

Japan's Education Reforms

By Hakubun Shimomura

Japan's public education system is in desperate need of the reforms proposed in a bill now before its parliament. Like the country's constitution, Japan's present education law was laid down while the nation was still under American occupation in the 1940s and has not been amended since.

That's why Shinzo Abe, the first Japanese prime minister born since the occupation, has made reforming both these pillars of state a priority. In the case of the education system, the bill now before the lower house of the Diet begins by stating its goal of making fellow citizens proactive builders of the values of peace and democracy.

An amendment to the 1947 Fundamental Law on Education, it addresses the problems with a public education system that is increasingly shunned by Japanese parents and children alike. They no longer expect public schools to teach elementary subjects such as math and grammar, let alone values such as peace and democracy. As a result, name-brand private schools are gaining in popularity and their acceptance criteria more stringent. All this is occurring despite a declining population of school-age children and carries the risk of polarizing Japanese society.

The idea of Japan being an egalitarian, education-minded place is increasingly a myth. That's something I can testify to personally. Having lost my father when I was very young, I had to survive largely on scholarships during my school days. Later, while still in college, I started a prep school for children aspiring to enter these expensive name-brand schools.

The amended Fundamental Law on Education, if passed as expected, will make sure that values, such as love for the home-

land, are taught and that the family take primary responsibility for their children's education. The bill aims to foster respect for other countries and encourage the Japanese to contribute to world peace and development.

But changing the law is only the start. Refurbishing Japan's public-education system requires a team of turn-around managers to push through the reforms. For that purpose, Mr. Abe has appointed a 17-member Education Rebuilding Council, comprising educators, artists and business leaders such as the chairman of Toyota Motor Corporation. The panel is headed by Nobel laureate chemist Ryoji Noyori, and tasked with coming up with specific ways to revitalize the education system.

To turn around a system that has lost its customer loyalty means regaining credibility. Japan's public education badly needs more checks to make it more accountable, so that customers can differentiate the better schools from the underperforming ones.

The current public education system represents an old Japan where seniority rules in exchange for an equally absolute assurance of lifetime employment. Nothing motivates teachers to pursue higher academic degrees, MAs or Ph.D.s. As it is nearly impossible to oust nonperforming or even bullying teachers, taxpayers must endure rewarding them with the same salaries and bonuses given to their more dedicated colleagues. Those teachers who stand out end up frustrated, often by their colleagues, whose obsession with conformity stifles innovative minds among those they are teaching. This contributes to the high rate of suicides among Japanese schoolchildren.

To break this vicious cycle and make the whole system more user friendly, the

panel will look at how best to provide incentives for tenured teachers in public schools. It may become mandatory for teachers to undergo intensive mid-career retraining and their pay scale would change to reflect their performance.

That requires a new governance structure. A reform-minded bipartisan group of legislators, including myself, has found a model for this in the United Kingdom's Office for Standards in Education (Ofsted). If financial investors need the protection provided by an independent watchdog overseeing financial institutions, why shouldn't parents have a similar entity that supervises educational institutions? After all, investing in education is no less important—or risky—than buying financial assets. Ofsted provides British parents with a guide to which schools are among the "outstanding providers." I hope the reform panel will consider establishing a similar body in Japan.

Education reform is a risky endeavor for Mr. Abe. That's especially so given the strenuous opposition of the Japan Teachers Union, one of the nation's most powerful labor unions and a staunch supporter of the opposition parties and the looming upper-house elections next July.

However, the prime minister has no choice because time is not on our side. Japan's society is aging, its population shrinking. That means the nation's youth must grow more compassionate and willing to care for the increasing number of elderly. They must also become more creative, as Japan's future growth hinges upon how the coming generation can boost productivity. The time to act is now and we need to invest in future generations through Mr. Abe's initiatives for education reform.

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Making public schools competitive.

Beam Me Up, Scotty

By Paul Ingrassia

Kirk Kerkorian's code name for his ambitious investment in General Motors 20 months ago was "Bigfoot." Last summer, when he sought to reshape GM by putting it into an automotive alliance with Nissan and Renault, the code name was "Supercar." The code name for last week's operation should have been "Exit Ramp."

Last week Mr. Kerkorian, the 89-year-old investor who made his first fortune in Las Vegas casinos and made another \$3 billion on Chrysler a decade ago, completed the sale of his entire stake in GM. He had once owned 9.9% of the company, purchased for a total price of \$1.7 billion. "Captain Kirk" wound up with a profit of less than \$100 million, not bad for most folks. But it is leagues less than the billions he had envisioned, and no more than he could have made by buying plain-vanilla corporate bonds.

GM is an American icon, albeit a faded one. Its bonds are junk rated, it posted an astounding \$10.6-billion loss last year, it's fending off several SEC probes of its earnings reports and its U.S. market share stands near historic lows. It's the very definition of a company needing radical change. So how did Mr. Kerkorian lose?

Partly, it seems, just by being Kirk Kerkorian. Imagine if the avuncular Warren Buffett, instead of the reclusive and enigmatic Mr. Kerkorian, had purchased a big chunk of GM stock and pushed for an urgent transformation of the company. Such moves, of course, aren't Mr. Buffett's style. But had it happened, the dynamic would have been different. It would have been billed as America's most revered investor riding to the rescue, in the view of the press and public, instead of a "corporate raider" and "Las Vegas billionaire" out for a fast buck. But Mr. Kerkorian became the issue, instead of GM's chairman and CEO, Rick Wagoner, which is

ironic. During Mr. Wagoner's first five years as the shareholders' chief steward, the stock went from more than \$70 a share to less than \$19 a share—despite strong car sales, industry-wide, for the most part.

Thus Mr. Kerkorian and his representative on the GM board, former Chrysler and IBM executive Jerome B. York, took it upon themselves to approach Carlos Ghosn, the CEO of both Nissan and Renault, to suggest that GM join the Nissan-Renault alliance. Mr. Ghosn, who had engineered the miracle rescue of Nissan from near-bankruptcy in 1999, expressed interest. But when Mr. Wagoner didn't quickly come to the table, Messrs. Kerkorian and York took their proposal public last summer. Mr. Ghosn would have been top dog in any alliance. So in effect, Messrs. Kerkorian and York were offering the GM board a chance for regime change. They were pushing for something rapid and radical.

But the directors proved to be the "Tammy Wynette board," determined to stand by their man, Mr. Wagoner. "Who does this guy from Las Vegas think he is, telling us what to do?" snapped one GM board member at a key meeting, as the Journal's Monica Langley reported.

Things have improved at GM since the nadir late last year. Mr. Wagoner has won from the United Auto Workers health-care concessions and a buyout plan under which some 35,000 GM hourly workers will retire. The moves should greatly lower GM's fixed-cost base. The company is posting operating profits again, though its core North American auto business remains in the red and cash flow remains stuck in reverse. When Mr. York quit the GM board in October, he publicly de-

cried the company's efforts as inadequate.

Last week Mr. Wagoner completed the sale of 51% of GMAC, the company's venerable financing unit. The sale, which will yield some \$14 billion for GM, is like pawning the family silver to get through a famine. Ford Motor, in contrast, mortgaged the house—pledging its factories and other assets to secure \$18 billion of credit to pay for the costs of restructuring. The two companies' methods were different but their goal is the same: securing cash to buy time to repair and rebuild.

Car sales are slumping, and GM (like Ford) has cut production plans for next year's first quarter. The UAW contract expires next year, and one sore point in the negotiations will be the notorious "jobs bank," in which GM pays workers not to work. The bankruptcy proceedings of Delphi Automotive, formerly part of GM and still its largest parts provider, will cost GM billions. And Mr. Wagoner remains publicly wedded to the costly burden of keeping eight different car brands—more than GM had 40 years ago, when its market share was double what it is now.

Will Mr. Kerkorian make another run at GM in the future? Perhaps, but at this point it's unlikely that he knows himself. A more pressing question is whether GM's progress will continue without Messrs. Kerkorian and York on hand to agitate for change. Another is whether Mr. Wagoner, the same man who presided over GM's plunging fortunes in the first half of this decade, can engineer a revival.

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Why do South Pacific Nations Need Armies?

By Benjamin Reilly

Here we go again.

On Tuesday, Fiji troops moved in and placed Prime Minister Laisenia Qarase under house arrest. The capital city of Suva has been locked down. After weeks of buildup, a coup is underway.

This is only the latest in a string of military rebellions on the Pacific Islands in recent years. From East Timor to Papua New Guinea, Vanuatu—and now Fiji—standing armies have repeatedly undermined democratic institutions and created unnecessary volatility. It's time they stepped down.

In Fiji, elections held earlier this year led to the first multiethnic power-sharing government in the country's history. A constitutional provision guaranteed cabinet seats to all significant parties, including the country's Indo-Fijian minority. This was a major step towards resolving ethnic tensions.

But army leader Frank Bainimarama has been unrelenting in his campaign against Mr. Qarase. The division between these two native Fijians has been driven by personalities as much as policies—unlike previous coups, rooted in the ethnic division between Indo- and native Fijians—and reflect deep schisms within the country's indigenous elite.

Some of Commodore Bainimarama's claims have merit. He objects, for instance, to the Qarase government's inclusion of ultranationalists in its administration. These were the same ultranationalists associated with the previous coup. Nevertheless, Commodore Bainimarama's methods have irrevocably debased the norms of accountability, constitutionalism and the rule of law in his country. If successful, this will be Fiji's fourth coup since 1987 and will mark the end, perhaps permanently, of the country's quest for a genuine multiethnic democracy.

Fiji's descent into a Pacific-style banana republic is only the latest example of military forces in the Pacific region posing a threat to their own countries. But it is hardly the first.

The collapse of public order earlier this year in East Timor, for instance, was sparked by the government's attempt to downsize its bloated military, but quickly turned into an us-versus-them confrontation between army and police units based on ethno-regional divisions.

Armed insurrections, indiscipline and defiance of government have also been a feature of the Papua New Guinea Defence Force in recent years. In 2000, the PNGDF staged an angry protest in Port Moresby, demanding a 100% pay rise (they eventually received a more realistic 5%). Then in 2002 the soldiers mutinied again, burning down buildings and breaking into the armory following a high-level review that called for a 60% reduction in force size. The downsizing plan was abandoned, and PNG maintains an excessively large and expensive military.

In Vanuatu, a pay dispute in 2001 led the paramilitary Vanuatu Mobile Force to abduct the attorney-general, police commander, ombudsman and other constitutional officers. While they were released unharmed, the head of the paramilitary unit and the acting police commissioner were subsequently charged with mutiny.

Each of these disputes served to weaken state institutions and undermine core democratic principles such as civilian control of the military. With the possible exception of East Timor, none of the island states in this region face conventional military threats. In the unlikely event of external attack it would fall to Australia, the regional hegemon and key U.S. ally, to take the lead role.

Beset by internal divisions, pay disputes and tensions with other disciplined forces such as the police, the islands' militaries have proved unable to manage the limited task of ensuring internal security, much less their stated rationale of protecting their countries from external threats. The message is clear. For democracy to prosper, Fiji, Papua New Guinea, East Timor and the other island states would be better off without their own defense forces.

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