

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



It is already in February, and the Japan Program has been in full swing. We started 2015 with a panel discussion on Japan after the Abenomics Election on January 12 (more on page 3). Then, we held the second annual Stanford-SPF (Sasakawa Peace Foundation) US-Japan Dialogue on January 22 and 23. This year's theme was innovation. The public conference on 22nd was followed by a small group discussion involving scholars and practitioners on both sides of the Pacific (Japan and California). The full report on the conference and the discussion will be published in early March (see page 5 for more on the Stanford-SPF US-Japan Dialogue).

In January, *Nihon Keizai Shimbun* (Nikkei) published op-ed articles (in Japanese) by two faculty members of the Japan Program: Masahiko Aoki and I (page 7). Both Masa and I pointed out that Japan needs to rely on higher labor market participation (and more foreign workers) and productivity growth in order to

restore growth in the post-catch-up and aging economy. As I mentioned in the article (and also in the panel discussion on January 12), the growth strategy of Abenomics (aka the third arrow) should focus on a few reforms that would have direct impacts on economic growth by either increasing the labor input or raising productivity growth. Among the ten focus areas specified in the Revised Growth Strategy of June 2014, accelerating industrial restructuring and venture businesses, promotion of innovation, enhancing women's participation and advancement, and attracting talent from overseas are especially important. We need to monitor how the Abe administration will implement the reforms in these areas this year.

In preparing the article, I looked at the data on female labor participation and fertility for OECD countries, because it is often argued that success in increasing the labor participation of women lowers the fertility and worsens the demographic

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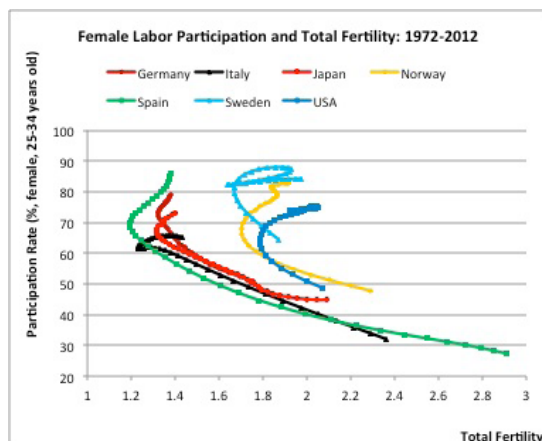
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challenge Japan faces. I got a very interesting finding. Below I show the graph in the article with labels in English. The graph shows how the total fertility and the participation rate of women between 25 and 34 years old changed over time from 1972 to 2012 for seven OECD countries for which I was able to get the data for every year quickly from the OECD website. For every country, we can see the inverse relation between the female labor participation and the total fertility for earlier years: as more women join workforce, the fertility declines. Starting at some point, however, it looks as if the curve that represents the trade-off between the two variables started to shift up, allowing the fertility rate and the female labor participation to go up at the same time. For Japan and the countries in continental Europe, which started with lower levels of the trade-off curves compared with the U.S. and Scandinavian countries, seem to have more room to increase women's labor participation without lowering the fertility.



After my article appeared in Nikkei, I received several reactions from my friends in Japan, including some counterarguments on the recommendation to enhance women's career advancement. Some argued that many Japanese talented women do not want to pursue careers and choose to become housewives and take care of children. So removing the barriers perceived by the proponents of promoting

women would not lead to a drastic increase in the number of female business leaders. I argue that we can try and see if this argument holds empirically. The downside risk seems to be small.

Another type of counterargument was that what prevent Japanese women from rising in their workplace are mostly management practices and not government regulations. So there is not much the government can do. I argue that the government could do a lot. The central government can appoint more women to important political positions and can hire more women into career tracks in ministries (which the current administration has already started to do). The local governments can do the same thing. The government can also strongly encourage private sectors to promote more women by, for example, requiring any contractor of public work to have a certain number of women executives in the company. One can easily come up with more ideas. Imagination is the only constraint here.

The biggest recent news about Japan was probably (and sadly) the capture and murder of two Japanese citizens by terrorists. This was not the first time that Japanese citizens were killed by politically motivated terrorists. This was different, however, in that the story was reported over a couple of weeks via various media and many Japanese followed every development and the government's moves that were disclosed. Although I am not an expert on international affairs and political terrorism, I think the incidence forced many Japanese to ponder the issues of international terrorism and will have some important implications for Japan going forward. The Japan Program is in the process of scheduling a panel discussion on political terrorism and Japan inviting experts on international terrorism on Stanford campus.

- Takeo Hoshi

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Japan after the Abenomics Election

Japanese Prime Minister Shinzo Abe called a general election for the lower house of Japan's parliament on December 14, following the decision to postpone a consumption tax hike originally scheduled for October 1, 2015, as the economic condition continued to deteriorate following an earlier consumption tax hike. On January 12, experts in the Japan Program at the Shorenstein Asia-Pacific Research Center discussed the Japan's economic and foreign policies after the election at a Shorenstein APARC panel discussion.



Takeo Hoshi, Director of the Japan Program at S-APARC, drawing upon his experience as an economist, noted that the “third arrow”

of Abenomics focused on structural reform, will be the emphasis of economic policy going forward following the Abenomics election. Japan's initial growth strategy released in June 2013 consisted hundreds of reforms, which Hoshi pointed out as a major problem - it was impossible to implement such a high quantity of reforms. The revision of the growth strategy released in 2014 focuses on 10 key reforms. Although Hoshi thinks 10 reforms is still too many, he said he sees that recognizing the mandate to push for structural reform is good news for Japanese economy going forward. He also argued that the most important part of the “third arrow” of Abenomics is to enhance women's participation and advancement in the job market and hopes that Abe is determined to push those reforms for Japan's growth.

Yukio Okamoto, Robert E. Wilhelm Fellow at MIT and former Special Advisor to two prime ministers of Japan, called Prime Minister Abe “clever” in conducting Dec. 14 election where no opposition party had enough time for preparation to counter the LDP offense. In addition to the 10 reforms of the growth strategy, Okamoto explained that the reform of social security system is an important task to revitalize the economy. “Japan has come to a point where it can no longer cope with the current situation by simply increasing the consumption tax,” Okamoto said. As for diplomatic relationships, he said he sees no signs of improvement between Japan

and China this year, as maritime tensions remain and disputes over the Senkaku/Diaoyu Islands have worsened. As Japan has equally difficult relations with Korea, Okamoto said he believes that Prime Minister Abe must concentrate even more of this time to address relations with neighbors going forward.

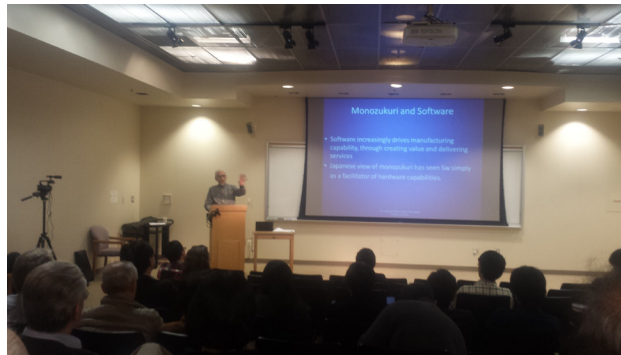
Ryo Sahashi, Visiting Associate Professor at Shorenstein APARC and Associate Professor of International Politics at Kanagawa University, began by sharing a similar view with Okamoto on Japan's diplomatic relations. Even after the last APEC meeting between Beijing and Tokyo, he said he remains relations between Japan and China. Sahashi also spoke about Collective Self Defense (CSD), which is Japan's shift in its defense policy under Prime Minister Abe to take on more active regional security role. Although some security experts, including Sahashi himself, support CSD, it is still unpopular among Japanese people due to a negative image created by the way the concept has been presented. The big challenge for Abe will be to build a national consensus on CSD. Lastly, Sahashi pointed out that the result of recent prefectural-level elections revealed the LDP's struggle in local elections.



Phillip Lipsky, the Thomas Rohlen Center Fellow at the Japan Program and Assistant Professor of Political Science, focused on election outcomes and party politics. Lipsky noted that it was a decisive win for Prime Minister Abe but his success was without public enthusiasm. The opposition parties performed very poorly in this election. On the other hand, there was quite a bit of consolidation among opposition parties, which suggests they might end up doing well in the next election. The Dec. 14 election outcomes indicate that politicians in Diet are more conservative than the general public; however, constitutional reform requires majority support in a public referendum and 2/3 majority vote in both houses of the Diet. Lipsky argued that this will test Abe's priorities going into the 2016 Upper House election. Is Abe going to focus on constitutional revision (for which he will need 2/3 majority vote) or on structural reform?

The Japanese Software Industry: What Went Wrong (and Why is it Important?)

Robert Cole, Professor Emeritus of Haas School of Business and UC Berkeley, presented a talk based on his recent paper, “Japan’s Software Industry: What Went Wrong (and Why it is Important).” He discussed the various challenges within Japanese large companies in making effective use of software, which increasingly gives hardware the value and functionality to stay competitive. He traced the origins of the challenges to historical legacies of hardware prioritization within firms, leading to relatively low pay and status for software engineers, their lack of prominence in upper level management, and a culture of pursuing quality -- useful for hardware but not necessarily the fast-moving world of software. He also presented survey results that showed Japanese firms tend to view software as a cost reducer rather than strategic growth and competitiveness-enhancing opportunities. **Yusuke Asakura**, former CEO of Japanese social networking and online firm mixi, currently a visiting researcher at the Stanford US-Asia Technology Management Center, served as discussant, before a vibrant Q & A session with the audience.



Political Leadership in Japan: Long Way toward a Westminster Model



Japanese Prime Minister Shinzo Abe has just won another landslide victory from snap election last December. After two years of governance, his cabinet is still popular and powerful. This Abe cabinet is becoming a sharp contrast to past six cabinets which were short tenured, serving just for around a year, and prime ministers' leadership were weak. On February 3, **Harukata Takenaka**, Professor of Political Science at National Graduate Institute for Policy Studies in Tokyo, gave an institutionalist explanation to this situation by examining the Japanese parliamentary system.

Many people have argued that prime minister's power have increased since the end of 90s. Takenaka asked if that is the case, “how could we explain the phenomenon of consecutive prime ministers with short tenure?” He gave an analytical perspective to explain the coexistence of prime minister's long tenure and short tenure by reviewing the transformation of the Japanese Parliament System and prime minister's power. Takenaka pointed out that the power of the prime minister has become larger than under previous system, but it is still severely curtailed under the divided government. Although Abe Cabinet does not have to face this threat from the divided government, Prime Minister Abe is still constrained by the potential power of backbenchers.

The panel was followed by active discussion with the participants.

Innovation: Silicon Valley and Japan

Innovation is a vital component of economic development, and the United States and Japan provide clear examples of how a knowledge-based economy can lead to sustainable growth. But Japan has sometimes encountered obstacles in bringing its wealth of ideas into the global market. A conference at Stanford seeks to help shift that reality.



“Japan is changing,” said panelist **Gen Isayama**, founder of the World Innovation Lab. “We’re seeing entrepreneurs...but we need a new role model – new stars emerging in Japan to excite younger people.”

For two days, 21 experts from Japan and the United States gathered at the Stanford-Sasakawa Peace Foundation New Channels Dialogue to discuss innovation, promote exchange of best practices, and enhance connections between the two countries.

The conference was sponsored by the Sasakawa Peace Foundation (SPF) and organized by the Japan Program at the Walter H. Shorenstein Asia-Pacific Research Center (APARC), in association with the U.S.-Japan Council.

“The New Channels project is intended to open a new arena of dialogue between new voices, and a new generation of experts and policymakers on both sides of the Pacific. And to tie them back into the existing structure of alliance governance,” said SPF President **Yugi Takagi**, in his opening remarks.

“The complex challenges of today’s world provide even greater momentum to work together across sectors,” Shorenstein APARC Director **Gi-Wook Shin** added.

In its second year, the conference hosted more than 100 attendees from the San Francisco Bay Area, drawing students, scholars and industry and government people to Encina Hall for the daylong public forum on Jan. 22. The first and second panels focused on the state of

innovations in Silicon Valley and Japan, the third and fourth panels examined how the two countries could better work together toward innovation-driven growth. The first set of panelists started by discussing characteristics of Silicon Valley, and how it defined itself during the tech boom of the 1980s/90s, and led to the rise of the Internet and telecomm industries that rapidly spread around the world.

Silicon Valley is often identified for its innovative ideas, and its ability to convert those ideas into market-ready goods and services. Panelists said that networks and open access to venture capital drive that ability to push ideas through quickly, an essential characteristic in today’s real-time world.

“It’s never been easier to start a company,” said **Patrick Scaglia**, a consultant at Startup Ventures and former senior executive at Hewlett Packard.

Silicon Valley continues to attract entrepreneurs and potential investors, and is positioned to continue to do so. Scaglia noted that 47.3 million dollars was invested in startups last year alone, the highest seen since 2009.

Areas currently being pioneered by Silicon Valley entrepreneurs include medical and mobile technologies. **Norman Winarsky**, president of SRI Ventures, pointed to breakthroughs in robotics and wearable devices, showing a clip from a TED talk on bionic prosthetics. Additional predicted trends include a return to hardware and possibly greater entrepreneurship coming directly out of universities, particularly from students.



Japan has historically produced successful entrepreneurs such as Konosuke Matsushita (founder of Panasonic Corporation), Akio Morita (founder of Sony Corporation), and Soichiro Honda (founder of Honda Motor Company), but large firms have come to dominate the economy. Recently, however, the country

has been producing a cadre of successful startups, some of which have already grown to become quite large. For example, Japanese companies Rakuten and DeNA have commanded the e-commerce space, and similarly, Mixi in the social media space.

Panelists noted that more Japanese startups are going global compared to a decade ago. **Yusuke Asakura**, a visiting scholar at Stanford's U.S.-Asia Tech Management Center, pointed to companies that produced applications like Metaps, an Android monetization app, and Gumi, a social networking gaming app.

But Japan hasn't reached its greatest potential due to various barriers – market, institutional, and cultural. Mr. Isayama said, at the moment, there aren't enough ventures and risk capital in Japan. Greater accessibility to both could propel startups more fully into the global market.



C. Jeffrey Char, president of J-Seed Ventures, said another obstacle was the quantity of mergers & acquisitions (M&A).

“If there was more M&A, it would actually improve the ecosystem a lot more – it would turbocharge it,” he said. “Because when investors get their money back quicker and when entrepreneurs get paid off quicker, a lot of times they will go and start another company.”

If greater M&A existed in Japan it would create a “benevolent cycle” of funding and inject the momentum necessary to support an environment for entrepreneurial success.

Networking, labor mobility, and a highly skilled workforce are additional components that aided in Silicon Valley's success, and areas that Japan could learn from. Government support for entrepreneurs is rising; the third arrow of 'Abenomics' policy aims to jumpstart growth based on a number of measures, including

diversification of its workforce through increased immigration and female participation.



Offering an additional point, Professor **Kazuyuki Motohashi**, the Sasakawa Peace Fellow at Shorenstein APARC, suggested that cultural differences might pose one of the biggest challenges to U.S.-Japan collaboration.

Americans are more likely to embrace failure as an essential part of the creative process; Japanese typically don't celebrate failure as much nor valorize the entrepreneur to the same degree.

“We don't have to change the culture,” Motohashi said. “The important [thing] is to overcome these differences and develop a mutual understanding.”

Teaching younger generations about the entrepreneurial mindset could also improve societal attitudes toward risk-taking. Former U.S. Ambassador to Japan **John Roos** said celebrating the entrepreneur was the most important factor in creating a vibrant innovation ecosystem in Japan. “In the end, if you have the proper mindset, you can overcome everything else.” A detailed summary report of the New Channels Dialogue will be released in the coming months on the Shorenstein APARC website.



The article was originally posted on [Shoresntein Asia-Pacific Research Center website](#) on February 5, 2015.

Photo Credit: Rod Searcey

Japan Program Members in News



In the article published on *Nihon Keizai Shinbun* (January 5, 2015), **Masahiko Aoki**, Senior Fellow of the Stanford Institute of Economic Policy Research and the Freeman Spogli Institute for International Studies, explains the goals and opportunities of the future of Japan.

The article is available at:

<http://www.nikkei.com/article/DGKKZO81525890T00C15A1KE8000/>

In *Nihon Keizai Shinbun* (January 21, 2015), **Takeo Hoshi**, Director of the Stanford Japan Program at Shorenstein Asia-Pacific Research Center, examines the Revised Growth Strategy of Abenomics.

The article is available to download at:

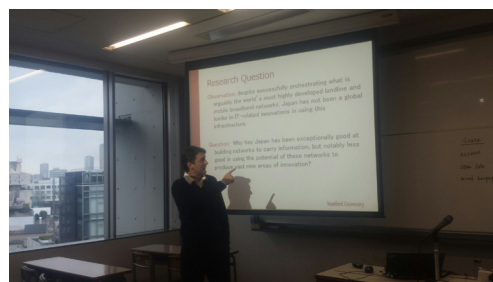
<http://aparc.fsi.stanford.edu/japan/news/third-arrow-abenomics>



Kenji Kushida, Research Associate at Stanford Japan Program at Shorenstein Asia-Pacific Research Center, was featured in *Tech Tsushin* vo. 2, 2015 in an article exploring the dynamics of Silicon Valley, and lessons for Japanese entrepreneurs interested in making use of the ecosystem. The publisher, Ishin, is a strategic partner of the Stanford Silicon Valley - New Japan project, and has been working with Kushida to interview participants in the Silicon Valley ecosystem to gather cases that can be used by them for media articles, and by researchers for academic scholarship.

http://www.tech-tsushin.jp/interview/tech2_stanford-university/

Kenji Kushida joined as co-editor a project titled “Information Governance in Japan,” which aims to create an edited volume with contributors from US and Japanese universities in multiple disciplines. The second workshop of this project was held at Keio University in early January 2015.



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Upcoming Events

February 17, 2015, 5:00pm - 7:00pm

The Stanford Silicon Valley-New Japan Project

**[Business Expansion from Japan into Silicon Valley,
Opportunities and Challenges -The Case of DeNA-](#)**

Speaker: Dai Watanabe - Vice President of Strategy and Corporate Development, DeNA

Cypress Semiconductor Auditorium (CISX Auditorium)

Paul G. Allen Building, Stanford University

330 Serra Mall, Stanford CA 94305

[RSVP](#)

March 9, 2015, 12:00pm - 1:30pm

[From Boom To Bust, And Back? The Media and The Japanese Economy](#)

Panel Discussion

Panelists:

**Susan Chira - Deputy Executive Editor; Former Tokyo Correspondent and Foreign Editor,
New York Times**

Takeo Hoshi - Director of Stanford Japan Program, Shorenstein APARC

**Jacob Schlesinger - Senior Asia Economics Corespondent and Central Banks Editor, Asia,
The Wall Street Journal**

Daniel Sneider - Associate Director for Research, Shorenstein APARC

Bechtel Conference Center, Encina Hall, 1st Floor

[RSVP](#)