Message from the Director

February was the biggest month for the Stanford Japan Program so far as we organized the Stanford – Sasakawa Peace Foundation (SPF) “New Channels” Dialogue. This year, as an inaugural year, we examined energy issues. The public conference held on February 13 was followed by a closed session with 30 participants from both the U.S. and Japan on February 14. Numerous energy issues including increased energy demand from developing countries, roles of renewable energy, and electricity reforms in California and Japan were discussed. We are grateful to the Sasakawa Peace Foundation for sponsoring the Dialogue through a grant, the U.S.-Japan Council for helping us organizing the dialogue, and Betty and Hiro Ogawa for opening their house for the dinner reception on February 12.

Not surprisingly, the discussion focused a great deal on Japan, specifically the massive earthquake and tsunami followed by Fukushima Daiichi Nuclear Plant accident in March 2011 which created great disruption to the electricity supply and forced policymakers and the industry to reconsider their energy strategies. Before the disaster, Japan depended 30% of electricity supply on nuclear power. After the disaster, as people reevaluated the risk of nuclear power generation, the dependence on nuclear power in the future will be undoubtedly lower. One of the topics discussed in the closed session was the future of Japan’s energy mix. Although nobody argued that Japan should completely eliminate the nuclear power plants, everyone agreed that the role of nuclear power generation will be much less than before. Many participants point out the important role of natural gas as an alternative source of electricity as a new technology to extract shale gas more efficiently lowers the cost.

Overall the dialogue was successful in identifying some important energy issues and potential solutions as well as establishing new connections between the participants. More information on the conference and the discussion can be found on page 3 in this newsletter. The full report will be available on our website next month.
A year has 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. The package is designed to bring the Japanese economy out of 20 years of stagnation and 15 years of deflation, and put it on a path to sustainable growth.

On February 7, we welcomed Professor Takatoshi Ito (University of Tokyo) for a talk on Abenomics. Professor Ito concluded that the first two arrows of Abenomics have been on target, while the analysis of the third arrow is too early to tell. Thus, his evaluation is slightly better than the evaluation of Koichi Hamada (Professor at Yale University who is considered to be the most influential economic policy advisor to Prime Minister Abe), who gave a grade ‘A’ for the first arrow, grade ‘B’ for the second arrow, and grade ‘E’ (for efforts) for the third arrow (together spelling A-B-E). I agree with both of them in their evaluations of the first and third arrows, but I think even grade ‘B’ is too high for the second arrow.

“Flexible” fiscal policy supposedly means a short-run fiscal stimulus is combined with a credible plan for fiscal consolidation in the long-run. Although the government is increasing the consumption tax rate from the current 5% to 8% in April this year (and to 10% in October 2015), more is clearly needed, and a credible plan does not exist, yet.

As Professor Ito pointed out, the third arrow has just started to be implemented. The recent failure to reach agreement in Trans-Pacific Partnership (TPP) negotiation (at least for this year) is bad news for a core component of the growth strategy. Inflation expectations in the financial market have increased and recently, actual inflation rate has also increased. The big test is how this year's shunto wage negotiations, which have just started, will fair. If deflation is really over, workers will demand an increase in their base wage at least as large as the expected inflation rate and employers will be able to afford such wage increases.

- Takeo Hoshi
Scholars, policymakers and business leaders from Japan and the United States recently gathered at Stanford to analyze the international energy environment and build new bilateral endeavors.

“With rapid economic growth in emerging countries, world energy consumption has been and will be increasing,” said Hideichi Okada, former Vice Minister for International Affairs at the Ministry of Economy, Trade and Industry of Japan, “everyone has been wondering if there are enough energy resources for this growth.”

Okada introduced the larger picture of energy challenges shared between the U.S. and Japan, citing world geopolitical change in energy supply and demand, and nuclear policy as mutual concerns. Okada is at Stanford as Sasakawa Peace Fellow at the Walter H. Shorenstein Asia-Pacific Research Center (Shorenstein APARC) this year.

The New Channels Dialogue, a two-day conference organized by the Japan Program at Shorenstein APARC and the Sasakawa Peace Foundation, is the first of three annual conferences aimed to stimulate debate on twenty-first century problems faced by both nations.

“In the aftermath of the disaster at Fukushima, Japan has reinvigorated its search for cutting edge technologies and alternative sources of energy,” said Yuji Takagi, president of the Sasakawa Peace Foundation. In parallel, the U.S. has increased its production of shale gas as a viable alternative of natural gas.

Confluence of national interest and demand, and shared historical connections between the U.S. and Japan, suggest an ideal environment for further partnerships between the two countries.

“We have entered an especially important period in bilateral relations between the Asia-Pacific [and the U.S.] – it is undergoing such rapid change and technology is transforming. In this context, I believe the U.S.-Japan relationship will only become more important,” Takagi said. Experts and Stanford scholars discuss electricity systems in California and Japan.

Okada put forth the joint U.S.-Japan wind power project in Hawaii as an example of recent cooperation. In Dec. 2013, Maui became the site of a multi-year renewable energy project between the American and Japanese governments. Many panelists offered different perspectives on energy opportunities from across sectors, included among them were the State Department’s Deputy Assistant Secretary at the Bureau of Energy Resources Julia Nesheiwat, member of the Japan’s House of Councilors and former visiting fellow Hirofumi Takinami, SunPower vice president Thomas Starrs, former IEA Executive Director Nobuo Tanaka, and Stanford economics professor Frank Wolak.

Topics discussed included:

• Energy constraints experienced by Japan since the Fukushima nuclear disaster, and challenges facing Japan’s electricity industry liberalization
• Regional implications of China’s rise as a major energy consumer and producer
• Geopolitical and trade balance effects on the United States and Japan resulting from the shale gas revolution transforming the US into a major energy producer
• Broad impacts to the energy industry caused by geopolitics and financial instability
• Lessons learned from California’s experience with electricity industry liberalization
• Multilateral partnerships for energy technology and innovation

The second day of the conference was a closed session in which candid, in-depth discussions were held. Participants also went on a site visit to Bloom Energy led by principal cofounder and chief executive officer K.R. Sridhar.

The New Channels Dialogue highlighted energy imperatives and created a network of exchange anticipated to continue beyond the conference. A report that encompasses major points and policy recommendations will be published in the forthcoming months.
Syncretism: The Politics of Economic Restructuring and System Reform in Japan

A new book from the Shorenstein Asia-Pacific Research Center, coedited by Kenji E. Kushida, Kay Shimizu, and Jean C. Oi is now available.

Japan’s first decade of the twenty-first century was both disappointing and bewildering, producing wildly contrasting evaluations. Many have come to call this period the “second lost decade,” characterized by policy paralysis and overall lackluster economic growth.

For those studying Japan more closely, however, the same decades reveal nothing short of a broad transformation in numerous core tenets of Japan’s postwar political economy. How can we best capture this transformation?

Each chapter in this volume examines a different aspect of Japan’s political economy within a longer historical trajectory, from multiple angles, to depict a flexible but resilient system. We characterize Japan’s process of change as syncretism—practices foreign, domestic, old and new were selectively adopted, mixed and matched, along the way creating a new and unique hybrid system.


Recent & Upcoming Events

- **February 7 - S-APARC Japan Colloquium Series**
  “Abenomics: Evaluation of the First Year”
  Speaker: Takatoshi Ito - Professor, Graduate School of Economics, University of Tokyo

- **February 13 - Stanford-SPF U.S.-Japan New Channels Dialogue 2014**
  “Energy Challenge and Opportunities for the U.S. and Japan”
  Bechtel Conference Center, Encina Hall, Stanford University

- **March 5 - S-APARC Seminar Series**
  “Historical Injustice and Territorial Disputes in East Asia”
  Speaker: Tetsuya Toyoda - Associate Professor, Akita International University & Visiting Fellow, Woodrow Wilson Center

- **March 6 - S-APARC Panel Discussion**
  “Burma’s Democracy: How Real?”
  Bechtel Conference Center, Encina Hall, Stanford University

* Please register for our events at Japan Program website at jsp.stanford.edu *

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