

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



In late October, I visited Beijing, China, to attend the 10 Year Anniversary Conference of the Center for International Development and Environmental Governance (CIDEG) at Tsinghua University. CIDEG is a research center funded by Toyota. Masahiko Aoki, who re-established our Japan Program, was the intellectual leader of the center. The event was supposed to be a celebration of what the center has achieved in its first 10 years under the leadership of Masa. With passing of Masa this July, the conference became a tribute to Masa's life and his contributions to economics and China. It was great to see many researchers and policy makers that Masa mentored and inspired. I have known many of them but there were also some that I got to know for the first time. I was reminded how much Masa

is appreciated for his contributions to economic policy making and education of economists in China. I made a remark on Masa's contribution to the research of the Japanese economy (the slides that I used are found here <http://stanford.io/1PKw5HL>.) The languages for the conference were Chinese and Japanese, with simultaneous translation between two languages. So my slides are in Japanese.

I came back for the US-Japan Venture Capital Conference that we co-organized with WiL under METI sponsorship. I was pleasantly surprised by the overwhelming responses to the conference. I have heard about 700 people signed up and we consistently saw 300 to 400 participants throughout the two-day conference. I was especially glad to see many young current and future

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Japan Program

Director

Takeo Hoshi

Faculty & Researchers

Michael H. Armacost

Kei Ashizawa

Karl Eikenberry

Kenji E. Kushida

Phillip Lipsy

Kanetaka Maki

Daniel Sneider

Visiting Scholars

Yusuke Asakura

Satoshi Koibuchi

Shuichiro Nishioka

Michiru Sawada

Staff

Meiko Kotani

Amanda Stoeckicht

entrepreneurs who came all the way from Japan to participate. I had chance to talk with some of them during coffee breaks and the reception at the end of the conference. I was impressed by their will to face challenges and passion to change Japan. Many old people in Japan criticize the young to be “internally oriented” and lack the ambition to thrive in the competitive world. That characterization does not apply to the young people that I met. You can find more about the conference on p.4 of this newsletter.

We had another event related to innovations in Japan in November. Kan Suzuki, former Senior Vice Minister of Education, Culture, Sports, Science and Technology of Japan and professor at University of Tokyo and Keio University, was here on November 12 to talk about the improved environment for biomedical research in Japan. More details on the public forum are found on p.5 of this newsletter.

On my way to and my way back from Beijing, I stopped by Tokyo for a day. One of the economic policy debates was on how to introduce a lower consumption tax rate for the necessities when the consumption tax rate is raised to 10% (from the current 8%) in April 2017. Policymakers started to discuss which consumption goods should be considered necessities to qualify for the lower tax rate. The rationale for applying a lower tax rate to certain commodities is supposed to be a softening of the shock of increased tax burdens to households. By just focusing on necessities that all households including poor ones must consume, the measure tries to protect especially low-income households, the

proponents say.

A problem of this argument for applying a lower tax rate on necessities is that it is based on faulty economic logic. Instead of helping the poor, lower tax on necessities actually benefit the rich disproportionately. We can see this by considering a simple example. Consider two households, rich and poor. Suppose the poor household consumes 130,000 yen every month and 35,000 yen of that is spent on foods. Let us assume the rich household consumes 400,000 yen every month and 86,000 yen of that is spent on foods. I made these numbers similar to those reported for the lowest 20% income bracket and the highest 20% income bracket of Family Income and Expenditure Survey for 2014. The proportion of food consumption in total consumption is higher for the poor household, but the total food consumption is higher for the rich household.

Suppose the consumption tax rate is 10%, but the lower tax rate of 8% is applied for foods, which are considered to be necessities. In this case, the poor household's tax bill is lowered by 700 yen per month, but that of the rich household is lowered by 1,720 yen. It should be clear that this is equivalent with the policy to give out 700 yen per month to the poor household and 1,720 yen per month to the rich household with applying the same tax rate to all the consumption goods. Thus, the impact of introducing the lower tax rate on food is to make the rich richer and the poor poorer.

One might argue that the foods consumed by the rich are different from those consumed by the poor and that the government can exempt those

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luxury foods from lower tax treatment. Let us consider an extreme case where these “luxury” foods account for 50% of the food consumption of the rich household (and one can clearly distinguish “luxury” foods from normal foods) and the poor household consumes no luxury foods. Even if the lower tax rate is applied only to non-luxury foods, the rich household still gains 860 yen per month, which is greater than 700 yen for the poor household. Moreover, the rich household can gain more by switching some of their food consumption from luxury items to normal items. The poor household cannot make such adjustment because they do not consume any luxury food items.

I hope that Japanese policymakers and voters will soon realize that applying a lower tax rate on necessities does not help low income households. It just ends up transferring more toward high income households. To help low income households, it is simpler and better to give out cash. Giving out the same amount regardless of income or consumption level would be better than introducing lower tax rate for necessities. The government could help low income households even more by giving out more to them.

As I was preparing this message for the newsletter, I got sad news that Harry Rowen, Senior Fellow at APARC, passed away. I just saw Harry a couple of days before to talk about the conference that he co-organized with Singapore Management University and I attended. I just started to get to know him and his research better and was looking forward to talking with him more. He was a central member of SPRIE (Stanford Program on Regions

of Innovation and Entrepreneurship), which pioneered research on innovation and entrepreneurship in Asia. Our Japan Program started Stanford Silicon Valley New Japan Project with similar goals. I wanted to talk more with Harry on our project. It is sad to know that I will not be able to get his advice anymore.

US-Japan VC Conference: Moment 2015 Event Recap

US and Japan venture capital and startup ecosystem communities unite

Over four hundred business, academic and government leaders connected at the U.S.-Japan Venture Capital Conference, “MOMENT 2015,” held at Stanford University’s Arrillaga Alumni Center between Oct. 30-31. The conference, in its inaugural year, aims to connect leaders in the U.S. and Japanese venture capital and startup ecosystem communities, and provide a forum to share expertise, strengthen ties and exchange opportunities.

Japan is currently undergoing a transformation where its large firms are beginning to embrace open innovation. Simultaneously, changes to the regulatory environment are helping to unleash a fast-growing ecosystem of startups, venture capital and networks of entrepreneurs. However, there remains an opportunity for U.S. and Japanese government leaders to further strengthen Japan’s entrepreneurial ecosystem, and this begins with increased collaboration with university research and business communities.



The first day of the conference drew a large multi-national audience, who listened in with simultaneous translation in Japanese and English. The speakers covered a broad range of topics from innovation industries and ecosystems to the roles of VC firms in product commercialization and corporate collaboration, and more. Takeo Hoshi, acting director of Stanford’s Walter H. Shorenstein Asia Pacific Research Center, delivered closing remarks. He noted the importance of bringing more women into the startup and innovation ecosystem in Silicon Valley and Japan.

On the second day, which was conducted entirely in Japanese, speakers discussed their direct experiences in their own Silicon Valley startups such as Treasure Data and Drivemode, shared views on the Silicon Valley – Japan innovation space and delved into the lesser-known area of iPS cell research.

Content from the conference will be available online at moment2015.com. MOMENT 2015 was sponsored by Japan’s Ministry of Economy, Trade and Industry (METI), organized by Deloitte Touch Tohmatsu and the World Innovation Lab (WiL), and hosted by Stanford’s Walter H. Shorenstein Asia-Pacific Research Center.

DBJ Initiatives for Japan's Growth Strategy

The former president and CEO of the Development Bank of Japan, Toru Hashimoto, gave a seminar to the Shorenstein Asia-Pacific Research Center Japan Program on October 13, 2015. In the seminar, Hashimoto focused on current Japanese economic policy, particularly those policies that promote



growth as well as how the initiatives of the Development Bank of Japan help support, promote, and achieve economic growth in Japan.



Taming the Watchdogs: Political Pressure and Media Self-Censorship In Abe's Japan

On October 28, 2015 Martin Fackler, Journalist-in-Residence at the Rebuild Japan Initiative Foundation and former Tokyo bureau chief for the New York times, analyzed government-media relations in Japan, especially after the current Abe administration came to power. He also spoke about the media responses and actions towards government censorship, delving into the causes of the media's weakness



to resisting such political pressures, which include the collapse of political opposition parties, weak notions of civil society, and other factors. He fielded a variety of questions regarding the future of media and role of journalism in the digital era.

Biomedical Innovation in Japan - Creating Environment for Innovative Research

On November 12, Prof. Kan Suzuki gave a seminar as part of the SV-NJ Public Forum series entitled "Biomedical Innovation in Japan - Creating Environment for Innovative Research."

Prof. Kan Suzuki is currently a professor at the University of Tokyo and Keio University, as well as the Chief Policy Officer and Special Advisor to Minister of MEXT (Ministry of Education, Culture, Sports, Science and Technology). He is the former State Minister of MEXT.

In the seminar, he gave an overview of the transition of medical industry to a dynamic market for innovation and entrepreneurship. He showed examples of the transition: "Promotion Act of Health Industries and Advancement of Healthcare Technologies", "Promotion Act of Regenerative Medicine (RM)", "Safety Act



of regenerative Medicine Revised Pharmaceutical Affairs Law (including medical device and regenerative medicine)", and start of "Administrative Agency of Japan Medical Research and Development (AMED)."

A full video of the Public Forum is available for viewing here:

<https://youtu.be/p3C1n3rqLgg>

Smart Nation, Silicon Valley Technology and Asia Growth Strategy

Tuesday, December 1st 12:00pm-1:30pm

*Philippines Conference Room
3rd floor Encina Hall
616 Serra Street, Stanford University*

For more information or to RSVP go to:

<http://aparc.fsi.stanford.edu/japan/events/smart-nation-silicon-valley-technology-and-asia-growth-strategy>

'By a Silken Thread': Regional Banking integration and pathways to financial development in Japan's Great Recession

Tuesday, December 1st 4:00pm-5:30pm

*Philippines Conference Room
3rd floor Encina Hall
616 Serra Street, Stanford University*

For more information or to RSVP go to:

<http://stanford.io/1HOjVFR>

Understanding Silicon Valley and Startup Ecosystems: New Research and Academic Classics You Should Know

Wednesday, December 2, 2015 4:15pm-6:00pm

*Philippines Conference Room
3rd floor Encina Hall
616 Serra Street, Stanford University*

For more information or to RSVP go to:

<http://www.stanford-svnj.org/forum/>

Masahiko Aoki Memorial Conference and Celebration of Life

Friday, December 4th and Saturday, December 5th

*Bechtel Conference Center
Encina Hall
616 Serra Street, Stanford University*

Program details and registration, can be found and will be updated here:

<http://aparc.fsi.stanford.edu/japan/events/masahiko-aoki-memorial-conference>

Contact Us

JAPAN PROGRAM
The Walter H. Shorenstein
Asia-Pacific Research Center
Stanford University
[Japan Program Website](#)

GENERAL INQUIRIES
Amanda Stoeckicht
Email: amst@stanford.edu
Phone: (650) 725-2532
Fax: (650) 725-6530