

EAST ASIA INSIGHTS

TOWARD COMMUNITY BUILDING

JCIE Japan Center for International Exchange

June 2011

Recovering from Japan's Disasters

HITOSHI TANAKA, *Senior Fellow, JCIE*

THE SERIES OF DISASTERS that struck Japan on March 11 were of unprecedented scale, devastating communities and further damaging Japan's already-stagnating economy. The official death toll stands at more than 15,000 and is likely to climb well over 20,000. The economic damage has been projected to climb as high as 25 trillion yen according to the Japanese Cabinet Office. Power outages and the resulting disruptions to production supply chains have affected business and cooled consumption. On top of all of that, the Fukushima Daiichi nuclear plant continues to pose a grave threat to the surrounding communities and economies, and the crisis there is now acknowledged as the most serious nuclear accident since Chernobyl.

Japan needs a viable national strategy for recovering from these disasters, not only for its own economic and political future but also so that it can maintain its international presence and continue to make contributions to the international community. Overcoming these challenges and building Japan back even stronger in the process will require bold

action in a number of key areas: (1) the formulation and implementation of a reconstruction plan based on strong political leadership; (2) the mobilization of new financial resources to fund the reconstruction effort; and (3) the development of a new energy policy. Implementing these bold actions is complicated by the long-term challenges that already plagued Japan before the earthquake, including questions over its long-term fiscal health and uncertainty over the future of the US-Japan alliance in the changing regional security environment. Policymakers must be attuned to the long-term consequences of their actions and not simply reconstruct systems that were already failing to meet the challenges of the 21st century prior to the disasters. The need for timely action is clear so that those in the hardest-hit areas can rebuild their lives as quickly as possible, but to simply institute a quick fix without a long-term strategy risks accelerating Japan's ongoing economic and political downturn and will have repercussions for the region and around the world.

Reconstruction Planning

A strong international presence requires a strong economic base. There is an urgent need for speedy formulation and implementation of a viable long-term reconstruction plan. In the short term, a speedy reconstruction effort will stimulate demand, particularly in labor-intensive industries, which should help boost the sluggish economy. It will also help avert an outflow of people from the affected Tohoku region as both jobs and shelter become more readily available, preventing an exacerbation of the already excessive concentration in the greater Tokyo region and other urban areas. Taking a long-term perspective, the reconstruction plan should result in a more strategic approach to the agricultural and fisheries industries, one that allows long-overdue liberalization programs to move forward without sacrificing the needs of the farming and fishing communities as the primary goal. Rather than using the disasters as an excuse for delaying the agricultural reforms that are needed for Japan to join the Trans-Pacific Partnership, now is the ideal time to design a reconstruction plan that integrates liberalization into a robust agricultural sector for the 21st century.

The speedy formulation and implementation of a viable long-term reconstruction plan will require strong political leadership and bi-partisan cooperation. There has been an increasing sense of frustration with Prime Minister Kan's leadership, even from within his own Democratic Party of Japan (DPJ), and not just from the Ichiro Ozawa loyalists. Although Kan was able to defeat a vote of no-confidence against him in the Lower House by announcing he will step down in due course, it is still questionable if he can hold the unity of the DPJ, and the Liberal Democratic Party has pledged that it will not be forthcoming with full-fledged cooperation unless Kan resigns.

Expert input from bureaucrats and practitioners is also lacking, creating the risk that reconstruction planning will not adequately reflect realities on the ground. Stronger bureaucratic input into policymaking, as was the norm prior to the 2009 change in the majority party, is a key potential resource in the government's efforts to produce a viable long-term reconstruction plan. The DPJ and the bureaucratic

establishment need to call a truce in their war and find a balance between excessive reliance on bureaucrats and allowing sufficient expert bureaucrat input into the policymaking process.

Reconstruction Financing

Given the immense costs of reconstruction, Japan will need to mobilize new financial resources. This is a complicated task, given that Japan was already facing a public debt of around 200 percent of its GDP before the disasters, and that will be compounded now as there will likely be a tax revenue shortfall resulting from the immediate economic impact of the disasters if adjustments to the tax code are not made. There has been talk of issuing new government bonds and diverting public spending from non-essential programs. But if one steps back and looks at the bigger picture of Japan's efforts to achieve fiscal soundness in the long term, it is evident that a tax increase is inevitable. Increasing the consumption tax was already on the Kan government's pre-disaster agenda, and the discussion needs to be revived. A tax increase must be instituted not just to cover the immediate reconstruction costs in the wake of the disasters but also to deal with the pre-existing economic challenges. Without such a balanced approach toward short- and long-term needs, Japan will find itself facing dual crises of having to cover the social welfare needs of a rapidly aging population while still being saddled with high public debt.

Energy Policy

The crisis at the Fukushima Daiichi nuclear power plant presents a clear setback for nuclear energy and necessitates a complete rethinking of Japan's energy policy. First, there will have to be a decrease in the overall reliance on nuclear power, moving toward a healthier diversity of energy sources. Currently, Japan has 54 nuclear power plants, which produce nearly 30 percent of its electricity. The high reliance on this energy source—which has proven to be dangerously fragile in the face of natural disasters—has been exposed as a weak point. Countering this will require a new and well thought out energy plan for the nation, with long-term investment in renewable sources such as wind, solar, and geo-thermal energy. In this sense, Prime Minister

Kan's announcement at the OECD Ministerial Meeting of his plan to increase the share of renewable energy that Japan uses is significant, but it remains to be seen if the plan can be implemented given its huge budgetary implications. If Japan can dedicate the financial and intellectual resources that are needed to develop better technology for renewable energy, it will have important implications not only for Japan but for countries around the world that are facing looming energy and environmental crises.

Second, since the abandonment of nuclear energy is not a practical option in the short term for Japan—a country with few indigenous energy resources that is struggling to secure energy resource imports in a global energy market characterized by ever-increasing competition for supply—nuclear energy safeguards must be strengthened. It is encouraging, therefore, that the three major Northeast Asian nations—China, South Korea, and Japan—pledged to work jointly toward this purpose during their trilateral summit in Tokyo on May 22.

Reviews of the safety of nuclear power plants had already led Prime Minister Kan to call for the closure of the Hamaoka nuclear power plant, which sits near intersecting tectonic plate fault lines in a locality that is predicted as having an 87 percent chance of experiencing a major earthquake within the next 30 years. But this is a token measure, emphasized as an exceptional case, and it is insufficient. In a more decisive and positive move, the Kan government announced in a report to the International Atomic Energy Agency (IAEA) on June 7 that the Nuclear and Industrial Safety Agency (NISA), which has—strangely—been housed within the Ministry of Economy, Trade and Industry (METI) will be separated out from the ministry. Since part of METI's mission is to promote the nuclear industry, NISA's ability to independently regulate the safety of nuclear power has been compromised. This lack of independence also affected the quality of scientific explanations as the nuclear crisis unfolded, and as a result, explanations from government spokespersons such as the chief cabinet secretary and from METI and the Tokyo Electric Power Company (TEPCO) were lacking in timeliness and coordination.

US-Japan Relations after the Disaster

During the aftermath of the disasters, the United States extended support to Japan, and the US military conducted well-organized joint operations with the Japan Self Defense Forces. This has demonstrated the significance of the US-Japan alliance and has positively boosted the Japanese public's perception of the US military and the necessity for its presence in Japan. This close working relationship between the two allies helped to alleviate some of the tensions in the relationship, which had come to something of an impasse in the months prior to the disaster, most visibly in the dispute over the relocation plan for the Futenma Airbase. While this genuine goodwill is encouraging, it is temporary and will not necessarily translate into solutions to the challenges facing the US-Japan alliance, which still require concerted efforts from both countries. Policymakers on both sides must put things in the right perspective in the wake of the disaster. The relocation of the Futenma Airbase, US budget cuts, and the shifting balance of power in East Asia all require that the United States and Japan work closely together to find mutually acceptable long-term solutions that are appropriate to the changing security environment. Frank discussion at the governmental and nongovernmental levels needs to be strengthened and sustained so that we can address these challenges before they become crises.

The challenges facing the alliance have been compounded by Wikileaks' release of sensitive diplomatic cables. These leaks contain information from documents as recent as February 2010 on topics of significance to the US-Japan alliance such as a secret nuclear deal, the North Korean abduction issue, the Northern Territories, and Japan's contingency plans for nuclear accidents. The release of these documents, which take sensitive discussions out of context, has distorted the public understanding and triggered undue public criticism of diplomatic efforts. As a result, there is a risk that diplomats will shy away from the kind of frank discussion they need to engage in with their counterparts on difficult issues.

◆ ◆ ◆

Japan's recovery is in the interests not just of Japan but also of its partners around the world. As is the case

with most natural disasters, there are expectations that Japan should take this opportunity to build back better and address some of the obstacles that were standing in the way of its economic recovery and improved foreign relations prior to the disasters. Strong political leadership is essential to the timely development and implementation of a viable long-term reconstruction plan, but it remains elusive in post-disaster Japan. Difficult political decisions will need to be made if Japan is to mobilize new financial resources to fund the reconstruction effort and to develop a much-needed new energy policy. This enormous task must be done taking a

balanced approach to short- and long-term needs, accounting for the pre-disaster challenges Japan already faced. If managed carefully, this crisis can be turned into an opportunity, and while embarking on the reconstruction process Japan can rebuild not just its destroyed infrastructure but also a new national strategy to revitalize its economy and safeguard its security.

Hitoshi Tanaka is a senior fellow at JCIE and chairman of the Institute for International Strategy. He previously served as Japan's deputy minister for foreign affairs.

East Asia Insights

East Asia Insights is an occasional newsletter focusing on East Asia community building from the Japanese perspective.

Published by: Tadashi Yamamoto, President, JCIE

Please direct any comments or questions to eainsights@jcie.or.jp.

Japan Center for International Exchange
www.jcie.or.jp

Japan Center for International Exchange, Inc. (JCIE/USA)
www.jcie.org