

Stanford Japan Program at Shorenstein APARC

The Stanford Japan Program was formally established in November 2011, renewing the Walter H. Shorenstein Asia-Pacific Research Center's commitment to this important field. As an integral component of the Center, SJP facilitates multidisciplinary, social science-oriented research on contemporary Japan, emphasizing both academic scholarship and policy-relevant research. The program aims to become a central platform for Stanford students and the broader community for understanding and engaging with Japan.

Research and Program Activities

Program activities include the Japan Colloquium Series, conferences to further cutting-edge research and address critical contemporary policy issues, and public seminars. The goal of Japan Program is to become an eminent platform to foster intellectual exchange among scholars, experts, top-tier professionals, politicians, and students.

Message from the Director



We started November with two Japan related talks. On November 6th, Professor Kazuyuki Motohashi of University of Tokyo, who is visiting here as this year's Sasakawa Peace Fellow, gave a talk about Japan's new growth model to restore its competitiveness (see Page 3 of this newsletter). On November 11th, we welcomed Ambassador John Roos, the former U.S. Ambassador to Japan, to Shorenstein APARC for a fireside conversation with Ambassador Michael Armacost, another former U.S. Ambassador to Japan and Distinguished Fellow at the Japan Program (Page 4 for more on this). Although we did not have a working fireplace, the event was very successful and we plan to use this format again in our future events.

I visited Japan during the week of November 16. It turned out to be a very interesting week in Japan. That Monday, the first preliminary estimate of GDP was released and it revealed that the Japanese economy shrank for two quarters in a row,

as many economists had predicted. On the seasonally adjusted base, the real GDP for the third quarter of 2014 was estimated as minus 1.6 percent (at annual rate). Prime Minister Shinzo Abe returned from his trip to APEC and other meetings in Asia on Tuesday of that week, and announced that his administration would postpone the consumption tax rate increase that was planned to take place on October 1, 2015, which many observers suspected would happen during the previous week. Abe also announced that the Diet would be dissolved that Friday and called for a general election of the lower house (House of Councillors), confirming what had been rumored for weeks.

All of these actions were generally understood as reactions to Japan's weaker than expected economy following the consumption tax hike in April and an expectation that the economy will continue to be weak for a few more years. The government wanted to avoid a worsening economy, which another consumption tax

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hike in October 2015 would bring, so the increase of the consumption tax rate from 8% (current rate) to 10% was postponed until April 2017. A weakening economy implies that the LDP would lose more seats if they waited until 2016, when a general election must be held if not held before then. LDP leaders likely thought it would be better to lose a few seats now and stay in power for four more years rather than lose many seats and maybe the majority, too, in two years. The opposition parties quickly declared the failure of Abenomics and started to prepare for Election Day, which has been set for December 14.

I was a bit surprised to see the foreign media reported that Japan went into a “recession” as soon as the GDP estimates came out on November 17. The media seem to have merely applied the general rule of thumb that an economy is usually in recession if its real GDP falls for two quarters in a row. In Japan’s case, however, the negative growth seen in the second quarter was totally expected as a reaction to the consumption boom in the first quarter in anticipation of the consumption tax hike on April 1. Thus, “true” negative growth has really only been observed for a quarter thus far. Even the negative growth in the third quarter does not show a clear decline of economic activity. The largest negative impact comes from a reduction of private sector inventories. Production declined because companies decided to reduce inventories. If they had maintained a consistent level of inventories, third quarter production would have been at the same level as the second quarter (after seasonal adjustments etc.). I did an interview with Stanford News on these topics while I was in Japan (see page 6 for more on this).

The revised GDP estimates (second preliminary estimates) have just been published on December 8, which has revised the numbers upward. The third quarter GDP (annualized number after seasonal adjustment) is now estimated to have been 523,758 billion yen instead of

522,830 billion yen in the first preliminary estimates. The growth rate from the second quarter to the third quarter is still negative because the second quarter number was revised upward, too, but most of the negative growth still comes from the reduction of the inventories. If we exclude the inventory reduction, the third quarter number (525,784 billion yen) is pretty much the same as the second quarter number (525,375 billion yen). Thus, the economy (not only in the third quarter but also before that) has not been doing as bad as the first estimates suggested.

Does this mean Abenomics has succeeded after all? Not necessarily. The most important part of Abenomics, as I have argued in several occasions, is the economic reforms aka the third arrow or the growth strategy. The efforts in this area have just started and many reforms take some time to show effects. It is way too early to tell whether Abenomics succeeded or failed. Fortunately the economic situation in Japan is not as bad as many thought last month. To establish robust growth, however, the government will need to renew the commitments to growth enhancing economic reforms after the election.

I wish you peaceful holidays and a happy new year. In the New Year, our Japan Program starts with a panel discussion on “Japan after the Election” on January 12. Phillip Lipscy, Ryo Sahashi, and I will discuss Japan’s politics and policies after the December 14 election. Then, on January 22, we will hold the 2nd Sasakawa-Stanford Conference. This year’s theme is “innovation.” You can find more about these events and RSVP on page 6.



- Takeo Hoshi

The Sun Rises Again?

Regaining Industrial Competitiveness of Japan in Science Based Economy Era



The Japan Program at Shorenstein Asia-Pacific Research Center is continuing the “New Channels” Dialogue this year which began last year with support from the Sasakawa Peace Foundation. This year’s theme focuses on innovation. We welcomed **Kazuyuki Motohashi**, a professor at the University of Tokyo, as the 2014-15 Sasakawa Peace Fellow who is playing a leading role in organizing the annual dialogue.

On November 6, Motohashi gave a talk based on his new book, “Hi ha Mata Takaku (The Sun Rises Again)” (Nikkei) at a Shorenstein APARC seminar in the Philippines Conference Room at Encina Hall. “The Sun will rise again,” Motohashi said, “if Japan can adjust to a new economic environment.” In the past, Japan has shown its strength in manufacturing and its capability to produce high quality tech products, which Motohashi refers to as an “industrial based economy.” Taking into account science revolutions and the experience of emerging economies such as China and India, Motohashi said that Japan needs a new growth model in order to restore its industrial competitiveness. He explained that a new model of innovation based on the concept of a “science based economy” could jumpstart growth in Japan, which includes adopting an open innovation strategy.

Please refer to the following link for more detail description of Motohashi’s book: http://www.rieti.go.jp/en/columns/a01_0391.html.



Women’s Startup Lab: The International Challenge

Gender equality in the workplace is a pressing issue across the world. Especially in Japan, the aging population and dwindling workforce create added urgency to increase participation of women in business and politics. On November 6, **Ari Horie**, founder and chief executive officer of the Women’s Startup Lab, shared her experiences on entrepreneurship at a start-up-focused seminar hosted by the U.S.-Asia Technology Management Center and Shorenstein Asia-Pacific Research Center.



Horie explained that many women entrepreneurs had the desire and the capability to enter accelerators, but they do not want to operate in a “drop everything and hustle” work environment. Although the sector tends to encourage a fast-paced, career-only focused setting, she asked, “Is that the only way to succeed?” Horie felt the need to come up with a solution for women who must juggle their work, homelife and family. Women’s Startup Lab encourages women to join accelerators by providing them with a supportive network, educational opportunities and resources that help remove some of the barriers.

Horie emphasized that the biggest mistake she sees in the Japanese workplace is that all women are put in “one bucket.” However, this does not capture the diversity and skillset of women. Some women want to pursue homemaking and focus on children whereas others want to focus on their careers. She said that putting women into one category sometimes creates conflict between themselves. “They should not be penalized for the choices they make,” she said.

“It begins with you to bring the changes in the way that are good for everybody,” Horie said, “[what is] good for her is good for you.”

In March 2011, an earthquake and tsunami hit the eastern coast of Japan and caused one of the worst nuclear meltdowns ever seen. In the lead-up to that week, U.S. officials there were bracing themselves for a media firestorm following a controversial Wikileaks release, Japan's new foreign minister was ushered into office, and an apology statement was delivered on behalf of the United States in Okinawa, explained the top U.S. diplomat who was posted there at the time.

"And that, was just a microcosm of all kinds of things going on during my tenure there," said **John Roos**, who served as the U.S. ambassador to Japan from 2009 to 2013.

Speaking at Stanford, Ambassador Roos offered views on his tenure as ambassador at a seminar led by the Japan Program at the Walter H. Shorenstein Asia-Pacific Research Center (APARC) on November 11. The diplomatic posting, underpinned by the strong U.S.-Japan alliance, proved an essential role for coordination of U.S. aid when the disaster struck.



Roos spoke in conversation with **Ambassador Michael Armacost**, his counterpart who served in the same position from 1989 to 1993, who is now a distinguished fellow at Shorenstein APARC.

"By far, [it was] the biggest crisis I had to deal with in my career," Roos said, who has years of experience in business and law,

and is now the CEO of the Roos Group.

Roos said he first took steps to open lines of communication between local staff, and the Japanese and U.S. military commands there. He went with his team on a dozen trips across the country. Fact-finding missions were necessary to assess the situation, as much as they were symbolic in showing a commitment to the people of Japan, he said.

Asked about his background, Roos said his academic training was valuable throughout his career. He is a graduate of Stanford University and Stanford Law School.

Leaders tasked to coordinate response crisis efforts, especially those concerned with nuclear issues, are often across many intergovernmental organizations and in turn, lead to a conflicting set of opinions. He said his ability to navigate tough situations harkens back to his training at Stanford, which emphasized building consensus and thinking critically.

Later, Armacost also underscored the role of people – who's involved and their individual personalities – and their influence on policy decisions.

"Personal relationships are so important," Roos said, "they drive everything"

People-to-people connections were a similar theme mirrored in Roos' perspectives on the future of the Japanese economy and the country's relations with neighboring countries. As ambassador, Roos started the Tomodachi Initiative, an educational exchange program linking young leaders from the United States and Japan.

Following the crisis, in 2012, Japan ushered in Prime Minister Shinzo Abe in 2012 and the Liberal Democratic Party (LDP) became the ruling majority party. One facet of Abe's vision includes a stimulus package, commonly referred to as 'Abenomics,' intended to restore the country's economy after more than a decade of slow growth.



Roos said most Japanese have a tepid attitude toward Abe's policy ever since implementation of the final round of policies which are intensely focused on structural reforms. The reforms are necessary to restart growth, he said, but the average citizen will likely feel an impact due to a paring down of resources across public services.

But, entrepreneurship provides a credible direction for the country's economic revival, and could help carve out a defined role for Japan in the global marketplace.

In Japan, "there are incredible innovations going on," he said. Individuals and universities are producing a myriad of cutting-edge technologies, and the ecosystem to support this is growing, but is not yet fully adopted.

He said a key driver behind Silicon Valley's success is the spirit of entrepreneurship widely shared there. People actively take risks, exchange ideas, and most importantly, embrace failure.

Roos said he carried that message with him wherever he went in Japan, often referencing the example of Mr. Abe who came back for a second term as prime minister. "That's the culture of Silicon Valley, and that's the culture that we want to promote in Japan."



The article was originally posted on Shoresntein Asia-Pacific Research Center website on 17 November.

Japan Program Members in News



Alongside the Beijing-sponsored Asia-Pacific Economic Cooperation (APEC) summit, sideline meetings were held between U.S. President Barack Obama and Chinese President Xi Jinping. President Obama said he wants to take the U.S. relationship with China “to a new level,” adding, “if China and the United States can work together, the world benefits.” But as Shorenstein APARC visiting associate professor **Ryo Sahashi** noted in *Toa* (November 2014), the U.S.-China relationship will continue to be challenging because of competing visions on global order and values, particularly over issues like democracy and human rights. Sahashi stated that the United States, which originally thought China’s growing global responsibilities would motivate domestic political reforms, now fears China is starting to shoulder too much in the Asia-Pacific without such reforms.

In the op-ed, Sahashi highlighted the recent pro-democracy protests in Hong Kong and explained the role of the United States, which is mandated under the Hong Kong Policy Act (1994) to protect human rights. Sahashi shared serious concern over the safety of student protesters and encouraged a non-violent settlement.

To access Sahashi’s article (in Japanese), visit http://www.kazankai.org/toa_pdf/1411%204-5.pdf.

Kenji Kushida, Research Associate at Japan Program, spoke at a conference held in Berlin, Germany on November 10 - 11 as part of a project, Financial Institutions for Innovation and Development, organized by the Academic-Industry Research Network (AIRNet), supported by a Ford Foundation grant. Kushida presented research about foreign multinational corporations and institutional change in Japan from his latest edited volume, “Syncretism: The Politics of Economic Restructuring and System Reform in Japan,” and from his recent papers on Japan’s information technology industry. The conference focused on issues surrounding financialization and the variety of political economic models around the world.



Phillip Y. Lipsky has been awarded an Abe Fellowship from the Social Science Research Council (SSRC), the Japan Foundation Center for Global Partnership (CGP), and the American Council of Learned Societies (ACLS). The prestigious fellowship supports “research explicitly focused on policy-relevant and contemporary issues with a comparative or transnational perspective that draw the study of the United States and Japan into wider disciplinary or theoretical debates.” Professor Lipsky, who is the Thomas Rohlen Center Fellow with the Japan Program at the Walter H. Shorenstein Asia Pacific Research Center (APARC) and Assistant Professor of Political Science, will use the fellowship to conduct research on a book project on the cross-national and international politics of energy issues.

On November 23, the Stanford Silicon Valley - New Japan program held its first IT Policy Roundtable meeting with Keio University's Media Design school. **Kenji Kushida**, joined by members of the Stanford and SV-NJ project community, presented Japanese counterparts with the latest research and policy implications of Cloud computing in Silicon Valley. Japanese participants, which included Keio professor Ichiya Nakamura and Yasuhiko Taniwaki from the Ministry of Internal Affairs and Communications, and other members from academia, government, and business, presented on the current status of IT in Japan. The meeting discussed and proposed directions for the next discussion about Japan's strategic IT policies.



Photo credit: Flickr/Dick Thomas Johnson

Nearly two years have passed since the Japanese government embarked on the new economic policy package called “Abenomics” with three “arrows”: aggressive monetary easing, flexible fiscal policy, and a growth strategy. Is “Abenomics” working? Will the Japanese recession have painful implications for the U.S. and the global economy? What is the lesson for countries around the world? Stanford Japan Program director **Takeo Hoshi**, a prominent expert on the Japanese economy, was recently interviewed by the Stanford News Service to tackle these questions.

To access Hoshi's interview, [visit http://aparc.fsi.stanford.edu/japan/events/abenomics_evaluation_of_the_first_year](http://aparc.fsi.stanford.edu/japan/events/abenomics_evaluation_of_the_first_year)

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Upcoming Event

January 12, 2015, 12:00pm - 1:30pm

S-APARC Japan Colloquium Series
“Japan after the Abenomics Election”

Speaker: Takeo Hoshi, Phillip Lipsy, Ryo Sahashi
Philippines Conference Room, Encina Hall 3rd Floor

[RSVP](#)

January 22, 2015, 9:00am - 5:00pm

Stanford-SPF U.S.-Japan New Channels Dialogue 2015
“Innovation: Silicon Valley and Japan”

Featured panelists include:

John Roos - Former U.S. ambassador to Japan
Hideichi Okada - Vice President, NEC and inaugural Sasakawa Peace Fellow
Allen Miner - Founder, Chairman & CEO, SunBridge Corporation

Bechtel Conference Center, Encina Hall, 1st Floor

[RSVP](#)