

Introduction

We also include messages from young people in this issue, as we believe it is one of our missions to promote discussion on some key policy issues for the future among the world's youth. We hope their views will prompt many responses. As the 2014 Nobel Peace Prize winner Malala Yousafzai said, if you believe firmly in something and speak out with conviction, even if you are a teenager, the world will listen to you. We hope these two articles will spark a debate among our readers.

Adapting New Educational Models for Japan-India Educational Partnership



Author Ui Teramoto

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The change in global realities during the last 50 years has brought the anxieties of modern Japan to the fore. It has sometimes seemed unable to integrate itself into the global community because of poor English skills and it is therefore an endeavor of the Japanese government and various academic institutions to overcome this lacuna and create a bilingual education system that can match the aspirations of a more globally-oriented Japan. Though there are remnants of nationalist academics who still believe Japan can prosper with a heady mixture of Japanese linguistic skills and prewar nationalist ideas and remain at the top of the world, it is imperative for Japan not only to import Western-style education from the Anglo-American world but also to learn from the adaptive experiments of erstwhile postcolonial countries like India and China which have fine-tuned European education to suit their needs, as well as to export elements of Japanese educational systems to such countries. This bilateral exchange of knowledge and linguistic skills will not only energize Japanese educational systems but also create lasting friendship and global understanding. In the light of this thinking, Japan must not just promote academic exchange of one or two students and professors but import an entire educational system from India and export its own brand of higher and primary school education to India. This academic partnership will alter the educational and academic atmosphere of both countries, bring about radical transformation in thinking amongst its intellectual classes and create individuals who can succeed in global competition of knowledge and power sharing. This article proposes that Japan could import

three different kinds of educational systems from India, namely English education of convent schools, Cambridge-style education of St. Stephen's College and IIT-style education. In turn, Japan could export its value-based elementary style moral education and the *jitsugaku* education of Keio University in order to bring about a balance in the cut-throat competition that exists in elite educational institutions in India.

English Education in Convent Schools in India

Convent-style English medium education teaches students early in life to be both competitive and socially conscious. Christian missionaries established the basis of the convent-style education system in India which, though Victorian in nature, emphasized scholarship and learning. In post-independence India convent education carried the stamp of excellence and elegance. Though in recent years there have been attempts to discredit convent education as promoting Christianity, it was more an attempt to inculcate the



Moral slogans at a Japanese elementary school

Photo: Author

values of truthfulness, integrity and respect for society. Students nurtured within the convent education system came out as liberal in thinking and persevering in their studies. Their skills as intelligent and concerned citizens stood out when they went out into the world. The art of developing academic excellence and vitalizing debating and management skills could be introduced into the Japanese education system.

Photo: Author

Cambridge-Style Education at St. Stephen's College

St. Stephen's education can also be an added tool in developing Japanese higher education. St. Stephen's College was set up by the Cambridge Brotherhood during the colonial period with the express intention of cultivating English in thought and mind but Indian in demeanor. Though St. Stephen's, like other colleges set up under colonial governments, attempted to impart quality education to poor students, it soon lost its proletariat agenda and became a preserve for the elites who filled bureaucratic and commercial positions. Its administration was overtly Christian but it had an extremely secular character. After independence it attracted the next generation of teachers in India who trained students in the advancement of knowledge and sound scholarship. Most of its graduates went to study in American and European universities, often with full scholarships, achieving excellence in academic and other areas. The strict adherence to discipline and traditions created well-rounded personalities and encouraged students to work hard within a homely environment. The desire to achieve excellence is something instilled in the personality of every Stephanian. Today a fine network of Stephanians exists both in India and abroad who bear the distinctive stamp of a liberal Cambridge-style education.



Japanese students studying in St. Stephen's College

technocrats emerged with an IIT-brand of knowledge and scholarship. They proved their mettle in Anglo-American establishments and were much sought after by companies like IBM and Microsoft. The highly competitive nature of such education created emotional and psychological problems which IITs are still working to find ways to mitigate.

IIT-style education could prove quite beneficial for Japan in producing capable IT experts. This could be done by creating institutes of technology in major cities like Tokyo, Kyoto, Kobe, Fukuoka, Naha and Hakodate to initiate industries in various fields that deal with issues East Asian countries share beyond national borders. Within a few decades such cutting-edge institutions would begin to show results.

Moral Education in Japanese Primary School System

While India offers English and skill-based education, Japan can offer value-based education to create competitive and socially conscious individuals. Although many countries have their own ways of inculcating morals, such as citizenship education or religious education in schools, moral education in Japan features a national curriculum consisting of secular principles taught once a week throughout nine years of compulsory education. In addition to subjects such as Japanese, mathematics, sciences, social studies and history, moral classes (*do-toku*) offer time to ponder the importance of the environment, social norms and unity based on four objectives proposed by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). These are:

- 1) About the self (learning to be independent and to live moderately)
- 2) About relationships with others (importance of courtesy and communicating honestly)
- 3) About relationships with nature and higher things
- 4) About groups and society (keeping promises, following rules and having a sense of public duty).

IIT-Style Education

Needless to say, the Indian Institutes of Technology (IIT) have some global influence. They were first established during the 1950s by the Congress leadership with financial support from industrialized Anglo-American nations to promote MIT- and Stanford-style education. There are now 16 IITs throughout India. As the vision of IIT-Delhi concisely shows, the IITs aim to “contribute to India and the world through excellence in scientific and technical education and research; to serve as a valuable resource for industry and society; and remain a source of pride for all Indians.” Alumni of the institutes have completely changed the intellectual context of Indian universities in the sphere of applied science and engineering and influenced the way Indian education is perceived abroad over the last two decades.

IITs were also accompanied by departments of humanities and social sciences that enabled a highly developed elite to interact with the intelligentsia and literati. Within two decades professional

Textbooks are provided by MEXT and other companies offer short stories with these themes and extracts of novels and biographies, such as those of Helen Keller's instructor Johanna "Anne" Sullivan, or Japanese baseball player Ichiro Suzuki, or Kenyan environmentalist and Nobel Peace Prize winner Wangari Muta Maathai. Students read the stories and reflect upon them by discussing them, writing essays on them or performing skits. The implementation of moral education for decades in elementary and secondary schools has created social cohesion and a largely conflict-free society. Rumi Hiratsuka, a school teacher in Fukuoka, believes "moral education cultivates compassion for others and things around them, and without such compassion forming any group to live in a society is not possible."

Inter-Disciplinary & *Jitsugaku* Education of Keio University

Another example of value-based education in higher education is the style of Keio University. The modernizing of Japan was based on the idea of self-development and the founder of Keio University, Yukichi Fukuzawa, realized the need for "national development and intellectual empowerment" through developing critical and debating skills to develop "character and initiative". As Mukesh Williams noted, he was keen to create "enlightened businessmen" and bring Western "technological skills" and "social organization" into Japan ("New Education & Fukuzawa's Legacy at Keio SFC", *Japan SPOTLIGHT*, Nov./Dec. 2011). Williams writes: "The concept of *jitsugaku* is a neo-Confucian term incorporated by Fukuzawa into Japanese ethics and roughly corresponds to Karl Popper's idea of 'situational logic'. It implies new ways of thinking and learning whose concept shifts the focus from ethics (*rinri*) to protecting people by reorganizing society (*keisei saimin*)."
Professor Atsushi Seike,

president of Keio University, explains that *jitsugaku* stands for public knowledge or the ability to evaluate the significance of things and inculcate a morality which involves good behavior and care for others. Japan could export this concept of *jitsugaku* to India and create an "inter-disciplinary study, unique education, collaboration, independence, innovation, practical education and sustainable relationship" (Williams, 2011). Exporting an interdisciplinary model of higher education would undoubtedly revitalize Indian education.

Conclusion

Japan possesses one of the best educational infrastructures in the world but lacks educational institutions which can create students who can be globally competitive. If Japan can import and effectively fine-tune Indian cutting-edge education systems and temper them with its own value-based education, then it can nurture students who can compete effectively both in Japan and the world. They can then become valuable innovators and creators of knowledge and take both Japan and the world into a better future. If the intellectual elites and policy makers of both countries are convinced about the need to refurbish their existing educational models, then the governments of both countries must support such programs on an experimental basis both financially and academically. Such a partnership might take five to 10 years but it would definitely bring desired results in creating global world-class citizens who are proficient in both languages and familiar with the intellectual climate of both countries. They would be effective not only in Asia but also in the Anglo-American world. **JS**

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Difficulties of Hostile Takeovers in Japan

By Daigaku Murata

Introduction

Since the economic bubble burst in the early 1990s, the percentage of shareholding foreign investors and the number of individual investors have increased in the process of dissolving cross-shareholdings in Japan. With the gradual introduction of stock swaps, holding company systems, and triangular mergers since the end of the 1990s, the legal and institutional basics for fostering mergers and acquisitions (M&As) have also been consolidated. The



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number of M&As, mostly friendly ones, has increased amid the process of these changes. However, out-in M&As (M&As of domestic companies by foreign companies) and especially hostile takeovers remain few today in Japan.

Transition & Current Situation of Hostile Takeovers in Japan

Against the backdrop of changes since the economic bubble burst,

such as the unraveling of cross-shareholdings, the rise of activist shareholders, and the introduction of holding company systems and stock swaps, the number of M&As in Japan started to increase sharply in the late 1990s (Table). In particular, the number of in-in M&As (M&As between domestic companies) has remarkably increased against the backdrop of industrial reorganization mainly to cope with intensifying international competition. Although M&As involving Japanese corporations are largely accounted for by in-in M&As as of 2013, out-in M&As have grown by over five times from 1991 to 2013.

However, the current market size of Japanese out-in M&As is not so huge internationally. Total sales of cross-border M&As around the world were about \$349 billion in 2013. Regarding sales by nation, the United States was the highest (\$60 billion) and followed by the United Kingdom (\$29 billion). Whereas Germany was about \$17 billion, France \$9 billion, and China \$27 billion, Japan was just about \$4 billion and constituted only 1.2% of total global sales (UNCTAD, *World Investment Report 2014*, Annex Table 09).

In particular, hostile takeover attempts have mostly failed, and the number of hostile takeovers remains very low. According to Jackson & Miyajima, the total number of hostile takeover attempts from 1991 to 2005 was only six in Japan, equal to Germany, though the number was 176 in the UK and 332 in the US. Furthermore, although the percentage of failed hostile takeover attempts was 17% in Germany, 22% in France, 39% in the UK and 47% in the US, the percentage in Japan was quite high at 83% (*Varieties of Capitalism, Varieties of Markets: Mergers and Acquisitions in Japan, Germany, France, the UK and USA*, by Gregory Jackson & Miyajima Hideaki, RIETI Discussion Paper Series 07-E-054). The total number of hostile takeover attempts from 2006 to May 2011 slightly increased to 18, but most of them did not succeed (RECOF DATA Corporation, *MARR*, August 2011).

Increase in Takeover Defense Measures in Japan

As the threat of hostile takeovers has grown, the number of corporations introducing takeover defense measures has rapidly increased since the mid-2000s. Though the number was only two as of 2004, it increased to 569 in 2008 (29 in 2005, 175 in 2006, 409 in 2007) (RECOF DATA Corporation, *MARR*, August 2011). The number slightly decreased against the backdrop of the bankruptcy of Lehman Brothers and improvement of legal systems on disclosure related to tender offers in Japan, but the number remained 496 as of August

2014 (RECOF DATA Corporation, *MARR*, October 2014).

The number of management buyouts (MBOs), ultimate takeover defense measures for delisting, also increased rapidly from 13 in 2000 to 34 in 2003, and additionally increased about three times within the next five years (96 in 2008). As with the introduction of takeover defense measures, the number of MBOs also decreased from 90 in 2009 to 27 in 2012, but increased to 38 in 2013 (RECOF DATA Corporation, *MARR*, October 2014).

Long-Term Stakes Between Corporations & Stable Shareholders

Japanese corporations used to work on stable shareholder arrangements through cross-shareholdings before the bubble burst. Considering the decrease in the shareholding ratio of banks and business corporations and the increase in the ratio of foreign investors, some people say the number of stable shareholders has also fallen.

However, the existence and power of stable shareholders cannot be measured only by a decrease in the shareholding ratio of banks and business corporations. It is stable shareholders that support a corporation in situations such as shareholder meetings and hostile takeovers. Stable shareholders are made up of a combination of various stakeholders such as counterparty, parent, or affiliate companies, main banks, customers, employees, and life insurance companies. It is not unusual among Japanese corporations that employee or client stock ownership plans or life insurance companies account for a large or the largest amount of shareholdings.

In fact, the percentage of stable shareholders in Japanese corporations is not low today. The Chart shows the transition of the ratio of stable shareholders in Japanese listed corporations, and the samples consist almost entirely of large corporations with over 500 million yen in capital. The percentage of companies in which stable shareholders hold 50-60% of the shares has slightly decreased, and has brought an increase in the percentage of companies whose stable shareholders hold 10-30% of the shares. However, the percentage of corporations in which the ratio of stable shareholders is no less than 50% still remains over 47.7%.

Stable shareholders have a long-term stake in corporations and they generally support targeted corporations in cases of hostile takeover attempts. For example, even in the progression of unraveling cross-shareholdings, life insurance companies as mutual companies have continued to hold corporate shares to acquire

TABLE

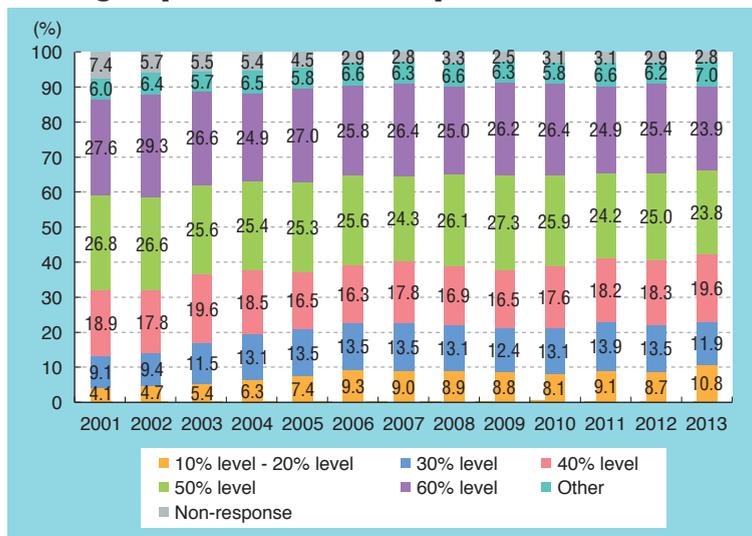
Number of M&As involving Japanese corporations

Year	91	93	95	97	99	01	03	05	07	09	11	13
M&A	638	397	531	753	1,169	1,653	1,728	2,725	2,696	1,957	1,687	2,048
In-In	309	234	255	452	721	1,190	1,352	2,129	2,020	1,520	1,086	1,400
In-Out	301	120	222	225	266	289	213	411	367	299	455	499
Out-In	28	43	54	76	182	174	163	185	309	138	146	149
TOB reported in Japan	3	3	1	10	19	28	34	53	104	79	58	56

Source: Compiled by author using data in RECOF DATA Corporation, "Statistics and Data", *MARR* (each number)

CHART

Transition of percentage of stable shareholders among Japanese listed corporations



Note: Nearly all samples relate to large corporations with over 500 million yen in capital.
 Source: Compiled by author using data in Shoji-Homu Kenkyukai (Japan Institute of Business Law), *White Paper on Shareholder Meetings [Kabunushi Soukai Hakusho]* (2001-2013)

customers from employees and directors of the companies. Banks, counterparty companies, and employees have long-term stakes with corporations on the level of financing, dealing, and employment respectively. In particular, the market conditions of mid-career employment are very severe in Japan. Therefore, it seems legitimate to consider that employees in Japanese corporations have a huge fear of restructuring or deterioration in the employment situation, as mostly happens after hostile takeovers.

Even customers who do not hold corporate shares strongly support targeted corporations in some cases of hostile takeover attempts. In the cases of the attempts targeting Seibu Holdings and Hanshin Electric Railway Co., Ltd., people living close to railroads and fans of professional baseball teams held by these two companies strongly disapproved of the attempts. Furthermore, Japanese corporations have recently ramped up their efforts to increase individual stable shareholders through hospitality programs for them.

Weak Entrenchment of Notion that “Corporations Belong to Shareholders”

Weak embeddedness of the value that *kigyō wa kabunushi-no-mono* (corporations belong to shareholders) is also contributing to the difficulties of hostile takeovers in Japan. The traditional value that *kigyō wa stakeholder-no-mono* (corporations belong to stakeholders) still remains deeply rooted in Japanese society. According to a questionnaire survey of middle managers in five countries (Japan, the US, the UK, Germany, and France) conducted from 1990 to 1992, the percentage of respondents saying that corporations put the interests of shareholders before the interests of employees exceeded 70% in the UK and the US. However, the percentage of those saying that corporations put the interests of

employees before the interests of shareholders was 97.1% in Japan, the highest among the five countries (“Whose Company Is It?: The Concept of the Corporation in Japan and the West” by Masaru Yoshimori, *Long Range Planning*, Vol. 28, 1995).

These days, many corporations have started to express the importance of shareholders as owners, but the idea of “business enterprises for stakeholders” is still embedded in Japanese corporations. A survey conducted in 2012 showed that Japanese corporations put the interests of shareholders above the interests of stakeholders. However, the percentage of respondents answering that corporations should give the highest priority to job security rather than dividends when corporate performance was proving difficult was 89.3% (The Research Institute of Economy, Trade and Industry (RIETI) *A Survey of Japanese Listed Companies [Nihon Kigyō no Corporate Governance nikansuru Enquête-Chōsa Houkokusho]* http://www.rieti.go.jp/jp/projects/research_activity/governance/data/survey_results.pdf).

There have been cases where boards of directors in targeted corporations have tried to adopt strategies against hostile takeovers without their shareholders’ consent in the past. When Livedoor tried to acquire Nippon Broadcasting System Inc. in 2005, the board of directors of the targeted company tried to issue massive warrants to Fuji TV without their shareholders’ consent in order to foil the takeover attempt. Furthermore, when Oji Paper Co., Ltd. (Oji) tried to take over Hokuetsu Paper Mills, Ltd. (Hokuetsu), the first hostile TOB case between large Japanese listed corporations, the board of directors in Hokuetsu did not announce the management integration plan proposed by Oji to shareholders of Hokuetsu, and decided on third-party allocation of new shares to Mitsubishi Corporation without their shareholders’ consent.

Conclusion

Although the number of M&As has continued to rise since the economic bubble burst in Japan, most of them have been friendly M&As, especially in-in M&As. As the threat of hostile takeovers has grown, Japanese corporations have rushed to introduce takeover defense measures and to implement MBOs. It is the huge presence of stable shareholders that is an especially important factor. Stable shareholders scarcely catch at hostile TOBs because they put priority on maintaining long-term relations with the targeted companies above short-term benefit. Furthermore, there is a deeply-rooted culture of emphasizing long-term relations as encapsulated by the phrases *komatta toki wa otogaisama* (We should help each other when we have a problem) and *mochitsu motaretsu* (You scratch my back and I’ll scratch yours), not only in business but also throughout Japanese society. This is also a major factor in the small number of hostile takeovers in Japan. **JS**

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