asked her to find out my passport in my desk. A few minutes later, she told me she found it. I reported this to

Ms.Inoh. She said that she would drive a taxi cab to my home which is about 15 minutes away from my office, and then drive the taxi to come to the airport. She said to me that

I should go to the reception desk of Turkey Air of the airport soon and to report

about this accident. It was already close to 7:30.

The plane is scheduled to leave at 9:30. We have only two hours left. It was the emergency case of counting minutes. Attendants at the desk understood the situation, but whether the plane to wait and let me get on board was up to the airline manager at the airport. Ms.Inoh apparently asked the taxi driver to hurry up. While she was driving on the highway, I met Mr.Ishii and Mr. Koshiba at the airport. They sympathized me for the accident. I solicited them to have a sushi and sake while waiting for Ms. Inoh. She arrived at the airport at 7:40. and I was allowed to get on the plane in time. I thanked cooperation of all the people and to the luck.

Day 2(July 14, Thursday)

Arrival in Budapest

The Turkey airline was excellent on services, food and facilities. The seat was good.

I was able to sleep fairly well on the seat which became perfectly flat just as an ordinary

bed. It was a long flight of 12 hours, and the date changed during the flight to July 14, which is the day 2 for our trip. At Istanbul airport we spent 3.5 hours to wait for the connecting flight to Budapest. We arrived at Budapest airport shortly before 8 am. At Budapest airport, we were received by Ms.Mai Nomura. She has made a complete arrangement to welcome us to Budapest. Although this is the second day, for us it is a long day continuing from the first day. We are going to have fully packed program of a day to go.

We went to our hotel by a chartered bus. It took half an hour to arrive at Sofitel

Budapest Chain Bridge, which was certainly the hotel I stayed 25 years ago. The weather was not fine. Foggy rain falls from time to time. Somehow, however, I felt quite at home. Hotel officers were very kind and friendly. The city is characterized well designed buildings constructed during the glorious years of Hungary of about a century ago. Not only buildings but also streets and small gardens with flowers are all maintained well and clean. Ms. Akiyama of Sonjuku who arrived here a few days ago joined us. She told me that she had a great time walking along Danube and town streets among gorgeous classic buildings. Asking the hotel to keep our luggages in storage because it was still in the morning, and having enjoyed good tea in a cozy team room of the hotel looking the view of the street for some, we moved on to the next appointment, namely, Embassy of Japan.

Before going across Danube to the other side, namely, Buda side, we drove along for a while some streets at the Pest side. The Pest side has more of flat land. We drove passing by a huge and gorgeous building of National assembly, drove along Andrashi Avenue to visit the Plaza of Heroes, and went across the Chain Bridge to Buda side of the city.

A few small sports planes were flying with powerful engine sounds. Mai told us that there will be the famous Red Bull air race over the weekend. Suddenly, a keen and big engine noise cut the air and a shape of a plane passed by us swiftly. Amazingly, it flew very low on the surface of the river and flew below the bridge girder which was only 10m or so high above the water. After the plane was gone, smoke was left behind between the girder and the water. We wished we could have a look at the race sparing sometime between meetings and events over the weekend.

Buda area of the city has many hills and much more greens. We drove up slopes of stone paved streets. Both sides of the street were cozy houses. They are nice looking,

well taken care of, and mostly with pretty flowers on the garden. Average income of Hungary is not high, but we get an impression that people are enjoying good and allow life with much time to spend with family and friends. Perhaps this is an invisible asset of traditional European society.

Visit of Ambassador Kosuge Jun'ichi at Embassy of Japan

We arrived at the gate of Embassy of Japan which was located nearly the top of the hill. While we arrived at the embassy nearly half an hour ahead of appointed time, Ambassador and the staff welcomed us into the embassy. Ambassador and Mrs. Kosuge, Jun'ich prepared nice and wonderful Japanese dishes with sushi and other items. We felt obliged that they prepared Japanese dishes with raw fish which would not have been easy to obtain in an inland country like Hungary which has no direct access to seas.

Ambassador Kosuge told us that he was acquainted with me as one of the experts when he was serving as Division Chief in charge of OECD at Economic Planning Agency being despatched from Ministry of Foreign Affairs. I am glad to have reminded myself of our interactions some long time ago.

Ambassador Kosuge gave us many valuable hints to understand Hungary, Budapest and Japan-Hungary relations in the limited time of his opening remark. He told about change of political regime in 1989. Talked about current national administration headed by Mr. Orban, Victor. He proceeded to talk about the issues of immigration, and the impact of Brexit. He said that Hungary people have some sympathy toward Brexit. Hungary and many other member countries alike wish Brussels would understand more of their feeling. He told us about problems in Hungary and elsewhere in CEE such as corruptions.

He on the other hand explained the priorities of economic policies of the current administration to try to develop manufacturing industry seeking to make higher value added economy. In this regard, Suzuki Motor Co. has been playing an important role supporting the national policy of Hungary. Indeed, there are currently 151 Japanese companies operating in Hungary, many of them are auto and machine related businesses, and employ approx. 28000 to 30000 workers.

He added that the recent economic growth rate has been around 2% which is somewhat lower than hoped. The growth prospect also depends critically on the amount of EU funds. He also referred to the fact that Mr. George Soros donated 50 billion yen equivalent to Hungary. Following Ambassador's welcoming remark, I explained about the objectives of our visit of Hungary this time, and also introduced each of 20 Sonjuku members who visited Hungary this time.

After exchanging remarks, Sonjuku members enjoyed free discussions with the Ambassador, embassy officers and invited guests. The cloudy and rainy weather gradually changed to fair weather and blue sky and sunshines began to be visible. Fresh greens of the embassy garden under the sunshine were particularly comfortable and refreshing. We left the embassy thanking the warm and cordial reception offered by Ambassador Kosuge, Jun'ich and his staff officials.

We returned back to the hotel to check in. After a while Ms. Mai Nomura brought a few of us to a coffee shop nearby to see Ms. Itomi, Shinobu. She is an actress by profession and is wife of a famous movie director and renowned photographer of Hungary. Mr. Ferenc Kosa. In fact, by way of introducing Ms. Itomi, Mai bought me as a gift a splendid and gorgeous book of the collections of Mr. Ferenc Kosa photos. The photo book was made by special high quality paper and the book itself is big and as heavy as 4 kg. The photos are fantastic, powerful, tempting, and profound. In the eyes of Mr. Ferenc Kosa and in his timing and angle of shutter, the image become alive and dream like.

Meeting with Ms. Itomi Shinobu

Ms. Itomi is an exceptionally charming lady for her long experience of Hungarian contemporary history. A special story she told us was now the famous event of

“Europen picnic.” Nowadays, many people know this event as that Hungary made the first break through which triggered the chain events which eventually led to the fall down of Berlin wall.

It was August 19 of 1989, 3 O’clock in the afternoon when a few hundred refugees from East Germany who were gathering near the border of Hungary to Austria suddenly started to run and went across the border. Hungarian leaders including prime minister Miklos Nemeth, interior minister Mr. Gyula Horn and others were there and tried not to disturb them from going across the border. This was in fact a well planned event. This event had a chain effects to trigger a series of similar events subsequently to finally led to the fall of Berlin wall.

In fact, this event of Europen Picnic was well and carefully planned by a team of people including Mr.Nemeth and Mr Horn who met often in the retreat of Mr.Mr Ferenc Kosa. It was indeed thrilling to hear the real story of historic epoch by a person who was directly involved. We all thanked to Ms. Itomi to take time to join us at the coffee shop and to Mai Nomura for her special good will to have introduced such an important friend to us to make us feel about the moving moment of the history.

Welcome Session at CEU-Professor Mel Horwitch

Without having a moment to relax at the hotel, we started to walk to the campus(building) of CEU which is only a few blocks away from the hotel. Entering the

old looking entrance hall, we walked up the staircases up to the third floor. There was the round shape room with the name card on the front door, "Senate Room." This is the room which we used for the whole period of our stay at CEU.

Professor Mel Horwitch has been already waiting for us. He, with a face full of welcoming smile, started his welcoming speech. In his presentation, he meant to use as many photo pictures as possible partly to amuse us and partly to give us stronger impression by visual image, which he told me later.

He started his presentation by introducing about himself. He joined CEU some 5 years ago by "parashoo." He was in fact asked by Mr. George Soros, the founder of CEU, to run the Business school as the Dean, and he has served B school for 5.5 years by now. He was born in Chicago, graduated from Princeton University and obtained Ph.D. from Harvard Business School. In his age, many people fled from Europe to the US aiming at safer and better life. He said he had a luck to live such a career as noted above. Luck is important in human life.

In Western Europe such as France, there are many outcomes of innovation like French bullet train, nuclear power stations, and Euro Silicon Valley. In contrast, it seems that not much luck is given to CEE countries. During WWII, destructed by Germans, and after the War, ruled by Russians. Difficult to find future. Rare opportunity was felt with the development of science in Poland or Estonia. Estonia is a success story. How can CEE countries create more opportunities. This is the challenge of CEU.

Awareness is important. Need to invest in innovation. Can we have success story? Success cases can be associated with innovation. European innovation clusters can

be found, for example, in Berlin and Dublin. CEU attempts to foster entrepreneurship.

Young people are different. I saw one day that young people were protesting against usage of fax. They are trying to change the means of communication. CEE may be seen

as an opportunity. McKinsey report tells that CEE is now having a new dawn. CEU B.School tries to be aware of unnoticed hidden new opportunities. We work together with partners such as Warsaw University of Technology.

Budapest is the largest city in CEE. CEU was established by George Soros. In 1991,

Soros built a university here. In 2002, it merged to become the current structure. Now

we have 1500 graduate students. We have MBA program and various courses. Anti-corruptions, commitment to open society, interactions of East and West. We are open

7 days a week. Many programs are on weekends. CEU does not replicate famous MBA

schools. CEU aims at becoming a neutral hub, and helps to make friends.

Your visit is appreciated. We are open to any questions. Learn histories, politics and
els. Mr.Orban, Victor, prime minister, received Soros scholarship, and studied in UK.

Currently appears to be inclined to go East, while maintaining ties with West, a delicate

handling of the course of nation. We are open to ask questions and learn freely.

Welcome to CEU. We are profoundly grateful for prof. Horwitch's warm reception and

careful guidance.

Session 2. Professor Paul Marer, Hungary in Central and East Europe:History, Politics, Economics, and Business.

Professor Paul Marer is a senior professor of economics of Central European University who represents the intellectual circle of Hungary. At the beginning of his presentation, he said that since 1989, the year when Berlin walls collapsed symbolizing the end of the “cold war” and gave rise to the new regime for Hungary getting out of the long and bitter era of Socialist regime under the strong influence of Soviet Russia, he worked hard to reform the country. The results so far have been “mixed.”

About the presenter. He was born in Hungary. He participated to the citizens’ protest movement against Soviet control at age of 18 erupted in 1956, and injured in battles particularly his knees, escaped to Vienna, walking desperately for a few days with the artificial leg. He had a luck to emigrate to the United States, learned economics seriously, granted Ph.D. from University to Pennsylvania, Wharton School of business, he taught for 30 years at Indiana for University of Bloomington. He wrote 24 books, 150 articles. He joined a predecessor of Central European University ion 1987, and since 2000 served as professor of Economics of CEU until today. He also taught in Germany, Holland, Czech Republic, Ukraine, Kazakhstan, and China.

First, let us understand the meaning of CEE(Central and Eastern Europe). This is a geopolitical term. CEE is commonly defined as 17 countries previously in the Soviet Bloc other than the USSR/Russia, and is also defined as 11 countries admit to join the EU. The core of CEE is often referred to as the 4 “Visegrad” countries: namely, Hungary, the Czech Republic, Slovakia and Poland.

CEE area has experienced a long and extremely volatile history. Controlled for centuries by great powers, namely: Russia, Germany, Habsburg Empire, and Ottoman Empire. Due to conflicts with and among them, borders of CEE countries

have often been changed dramatically. In CEE, Poland has been the largest country.

But even Poland has disappeared as an independent country under the control of Russia and Germany during much of the early 20th century.

Hungarian people have lived in the current location for more than 1100 years. However, the area has been under the control of Habsburg Empire during much of

the 19th century, and enjoyed a “golden age” of 1867~1914. After World War I, however, Hungary lost about 2/3 of its territory and 1/3 of population in 1920: Northern part was included into Slovakia and partially to Ukraine, Eastern part to Romania South Western part to Croatia, Serbia, and Western part to Austria and Slovakia. Consequences of WWI: collapse of great powers, the Triple alliance of Germany, Austro-Hungary and Italy lost the war. Grossly unfair post WWI treaties

were imposed on Germany, Hungary and others. The power is Russia was captures by the Bolsheviks.

After the WWII, the Allies gave a much better approach to the defeated as symbolized by United Nations, Bretton Woods Institutions, and Marshall plan. Unfortunately, in the East, story was worse. The Soviet Union exploited CEE especially during 1945 to 1955. Stalin gained full control of Eastern Europe via his “Salami” tactics. Churchill described this situation by the famous phrase in his speech in the US in 1948: “an iron curtain has descended across Europe.”

Even though it was agreed in Yalta that the EE countries will be democratic and market economies, Stalin used “Salami” tactics to gradually convert all the EE

countries

(except Yugoslavia) into satellites. By 1949, each became a mini USSR. Professor Paul

Marer spent his teenager life in Hungary during this period of first half of the 1950s,

This has been the regrettable period when EE countries lagged behind Western European (WE) countries: i.e. the development level of the economies of EE in 1820 was in average about 50% of WE, while in 1913 it dropped to 40%, meaning that EE

could not catch up to WE.

During 1949~1989, the official statistics told that EE countries have recorded a

impressive economic growth, but much of it was statistical falsification. Toward the end of this period, Communism in Soviet Russia collapsed, and transformation took place in EE countries as its consequence. Due to the planning of the economy led by Soviet Russia it turned out that many EE countries had been forced to produce things which

did not meet demand of the market. Therefore, large stocks of redundant commodities were left, which did not contribute to the growth of the economy.

During 1955~2008, CEE impressively converged toward WE, by slowly building

of “established market economy(EME), “ benefits were felt by private ownership, competition, and free trade. Substantial net transfer of resources from the EU to CEE counties. For the case of Hungary, almost 2.5% of GDP per year. Large FDI

inflows and borrowing activate the economy. However, the borrowing often increased

deficits without clear cut and effective policies to pay returned. The development levels may be clustered into three tiers: 1. Czech, Slovenia, and Estonia are most developed,

2. Poland, Czech, Hungary, Slovakia, Latvia, Lithuania are bit less(middle-level) developed, and Bulgaria and Romania are of the least developed,

In 1992, the famous Maastricht Treaty gave both substance and motivation to CEE countries. Of the EU 15 members, the three(UK, Denmark, Sweden) opted out. In 1999, the Euro was introduced. 2004~2013, 11 CEE countries joined the EU. And of those, 6 adopt the Euro or peg to other currencies. Five countries with their own currencies, with flexible ERs.

Now, let us proceed to the period of “Great Recession” and the Eurozone crises. The original 12 member countries of EU, tried to unite on the one hand, “North Hard currency and fiscally prudent countries: Germany, the Netherlands, Belgium, Luxembourg, Austria, Finland(Sweden), and on the other, “South, soft-currency, fiscally loose countries: Greece, Spain(recently called PICS including Ireland but under different circumstances. Straddling in between is France. In short the north provides excess lending, while the South are characterized excess borrowing.

Much of CEE followed similar policies during 1999~2008 although the extent was highly differentiated such as: most conservative Czech Republic, surprisingly well performing Poland, and largest foreign borrower, Hungary. A common mistake of new reporters, business people and even economists is to interpret any country’s high or accelerating rate of growth as strongly positive without considering the sustainability of the high rate. Many of the impressively fast-growing countries in Western and Eastern Europe before the great recession suffered big problems during and since

the
great recession such as Greece and Hungary as well. Yet, during the great
recession,
several CEE countries were among the best growth performers in all of Europe
such as
Poland, Romania, Bulgaria etc.

Professor Marer then went on to explain several features of Hungary in such
aspects as location and neighbors, religion, food, character features, politics and
competitive industries. About Hungarian character, prof. Marer pointed out that
they are highly individualistic and accomplished, the largest number of Nobel
prize winners per capita,
but most had careers outside Hungary, probably partly because Hungarians are
not
team-oriented, Hungarians feel oppressed by others probably due to its history,
like to
blame others.

On politics, Hungary's current "populist, unorthodox" government has
received a great deal of well deserved domestic and foreign criticisms, Greatly
weakened "checks
and balances" an essential feature of democracy. Most state institutions have
been "taken over" by supporters of the ruling party. Propaganda: "enemies
surround us" and the ruling party is protecting the nation. Corruption has become
rampant and blatant.
Nevertheless, Hungary's economy has been performing reasonably well.

Shimada Sonjuku members such as Mr. Koshihara and Mr. Fukuda actively asked
questions on the way to clarify their understanding of Prof. Marer's remarks of his
speech. They have exhibited visible progress in discussion during the course of
their study in Sonjuku. Following the initial presentation of prof. Marer,
Mr. Fukuda asked a question as to the attitude of Hungary government on the issue

of refugees.

Prof. Marer replied that Hungary people worry about the future of children.
Professor
Horwitch added that how to educate the population is an important problem in Hungary. Prof. Marer continued that millions of Polish live in England as refugees. In fact, the Polish is now the second language in UK. Poland lost a large part of its territory to Germany during the WWI due to Hitler-Stalin pact. Polish dislike Russia.
Russia and Germany are two evils in Europe.

Prof. Marer noted that good effects of EU is to try to make the entire EU develop cohesively, and they provide some new EU members such as Hungary the cohesive fund to assist its development. In fact the cohesive fund provided to Hungary from EU amounts to some 2.5 % of the Hungary GDP. In contrast, bad effects of EU is the rigid Brussel bureaucracy. There are too many rigid regulations. They intervene even as to what kinds of food we can import. At the same time, EU emphasizes free trade and free traveling among EU countries. There are currently 28 EU member countries.
There are keen anti-EU sentiment in many member countries.

Prof. Horwitch pointed out that there is too much politicization in EU of policy issues.
Perhaps, Mr. Jan Monnet, the de facto designer of EU system went too far. It seems that French model dominates Brussels. Schengen Treaty brings about destruction in EU.

In Budapest, there is EIT meaning European Institute of Technology which was built following the model of MIT, Massachusetts Institute of Technology. George Soros

once

wrote an article regarding the regrets of some of the developments.

I tried to do a traffic control of the discussion by asking the question as to our basic concern is where EU will go for the future: namely, EU will continue to pursue its original goal by making necessary revisions and amendments responding to criticisms and opposition from peoples of some member countries, or EU will be drifting toward a collapse in the future as symbolically reflecting apparent centrifugal forces suggested by recent developments in Brexit, Austria, Holland, and France etc.

Mr. Obara asked what is the attitude and choice of young generation in Hungary reflecting sharp difference of attitude of young generation in UK as opposed to older generation as shown in the recent referendum which resulted in Brexit.

Professor Marer pointed out the trend that many of young people in Hungary seems to be coopted by “extremism.” There seems to exist a tendency of brain washing of punishing those who do not go with us. Opposition against such power is weak and disunited. Current government seems to be with this trend of extreme right. It is dangerous.

In connection with the question of education, prof. Mar-er noted that in Estonia, which is a small country, many young people study abroad and come back to home country to contribute to the nation. In contrast, in Hungary, many young people go to UK to study, but many of them do not come back. Precious human brains are draining abroad.

Since, our member, Mr.Sengoku, visited Estonia last year to study for his business interest, I asked him to give a comment. Mr.Sengoku told his impression

of Estonia that it is a small country but is very well and systematically organized particularly in information system, and people highly appreciates its software infra-structure.

This has been the lecture with most intensive and rich contents. We have been strongly impressed and overwhelmed by prof. Marer's enthusiasm, stock of knowledge, profound experience and keen dedication to education.

After having valuable seminars, we moved to the classic building of Hungary Science Academy which is a few blocs away from CEU campus. A special room was secured for us to have dinner organized by the auspices of CEU in a form of welcoming us. The room was facing Danube which reflects the dim shines of the sun which was sinking. Mr.

Hiram finally arrived and joined us. We were jointed by Ms. Sally Schwager a famous professor of education and wife of prof.Mel Horwitch. Professor Marer also kindly joined us. Sitting around the two big tables, we enjoyed splendid dinner and good conversations. It was indeed a long day.

Day 3(July 15, Friday)

In the morning of July 15, we visited Budapest Branch of Bank of China. The office of Bank of China was just around the corner of hotel Sofitel where we stay. We were welcomed by vice president of Budapest branch, Mr. Lei Wang. He apologized that president Chang is out of town for urgent reasons, and he will explain about their operation in Budapest in place of Mr. Chang.

The Budapest branch was opened 13 years ago. Bank of China itself has a long history. It was established in 1912 in Shanghai, and opened a branch in

London in 1929. In 2006, it made IPO in Honking Stock Exchange. Currently, Bank of China has 600 branches and offices around the world covering 43 countries. It has asset of 250 billions USD, deposits of 1800 billions USD and 29 billions USD profits. It acquired many international awards. It provides various financial services such as commercial banking, investment banking, insurance, direct lending, aircraft leasing, and fund management etc. The Budapest branch is the first branch shop in CEE.

In view of the recent slowdown of the world economy, Bank of China is thinking what to do next. Currently, the bank emphasizes to extend and fortify the global network to reach every corner of the world. Go globally is the prime slogan for China itself as is symbolized by the government recent strategy of “One belt and one road,” as being interpreted as the New Silk Road of 21st century.

Mr. Wang himself moved from his previous place of work, Luxembourg, to Budapest.

Mr. Wang emphasized that they view the entire area of CEE is strategically important. They above all identified Budapest as an important place to build the fifth clearing center in Europe, following Luxembourg, UK, France and Germany. Prime minister of Hungary is eager to invite them to Hungary. They mean to come to Hungary primarily to create the market more so than profit incentives. They mean to provide service of “excellence”

Mr.Koshiba asked a question as to why Bank of China chose Hungary. Mr.Wang responded that Mr.Cheng, the current CEO of Budapest branch, talked with the headquarters of Bank of China and Central Bank to establish a new branch at

Budapest many years ago. At that time, expected market volume in this area would be small. The strategic choice of the place was not only commercial interest but also

government policy consideration of creating the market in this area. We considered that Budapest is as important as Vienna, Warsaw and Prague. We talked also with Central Bank of China and Chinese government on this choice. Important consideration is to create a market and develop partnership with the Hungary government.

Professor Horwitch provoked a question as to what would be the impact of Brexit

and also immigrant problem on EU and business environment of this area. Mr. Wang responded that in connection of immigration issue, the Schengen agreement

is critical. If there were no EU, there would not be Schengen agreement as such. The leave of Britain from EU is a major back step. This would have a danger of developing a sluggish recession into a major recession. It will bring about not a stagnation but a

real decline of economies. It is a great pity for EU and to the rest of the world. EU would suffer from a substantial recession in mid-term. We, China, would like to see

this rather an opportunity. We see that Asian banks have new opportunities by providing new services.

Mr. Obara asked a question as to how important the market in this area for a Chinese

bank even acknowledging its unique services because of smallness of the size of the market. Mr. Wang responded that the market in this area may not be big enough from

the viewpoint of major Western banks. But from China's point of view, this makes has

many attractiveness such as a strong manufacturing base, good education and

strategically important location close to the gravity of EU.

Mr. Koshihara asked a question as to if there is a global strategic importance in this area. Mr. Wang responded that there is a potential strategic importance in this area particularly in contrast to Eurozone area where competition is intense and tough.

Mr. Fukuda asked a question that Bank of China, having started operation in 2003, how to have kept the size of operation especially going through the recession following the Lehman shock, if there was a special methodology for Bank of China. Mr. Wang replied that the methodology is basically the same as other banks. Importance is how to implement it. Chinese bank, and Asian banks have good reputations such as not to cheat and not to seek big money. We do not seek high profit with high risks as some Western banks to get high bonuses for the executives.

Mr. Ishii asked a question as to if the mindset of young Chinese is important to pursue business strategy of Chinese banks, especially compared to a rather pessimistic view which seems to be held by young Japanese counterparts for the future. Mr. Wang replied that he regards Japanese banks are doing as well. They suffer rather from various domestic as well as international regulations which affect their performance in recent years.

Following the visit to Bank of China, we walked to a nearby and a splendid restaurant named Baraka. Again, we enjoyed a wonderful lunch. This lunch was also given by the goodwill of CEU.

Regional Environmental Center

In the afternoon, we visited Regional Environmental Center which is located in the suburb of Budapest. The nice looking building with a few stories stands in the park with beautiful green woods. It is known that this center is the largest regional environmental center in CEE countries. This center is established in 2008, and conducts various experiments and research in the area of environmental protection and organizes and participates to many international conferences. Currently 20 large research projects are ongoing out of many projects. Approx. 7 million Euro is being spent annually to support such activities.

Ms. Marta Szigeti Bonifert, an executive of the center gave us explanation of the mission, history, organization and activities of the center. She is an Alumni of CEU.

In fact, 30% of the staff have been trained in CEU. The center has been granted many donations and contributions from foreign governments, organizations and individuals including US president George Bush, EU government, Japanese government and private foundations such as Toyota Foundation. Japanese support has been crucial among others.

Mr. Koshihara asked as to what is the momentum to get people interested in environmental problems? Ms. Bonifert referred to the experience of Hungary and elsewhere that in a quarter of a century ago, cities were dirty because of industrial wastes of steel, chemical and other industries. People wanted to overcome this issue by their intentional efforts which became the momentum of environmental protection movement.

I introduced a social movement which took place in Japan for the last 20 years

or so

by which people classify wastes according to their types so that much of the water could be re-use and re-cycled in addition to try to minimize the amount of water themselves. I call this movement “social innovation.”

Mr.Ishii posed an important question as to how the center thinks on the issue of

“nuclear power threat.” Ms. Marta Bonifert commented that the whole issue is highly complex. For instance, we are faced with challenges to tackle global warming and also minimizing or even abolishing nuclear energy use, also we need to think about the issue of energy independence for any country. This issue has many self-conflicting or contradicting choices. She thinks though reliance of nuclear energy needs to be reduced gradually and eventually should be phased out. Dr.Zsuzsanna Ivanyi, senior expert of the center added that the the challenge to protect or improve environment should be not for profit, not by partisan. It should be promoted and solved by participation of all people who worry about it.

We spent as long as three hours discussing many issues of our mutual concern. When we departed the center, the woods cast a long shadow reflecting the lowering sunbeams of the early evening.

We drove the bus along river Danube. There were a couple of planes flying high and low. They are apparently practicing preparing the airshow tomorrow. Since it is getting to be evening, no more airplane exercises. We wished that we would be able to see at least a part of the race show tomorrow.

Having arrived the hotel, since I had an hour or so before the dinner time, I went to the hotel gym where a good facility of swimming was available. The swimming pool was small but perfectly clean and comfortable to swim. I swam for 15 minutes, got shower

in my room and refreshed and joined Sonjuku members to go to restaurant Pierrot. Restaurant Pierrot was still another splendid restaurant. It was on the top of the hill

of Pest side. After having a nice dinner there, we took some walk to see the nice grand view of Danube, the Chain Bridge, and Palace on the other side of the river which were

shining in the darkness. After having a nice and rich day, I had a good sleep that night.

Coup D'etat in Turkey

I called my wife in the mid night just prior to go to bed. Japan is 8 hours ahead so that it was early morning in Japan. When she took up the phone, she said that there erupted Coup D'tat in Turkey. She said that Japanese TV reports that the rebels

bombed the office of prime minister, and their tanks are getting into the main street of the capitol. Obviously, this turmoil happened only a few hours ago in Turkey which is a neighbor of Hungary.

I went to bed, but the news about the Coup D'etat in Turkey was sticking in my mind and was difficult for me to go asleep for a while. I wondered what we should do if the Coup is real and disturb the operation of international airport of Istanbul by the time we go by, which is only a few days ahead. I thought then the whole event of Coup will be known more tomorrow, and fell asleep sometime later.

Day 4(July 16, Saturday)

Early in the morning, perhaps around 6 o'clock, my cell phone rang. I took it up. It was the ring from my secretary back in Japan, Ms.Inoh, Naoko. She said to me if she might have woken me up. I was already up. She meant call me this time

because she thought I was going to swimming pool for a morning exercise. Indeed, it was right. Tokyo time was in the early afternoon. She told me about the Coup in Turkey and asked me what she should do. I suggested her to collect information about the Coup at Japan side, contact Mr.Isao Yamada, COO of Ypsilon Co. who could rearrange our air tickets in case we need to go to other airport avoiding troubled Istanbul AP.

I went to the swimming pool downstairs. Unfortunately, there was a notice that on Saturday and Sunday the pool would open after 7 O'clock. I disappointedly went to a club restaurants at 8th floor for special guests. This is convenient, quiet and had always good service. I took breakfast leisurely overlooking the nice view of Danube and the Chain Bridge. Went down to join Sonjuku members to walk to CEU to attend the lecture. It was unfortunately raining.

Professor Gyorgy Bogel

“The Rise of Entrepreneurship in the CEE”

Professor Bogel is economist by training. He is working for business school. He has keen interest in creating new businesses. He left academia for some time working for large IT service company and returned to academia. He joined CEU in 2001, and became full time professor at business school since 2005. He is teaching particularly innovation and entrepreneurship. He advises many corporate projects providing recommendations and suggesting solutions.

At school, he taught recently in his course to create new ventures and new companies for students. In this morning his lecture is supplemented: one by his friend who is a businessman promoting developing robotics, and the other by an experienced official of National Trading House which provides strategic advices and

administrative
assistance for Hungary businesses.

Professor Bogel first introduced in some detail on what he has been teaching in his course on entrepreneurship. He utilizes many cases of examples of high tech products and let students involve in different stages of handling of the products from design, production, testing etc. He then proceeded to show us comparative statistics of proxies of entrepreneurship and innovation with cautions on unavoidable statistical biases particularly associated with international comparison.

Mr.Obara asked a question as to what prof. Bogel mean by private equity, if it is to mean venture capital or large capital. Prof. Bogel explained the composition or distribution of the types of equities and also their overtime changes.

Mr. Koshiba asked a question as to how the prospect of Hungary economy looks like as an environment for entrepreneur activities. Prof.Bogel commented that a largest investor in Hungary is the government, and also emphasized the large role of EU funds to affect the business conditions.

Mr. Obara asked a question as to how large is the regional scope to raise funds. Prof. Bogel replied fund raising covers primary Hungary but also reaches various parts of CEE. I supplemented by telling some historical background of Hungary and CEE particularly with respect of joining EU and securing financial assistance from EU.

Mr. Koshiba asked a question of influence of aging on economy and business. Prof. Bogel gave us a comprehensive picture of aging of population and labor force structure and its changes. He pointed out that while there existed many

public pension funds but 6 years ago many of them were closed because the government needed funds for economic growth, also many private pension funds were nationalized.

He also noted that foreign pension funds play an important role. Prof. Bogel emphasized that aging is an important problem. Hungary is faced with labor shortage,

which stems not only from aging population but also from brain drain to such countries like UK. Recently, 10000 to 20000 IT jobs are unfilled. Skilled workers from

Ukraine are an important source to fill the gap.

Mr. Fujita asked a question as to the role of foreign funds. Prof. Bogel commented that

foreign funds are interested in large scale buy outs and not interested in financing needs of small businesses. Venture capitals and equity capitals response quickly to

any political and economical changes. Small businesses in Hungary have a good prospect in robotics.

Mr. Arpad Takacs, A.I.research scientist of Adas Works, the company which is specialized in making the software for self-driving cars, took the floor. Mr. Arpad Takacs is a mechanical engineer. He obtained Ph.D.in robotics science. Robotics is now developing from the stage of mechanical system toward artificial intelligence. He was born in Serbia. Hungary benefits from local brain drains from Serbia, Romania, Ukraine etc, and he has been one of those.

AI is the area which is expected to develop dramatically for the future. Hungary must

be in a good position to develop with it because Hungary is among the highest in the world in the past achievement of Nobel priziers per population, Hungarian language

requires clear analytical thinking, and 130 to 140 start ups in Hungary for the last

five years in the area of industrial robotics.

In 25 years to come, robots will be used in caring and nursing the aged population.

Currently we are developing automobiles with self driving functions assisted by AI.

We try to assure reliability, creativity, security and safety.

Mr. Koshiba asked a question as if technological development is considered to be good for human being. Mr. Arpad Takacs answered that they presume technological development provides better and safer driving than human drivers.

Contacts about Coup De'tat

Taking time between lectures, I talked the issue of how to do to avoid the risk of getting an impact of the Coup in Turkey with Ms. Mai Nomura. We agreed that she contacts a Consul General of Japan who she knows well asking him to collect information and give us relevant advice.

I then called Ms. Inoh to try to contact Mr. Isao Yamada to find out whether he can arrange tickets for those of us who would have to go by Istanbul AP to return to Japan bypassing Istanbul to other AP such as London, Paris or Frankfurt. Ms. Inoh told me that Mr. Yamada is already contacting relevant airlines. I urged Ms. Inoh to make sure that such rearrangement of tickets be done within the working time of Japan today because the turmoil created by the Coup may well mobilize great many people to rush to such bypasses. I told Ms. Inoh that we would like to be relatively in early positions of

the cue in such events.

I also called my wife, Kimiko, at home. She said that Istanbul AP seems to be closed because of this turmoil. But at the same time, President Erdogan, Recep Tayyip, seems to be gaining the control over the situation, and began arresting several hundreds of leaders. In fact, some leaders of rebel troops are reported to have surrendered to the government army. Her news gave me some slight hope that the situation might be improved quickly. Her news from Japanese private TV stations seem to be quite quick compared to more official public sources. With this much of communication, I got back to our class room.

Mr.Balazs Huszthy : National Trading House

National Trading House is somewhat like Japanese counterpart of JETRO(Japan Export Trade Promoting Organization). The NTH is a public and non-profit organization which provides various services toward Hungary businesses particularly of small size.

It helps to provide logistics, finance, knowledge of laws, provide training and introducing partners. With the help of NTH, Hungary's export to Japan has been increasing, particularly in high quality food products such as lacquer, meat and Tokaj wines.

Mr.Balazs Huszthy pointed out, metaphorically, concluded that many Hungary small firms go close to the national border, but they stop there. It is the role of the government to push their back to go across the border.

Mr.Koshiha asked the question as to why not concentrate the energy and effort of NTH to strategically selected sector or companies to empower. Mr. Balazs Huszthy replied that first of all, NTH is non profit government supported organization so that we need to provide services to all those who need our

assistance. Of course some want only communication and others want more dense services, we try to do our best to meet the needs of them.

Mr. Obara asked a question as to how to balance between competition on the one hand, and the government support on the other. Since resources are limited, you may need to concentrate your effort strategically to “picking the winners.” Mr. Balazs Huszthy replied that our services are all free because of the premise of non profit organization.

Professor Noemi Alex

“Integrity, Business Ethics, Corruption Patterns and Trends in CEE.

Professor Noemi Alex is a renowned researcher of the issue of corruption particularly in CEE countries. She provoked her discussion as follows:

Let us first ask the question as to what the corruption as such is in the area of CEE.

I once worked for an organization named “Transparency International.” This organization compiles various types of information and tries to extract important implications through reliable analysis.

Corruption is largely a hidden phenomenon such as bribery, kick back, nepotism etc.

Since this is highly of a hidden nature, it is hard to measure. Nevertheless, we measured the degree of penetration of corruption, and made ranking of 50 countries. In Europe corruption tends to occur less in West and more in East. Among such observations, Estonia seems to be an exception. Estonia enjoyed low corruption and promotes remarkable innovation. Among Western Europe, the Southern European countries such as Greece and Italy, have no communist tradition as some of the CEE countries, and yet seem to associate with high corruption.

CEE had been centrally controlled countries until 1990 because of communist regime.

During Communist era, informal network was important to promote business. Foreign

businesses had no human network which had been enjoyed by domestic businesses.

Outsiders therefore were more prone to corruption. Political system needed money.

Political system got money from businesses through informal and not transparent agreements. CEE patterns of corruption has been reinforced by legislative excessive

judiciary regulations. Fight against corruption has been attempted by establishing ombudsman, audit institutions, and anti-corruption agencies.

Research have been conducted to analyze and identify patterns of corruption in

CEE countries in such areas as structure of informal networks, state and business interdependent relationship. Business gives money to state for political activity, and

state on the other hand provides funds to the public. The issue is how to allocate state money democratically.

Shimada commented that an important view to look at its nexus may be to clarify

the relationship between the competition and corruption. In a communist regime where

resources are allocated by planning rather than market competition, businesses need to

obtain resources by resorting to the benevolence of political power, hence corruption must emerge. In contrast, in a free market system, the only way to get resource is to win the competition either by lower prices or by higher quality.

There is little room for corruption to emerge. We may analyze and understand the nature and degree of corruption by this criteria.

Mr. Yamagishi pointed to the fact that Japan is presumably a democratic country but the Japan system has been until 1990s un-transparent. In Hungary, do public believe in so-called elites such as business leaders and politicians? Professor Alex responded quickly that politicians and business leaders are not trusted.

Mr. Fukuda asked a question if there is opportunities for integrity of the country. He said if political commitment to change the system is lacking, country cannot be changed. He emphasized that the commitment of top leadership must be the key. Professor Alex responded that political leadership to change the nation is not very realistic in many of CEE countries, except, say, the case of Estonia.

Ms. Noguchi commented based on her experience of running an manufacturing company in Thailand that in Asia, there may be a role of close human network with politicians because business must sell products and it should be strong to pursue its goal. In Asia there seem to be cases where there exist much corruption and yet market competition is tough. Professor Alex commented that every country has its own unique practices. Under such circumstances, you can do your business gearing to prevalent local conditions.

Coup De'tat and Decision Making

After the seminar we went to an interesting restaurant, "Taste Hungary." It was raining outside. We walked back to the hotel and called tax cabs to go to the restaurant. This restaurant is apparently very popular among those who like wines. in the half basement room, there were many bottles of wines lined up. We sat

around country looking wooden tables. We can order several types of wines and can try tasting. Wines come with cheese and a few other items. Main dish is obviously wines.

I thought it is necessary to tell Sonjuku members as to what we do knowing Turkey is now in the turmoil of anti-government Coup. Mr.Ishii gave me a memo which tells him

what should be done if we choose to bypass Istanbul AP and take airlines other than Turkey airlines which we have reservation. The memo apparently written by Ms.Inoh tells

that we need to pay extra full roundtrip worth of cost to go by an airlines other than

Turkey Air.

The full roundtrip airfare is about 700 000yen or some 6800USD, which is a large sum of money. The reason is that Turkey Airlines have not cancelled their flights yet in this national turmoil so that they have no reason to have to pay back the money we had paid to them for a return trip. If we want to bypass Istanbul AP via another airlines it is customer's responsibility to purchase the fare for return trip and it is often more expensive than a round trip ticket.

Under these circumstances, our choice is either dare to stick to Turkey airlines and try to return to Japan via Istanbul AP or choose some other airlines and return to Japan bypassing Istanbul AP.

An advise we have received so far from Consul General of Japan is to watch and listen the developments in Turkey carefully and not newer news were provided. Newest news from Japan available in I-phone, and the TV news from my wife includes President

Eldoan arrested 6000 military officials and discharged 1200 professors, and Istanbul AP was re-opened. Given such developments, I thought that President Erdogan seems certainly gaining a control over the situation even to an excessive extent.

If that is so, given his personality as a global dictator, he will surely keep Istanbul AP, which is Turkey's largest International AP, open betting his international dignity even though there might be still some risk of conflicts. Under this observation, I thought I would bet to stick to Turkey airlines and return Japan via Istanbul AP. By the time we go by Istanbul AP, which is three days ahead, the airport will be operative just as normal.

I asked those seven Sonjuku members who have Turkey air return tickets which options they choose. Mr. Ishii said that he would at that moment most likely to seek for ways to bypass Istanbul because not all the risks have been wiped out with Turkey. I understand his choice particularly because he would succeed his father's position of CEO of a good size iron work company with long history not far in the future. All the others replied that they would go together with me. So, we reached the conclusion on this issue. And a few days later, Mr. Ishii decided to join us since the situation in Turkey seems to become sufficiently stable.

I tasted or rather drank three different types of wines enjoyably, and became high. I came back to the hotel around 3 pm. I thought to take a short nap for at most half an hour so just to cool down myself. When I got up, it was close to 7:00 pm. At 7.00 pm, we must meet together in the lobby of the hotel to go to an unique Japanese style restaurant "NOBU."

Restaurant "NOBE" is quite popular in Hungary. It is managed by a Hungarian businessman. It gives mainly sushi. Most sushi chefs are Hungarian or non-Japanese. The restaurant is filled up with guests. Mai told me that since she learned that Mr.

Muroya, Yoshihide, the world widely famous plane race pilot who won the Red Bull world air race last year held in Makuhari near Tokyo, would come to Budapest, she left a note to him that we come to NOBU tonight. And he certainly came here. Man asked me if it is all right to ask Mr. Muroya, Yoshihide to join us. I said I am glad to. Mr. Muroya, Yoshihide joined us at our table. Mr. Muroya is a sensible gentleman. We talked about the race of tomorrow. We encouraged him to win again this year. It was a great opportunity and fun to talk together at dinner.

Day 5(July 17, Sunday)

This is Sunday. Today, we plan to visit Hungary's famous wineries in Tokaj area.

We left the hotel as early as 7:00. Since the hotel restaurant is not open yet. We were

provided a breakfast box, which was quite large. Ms.Mai Nomura arranged a bus and a nice guide. She speaks beautiful English very fluently. Her explanation is kind and detailed. She is in fact the member of the company which runs the restaurant,"Taste Hungary," where we had a wonderful lunch yesterday. By the way, her name is Ms. Aniko Kertesz, which sounds like Japanese. She said smiling that many Japanese tourists ask her if she has a Japanese origin.

Ms. Mai Nomura pointed to the railway station, named "East Station." She said that

the station became well known worldwide recently. This is because thousands of refugees and immigrants from Middle Eastern countries rushed to this station hoping to go to Wien and to Germany only up to several months ago. Since most of them were rejected, they were staying either in or around the station for many days.

Incidentally, Hungary prime minister Mr.Orban, Victor takes a tough position against acceptance of immigrants from Middle Eastern countries into Hungary,

basically opposing against the official stance of EU particularly led by the leadership of Chancellor Angella Merkel. Indeed, he reportedly plans to conduct a referendum on this issue in October this year.

The bus passed by small buildings on the way, which Mai told me are the building for fostering and training veterinaries. Hungary is renowned to have excellent Medical Education program. Even from Japan, as many as 500 students are studying. Hungary's policy is to provide open access to such advanced education knowing that such doctors will work in various parts of Europe later. Recently, the number of Chinese students is increasing rapidly, added Mai. Animal medicine is only an example. Hungary is eager to provide many such internationally attractive programs including educating trainers for Olympic games such as swimming, fencing etc. Hungary is also highly competitive in Olympic games.

The weather was not exciting. It rains sometimes strong and sometimes light. We hoped hat the rain will stop or at least not rains strong when we walk around to visit wineries. The bus run fast and quite stably reflecting good pavement of the highway.

On the way, we passed by a large field filled with sunflowers. Mai told us that it use for extracting oil. Sun flower oil is an important industry for Hungary. Mai added.

We originally planned to visit three wineries and one wine vinegar today. Since it seems to take much time and we may return back to Budapest fairly late in the evening. I asked Mai to cancel one of the three wineries. Asking her to shorten the visit program somewhat, we had a slight hope to see a spectacular scene of "Red Bull" Air Race if possible.

Shortly before 9:30, we arrived at the most famous winery in Tokaj region, Szent Tamas winery. In fact, this Sunday is a special day for the owner's family. They

together celebrate the birthday of owner's wife so that the family cannot receive us as visiting guests. Very kindly, however, the eldest son and the future successor of the winery,

Mr. Istvan Szepsy Jr. who is a friend of Ms. Mai Nomura kindly offered to spend half an hour with us until 10:00. He told Mai that he would have to go to the family gathering punctually on 10:00.

In spite of such special circumstances, Mr. Szepsy Jr. kindly explained to us the history of wineries in Tokaj area, his own winery, methods of producing wine, and let us taste several kinds of selected famous "pourriture noble" wines. Each of them was splendid in its own right. Mr. Osano, who owns a certificate of a sommelier, kept asking many questions to satisfy his curiosity. Taking advantage of this opportunity, Sonjuku members together decided to purchase boxes of wines, and receive them at the time of graduation day of Sonjuku, August 22. He spent much more time than he must have planned. We owe him a lot.

We then moved on to visit, a well known vinegar winery of this area, "Tokaj Borecet."

Quite unlike the outlook of the building which is one of the traditional houses of this area, the interior of the house is quite modern with bright color walls. We first saw a

movie telling us how important the vinegar is. We then tasted many kinds of vinegar

at the shop. Sonjuku members bought quite a few vinegars. Mai helps this shop as an advisor.

It took us a little longer time than we thought to arrive at the next place. We drove through narrow paths in the farm. Houses there look traditional houses of country side. But they all seem to be maintained well and kept clean. Most houses have small gardens with lovely flowers. We have heard sad stories of this area in early 20th century. This area was inhabited many Jew people, many of them are

people with special skills such as doctors and engineers. But most of them were killed by the Nazis. During the WWII, Hungary fought the war with Germans and lost. 2/3 of Tokaj area was taken away by the Trianon Treaty to the Czech Republic who don't call the area Tokaj. On the top of the houses along the path, we found big storks resting. Poetic scenes eased our minds.

The third place we visit is the mansion named "Grof. Degenfeld Kaastelyaszallo" where we plan to have lunch. This mansion has its own winery. This winery is committed to raise grapes nervously without chemical fertilizers. The facilities were surrounded calm and cozy woods. The whole green environments eased our feelings. The guide spoke fluent English and spoke very fast to tell many things he apparently wished to tell us.

Since we are somewhat behind the schedule, we asked him to wrap up early. We had a nice and gorgeous lunch accompanied by nice wines in a cozy room of the mansion.

Since we enjoyed a nice lunch much, we are considerably behind the schedule. The bus driver drove bus fast on the highway under the cloudy and sometimes rainy weather. We wondered if we might be able to arrive at Budapest to watch the final scene of "Red Bull" Air Race. Aniko Kertesz told us watching her smart phone that the race was concluded already in the afternoon. She told us that the organizing committee of the race decided to conclude the race because of bad weather without having the final match. Our hope to see air race even though briefly was gone.

In the evening, we went to a classical and gorgeous restaurant "Karpattia." This is another famous restaurant in Budapest. The restaurant is in an old looking building. We were guided to a large dining hall where several large round tables. We sat around two of such tables. There was an ensemble of musicians at the corner playing

nostalgic Hungarian and Gypsy(Romanian) musics.

This evening, Mr.Shimada, Yoshisato of Sonjuku invited his old friend, Ms.Kosztai, Margit. who used to work for Malev Hungarian Airlines up to several years ago when the company was closed. She has long been a friend of the Shimada family. When Mr.

Shimada's father's company built a hospital in Hungary, she has been a great help introducing relevant Hungarian officials. She speaks several languages, according to

Mr. Shimada.

I was interested to listen to a common citizen's view on the current situation and problems of Hungary. Before I start asking her questions, she talked on many issues.

The discussion was interesting and suggestive, let me summarize some of the points.

She is dissatisfied the results of change of the regime. She said that since the change of the regime, economic conditions have not been improved. I pointed out that macro economic growth has been much higher since 1990s, She said that people do not feel so. She understands Mr.Putin's popularity as a leader of Russia. She talked about the

fact that traditional chocolate companies in Tokaj area have been bought by a Western major chocolate company which resulted in simply the loss of job opportunities there.

She thinks that there is a strong US influence behind the Orange revolution in Ukraine and Arab spring movements. She is highly critical against George Soros, which was a kind of shock for me to hear from a Hungarian. She criticizes in particular Soros speech at EU assembly to promote policy to accept immigrants to EU. She quoted that Soros

recommends to create a major fund to finance immigration policy by means of accepting loans by member countries, and in the long run pay back such loans by

taxes. Since I have not heard about Soros recommendation myself, I am not qualified to make comments on this issue. But it was impressive that Mr.Soros is not fully appreciated by the public and the leader such as Orban Victor in his home country.

On the issue competition, she does not wish to admit the merit of competition with necessary cost with it. She said Hungary is susceptible either to Red Star(Moscow) or Blue Star(Brussels). Discussion with her is suggestive to touch feelings of Hungarian citizens.

Day 6(July 18, Monday)

Visit of Graphisoft and Mr. Gabor Bojar

Leaving our hotel at 8:30, we drove our bus toward upstream of the Danube for about half an hour. We arrived at a large business park built along the shore of the Danube, which was built by Mr. Bojar, the founder of the Hungary born growing global IT company, Graphisoft. We were welcomed by Mr. Bojar. He showed us around the part of his company and gave an intensive lecture at a conference room. His speech was enlightening and educational. Let me note the major points of his splendid speech in what follows.

I started to work in 1982. When you work, you usually have a dream. In my case, No. I had a frustration. When I first work in a job, I was disappointed by boss. If I can prove I am great, boss is happy. If I have to learn, boss is unhappy. If I am too good, it is a danger for boss.

This was the time of socialism. Private ownership is not allowed. People like to compete, but competition is not good for planned economy at the time. The result of planned economy is “Trabant,” the symbol of inefficiency. “Audi” is the symbol of efficiency in a competitive economy.

I finished university education in 1973. During 1970s, I wished to build a company but it was impossible. In 1982, revolution in Hungary. Hungary adopted the small enterprises legislation. Now it is possible to start the company. In 1982, it was the timing of info technology revolution. It was not like industrial revolution. Information technology revolution is much much bizarre. I loved IT. I wanted to establish software co.

There was a COCOM technology embargo. There were constraints: no accesses to new modern computer, not accesses to capital, and no accesses to market. 7 years later, I opened a office in Silicon Valley. In 1989, Hungary executed the epoch making “European Picnic.” In Silicon Valley, Hungary company got attention because of “European Picnic.” European Picnic opened the iron curtain which separated Capitalist and Socialist countries during the cold war era.

In Silicon Valley, I got access to computers, capital and market. If we were not in Silicon Valley, it would not have happened. Salaries were relatively low so that there was not much need for large capitals. We were provided with accesses to motivated and talented people. The most critical challenge was to attract talented human resources.

Challenge was how to convince such talented people to work for a start up company.

Hungary, with its 33years experience of socialist regime, attracting talented human

resources was relatively easy. Competition to hire talented people is severe. The best condition for you to succeed is to hire talented people.

For you to develop, you always need to have pressures of competition. It is important to be in a right place at a right timing. Our company became no.1 in Europe in 1988, and in 1989, when Berlin walls collapsed, my company became the market leader in Europe and even in the US market. In 1998, we did IPO in Frankfurt stock exchange.

The most important for IT company is to secure best human resources, the talented people. For instance, Google is doing it well. Banks build huge headquarter buildings to show their power. We want to impress our employees by providing them green environment. Our campus is green on the surface, but it has the capacity of 2000 cars parking lots in the basement. On the surface, green trees are higher than most buildings so that we feel like working in forests. We have cozy cafeteria and restaurants in the park campus. Keeping many cars underground is costly. Maintaining green office campus is roughly 20% higher per acre than having offices in ordinary office buildings. Many employees come by bikes. We provide shuttle bus service between downtown.

Now the question is if it is enough to attract best talented people. The unique mentality of engineers, particularly of well educated and excellent software engineers, is to impress peers how excellent they are by publications or having been quoted or cited in publications. They are not particularly committed to business. They are more eager to impress peer engineers rather than customers of their products. This mentality is the problem. We need to change this mentality. 10 years ago I solved this issue. Learn more from sales people who are directly

facing up the customers.

The size of organization is also the key. Big company can lose a lot so that it tends to become risk averse. Small ventures sell their companies and start new ones. They challenge against risks. It is also important to bridge business with academia. To make better engineers, send them study abroad, particularly US. Italy produces great architects. They face demanding customers in the US. In fact 180 of 200 US universities are customers of Italian architect. Japanese car makers made much more success in Europe than American makers because Japanese makers had much better understanding of Europe local conditions such as narrow roads and tastes of European customers.

In 20th century, large countries had large domestic market and large company developed “global standard” taking advantage of such huge domestic market. 21 century, however, things are changing. Even small companies can go global making use of internet. Sometimes, small companies in small countries having only small domestic market has an advantage of trying to sell their products globally from the beginning. This is the case for Hungary, Israel, Ireland etc.

Hungary is advantageous in the sense that this is the country where different cultures meet. US is said to be “melting pot” of different cultures. Hungary may be said as “survivor spot” of different cultures. Hungary is also advantageous because in Hungary natural scientists and mathematicians receive high public respect, and consequently excellent scientists and mathematicians are fostered.

Mr. Koshiha raised a question as to the key to success must be the leader’s passion to compete. Mr. Bojar agreed and said that the passion is not something which can be taught at school. One could teach how to discover. This is the human instinct.

Majority of people look for safety. But some have strong enthusiasm to compete. For entrepreneurs, it is difficult for those who are not enthusiastic to turn to enthusiastic.

Mr. Fukuda said that in communist age, everybody is made to be equal. you said that your father was a photographer, what you thought to be the best occupation?

Mr.Bojar

responded that in 1980s people grabbed an opportunity. I thought when I was young,

the photographer, which was the occupation of my father, was the best choice.

Then I thought whatever I do I have to be the best. Mr.Fukuda referred to the conversation with his father whose job Fukuda may succeed. Mr.Bojar confessed that now that he

is doing his best, and his children are doing their own ways. He sometimes might think that if his son succeeds what the father works for, the father might have another view of the life.

After listening to speech of Mr.Bojar, we took a picture in front of a bronze statue of

“Steve Jobs,” and went to take lunch at one of the cafeteria in the Graphisof park.

We enjoyed lunch surrounded by a lot of greens, under the strong sunshine, with a nice feeling of breeze. After the lunch we went to the hotel, and from there we walked back

to the building of CEU to attend afternoon seminars.

Professor Robert Kramer and Professor Agnes Jenei

They are professors of National University of Public Service(NUPS) which

aims at educating and training government officers and political leaders built by the initiative of prime minister Orban Victor.

Both professors are conducting research energetically to create a new strategic method of training public leadership, hoping to help develop leadership in senior public services.

Professor Kramer started his lecture by telling his memories when he was young. In 1956 Hungary was suppressed by Soviet Russia. Soviet Tanks all of sudden invaded into Budapest. During WWII, his father was forced to work by Hungary military like slavery labor in Ukraine. In winter, no food, no clothing and many of them were killed because many of them were Jewish. His mother was taken by Hungary government away to a faraway camp. Many of family members died.

In 1947, parents were married and new life started. In 1953, sister was born. They tried to hide themselves from secret police. They tortured whoever captured. Young protesters rebelled against such oppressions. Rebel continued for 9 days. Tanks came 2 books away. This was enough for us. We left for New York, No money, no language, no job. They worked hard whenever supplied jobs.

Professor Jenei was born in Hungary. Lived in Slovak, Italy other than in Hungary. Much difference in life style between Italy and Hungary. In 1980s in Hungary, little dark and grey days. We desired freedom. I visited Italy, and astonished to see how much they enjoy life. Life is beautiful there. She started to work as interpreter and intercultural mediator. Currently, she works for NUPS, where they train future public officers in

ministries, municipal governments and military. The challenge is how to transform one's way of thinking. They are developing and devising a new methodology which they name "Transformative Action Learning."

Professor Kramer's unique experience of living in the US for half a century and more most of his time he worked for US government. This is almost a different planet when compared to Socialist Hungary of several decades ago. Then, in Hungary, all conversations were tape recorded, officers tell lie from morning till evening, otherwise they lose their jobs.

I was somewhat lost on the course of discussion as to where we would go. We thought we would learn professors Kramer's and professor Jenei's theory and methodology of developing public leadership and their relevance to not only to CEE area but also to Japan. But listening to their stories as depicted above, we feel we are lost as to where are we are heading at. So I decided to try to do a little bit of traffic control. To do so, I thought it would be important for both of us share some understanding of our political and historical backgrounds between Hungary or CEE region and Japan because we will be discussing political leadership development or training of these countries anyway.

I then went on to describe historical and political backgrounds of central and eastern Europe ranging from the era of Habsburg kingdom, WWI, WWII and Socialist Era, and the contemporary free capitalist society. In contrast, I described quickly Japanese historical and political backgrounds starting from five major wars Japan fought in the early half of 20th century such as Japan Sino war, Japan Russo war, WWI in China, Japan' invasion into China and Japan's Pacific War against US under the Japan's militaristic monarch, and the re-start of Japan's history from occupation by the US and Allied Forces and subsequent era of phenomenal economic development under the utterly pacifism and "democratic" regime.

I spent considerable time describing these historical and political developments of two different regions because I hoped that having such knowledge together would help develop our discussion more toward substantive interactions and mutual understanding. To promote our discussion having these broad knowledge base together, the unique experience of professor Kramer of his service within US government for a long time, and rich inter-cultural experience of professor Jenei even including her experience in China contributed importantly to develop discussions of themes of mutual interest.

Our discussion developed into such questions of migrations, refugees, employment and unemployment in CEE countries, and naturally to deepen our insights to understand the importance of political leadership, and the importance of developing the program to develop good political leadership as is envisaged by the initiative of prime minister Orban Victor to establish National University of Public Service in 2013.

Mr. Watanabe. based on the notion of importance of asking high quality question in leadership development program, asked if the sense of fairness and mutual trust is important.

Mr. Fukuda asked the importance of integrity for a leader to have. Mr. Yamagishi asked a question of “populism,” which is a reflection of the fact that politicians do not tell truths. He also asked the question of fairness comparing the political culture of the US where fairness is considered most important whereas in Japan where safety, efficiency and equality is highly valued.

Professors Kramer and Jenei introduced a case of exercising leadership development program as describing how many of participants take part in the drill and what they are asked to think under what kinds of instructions and rules etc.

This gave us some concrete perception of what the program is like.

Mr. Koshiba asked the implication of leader's relying on experts information and advice. Mr. Ishii asked the effect of leader's role if his counterparts try to read the face of the leader thinking of international diplomatic relations.

Professor Horwitch stepped in the discussion by quoting the recent appraisal of Bank of China to the leadership of Mr. Orban Victor particularly on the question of migration.

He also quoted the remark of professor Marer of different interpretation of leadership when read from different angles in case of Brussels's leadership.

Professor Kramer, in describing the recent government handling the case of East-West issues of accepting a substantive EU funds and yet leaning to Moscow, connotes an expression "Sailing Western boat with Eastern Wind."

Mr. Sengoku asked the fundamental question as to how to survive. Professor Kramer emphasized the importance of asking high quality question. You may spend 55 minutes finding out high quality question, then you can give a right answer in 5 minutes. Professor Kramer went on to argue populism. Populism is the other side of politics of fear. What you tell people with not much education, you are inclined to say this line. Important is how to protect Hungary from threats. Securitization is the key. Securitization is to make people feel secure. Prof. Jenei pointed to the fact that media can aggravate the sense of fear.

After the lengthy seminar, we had a little gathering of some of the recent alumni of CEU and some of the professors including Profs Horwitch and Kramer with some snack and soft drinks. It was a nice occasion of easy chats. This was obviously planned by Ms. Mai Nomura.

We then walked to a historic building of Four Season's Hotel which is faced with Danube. The sun was setting. It was a cozy and comfortable evening. We entered the classical building of Four Season's Hotel. The building was built more than a century ago, when Hungary was enjoying glorious era as part of Austria-Hungary Empire towards the end of Habsburg dynasty.

The dinner this evening was given by the auspices of Shimada Sonjuku so that our main guests are Prof. and Mrs. Mel Horwitch. Dinner was prepared in a large dining room with high glass ceiling where we get some light of sky of the evening. We took whatever we like to eat from the side board and enjoyed conversation. We talked a lot of interesting events, happenings, and observations during our visit and stay in Hungary. I sat next to Ms. Sally Schweger. For some reason, we talked in some depth about sensing in education, and then sensing in art. Since Sally is a specialist in education and also she has a son who is a dedicated artist, and I also have had experience of painting pictures from my childhood, we talked about art a lot. I promised her to send some materials of my art. At the end we all took a picture as our important memory of our visit of Hungary and study at CEU.

Day 7(July 19, Tuesday)

Professor Yusaf. H. Akbar

“New Kinds of Thinking Where East Meets West”

Professor Akbar was born in UK in 1960 with Afghanistan father and Italian mother.

He visited Japan in 1993 for one year to study “impact of EU trade policy on Japanese auto industry” His research focus was particularly on Japanese corporate strategy in response to changes in environments. Today, he wished to tell us about

non-market strategy in emerging market, with special interest in East Asian markets.

Having giving us this introduction, he went on to describe constructive bricks of his general theory. To begin his speech, he said that he would welcome any questions or comments on the way. He mentioned several theoretical exit such as positioning , internal structure, and entrepreneurship. While trying to develop his arguments, he introduced many case observations one after another. He then mentioned customer values, institutional set up, proactive and reactive nature of the corporate organization.

He drew diagram which connotes on the vertical axis posture and horizontal axis risks. He then changed the vertical to horizontal, which confused us quite a bit.

He introduced types actors such as multi national company local independent company, and state owned company. He then try to fill each of the four quadrant as having been defined by two axis some behavioral features of corporations and policy features but not all quadrants are identified by such descriptions. After having listened to his presentation as such for about an hour, I have been totally left behind of grasping what he is trying to get to. I asked him to alter his way of explaining things not by presenting building blocs first but rather show us his conclusive picture first so that we can first understand where he tries to bring us ultimately. He rebutted saying since I interrupt too often he could not proceed well. I then stopped asking him questions for clarification.

Having heard for another half an hour, I began to gather whet he was trying to get to.

In my interpretation, what he was trying to get to is to show us that the businesses in contemporary world is largely occupied by “non market” type transactions in the sense that transactions are not made in accordance with shared information of prices but rather intervened many political, cultural and social factors. Under such circumstances,

actors such as multinational companies, domestic independent companies or state

owned companies choose their optimal actions depending on a myriad of complex set of variables not only Western type market information but also on many political, tribal, human, informal, cultural and social variables.

Such a perspective of his theory is certainly well taken. One could say that it has much more interesting potential than such a well established theorization of Harvard professor Michael Porter. I commented to him that he could deliver his presentation much more efficiently and effectively, and also he can improve building his theoretical framework by naming the concept more generally and understandably. For instance, his use of “institutionalization” as meaning Western market framework seems much too much narrow and biased because such a broad word “institutionalization” should be broad and general enough to include institutions of such countries as China, Japan or Islamic countries. If he tries to mean the western market institutions by this word, he might as well use the term “Western market institutionalization.” There are great many such examples. But this does not mean that his theoretical attempt is valueless. On the contrary, his theorization seems to have a great potential for the future.

Mr. Hayashi asked if his categorization of “institutionalization” change overtime.

Mr. Sengoku, based on his business experience, asked about the difficulty of joining such markets as Korea, China from the viewpoint of Japanese business. Professor

Akbar commented on the importance of home country origin of businesses which affects easiness of market penetration in many countries.

Mr. Fukuda pointed to a news of bribery of Ikea in Russia and asked Professor Akbar’ to comment on it. Professor Akbar commented that that issue certainly

downgraded the brand image of Ikea, which risks the legal problems as well.

Mr. Kaneko pointed to a case study of underground money, which seems to be a grey area. Professor Akbar quoted many of such examples in such countries as Poland and even UK with involvement of high political figures. Mr. Kaneko asked further how public in Hungary feel about it. Professor Akbar commented that in Communist countries, such actions are not regarded “bad.” You need to develop your business in accordance with local rules and local values. In the case of Sakhalin oil pipe line case, Japanese companies were finally excluded. There seems to be a high level judgement in Russia that foreign companies are not allowed to have a grip in oil business.

Mr. Sugimoto asked a question as to what is the regulation on technology. Professor Akbar commented that in EU regulations are mostly written by company reps., and as such this is not really a market solution.

Mr. Yamagishi commented that transparency is important. Vague and questionable rules under a certain Bureaucracy is often a hurdle against transparency and fair competition. He asked a question as to if rules for foreign investors are clear in Hungary.

Mr. Fukuda added a question about lack of transparency in Hungary, namely, who is influential and who is not. Professor Akbar pointed that TPP must be a typical example of attempting to exclude China. Shimada commented that the rule against national corporation is the obstacle against China which is not untransparent.

Professor Akbar mentioned that Western communication companies emphasize knowledge of regulations in addition to capital and technology. He emphasized that in CEE non market strategy is a big factor. In comparison, in Kentucky, NMS may be 2% while here it would be 20~50%. Professor Akbar also emphasized that

EU is highly beneficial for CEE countries, where countries depends heavily on EU funds.

Wrapping Up by Professor Mel Horwitch

Instead of giving his own wrapping up remarks, Professor Horwitch suggested to divide Sonjuku members into three groups and proposed to give three common questions for them to prepare their own responses or policy recommendations.

The three questions are:

What have you learned during this visit to Hungary?

Implications to take back to Japan or to your company.

What lessons you got to make better professional managers?

All three groups, each comprising 5 to 6 members, are given 15 minutes to think and discuss at separate rooms to come up with final answers. After the 15 minutes, they got back to the Sanata room.

Team III: Messrs Ishii, Hayashi, Sengoku, Osano, Fujita

Proposition 1: Japan and Hungary have common problem:

They are: lack of competition mind

in Hungary due to communism influence

in Japan due to egalitarianism stemming from influence of US education during the occupation period.

The common task is how to use human resources effectively to foster competitive and innovative mindsets.

Proposition 2: Japan is too clean. The world is not so clean and fair.

Important is how to do well and achieve a good result.

Proposition 3: Learn different culture and environments.

Hungary: first looked optimistic to join EU. But the reality is not.

The country is getting increasingly realistic.

Team II: Messrs. and Ms.Koshiba, Kasai, Noguchi, Kaneko, Fukuda

1. We learned from Hungary a long and complex history, entrepreneurship and business strategy of diversity.
2. We take back the same lessons as diversity and different landscapes.
3. Diversity but united action, and now leadership

Team I: Messrs. Yamagishi, Watanabe, Sugimoto, Kimura, Hirata

1. How Hungary people changed form socialism to capitalism and seek globalization.

Japan lost 20 years while Asia changed dramatically. Hungary is not competitive,

depends on Euro history, lucky to be part of EU. Small countries, how to cope

without EU, there should be no other way. Wines are wonderful.

Impressed by

18th generation winery.

2. Optimism, and pessimism. Interesting time in history.

27 years ago, got out of 40 years of socialism, investment increased but not like Estonia and Singapore.

EU may have thought that they could buy CEE. If money dries out, what they

could? Can keep EU together, or their ties loosening?

Need for creative managers, creative leadership.

Use brain power to be better in the world.

Late at night of July 19, we, 6 Sonjuku members and myself, left Budapest AP by TK(Turkish Airlines) 1038 at 20:10 with some delay. We arrived at Istanbul AP at about 23:45 some half an hour delay than scheduled time. The big Istanbul airport is incredibly crowded even at this time of mid-night of a weekday. Crowds are walking

corridors, and many stored on both sides of the corridor hang up large national flag of the Republic of Turkey, which depicts slender moon and star with red in the back. People seem to hail the unity of the nation. We finally found an executive lounge which we usually use. Our flight of TK 52 which is scheduled to leave Istanbul AP at 1:40 in the early morning of July 20 left on time heading to Japan.

My lengthy report of our trip to Hungary and participation to the Sonjuku seminars organized by Central European University comes finally to an end. Let me once again express our deepest gratitude for earnest invitation, warm reception and kind and careful guidance and above all strong passion to promote mutual understanding provided by many of the people and friends in Hungary, diplomats, teachers and staff of Central European University, above all professor Mel Horwitch and Ms.Mai Nomura to realize this unique and wonderful visit and study of Shimada Sonjuku.