

After the 3/11, The Great Eastern Japan Earthquake: Economic Reconstructions and Issues

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Panel discussion note
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Mr. Kawauchi

- A. Impact on Japanese Economy = not so big
 - I. Estimation on the Economic Damage of the Great Earthquake
 - i. Comparison the economic impact with the Eastern Japan Great Earthquake and Kobe Great Earthquake
 - 1. Buildings
 - 2. Life-lines
 - 3. Social infrastructure
 - 4. Agriculture
 - 5. Total (twice bigger than Kobe)
 - ii. Eastern>Kobe (much bigger)
 - iii. We should deal with the other problems which were not observed in Kobe, such as nuclear issues.
 - II. The World Bank “Global Economic Prospects” (June 2011)
 - i. Economic damage was not so big
 - 1. The global financial crisis is no longer the major force dictating the pace of economic activity in developing countries.
 - 2. The earthquake and tsunami in Japan and the political turmoil in the Middle-East and North Africa have contributed to a modest slowing in global industrial production and trade.
 - 3. Global growth is projected to remain strong from 2011 through 2013.
 - I. “Global Economic Prospects”
 - i. Kobe had no noticeable impact on economic growth
 - 1. The impact was not so big at that time
 - 2. Recovery was fast and steady
 - ii. Japan will recover soon from this eastern Japanese earthquake.
 - II. “Global Economic Prospects”
 - i. GDP Growth (←World Bank)
 - 1. 2011 Japanese GDP is estimated 0%
 - 2. 2012~ Japanese economic are likely to increase (∵ investments)
 - III. The World Bank “East Asia and Pacific Economic Update” (November 2011)
 - i. “The affected industries in Japan had recovered to their pre-disaster levels of output.”
 - 1. Automobile company (Toyota, Honda etc...) was most influenced by the disaster.
 - ii. But still we have to focus on the ongoing risks and issues.
- B. Energy issues
 - IV. Impact on GDP via
 - i. Nuclear plants are getting closed
 - ii. Situation so far
 - 1. Actual demand was less than the supply capacity due to planned power cut and savings of electricity.
 - iii. Reactions → influence on the Japanese economy
 - 1. Enterprises and household saved using electricity
 - 2. Electric power company secured the stable power supply
 - V. Electricity power
 - i. 2011 Supply> demand
 - ii. Supply 2011<2010 = supply decreased in 2011 voluntarily.
 - VI. Nuclear plant
 - i. Japanese position=hesitant, stay away from having the nuclear plants

- VII. If electricity fee increases by 10 percent in Japan...
 - i. Electricity demand will be contracted by -2.5 percent.
 - ii. Industrial production will be contracted by -2.4 percent.
 - iii. GDP growth will be contracted by -0.7 percent.
- VIII. If all the nuclear power plants to be suspended in Japan...
 - i. Electricity demand will be contracted by -5.7 percent in 2011 and -7.7 percent in 2012.
 - ii. Industrial production will be contracted by -1.8 percent.
 - iii. GDP growth will be contracted by -0.1 percent in 2011 and -0.8 percent in 2012.
- IX. Trends in electric power amount generated
 - i. 26% of the electricity power was provided by the nuclear plants.
 - ii. How should we deal with this?
- C. Other circulation
 - X. Impact on Tourism
 - i. Negative impact on the Japanese economy
 - 1. Decrease of the foreign visitors
 - ii. We should provide transparent information about nuclear issues.
 - XI. Plant and Equipment investment plan in foreign countries by Japanese major firms
 - i. Many Japanese companies are going to invest to the company outside the Japan
 - ii. But we cannot say that this is because of the earthquake
 - XII. Debt
 - i. Increase of the debt (twice or three times bigger than Kobe)
- D. Personal opinion of Mr. Kawauchi
 - i. Optimistic but not 100 %
 - ii. We should focus on the aftermath, and should think about the risks of the future recovery for the Japanese economy.

Mr. Aburaki

- I. Picture of Ishinomaki
 - i. Ishinomaki port was totally destroyed
 - ii. Cherry blossom=hope, optimism of Japan
- II. Partnership for recovery and a stronger future
 - i. CSIS project= for stronger Japan, and stronger Japan-US relations.
 - ii. Energy issues
 - 1. Three mile accident
 - Decontamination
 - nuclear
 - 98% from US
 - 2% from Japan
 - 2. US-Japan collaborations → current integration of the energy companies (Hitachi, Toshiba, etc. in the US.)
 - 3. Nuclear issues are really important in this world.
 - 4. Future energy growth = most important issue
- III. A list shared by Japanese and US Businesses
 - i. Priority policies between Japan and US
 - 1. A stable energy supply
 - 2. Tax reform
 - 3. Regulatory reforms
 - 4. Trade liberalization
 - ii. Special zones
- I. There's a possibility to recover the Japanese economic downturn
 - i. TPP-good opportunity for Japan
 - 1. Reduction of the tariff
 - 2. Many domestic reforms
 - agriculture
 - development of human resources
 - creation of new business environment

3. Survey
 - more people say yes for joining TPP
 4. many people do not know what is TPP but they feel fear if not joining TPP
- V. problems
- i. agriculture
 1. Cabinet Decision in 2010, sustainable agriculture will not be possible in the future + PM Noda's Statement, Oct. 25. 2011
 - the number of farm houses decreased almost 50 %
 - 80% minor income
 - only 20% farm houses can get major income
 - automobile companies +electricity companies (hidden reality)
 2. Survey
 - most people say Japan needs TPP
 - we need to participate into the agribusiness
 - ii. Agriculture as a growth industry
 1. Keidanren survey (March, 2011) introduces 226 cases of collaborations between farmers and companies.
 - Establishment of special corporations to possess farmland
 - Joint project managements with farmers
 - Expansion of use of domestic products
 - Introduction of new technologies to farming business
 2. Saijo Agricultural Innovation City Project (Ehime Prefecture)
 - A JV of Sumitomo Chemical (90%), City of Saijo, and JA Saijo (10%)
 - Unmanned tractors and helicopters with GPS and efficient product distribution with IT.
- VI. Japan and TPP = new future
- i. Good opportunity internationally and domestically
 1. To enhance U.S.-Japan economic integration
 2. To strengthen overall transpacific trade architecture, which could provide importance bases for global businesses
 - ii. Public support towards the TPP
 - iii. Business-famers cooperation toward a competitive agriculture sector and public support to revitalize agribusiness

Prof. Linowes

- I. Global enterprises
 - i. 200-300 million dollars lost
 - ii. 5700 people died
 - iii. 4000 people are still missing
 - iv. 80,000 people are living in the evacuate houses
 - v. Incredible disruption : TOYOTA's senatorial operations
 1. Supply changes
 - Thai, Texas, Malaysia
 - Many rules changed (work time)
 - Worked very well
 - Do not rely on the other companies
 - vi. tourism 20-30% back
- II. Japanese spirit
 - i. Major crisis tests Characters
 - Japanese character was demonstrated to the world by the earthquake.
 - 1. No stealing
 - people wasn't running through stores
 - corporate spirit was demonstrated
 - 2. People even sacrificed their health for the country.

- workers continue to go to Fukushima try to deal with really bad situation even though they were getting contaminated.
- ii. This spirit is not common in other countries
- iii. Because of the Japanese spirit, people could archive the goal of reducing electricity use by 50 % during heat of the summer.
- iv. After 9/11 the oldest population has increased so much. Japan could manage it because of
 1. Incredible social support network
 2. Network and relationship that is so important

III. Optimistic view: Crisis creates opportunity

- i. Many Japanese energy companies=>energy efficient operations
 1. SONY in Sendai
 - Developed the new way to do agriculture above the ground since the soil is very radioactive
 2. Microsoft, Intel, Panasonic
 - Have dedicated them trying to build more energy efficient devices
 3. the ground using magnet electricity
 - No need of land line to recharge

How timely these companies have taken actions!

IV. Compared with other countries

- i. Haiti
 - could not be the same as Japan
- ii. The subway system in Dubai made by Japan
 1. On time
 2. On budget
 3. completely on robot control
- iii. The tallest building in the street by the Americans and Koreans
 1. a month late
 2. way over budged
- iv. Increase of yen
 1. Respect Japanese industries
 2. European Crisis
 3. Middle East Crisis

Expect more corporations between the government and business!

V. This crisis in Japan is not only crisis that the world is faced

- i. Thai flag has been devastating

VI. Reflects to the wests

- i. One major American bank's management man mandated that we need to serve for Japan
- ii. Tomodachi operation
 1. 20 ships, 2000 marines were in Japan for help
 2. Took action right away (American style) ↔ Planning (Japanese style)
 - advantage of corporation

Q&A

Question1 (Prof. Solis)

- Q1. Should we think about March 11th as a turning point in Japanese history?
 - i. Japan goes to more inward?
 - Less students go abroad
 - Not willing to play international leadership role
 - ii. Goes to outward?
 - Utilize the opportunity that was made from March 11th
 - iii. Joining to TPP?
 - Three possible obstacles

1. Politicians did not come through
 - Very divided party
3. Agriculture market
4. Intractable
- International leadership
 1. Substantial contribution in the global financial crisis
 - increased funding through IMF
 2. Japan can flex the financial muscle internationally when the domestic needs are so huge...?

Answer1 (Mr. Kawauchi)

A1. 3/11 is the turning point for Japanese economy, society and international security.

3/11 will...

1. Urge Japanese government and private sectors to make drastic economic reform
e.g.
After Kobe earthquake,
 - Development of housing industries and constructions
 - High quality of earthquake proofing systems
 - risk management skill
2. Remarks the importance of US-Japan national security relationship
 - Tomodachi operation
 - Importance of US troops in Japan
→helped Japan to recover from 3/11
→sacrificed themselves for Japan
3. States of Japan in the global society
 - Many countries were thinking about Japan
 - received many sympathy and donation from other countries
 - Many country, which are not very rich (Afghanistan and African countries etc) send the donations and support

Risk: - Typical Japanese nations → much inward looking
• Only think about its recovery and reconstruction

Government debt

Japanese government debt: financed by Japanese nations

European governments debt: financed by foreign

Answer (Mr. Aburaki)

Optimistic because...

1. Compared to the Kobe earthquake, not such damage in Tokyo and Sendai areas
→ earthquake was located in the ocean
→technology that shinkansens were able to stop just few minutes after the earthquake
However, many business men and women could not go back home.(drank beer at bar→very optimistic)
2. 3/11 provide important policy constrain to Japanese policymakers
 - Business sector: increase in employment (recruit more global people)
3. Don't see any obstacle about TPP
→most private sectors will understand
→easy to make a decision for president Noda since he just only think about them
4. Fiscal condition
 - Politicians face good domestic structure changes

Answer (Prof. Linowes)

Optimism because...

- a. Continue to looking inward for a while
- b. Young people revive sense of national purpose
- c. Although people look inward, they have to get material from other country to develop the country
- d. Many companies send young people to overseas
- e. Even Japanese nations finance the Japanese dept, they still have to sell it

Q2. Why employees (business people in Japan) in 21 century should have skills and qualities?(To Mr. Aburaki)

1:24:40

A2. (Mr. Aburaki)

For example, Sony, Panasonic, Toyota and Hitachi are the global company. Hitachi as our image is not so much big. They say they need more globalization and global persons who communicate strategically and find problem to make solutions. The company requires these kinds of human resources. For another

example, nuclear market is major and domestic in Japan. Yet, other countries such as Turkey and Brazil have a lot of opportunity. Therefore, these global companies push up to the new stage of business. That's why these companies need global human resource

Q3.

- i. The Japanese government is now going to spend money on tourism so that more Americans come to Japan. If the Japanese government should spend its money on it or on recovery from 3/11.
- ii. Did the hasty aftermath of 3/11 contribute to the appreciation of yen or totally depend on instability of economy or western world?

A3. (Mr. Kawauchi)

It is feasible because it is not that big program. For instance it invites only 1000 people and budget is not so huge. It is only on the budget request and not sure whether that it will be accepted.

As for appreciation of yen, it's just after the earthquake in March or April. Yet, Japanese insurance companies bought back their foreign assets to pay for the damage people. Therefore appreciation of yen was contributed by the earthquake but now this appreciation of yen situation is not because of the earthquake. Because of European crisis and issues in Middle East, money is coming to Japanese yen. This is the reason of the appreciation of yen.

Q4. Do you see any types of education in regard of 21 century such as global human resources that Mr. Aburaki mentioned?

A4. (Prof. Linowes)

The question will relate to what's the future of national orientation. USJI opened the recognition by people who run major universities in Japan that they need to be plugged into the rest of world to discuss and debate policy issues. This is also happening in DC such as Japanese university opened think-tank in DC so that they can be part of that.

Before the earthquake, companies are trying to economize. It used to be very expensive to hire Japanese people. They rather hire people who know Japanese and English or Japanese and Chinese. So Chinese people are able to get job but Japanese people are not able to get job. Not only appreciation of yen attracts Japan but also employment did so.

Q5

What is the impact of loss of energy on industrial and manufacturing sectors? Any consideration of alternative energy sources rather than abundant the use of nuclear energy?

A5.

(Mr. Kawauchi) Before the earthquake, the Japanese government had a plan to expand the share of nuclear energy to around 50% of energy come from nuclear power plant. Yet, now, 26% of energy comes from nuclear power plant. If we are going to get out of nuclear energy, it will take time to think about implication of industries.

(Mr. Aburaki) many companies such as Russia companies and the US companies are seeking renewable resource. Some people in Japan support too much nuclear power. And one day renewable energy can replace nuclear energy. However, during the summer in Japan, we did not have blackout because we had enough electricity. This could happen because of the huge conservation effort of Japanese companies such as automobile companies, Toyota and Nissan had shifted the holidays from Sunday to Monday in order to reduce the peak of the use of electric energy. Such effort came from the investment. What we need for economic global is investment. More work during the weekday. We need the environment where we do not need to care about energy shortage. Hence we need to make a good assessment and safety net for nuclear power plant and provide new energy and new technology.

(Prof. Linowes) As for the alternative energy such as wind power and solar power, how do we store the electricity? Unless we have major breakthrough or batteries, they are not going to service the demand that we have now.

Nuclear science says that the nuclear power plants are old design. The new design of nuclear power plant will be much safer than the old ones.