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‘Summer Davos’ Special

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Clockwise from above left: A view of Dalian, China, the 2013 host city of the World Economic Forum's Annual Meeting of the New Champions, dubbed Summer Davos, where delegates including policymakers from global businesses, governments, media, academia and other sectors will talk about the theme "Meeting the Innovation Imperative" from Sept. 11 through 13; Davos comes from the Swiss resort where the WEF holds its annual meeting in January; Prime Minister Shinzo Abe (third from right) celebrates alongside Tokyo 2020 delegation members as IOC president Jacques Rogge announces the Japanese capital as the winner of the bid to host the 2020 Summer Olympic Games, during the 125th session of the International Olympic Committee, in Buenos Aires on Sept. 7; Chinese Premier Li Keqiang will attend and address the opening ceremony of Summer Davos on Sept. 11. BLOOMBERG, AFP-JIJI

Abe hoping to prove to the world that Japan truly is back

Jun Hongo
STAFF WRITER

Tokyo's victory for the right to host the 2020 Olympic Games is a reassurance to Prime Minister Shinzo Abe's recent go-to catchphrase, "Japan is Back," with the slogan having appeared as the subtitle of the government's growth strategy and even as the title in one of Abe's policy speeches.

The message is clear: Abe believes that the nation is emerging from its decades-long deflation thanks to his economic policies and is on the path to regaining its status as a leading global economy. Abe, other political leaders and business leaders were quick to express their hope that the hosting of the Olympics, the world's largest international sporting event, will bring a boost to Japan's economy.

From Sept. 11 through 13 in Dalian, China, Japanese delegates to the World Economic Forum's Annual Meeting of the New Champions, dubbed Summer Davos, will espouse Abe's message to policymakers from global businesses, governments, media, academia and other sectors. Chinese Premier Li Keqiang will be making his first appearance at the annual event held in China.

According to the WEF's website, "This year, the working theme is 'Meeting the Innovation Imperative.' The meeting will feature an intensive and interactive three-day program to explore and address the innovation imperative under the following thematic sub-themes: Unleashing Innovation, Transforming Industry Ecosystems, Connecting Markets, Building Societal Resilience."

"The Annual Meeting of the New Champions brings together innovators who are creating the future of business and society. It will highlight how the heads of top-ranked multinationals and tomorrow's industry champions, together with

government, media, academia and civil society, can drive competitiveness and economic recovery," said Olivier Schwab, executive director of the WEF China.

"Japan's GDP statistics symbolize the essence that 'Japan is Back,'" economic revitalization minister Akira Amari said at a news conference in June. Whereas the domestic economy was shrinking in the latter half of 2012, Abe and his team succeeded in turning the game around quickly and raising the gross domestic product growth rate to an annualized 2.6 percent in the three months to June, and 3.8 percent in the first quarter of 2013.

The prime minister so far appears to have succeeded in inducing an economic upturn since taking office in December.

Since the administration came into power, the government revealed it will spend ¥200 trillion over the next 10 years on public works and measures to improve disaster preparedness. The spending cap on the annual budget that was put in place by the previous Democratic Party of Japan-led government has been scrapped, and Abe's team has pledged to go on a spending spree through its ultra-loose fiscal policy.

The Bank of Japan, which has agreed to set an unprecedented inflation target of 2 percent, also joined hands with Abe.

The BOJ pushed forward a hefty monetary easing policy that caused the yen to drop quickly against other currencies. That worked in favor of Japan's sluggish exporters, which quickly turned substantial profits, while the cycle also led the Nikkei to soar and spending by households to grow. The consumer price index has moved upward, albeit slightly, but this has been taken as an indication that tides are changing for the deflating economy.

Japan's economy appeared to be in cruise control for Abe until the breakeven recovery waned somewhat and extreme volatility started to kick in in late May.

Doubters were quick to raise their voices once the momentum appeared to fade.

"Japan's miracle cure may not be working," said a report in The Wall Street Journal in July, pointing out that the boost to the Nikkei 225 index had weakened in the last few months and that wages weren't rising in Japan.

Germany's central bank last month also said that Abe's policies, dubbed "Abenomics," will only be effective for a short-lived span.

In a recent report, the International Monetary Fund also stressed that "significant risks remain both from international and domestic factors," highlighting Japan's bloated government debt and slow structural reform plans.

Truly, Abe's second stint as prime minister and his initial steps to revive the economy have begun losing their initial thrust. Pundits agree that Abe must walk the walk and execute his growth strategies as such concerns rise.

When the Cabinet approved Abe's growth strategies in June, Keisuke Naito, a senior economist at Mizuho Research Institute, said in an interview with The Japan Times that the government must "deliver on its promises" regarding the growth policies or Abenomics "will end merely as a mini-bubble."

The set of growth plans, following the drastic monetary policies and fiscal spending, are what Abe refers to as the "three arrows" of Abenomics.

Its contents include deregulation measures, such as permitting sales of nonprescription drugs on the Internet, creating special economic zones to promote new business and boosting investment on developing climate-friendly energy resources over the next 10 years.

That, and other sets of growth strategies, should raise the per capita gross national income by ¥1.5 million within the next decade, according to the government.

The growth strategies are "designed to stimulate the private sector's creativity in doing business and to start global innovation in Japan," Abe said when revealing the contents of the growth policies in early summer.

"Deregulation is the first and foremost core of the growth strategies," he added.

The prime minister explained that the creation of special economic zones, where, for instance, regulations on floor-area rationing will be eased and allow high-rise residential buildings, should be able to create international business environments on par with New York and other major economic centers.

Combined with deregulation on creating international schools and allowing doctors from overseas to practice medicine in the country, the scheme should attract companies to build their business in Japan, Abe added.

The government has also promised to assist the private sector in the medical and infrastructure-building industries to boost innovation in these fields. The retail electricity market will be liberalized as well under Abe's plans.

One key aspect being watched closely is whether Abe can push forward corporate tax cuts in the next few months as one of his growth strategies. Pundits say it will determine whether the prime minister is willing to go the distance regarding structural reform of the Japanese economy.

On the domestic front, the government has pledged to tap more female workers as the nation's working population declines. The growth strategy vows to increase the number of daycare centers to accommodate 200,000 more children by 2015 and another 200,000 by 2017.

The administration has also begun its effort to put money in consumers' hands. Later this month, business owners and union leaders are scheduled to gather in a

special meeting with the government to discuss measures to raise wages, or more specifically, how to add ¥1.5 million per capita gross national income within the next 10 years as Abe has pledged.

The grandiose pitches by Abe, however, have so far been greeted with a lukewarm reception. Many pundits point out that there was no mention of the way to achieve the ambitious goals, and that the prime minister has little time left to convince the public that his plans are feasible.

"Abenomics succeeded in working on the public's expectations, but the effect is wearing off," Mizuho's Naito said, adding that the key for Abe now will be nailing down the tax incentives to boost domestic business and specifying areas for deregulation.

BOJ Gov. Haruhiko Kuroda has also warned that, while it is "extremely important to come up with a fine strategy," execution will be the key.

Hinting that monetary policies alone can't sustain the upward trend of the economy, the central bank chief in June urged the Abe administration "to take action and carry out the policies in a timely manner."

In response to such voices, Abe has tagged the next Diet session, scheduled to kick off in October, as "an assembly to materialize the growth strategies." He has expressed his will to work on the details and pass legislation regarding the growth policies, and to lay out the details of how he intends to achieve what he has promised.

Abe has even revealed that a second set of growth strategies will be presented within the year.

But whether he can deliver on his words remains in doubt, since the government already has a full plate on its economic agenda.

One is the ongoing debate on raising the consumption tax over the next two years. While a heavier taxation is indispensable for

the government to right its fiscal balance sheet, some have claimed that a tax hike will kill off the drive created by Abenomics as the country finally sees signs of an end to deflation.

In addition to balancing the tax debate and growth strategy, pondering ways to achieve fiscal reform is also a pressing matter since the Cabinet has followed previous administrations in vowing to halve the primary balance deficit by 2015 and achieve a surplus by 2020. The initial request for the fiscal 2014 budget, however, has surpassed ¥100 trillion for the second straight year.

A key portion of Abenomics has been the massive public works spending, which led the economy to grow quickly in the last few quarters. But how that cost will be justified against the effort to cut government debt has yet to be seen.

Handling the downside of Abenomics is also an urgent matter, as the yen's rapid easing has increased the cost of imports, causing headaches for some as prices for basic necessities such as tissue paper and vegetable oil have gone up. Japan's reliance on energy imports is pushing the country's trade deficit to historic highs as well.

Sitting atop such issues is the still ongoing nuclear crisis in Fukushima. Abe has said that restarting the nuclear power plants and exporting nuclear technology abroad will be a key ingredient to boost the economy. But with the continued leaking of radioactive water at the Fukushima No. 1 plant, Abe has a long way to go to convince the public that reactivation is the right choice.

The prime minister has plenty on his hands, but now is the time for Abe to prove that the economic revival is not a fluke.

"The extraordinary Diet session will be an occasion to push forward strategies on Japan's revival," Abe said earlier this month. "We must do all we can to strengthen the details of Abenomics."

‘Summer Davos’ special

Advising visitors to truly see Japan with their own eyes

Jun Hongo
STAFF WRITER

Last summer at age 66, Seiichi Kondo climbed Mount Fuji for the first time in his life. Friends warned it wouldn't be an easy expedition, and it wasn't. But conquering Japan's highest mountain was essential for what he was about to do next.

"There was a tremendous sense of accomplishment when I reached the top," said Kondo, the former chief of the Cultural Affairs Agency. "I could see all the way to Tokyo Skytree, and it reaffirmed my belief that Mount Fuji symbolizes the spirit of Japan and its culture."

A year later at a meeting of UNESCO's World Heritage Committee in Phnom Penh, held this June, Kondo was in the thick of convincing its members that Mount Fuji and the nearby Miho no Matsubara pine grove deserved its place on the prestigious list.

His strategy was in presenting how the mountain was not merely a scenic location, but that it formed the very fabric of the country's culture and influenced everything from art to environmentalism to religious beliefs.

Kondo's pitch hit the spot. UNESCO's decision to inscribe Mount Fuji on the World Heritage list was met with cheers in Japan, and Kondo was tagged as the man who made it happen.

"Mount Fuji was selected as a World Heritage, not only because of its beauty. There is much more to it than that," he explained.

The Hiroshima Peace Memorial, the Shiretoko National Park in Hokkaido, the ancient capital city of Kyoto and Himeji Castle from Japan's feudal period are some of the 17 locations in Japan that are included on the World Heritage list.

But Mount Fuji, inscribed as a "sacred place and source of artistic inspiration" by UNESCO, is arguably the closest to the hearts of many Japanese.

The mountain "has long inspired artists and poets and been the object of pilgrimages," UNESCO states on its website. "Its representation in Japanese art goes back to the 11th century but 19th century wood block prints have made Fujisan become an internationally recognized icon



Seiichi Kondo talks to The Japan Times about tourism to Japan. YOSHIKAKI MIURA

of Japan and have had a deep impact on the development of Western art."

The United Nations organization also points out that the mountain was a training center for ascetic Buddhism in 12th century Japan. The landscape, which includes lakes, waterfalls and pilgrimage routes, are "revered as sacred," UNESCO notes.

Kondo believes that Mount Fuji supplied the people of Japan with a unique sense of nature. Typhoons, earthquakes, volcanic eruptions and other natural disasters have rocked the country for centuries. Meanwhile, Japan is also privileged with vibrant changes of the season. Mount Fuji is the epitome of all such things combined, Kondo says.

"For centuries, the mountain has taught the people of Japan that one must not attempt to control nature - but live humbly as a part of it," Kondo explained, adding that the principle can be observed today in how Japan treats nature differently from many Western countries.

"For instance, the garden at the palace of Versailles is set up beautifully but in a geometric design, showcasing man's control over nature. A typical Japanese garden is the opposite of that," Kondo said. "Japanese

gardens are about appreciating and respecting nature as it is. That reflects the philosophy that the people of Japan have toward nature."

UNESCO's International Council on Monuments and Sites had originally recommended that the Miho no Matsubara pine grove be exempt and that only Mount Fuji should be inscribed. But Kondo again tenaciously explained to members that the whole scenery and not only the mountain defined the character of Mount Fuji.

Paintings of the scenery by Utagawa Hiroshige and Katsushika Hokusai were used as references that the pine groves and the mountain are part of each other. But it was difficult to convince people of the sentiment in an objective manner, he acknowledged.

Yet Kondo believed that Japan's indescribable sense of worship toward nature has recently gained understanding and a fan base overseas, partly through the art form of "Japanimation."

For example, famed anime director Hayao Miyazaki often chooses such themes in his movies, which have received high praise from overseas viewers. Miyazaki's movies and their storylines are clearly different from a typical Disney movie, as films such as the Academy Award-winning "Spirited Away" and "Princess Mononoke" depict nature as a "religion" and a source of life.

"To have such films be accepted and become worldwide hits tells us something," Kondo said. "It proves that Japan's unique sense of unity with nature is, consciously or subconsciously, slowly being accepted by foreigners."

It is rare for a 3,776-meter volcano to be listed as a cultural instead of natural heritage, but that distinction suggests his pitch persuaded and won over the UNESCO members, Kondo added.

"Our world today owes a lot to industrialization and the advancement of science and technology. But when it comes to building a sustainable world, the answer appears to exist somewhere else," Kondo said. "I think that Japan's unique view of nature, nurtured by Mount Fuji, can contribute to many issues today, including environment conservation and global warming."



Japan's symbolical mountain, Mount Fuji, as well as the surrounding Miho no Matsubara pine grove are listed as a UNESCO World Heritage through the longtime efforts of advocates such as former Cultural Affairs Agency chief Seiichi Kondo. KYODO

For those eager to truly understand that inspiration, Kondo strongly advises that one visit Japan.

Instead of only visiting "onsen" hot spring spas, playing golf or checking out the key tourist spots, Kondo assures that Japan has a lot more to offer visitors, especially through unique cultural and natural experiences.

"One such site that comes to mind is Mount Hiei," he said, referring to the mountain in northeast Kyoto known as the location where Buddhist monks including Nichiren and Honen studied. Once, Kondo took a group of Islamic teachers from Indonesia to the mountain and was told that a divine presence could be felt everywhere in the area.

"I think that describes the uniqueness of

Mount Hiei, especially since it came from an Islamic person who believes in monotheism," Kondo said.

Witnessing the splendor of Japan and the origin of its culture cannot be achieved without physically being there, Kondo said.

"I'd like to advise visitors that watching or reading some facts about these places online is nothing like actually being there," he said.

The number of visitors entering Japan has been on the rise, and the government predicts that it could reach 10 million this year. An ongoing campaign called Visit Japan is aiming to boost the number of visitors to 25 million by 2020.

Kondo said the goal is difficult, but feasible, and should be reached in order to promote Japan's distinctive culture to those overseas.

The key to achieving that goal lies in the Japanese people understanding and appreciating their own culture, and nurturing a true hospitality for visitors, he said.

As for the future of Mount Fuji, there has been rising concern that a boost in the number of visitors and lack of proper management may deteriorate the mountain's environment.

"That may become an issue, but all I can say is that each visitor must be aware of Mount Fuji's importance and what it stands for," Kondo said, adding that when he climbed the mountain last summer he saw no littering along his route.

"It comes down to the fact that we should all continue to take pride in the mountain," Kondo said, "be grateful for it and do all we can to preserve the natural beauty."

Seeking to change men's mind-sets to spur on prosperity for all Japanese

Ayako Mie
STAFF WRITER

When Upper House lawmaker Masako Mori became a state minister for measures for declining birthrate, gender equality and consumer affairs and food safety last December, one of the first things she did was to announce that she would promote male staff within her ministries if they take child-care leave.

Mori, who is also the minister in charge of support for women's empowerment and child-rearing, is a lawyer with two daughters, ages 11 and 14. She especially laments the fact that Japanese men with children under 6 years old only spend an average of 39 minutes per day on child-rearing.

One element preventing working fathers from giving a hand in raising children is that, while every worker should be treated equally, many have to fulfill a certain service period to be promoted under the seniority system in many companies, including ministries.

"One of my goals is to have a society that is free from fathers who do not help in any household chores or do not participate in child rearing," Mori said recently. "Women cannot keep working and advancing in their career unless men help their working wives. Japanese society has to change the mind-set that people who take child-rearing leave will be disadvantaged in their career."

The international community has called on Japan to harness women's power in order to reinvigorate its sagging economy. It remains to be seen if Prime Minister Shinzo Abe can follow through with his pledge to capitalize on women in a country where there is still a lingering sense of a strongly male-dominant culture.

Some critics and some Japanese women agree that Abe's policy might be somewhat different from previous proposals in the way that Abe positions working women as an engine to boost the economy: Abe included "womanomics" as a pillar policy of his growth strategy.

Previous governments have repeatedly said that Japan needs more gender equality and had set targets to capitalize on female power. But almost 30 years after the nation implemented a workplace gender equality law in 1986, the female standing in both business and politics has not seen much improvement.

Japan ranks nearly at the top of the world in women's education and health and survival, according to The Global Gender Gap Report 2012 published by the World Economic Forum. But when it comes to women's economic participation and political empowerment, Japan is nearly at the bottom: Japan is ranked 101 out of 135 countries in the overall gender gap ranking, down from 98 in the previous year.

Yet gender inequality is no longer only a social problem, but also an economic problem for Japan, which has been suffering decades-long economic slumps. More than 60 percent of women quit their jobs after giving birth, creating a labor shortage because there is no sustainable



Masako Mori, an Upper House lawmaker and member of Prime Minister Shinzo Abe's Cabinet, speaks to The Japan Times in August. YOSHIKAKI MIURA

system to support working mothers.

According to the International Monetary Fund, if Japan can raise the female employment rate to 70 percent, it will increase per capita gross domestic product by 5 percent. A 2010 report by Goldman Sachs suggests that if Japan can bring the rate to 80 percent, it will boost GDP by 15 percent.

Furthermore, a recent report by the Dentsu Innovation Institute estimates that Japan will generate more than ¥6 trillion, almost one-fifteenth of Japan's ¥92 trillion national budget, if the country can put almost 3.6 million homemaking mothers aged between 26 to 49 back to work.

In order to prevent female brain- and work-drain, Abe announced that he is extending the child-rearing leave to up to three years for both women and men, and pledged to fight the nationwide day-care shortage by taking measures to accommodate 400,000 children.

Mori, however, said a key to solving the problem is to change the male-oriented mind-set of Japanese society. She has already requested a budget for 2014 to introduce tax incentives and subsidies for companies that promote and create an environment where women can work while raising children.

"Women have done enough and, honestly, they do not have to try harder," said Mori. "What we need is to change the men."

Some critics say that introducing a quota system for female executives might be necessary to have more women in power to change the culture. Countries such as Norway, France and Italy have laws that mandate companies to have their boards consist of at least 30 percent women. In Norway, companies will be delisted from the stock exchange unless they achieve the target.

Abe has only set a nonbinding goal to increase the number of female executives to

30 percent across the board by 2020. Mori said legally mandating such a system would not resonate with Japanese culture, but may even backfire, which is why the country should take a cautious but steady step toward achieving the goal.

As a step forward, Mori has been petitioning business circles to have at least one female board member at each company. Mori has been trying to introduce a system that will mandate companies to disclose the number of female board members in their corporate governance reports as a way to add pressure.

Mori's effort might prove to be effective, as having female board members has globally proved to help company performance. According to Thomson Reuters data, on average, companies with mixed boards performed marginally better or the same over the past 18 months, while companies with no female board members underperformed compared to companies with female board members.

The same trend is seen among Japan-based companies. According to Bloomberg, among the 700 companies listed in the first section of the Tokyo Stock Exchange, the return on equity (ROE) is plus 23 against the Topix, while the ROE of companies with no women sitting on the board scores a minus 11.

Yet Mori admits that it takes more education for male managers to understand the positive impact of female employees. That is why she is introducing the so-called Iku Boss system, or "educating boss" program. She said that Japan needs to break away from the system in which people who do so-called service overtime or unpaid overtime are valued and promoted regardless of their performance.


Such unnecessary overworking takes time away from men to look after their children or to do work around the house, creating a vicious circle where women have to do all the work. While more than 65 percent of men work more than 46 hours a week, a study indicates that more than 30 percent of men want to work shorter hours or take child-rearing leave to help raise their children.


"We have to re-educate managers to introduce a more transparent system for evaluations," Mori said, "because it ultimately helps the performance of the company."

As a successful lawyer who gave birth to her first child when she was studying at New York University School of Law, she admits that she wished she had a role model to emulate how to balance her life as a mother and a working professional.

Based on her experience, her plans include introducing more diverse female role models to young women so that they can know there are ways to "have it all" regardless of their economic standing or family situation.

"I still struggle and seek help from my friends who are mothers with my children's homework," Mori said. "But we have to create a society where giving birth to children would not be a disadvantage for a woman but rather an important part of her career."




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‘Summer Davos’ special

Japan hopes to blow ahead in renewables with floating wind farm



A floating offshore wind turbine in Fukushima. TAKESHI ISHIHARA

Minoru Matsutani
STAFF WRITER

The renewable energy sector plays a key part in Japan’s growth strategy. Among options such as solar and geothermal, wind power may be the most suitable for Japan as it is surrounded by the ocean.

Winds are strong and stable at the ocean due to the absence of structures blocking the wind. The noise and vibrations from wind turbines disturbing residents is another reason the ocean is preferable.

The challenge is that the ocean floor around Japan is steep, so it would only make sense if wind turbines float. But there are no floating offshore wind farms in the world.

Japan’s answer is to create the world’s first wind farm off the coast of Fukushima Prefecture.

“It’s the best solution for Japan,” said Takeshi Ishihara, a professor in the Department of Civil Engineering at the University of Tokyo’s Graduate School of Engineering. The university, along with several manufacturing companies, formed a consortium to build the wind farm.

Potential for wind power generation is huge in Japan, he said. According to the Environment Ministry, the amount of offshore wind energy that can be potentially generated in Japan is 1.6 billion kilowatts, 10 times that of solar power and 100 times that of thermal power and small and mid-size hydraulic power. It is also eight times the current capacity of Japan’s power companies.

Japan lags very much behind European countries in wind power generation. Wind power accounts for less than 1 percent of power generation in Japan, Ishihara said.

Meanwhile, Britain, for example, aims to increase wind power and its goal is to have a third of its power generated from wind.

“Japan should also have a similar goal,” Ishihara said.

There have been legitimate reasons, however, for Japan to have stayed away from wind power.

One of the reasons is that Japan has not had the experience and know-how of building and maintaining wind turbines in the ocean and cannot simply apply European methods as the climate and geology are very different.

To solve the problem, the New Energy and Industrial Technology Development Organization (NEDO) built fixed-bottom offshore wind turbines to collect data in waters off Choshi, Chiba Prefecture, in October 2012 and Kitakyushu in March 2013.

Another reason is the high cost.

Construction costs for wind turbines, foundations and undersea cables are said to be twice as much as a wind farm on land, Ishihara said. Maintenance costs are also higher than on land.

To counter the challenge, the consortium is building large wind turbines to increase power-generating efficiency. The consortium is working on developing light but strong materials to make large-size wind turbines.

The consortium is planning to start operation of a 2,000 kW floating offshore wind turbine as well as a floating substation and observation station in October. It is also planning to add two 7,000 kW floating offshore wind turbines by 2015.

The consortium’s goal is to raise power generating capacity of the wind farm to 1 million kW (1 gigawatt).

Currently, there are two floating offshore wind turbines in the world. Norway has one with 2,300 kW of capacity and Portugal has the other with 2,000 kW of capacity. Those two countries still need to solve some technical challenges to build a floating offshore wind farm, Ishihara said.

One challenge for Japan is gaining the support of the fisheries industry. The consortium has thoroughly researched the ecosystem in the ocean to choose the optimal location for the wind farm to minimize the negative impact on the industry.

Also, the consortium and local fishery cooperatives have worked together to come up with various measures. For example, the flotation devices for the wind turbine and substation will have automatic feed dispersal functions to create fishing spots.

“The difference between solar power and wind power is the contribution to the local economy,” Ishihara said. “In solar power, simple power generation can be performed by purchasing solar panels and placing them on a building. But for wind power, they have to have a local factory.”

Young entrepreneurs go forward in ‘New Japan’; deregulation can aid economy

Minoru Matsutani
STAFF WRITER

Tokyo is becoming an incubator of venture businesses as many young people — seeing the success of other entrepreneurs, who in turn have created a network of mentors and investors — are taking on the challenge of having their own business, aided by an improving economy buoyed by Prime Minister Shinzo Abe’s economic measures, dubbed Abenomics.

“My message to the world’s young entrepreneurs, engineers and tech investors is this: Forget that old ‘Japan passing’ story.... Come and be part of ‘New Japan,’” said Yoshito Hori, a Davos regular who is president of Globis University and managing partner of Globis Capital Partners. “Come and build the next Silicon Valley right here in Tokyo.”

Hori has a reason to be upbeat.

Out of five initial public offerings that Hori’s venture capital company has done in the last five years or so, three founders were from the University of Tokyo, and one from Kyoto University. The CEO of a company Hori is planning to take public later this year is a Japanese who has recently moved his base from Tokyo to Singapore.

“As the dean of a business school and a

venture capitalist, I’m up close with what’s going on in the Japanese economy — and it’s all good news,” Hori said. “In ‘Old Japan,’ the best and brightest young people went from top universities straight into government or big firms. Now they’re setting up their own ventures.”

As an example of the excellence of Japanese entrepreneurship, Hori cited Yoshikazu Tanaka, the founder of Tokyo-based mobile social gaming company Gree, Inc. who is the world’s youngest self-made billionaire except for the founding members of Facebook Inc.

Tanaka quit a stable job at a large company to set up Gree when he was 27. He is now 36 and estimated to be worth \$1.9 billion as of April, according to Forbes magazine.

For the world’s most successful IT female entrepreneur, Hori cited Tomoko Namba, the founder of Web services company DeNA Co., also based in Tokyo.

Namba was a partner at McKinsey & Co. when she left the consulting company and founded DeNA. She was in her late 30s then.

Famous female IT executives today such as Facebook COO Sheryl Sandberg, Yahoo CEO Marissa Mayer and former eBay CEO Meg Whitman are great leaders, but in a different category because they themselves did not start

the companies they work for, Hori said.

Hori said that Tokyo is somewhat similar to Silicon Valley in that it has social environments friendly to the incubation of venture companies.

Hori cited a solid network of mentors and investors, more Fortune 500 headquarters than any other city in the world, a GDP almost double that of Los Angeles, a huge metropolitan population of 37 million, compared with, for example, New York’s 20 million, and fixed-line and mobile broadband connectivity second only to South Korea.

In another reason of Hori’s optimism, Abenomics is expected to promote deregulation and take other measures to activate economy.

Abe’s administration announced in June a growth strategy, the third of Abenomics’ “three arrows.” The comprehensive economic measures range from expanding the opportunities of women in the workforce and promoting green energy use, to bold deregulation.

The first and second “arrows” are aggressive quantitative easing and proactive fiscal policy, both of which were announced prior to the announcement of the growth strategy. Since then, share prices have surged, gross domestic product has risen and unemployment has edged lower.

Hori complements Abe’s determination to

“fix” the Japanese economy, which had been stagnant since the global recession in 2008.

“Personally, I believe Abe is deeply committed to ‘fixing’ Japan,” said Hori, the head of Japan’s largest business school operator by the number of students. Hori can feel Abe’s determination in the prime minister’s frequent use of the phrase “TINA,” or “There is no alternative,” he said.

Pundits say success in the growth strategy is a key for sustainable economic growth.

Hori believes Abenomics is going in the right direction. He particularly has high expectations on the effects of deregulation.

Deregulation in key sectors will probably have the most positive impact, Hori said.

“Medicine, agriculture and the labor market are called the industries with rock-solid regulation,” Hori said. “Deregulation in those areas will definitely activate the Japanese economy.”

Hori also favors a move to make it easy to shift investment funds to risky capital, such as stocks of unlisted companies, instead of safe capital, such as government bonds.

Hori’s expectations may be mirrored by the Japanese public. Abe enjoys strong support from the public, another sign that Japan as a whole is likely to be united in following Abe’s measures.

Abe maintained an astonishing approval rating of 70 percent. By contrast U.S. President Barack Obama’s support stands at 45 percent.

“I genuinely believe that the mindset of the Japanese people is becoming more positive,” Hori said.

Another bright side of the Japanese economy is the increasing number of foreign students.

Globis University, which has a full-time MBA course taught in English, currently has students from 20 different countries.

“I have a real sense that more foreign students are opting to study in Japan. They say they like manga, anime and those subcultures,” he said. “After graduation, some of them remain in Japan to work. That is quite a gift to Japan.”

Hori stressed the point that those who stay on to work in Japan become valuable human resources for companies that want to expand their businesses outside the country. As an example, Globis University employs foreigners from eight different countries.

Hori is trying to achieve globalization of Japanese human resources in many ways, such as by providing international business education, incubating new international businesses and welcoming foreign students in his school as well as company.



Yoshito Hori is the founder and CEO of GLOBIS. GLOBIS

In one such effort, Globis is holding the G1 Global Conference in the university in Tokyo on Sept. 16, under the theme “A Stronger Japan: Impact on Asia and the World.” The conference will feature prominent business figures such as company executives and economists, all speaking in English.

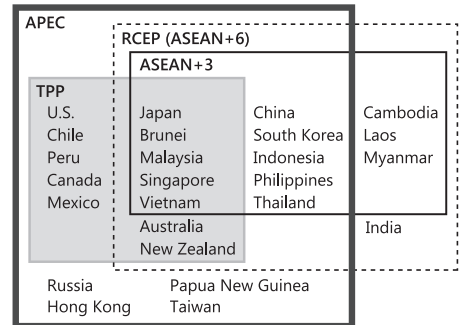
The G1 Global Conference discusses various global agendas with leaders from politics, businesses, media and other fields. It is an opportunity for participants to expand their global networks and have in-depth discussions about various fields and industries with distinguished experts. Hori said, “I believe that this will be ‘the fourth arrow’ to get the New Japan go forward.”



Balancing Social Security Costs and Benefits

The Tokyo Foundation introduced the concept of integrating the reforms of the social security and tax systems. As with many other industrial countries, Japan needs to address the twin demands of enhancing care services for a graying population and holding down burgeoning social security expenditures. In an October 2012 policy proposal, the Tokyo Foundation advocated achieving this through the decentralization of health- and nursing-care services, enabling local communities to craft systems that best suit their needs and raising awareness of how insurance premiums are spent. The planned consumption tax hike will not eliminate the red ink, so approaches to a fiscally sustainable future is being explored, such as by expanding the tax base and adjusting benefit levels.

Economic Partnership Frameworks in the Asia-Pacific



Commitment to an Open International Order

The Tokyo Foundation was one of the early advocates of Japan’s participation in the TPP negotiations, which the country finally formally joined in July 2013. Japan is now committed to working toward an open and rule-based international order, and this should also encourage structural reforms and greater efficiencies in the Japanese economy—including the farm sector—through deregulation and the elimination of tariffs. TPP will create a new economic governance structure in the Asia-Pacific, promoting the kind of reforms proposed by the Tokyo Foundation for Japan’s agricultural infrastructure and energy policy, such as securing imports of shale gas and developing technologies to harness renewable energy sources.

Whither Abenomics?

The Tokyo Foundation’s Penetrating Analysis of a Bold Program for Revival

Economists and policymakers the world over are watching with keen interest the fate of Prime Minister Shinzo Abe’s program for economic revitalization. Will Abenomics lift Japan out of deflation, which has stifled the economy for the past two decades? Isn’t the prime minister playing with fire by committing to an overly ambitious program of quantitative easing? Won’t it invite another market bubble?

While much attention has focused on whether Japan can overcome

deflation, the Tokyo Foundation, one of Japan’s top public policy think tanks, recognizes that Prime Minister Abe’s ultimate goals are to restore the dynamism that once characterized the country’s meteoric rise to the world’s number two economy.

The “three arrows” fired under Abenomics to date—namely, aggressive monetary easing, massive fiscal stimulus, and structural reforms to boost private investment and competitiveness—may appear aimed just at economic targets. But their real goals are much broader: (1) to make Japan a more open and globally attractive society; (2) to sustain a high quality of life marked by safety and security; (3) to offer a bigger social role to diverse players, and (4) to ensure long-term sustainability.

Pragmatism over Nationalism

In a policy proposal issued in August 2013, the Tokyo Foundation urged the coalition government—whose upper house election victory in July gave it a majority in both houses of the Diet—to pursue a pragmatic foreign policy, rather than advancing an ideologically conservative, nationalistic agenda. Japan’s top priority is improving relations with China through both engagement and hedging and emphasizing common strategic goals with South Korea. The Tokyo Foundation believes that the creation of a national security council would enable the government to respond in a more organic and coordinated manner to a diverse range of issues, including trade, monetary policy, and foreign and security policy. Japan’s foreign policy goal should be to secure an international order marked by free and open competition. Working with like-minded states, Japan should proactively contribute to upholding freedom, democracy, and the rule of law.



Tokyo Foundation Forum on Foreign and Security Policy Choices for Prime Minister Abe.

Bridging Differences

Globalization and technological advances have brought the world closer together. But sadly, misinformation and antagonism also travel faster today, often causing people to view others with suspicion and exacerbating tensions. Such psychological barriers are harder to break down than physical ones; to do so requires champions who respect diversity—in language, ethnicity, and values. The Tokyo Foundation is engaged in bridging differences through both leadership development and policy research activities. We administer the Ryoichi Sasakawa Young Leaders Fellowship Fund (Sylff) program through a network of 69 universities in 44 countries; the Tokyo Foundation–Acumen Global Fellows Program to address the problems of global poverty using entrepreneurial approaches; and the “Weekend School” for Municipal Officers to revitalize local communities. We also work with global think tanks like the German Marshall Fund of the United States to organize forums for Track 2 dialogue with experts from around the world.



Tokyo Foundation–Acumen Global Fellow Junko Tashiro, second from left, with Acumen founder and CEO Jacqueline Novogratz, right.

The Tokyo Foundation
Developing Policy • Investing in People • Transforming Society

Preparing for a Fiscal Meltdown

At over 200%, Japan’s public debt as a ratio of GDP is among the highest in the world—far higher than any other industrial democracy. Outstanding government bond issues now total over \$10 trillion, most of which are held by domestic banks. Even a few percentage-point rise in long-term interest rates could have a devastating impact on public finances and the domestic financial industry. Learning from the March 2011 earthquake and tsunami that there is a need to prepare for even the most unlikely of eventualities, the Tokyo Foundation spoke with senior bureaucrats and leading economists to formulate a contingency plan for a potential fiscal meltdown—something the government had failed to do on its own. The project’s policy proposal, issued in July 2013, contains concrete measures that would be required in the event of a fiscal emergency. A follow-up project is now considering approaches to implementing unpopular policies, such as higher taxes, in a democracy.



‘Summer Davos’ special

(Publicity)

Education helps bring the taste of sake to the world

Shizuka Wakashita
SPECIAL TO THE JAPANTIMES

The remainder of this year is poised to be a busy time for sake producers as a wave of promotional events sweeps across Japan — and the rest of the world.

On Oct. 2, following an awards ceremony in Kyoto, the country's first Miss Sake will make her debut as an ambassador to popularize the beverage at home and abroad.

From October through March 2014, visitors to Japan will have the chance to enjoy a sip of sake poured by sake makers at duty free shops in Narita, Haneda, Chubu and Kansai airports.

Culinary events have been planned for the fall and winter to serve sake in different countries and show how the drink can be paired with local cuisine.

These outreach programs, organized or supported by the Japan Sake and Shochu Makers Association's (JSS) Overseas Strategic Committee, are intended to help sake brewers gain a foothold in the global market.

Sake sales overseas have been rising steadily for the past decade. According to statistics from the National Tax Agency, shipments reached 14,131 kiloliters in 2012, double the volume in 2002. Sake fanatics overseas are now seeking out further information and resources to learn more about Japan's traditional national drink. Naturally, many have turned to the JSS, the largest union of sake producers in Japan.

At first, JSS did not have a specific division to answer those inquiries, but the flood of contacts prompted the organization to create a committee to specifically take care of inquiries from other countries five years ago. JSS appointed five brewery owners to head the Overseas Strategic Committee, and the goal is to create a system as well as an environment to help Japanese sake makers increase exports.

The Overseas Strategic Committee undertakes various initiatives through legal action, sake events and promotions to raise



Izumihiko Masuda JSS

awareness about sake overseas.

"We want people to know more about authentic sake and how to enjoy it," said Izumihiko Masuda, head of the Overseas Strategic Committee and president of Masuda Tokubee Shoten in Kyoto.

‘We want people to know more about authentic sake and how to enjoy it’

IZUMIHIKO MASUDA, HEAD OF THE JSS OVERSEAS STRATEGIC COMMITTEE

One of the advantages of creating a special committee to deal exclusively with foreign markets is that they can tackle legal matters with the Japanese government — something individual breweries would have a hard time doing. The committee submits requests to the Ministry of Foreign Affairs, which in turn negotiates with individual governments.

One of the long-standing hurdles faced by sake makers wishing to expand abroad is the hefty tax levied on imports, which raises prices.

Also on the committee's agenda is a move to create a new category for sake under the Harmonized Commodity Description and Coding System Code (HS Code). The HS Code is an international system for the classification of products to determine tariffs for traded products. Sake is currently classified, ambiguously, as "other fermented beverage," while beverages such as wine, beer and even vermouth have individual HS codes. Giving sake its own HS code could encourage the recognition of sake overseas and also enable the industry to obtain the accurate figures of sake imports to foreign countries.

The committee offers opportunities for sake makers as well as consumers through events overseas. They have chosen key places to hold sake tasting events in the United States, Europe and two areas in Asia. Although such functions may not sound like a new idea, the committee is determined to make changes to the program that will prevent the events from "being just like fireworks and not resulting in actual business," Masuda said.

The committee has been trying to create different opportunities to serve sake in order to reach a wider audience. One such example was at the reception of the World Economic Forum's annual meeting (known as Davos for the Swiss resort at which it is held) in January 2013, where sake was served at a Japan-themed event.

"Sake tasting in unusual settings is great," said sake importer Henry Sidel of Joto Sake in New York. "Trade shows have been done so many times, with the same people, but such exposure at Davos and airports is good. What's exiting is introducing sake to new people and hearing them say it's delicious."

Education is another aim. The committee is going to publish a textbook on sake basics in eight different languages — including English, Chinese (two versions), Korean, French, Spanish, German and Italian — in response to requests from around the world and is considering setting up sake schools overseas.

"There is just not enough information available overseas about sake; there are not enough trusted educational websites, materials or books about sake," Sidel lamented.

Education is, as Masuda points out, however, equally important for sake producers who are new to the export business, and the Overseas Strategic Committee together with JETRO has begun offering seminars in Japan to teach brewers about foreign markets, the local culture and new trends.

Both sake professionals and consumers agree that another major obstacle to marketing sake abroad is labeling. The definition of the word "sake" is vague in Japanese, and English terminologies, which are not standardized, are often confusing to customers. Further complicating matters is the fact that brewers can themselves determine what to call their brews — as long as they conform to the basic rules that determine the grades of sake — and detailed information rarely appears on sake labels.

"You can mix whatever rice you want. You can even mix four kinds of rice, and it is



The first sake seminar targeting foreign residents of Japan is held in the Ikebukuro area of Tokyo in June. Right, a large turnout attends a sake seminar and tasting event in New York in February. JSS

hard to distinguish what's good and what's not by looking at the label under the current laws," said Yasunobu Tomita, the 15th-generation owner of Tomita Brewery in Shiga Prefecture. The committee is conducting research and consulting with beverage industry professionals overseas in order to find a solution to this problem.

The key to success in this regard, suggests chef Keisuke Matsushima of Michelin-starred restaurant Keisuke Matsushima in France and Restaurant I in Japan, may be found in the practices of winemakers. Matsushima says that government officials should "learn from other countries."

He notes that famous wine regions have attached short, catchy copy to their brands, while sake producers lack similar marketing savvy: "Chablis is dry chardonnay, and Beaujolais nouveau is fresh wine from Bourgogne. Sake should have some phrases that are easily understood," he explained.

While many of the experienced brewery owners engage in more political and organizational initiatives, younger brewers are striving to connect with new audiences in their own ways. Tomita began exporting his Shichihonyari sake in 2005 and his focus has shifted since meeting more people abroad.

"People overseas see and talk about sake in the same way that they do about wine," he observed.

Consumers abroad are more interested



in the region, the rice, the history of the brewery and the basics of sake, whereas Japanese audiences ask more technical questions about brewing techniques, the characteristics of the sake and price. As a result, Tomita has begun to place more emphasis on the *terroir* (to borrow the French phrase used by winemakers) of his sake and tries to communicate the unique facets of the quality of the local water, the area's climate and the setting of the brewery.

Even one trip abroad, however, can be a huge financial burden for many producers, as most of sake breweries are small, family-run businesses operating on narrow profit

margins.

"It would be great if the Overseas Strategic Committee could support small breweries to ease the risk of going overseas," Tomita said.

Doing business abroad is a venture full of uncertainty, and many breweries lack the economic means and the know-how to navigate the international market. By educating sake producers and consumers and facilitating legal reforms, the Overseas Strategic Committee may be able to create an infrastructure that will enable more sake makers to expand their business abroad. Tomita and other small brewers hope they will succeed.



A sake seminar and testing is held in Paris in February. JSS

This Japan Night, bond with our harmonious lineup

JSS 日本酒造組合中央会



Japan Sake & Shochu Makers Association

<http://www.japansake.or.jp>

● You must be of legal age to drink.
● Don't drink and drive.
● Drinking during pregnancy / breast-feeding may be hazardous to the fetus / infant.