



**HÁSKÓLI ÍSLANDS**  
**HUGVÍSINDASVIÐ**

# **Labor Shortage in Japan**

*The coming population decline and its effects on the Japanese economy*

**Ritgerð til B.A.-prófs**

**Snævar Þór Guðmundsson**

**Maí 2011**

**Háskóli Íslands**  
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**Kt.: 260383-4349**

**Leiðbeinandi: Kolbeinn Björnsson**

**Mái 2011**

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## Summary

The nation of Japan has long been an influential part of the world, whether socially, politically or economically. In the period following its defeat at the end of the Second World War and subsequent demilitarization by the United States, the country experienced an economic boom which some have likened to a miracle. This period of rapid growth was followed by a “lost decade” during the period of 1991-2000, when Japan’s asset price bubble burst, leading to a decline in its former business prosperity, as well as rising unemployment. This “lost decade” has been followed in recent years by a period of relative economic stability, albeit one that has recently been disrupted by the global economic downturn of the late 2000s, brought on by the collapse of the U.S. real estate housing bubble.

One of the major problems facing Japan in the coming years is a severe lack of able workers, a problem that will become increasingly difficult to address as the nation's average age continues to rise. As a result, the country's economy and infrastructure will suffer a further contraction, unless the right measures are taken to alleviate the problem, in both the long and the short term. But what are those measures, and how can they be achieved?

In this essay, I will examine the aforementioned problem in greater detail, and try to answer the question of how to best address it.

## **1. Introduction**

In order to address the problem of labor shortage that Japan faces, it is important to understand the nation's economic circumstances and political climate, in order to see how they affect this problem, and the solutions proposed to it. Therefore, in this chapter I will provide a brief survey of Japan's current economic situation and political relations, both in the Pacific and elsewhere.

### **1.1 State of the Economy, as of 2010.**

“The mission of my government is to break through the impasse that has lasted nearly twenty years and restore Japan as a vigorous country”, Japan's prime minister, Naoto Kan, proclaimed during his policy speech at the Japanese National Diet on June 11, 2010. Since his inception on June 4, 2010, Kan, taking over from former Prime Minister and fellow Democratic Party of Japan member Yukio Hatoyama, has set his sights firmly on various political and economic reforms, reforms which he and his party maintain are long due.<sup>1</sup>

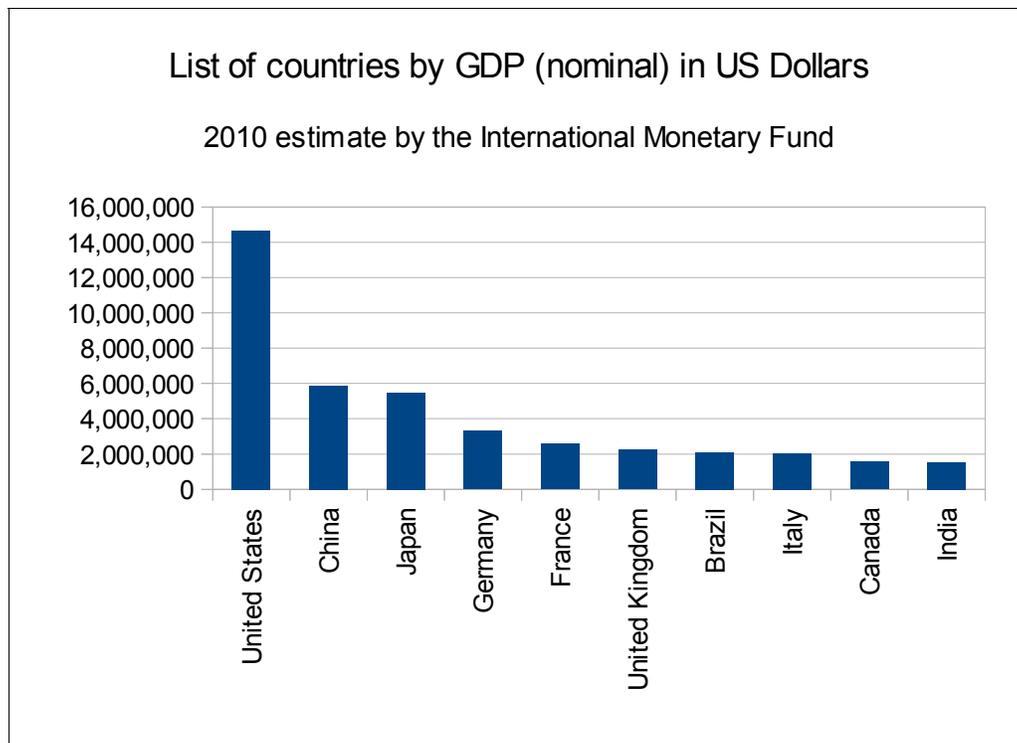
In his first news conference as prime minister, Kan announced that his administration's focus would be to stimulate economic growth in Japan by, among other things, concentrating on areas of growth such as “green economy”, tourism and the emergent Asian

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<sup>1</sup> Kan, Naoto (2010) – Inaugural Policy Speech

economy, as opposed to public works projects and tax cuts, which he argues have failed to stimulate the economy, as they did during Japan's postwar reconstruction.

Japan, long known for possessing the world's second largest economy, has fallen behind the People's Republic of China as of late 2010<sup>2</sup>, owing to China's rapid economic growth in recent years, alongside Japan's own economic downturn. The nation's gross domestic product remains high<sup>3</sup>, especially when compared with those of Germany and France, the fourth and fifth largest GDPs in the world, respectively, but most signs still point to a further contraction of the country's economic power in the near future.<sup>4,5</sup>



2 Bloomberg (2010)

3 Wikipedia – List of countries by GDP (Nominal) (2010)

4 Matsumura, Hideki (2010)

5 Spiegel, Mark (2006)

Japan's economic difficulties stem from "a problem of consumption",<sup>6</sup> claims Professor Hugh Patrick of Columbia Business School. "Over the last five or six years, [the Japanese] have depended too much on exports and on domestic business investments as the sources of demand in the economy, and not enough on consumption... When exports started to slow down worldwide, Japanese exports fell off the cliff," Patrick explains.

Prime Minister Kan's own views seem to agree with this analysis, as he further comments, "The financial crisis of 2008 delivered a direct blow to the Japanese economy, which was overly dependent on external demand, causing deeper damage than to other countries. Achieving a strong economy requires the creation of stable demand both domestically and externally, as well as the establishment of an economic structure enabling wealth to be widely circulated."<sup>7</sup>

In addition to balancing exports with the creation of demand locally, Kan acknowledges that local industries, such as farming and fishing, must be revitalized and protected, in order to prevent an overreliance on imports. As Japan is already dependent upon imports for many kinds of minerals required by modern industry, as well as forest products, it is essential that the country support and utilize those industries and resources that it possesses.<sup>8</sup>

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6 Patrick, Hugh (2009)

7 Kan, Naoto (2010) – Inaugural Policy Speech

8 Wikipedia (2010) – Economy of Japan

The requisite changes to Japan's economic focus must be made and achieved in keeping with the country's trade and political relations with its neighboring nations. The next chapter will outline some of Japan's relations with other sovereign states, particularly those of its main trade allies.

## 1.2 Foreign relations and business alliances

Since the end of the Second World War, Japan and America have remained allies, politically, economically and militarily. Despite some tensions between the two nations due to their roles as antagonists during the war, the two nations are, generally speaking, closely linked in the 21<sup>st</sup> century. Japanese products and culture are popular in America and the western world, and vice versa<sup>9</sup>. The American and Japanese economies, too, are mutually complementary.

There are, however, some outstanding issues between the two nations. To cite one recent example, Yukio Hatoyama, Japan's last prime minister before Naoto Kan, resigned due to, among other reasons, broken campaign promises to remove an unpopular American military base in Okinawa, the Marine Corp Air Station Futenma<sup>10</sup>. Even with general support and goodwill from the American administration, it is unlikely that the military base in question will be removed any time soon, especially given the recent political unrest and antagonism between Japan and North Korea.

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9 Kelts, Roland (2006)

10 Reynolds, Isabel (2009) - Reuters

Despite some political differences, the two nations remain strong business allies, with Japan exporting many goods to America, such as cars and electronic products, and importing items such as medical and telecommunications equipment<sup>11</sup>. Furthermore, the enduring popularity of Japanese culture in America and the similar interest in American culture in Japan suggests that it is unlikely that the two nations will be anything but allies in the foreseeable future.

Relations have not been quite as smooth between Japan and China in recent years. The two nations have a long and complex history, both of cultural exchange, business alliances and warfare. In recent years, Japan and China have been engaged in a fierce debate regarding the sovereignty of the Senkaku / Diaoyu islands, a group of uninhabited islands lying at the edge of the Sino-Japanese boundary in the East China Sea<sup>12</sup>.

China argues that the islands in question have been a part of Chinese sovereign territory since the Ming Dynasty, when they were used as defensive positions against pirate raids. Japan argues that the islands were in effect a *terra nullius* (i.e. legally a 'no man's land') when it seized control of the territory in 1895 during the Sino-Japanese War<sup>13</sup>, and that they had been so for years. Japan's government claims that envoys sent on its behalf had conducted studies of the islands since 1884, and found no evidence of the territory being under Chinese rule.

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11 Cooper, William H. (2007)

12 Weitz, Richard (2010) – The Diplomat

13 Wikipedia (2010) – 'Senkaku Islands Dispute'

The recent “boating incident” on September 7, 2010<sup>14</sup>, in which a Chinese fishing trawler rammed two Japanese coast guard patrol boats near the islands, have sparked demonstrations in both Japan and China, each nation’s citizens protesting the others’ claim to the territory. In addition, footage of the incident, captured on film by one of the crew of the Japanese patrol boat, was leaked onto the internet two months after the incident first occurred, further complicating matters, and potentially sparking an investigation into the leak. The matter remains unresolved, and has greatly strained the two nations’ political ties, even prompting the two to cancel political talks regarding other matters.

The friction between the two nations stems from a larger, often unspoken conflict of interest. Historically, Japan has held the key role of leadership in the East Asian region, but in recent years, has found itself being gradually supplanted by China, especially in terms of economic power. There is also the matter of national pride and prestige which is seen to be at stake by both nations. Regrettably, these conflicts often obscure the greater need for cooperation between the two nations, as well as their neighboring countries, in the long term interest of all parties involved.

In spite of these political and social agitations, China and Japan are very much interdependent as trading partners, and have become more so in recent years, with China gradually taking America’s place as Japan’s primary exports trading partner, circa 2004. Investment has also increased greatly in recent years; as of 2006, there were 20,000

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<sup>14</sup> The Japan Times (2010)

Japanese businesses, mainly manufacturing companies, operating in China, with more than a quarter of them based in Shanghai. Japan has also begun the process of shipping electronic parts to China for assembly, often by Japanese companies, before selling their completed product locally, or shipping it out again. Exports to China account for 18.8% of all of Japan's exports as of 2009, more than those made to the U.S. and South Korea at 16.4% and 8.13%, respectively. Bilateral trade between the two countries totaled more than \$266 billion in 2008, a 2.5% increase from the previous fiscal year. Moreover, between the years 2001-2009, merchandise trade in terms of exports from Japan to China has risen from \$30 billion to \$110 billion, surpassing those made to the U.S., around \$96 billion in 2009. As economically interdependent entities, any sort of serious, long-term political disruption is likely to be greatly disadvantageous to both countries.<sup>15,16,17</sup>

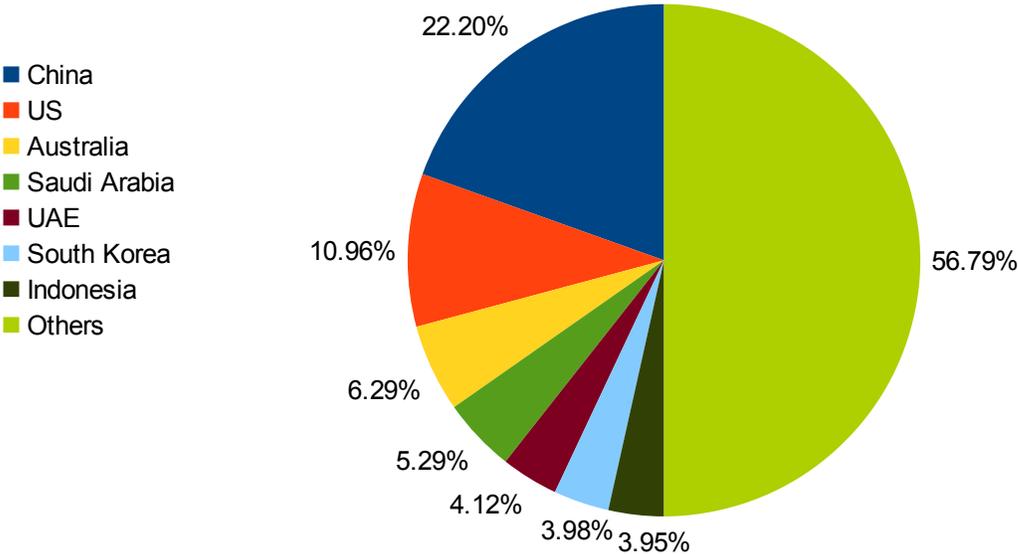
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15 Hays, Jeffrey (2010) – Facts and Details - 'Chinese Trade With The U.S., Japan and Europe'

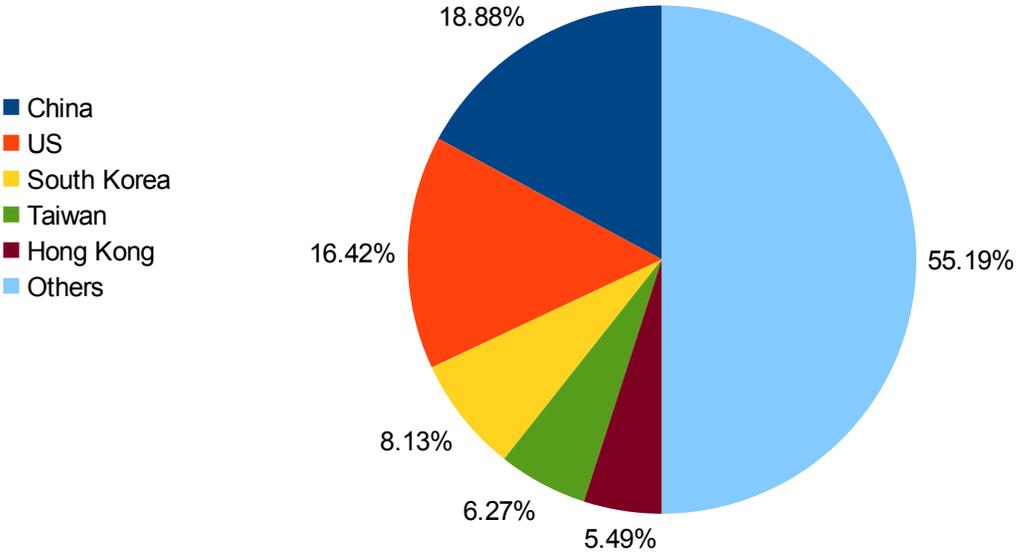
16 Wikipedia (2010) – 'Economy of China'

17 CIA World Factbook (2011) – 'Japan Economy'

Japan's Trading Partners - Imports  
2009 estimate



Japan's Trading Partners - Exports  
2009 estimate



“China and Japan are important neighbors and we both have important responsibilities in the international community,” Kan stated during a press conference held on September 24th, 2010, after his visit to the United States<sup>18</sup>. “In order to further deepen our mutually beneficial relationship based on strategic interests, I believe it is necessary for both Japan and China to engage in efforts calmly.”

Regarding relations with Russia, the incumbent president of Russia’s government, Dmitry Medvedev’s recent visit to the island of Kunashiri has sparked a similar commotion as that of the Senkaku islands dispute with China. The island in question is one of four contested islands in Japan’s northern territories which were taken over and evacuated by Russia during the Second World War, and resettled by Russian citizens. The continuing dispute over national sovereignty regarding these territories is believed to be a contributing factor in the situation that no formal peace treaty has been signed between the two nations after the war. Russia remains Japan’s third largest trading partner for two-way commerce, but political relations remain rigid in the face of such unresolved problems<sup>19</sup>.

Another outstanding political problem is Japan’s dispute regarding whaling<sup>20</sup>, particularly with Australia and the International Whaling Commission. In Japan, the activity of whaling has nearly unequivocal support politically, from the formerly dominant Liberal Democratic Party to the Japanese Communist Party, whereas outside of Japan, the activity is strongly

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18 Kan, Naoto (2010)

19 Weitz, Richard (2010) – The Diplomat

20 Wikipedia (2004) – 'Whaling in Japan'

opposed on both ethical and economic grounds as unnecessary and potentially damaging to the environment and ecosystem.

The practice of modern commercial whaling has been instituted in Japan roughly since the end of the second world war, according to professor Jun Morikawa of Rakuno Gakuen University, when it was used to supplement the nation's food sources<sup>21</sup>. Proponents of whaling in Japan claim that the practice is older still, dating centuries back, and is thusly a part of Japanese culture and economy, whereas opponents claim that the supposed tradition's roots run no deeper than its postwar implementation. Concordantly, proponents of whaling in Japan feel that behind the criticism of the practice of whaling lies a certain element of cultural hegemony on the part of its opponents.

The matter has led to several confrontations between Japanese whaling vessels and Australian environmental groups, such as the Sea Shepherd Conservation Society, including incidents of sabotage and attacks between ship crews. However, there are some signs of calming waters between the two sides, as the ICW urges for a cessation of such hostilities in favor of democratic and peaceable talks regarding the issue.

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<sup>21</sup> Morikawa, Jun (2010) – Japan Times

The bickering over various contested territories, as well as other matters, in this manner is no doubt partly rooted in lingering antipathy stemming from Japanese aggression towards other East Asian nations, such as China and Korea, during the Second World War, and the reluctance of the Japanese government to issue any sort of official apology regarding said aggression<sup>22</sup>. Though it is highly unlikely that Japan will sever its political or economic ties with any of the countries in question, political incongruities of this nature strain political relations, and make business dealings between Japan and its neighboring nations more difficult than they might otherwise be. This, in turn, negatively impacts both the economy of Japan and that of its neighbors.

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<sup>22</sup> Wikipedia (2011) – 'Sino-Japanese Relations'

## **2. Population decline and labor shortage**

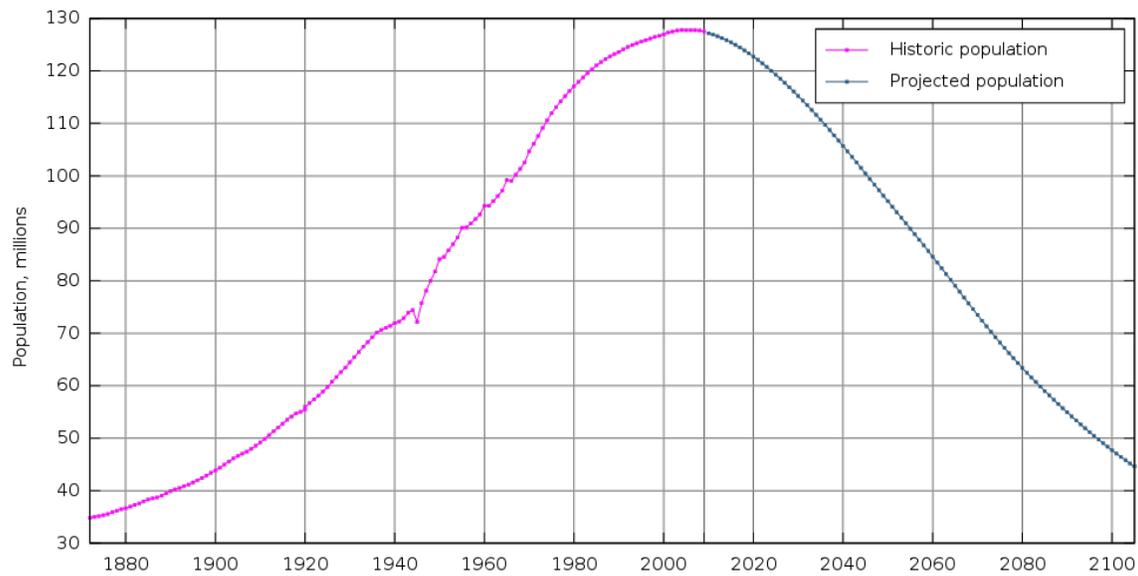
In this chapter, I will go into detail regarding the population decline in Japan, and how it is affecting the labor market. I will also delve into some of the solutions proposed to this problem, and offer my thoughts on what is the best way to proceed in solving it in the long and the short term.

### **2.1 The problem of the “aging society”**

One of the greatest problems Japan faces in the near future is the impact of its aging population, particularly where its economy is concerned. Due to the rapid onset of aging, coupled with a birth rate which has been steadily declining for the past six decades, the pool of able-bodied workers in Japan is slowly diminishing, which in turn is contributing to Japan’s diminishing economic power. It is estimated by the Japanese Health Ministry that the population of Japan may decrease by as much as 25 percent over the next four decades, from over 127 million (2009 estimate) to just under 96 million by the year 2050. The economic implications are such that industry in Japan may suffer a much greater contraction if this trend cannot be mitigated<sup>23</sup>.

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<sup>23</sup> Fujimura, Naoko – Bloomberg (2007)



An ageing population is a situation that Japan shares with many other highly developed economies, such as Germany, Italy and Greece<sup>24</sup>. However, what makes the situation unique for Japan is the unusually rapid onset of aging, which is occurring faster than in any other post-industrial nation.

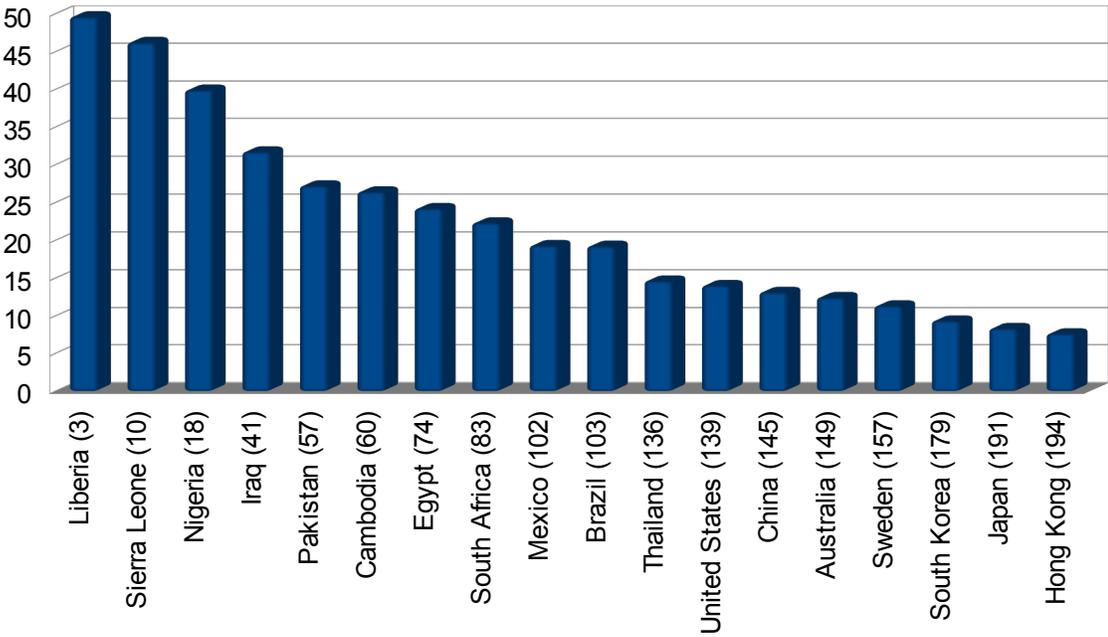
This aging effect is, by itself, not surprising, and it has been suggested that the aftereffects, those of a slow and gradual population decline, are merely a matter of Japan's population returning to pre-industrial levels after having experienced a population boom in the wake of the second world war. Were it that only Japan's average age is on the rise, this might be true. However, the rapid onset of age in Japanese society, coupled with the country's precipitously low birth rate, is effecting one of the most significant and drastic changes

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<sup>24</sup> Wikipedia – 'Aging of Japan'

witnessed in modern times, where the size of a nation's population is concerned. In terms of birth rates worldwide, Japan is ranked at 191 of 195 sovereign nations listed in the 2005-2010 estimate by the United Nations, with a birth rate of 8.3 per 1000 persons in a single year, far below the replacement rate required to make up for the population decrease that is occurring annually.

Number of births per 1000 persons  
United Nations 2005-2010 estimate



Alongside the depletion of people of working age, the aging of the population in Japan is resulting in other undesirable economic effects, such as an unsustainable dependency ratio, with fewer people of working age maintaining the growing number of retired citizens. As the nation ages disproportionately, the cost of maintaining social security and pension plans continues to rise, even as the nation's annual Gross Domestic Product and Purchasing Power Parity decrease.

In addition, the problem of rising dependency costs has recently been compounded by the emergence of the practice of pension fraud, where pension checks are being collected by the pensioner's next of kin, in extreme cases posthumously<sup>25</sup>. Such cases have forced municipalities throughout Japan to investigate pension claims by citizens listed as being over the age of 100. Stricter forms of legislation for pension claims may be required if such practices are to be curtailed.

Ultimately, what the rapid decrease in population over the coming decades means is that the overall infrastructure of Japan will fall into a cycle of retrogression, as an economic and social infrastructure intended for use by over 120 million people finds itself being sustained by only about four fifths of the projected number of users. This is clearly unsustainable, and a suitable solution must be found if Japan is to halt its economic downturn.

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25 ABC News (2010)

## **2.2 Solutions – Filling the gap.**

It is abundantly clear that the labor gap must be bridged, if Japan is to have any real chance at economic recovery. A few different solutions have been suggested. The first and most obvious one is to increase and encourage the immigration of foreign workers, in order to supplement Japan's need for skilled labor. Not only that, but to make greater efforts to help said workers to intergrate into Japanese society and everyday life. This would require substantial reforms and refinements, not just of Japan's immigration laws and practices, but of the general treatment and perception of immigrant workers in Japan.

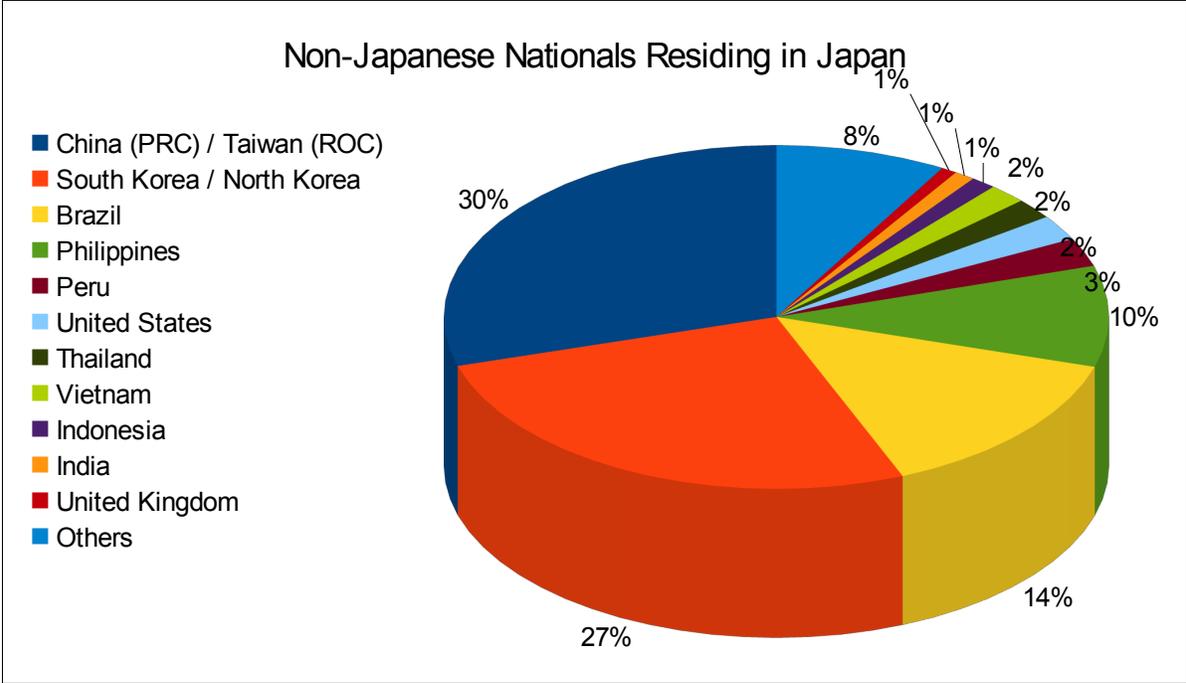
The ethnic composition of Japanese society consists of 98.5% people of Japanese origin, 0.5% people of Korean origin, 0.4% people of Chinese origin, and 0.6% of other ethnic or national groups<sup>26</sup>. Japan is known for enacting some of the strictest immigration laws in the world, which, coupled with its geographical placement as an island nation, has contributed to the country's status and image as being a fairly racially homogenous society.

Despite this appearance, however, there are a large number of ethnic minorities living in Japan, including immigrants from Brazil, Thailand, Vietnam, Indonesia, the United States, Britain, Bangladesh, Canada and Australia, as well as Zainichi Koreans, Ainu and Burakumin, the last group being ethnically the same as other Japanese, but one that has been historically singled out as a different ethnic group due to its association with baser

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<sup>26</sup> Wikipedia – 'Demographics of Japan'

occupations and low social standing up until the abolishment of Japan’s feudal-era caste system in the late eighteenth century.



In recent years, Japan has sought to bolster its requirements for skilled labor by accepting foreign workers into various positions in its economic structure, particularly those designated as 'highly skilled' workers. Many have found it difficult, however, to intergrate into Japanese society. "It takes a long time to get to know people,"claims Wayne Ryan, an Australian office worker currently residing and working in Japan. "It takes a long time to get inside the circle of a group, and that's been the most challenging element. I am in some respects still not there."<sup>27,28</sup>

27 Takahiro, Fukada (2010)  
 28 ABC Australia (2005)

This is in part due to something known in Japan as the “uchi / soto” mentality. “The conception of 'Japaneseness' is strongly tied to notions of 'uchi' and 'soto', inside and outside,” explains Michael Weiner<sup>29</sup>, professor of East Asian History at Soka University of America. “ 'Uchi' defines the boundary of an inside group or space; that is, a primary locus of membership and belongingness. Although interacting networks of relationships are also conceptualized in uchi/soto terms, such that the indexical framework of *uchi* and *soto* is situational and shifting, there is a general sense that all of Japan creates an 'uchi', a national inside boundary of affiliation, in contrast to everything that is 'soto', or outside of Japan. Foreigners reaffirm the *uchi/soto* dialectics that are one of the foundations of Japanese identity because they embody *soto*.”

Another reason immigrants find it problematic to intergrate into Japanese society is the fear of immigrant criminality<sup>30</sup>; that is to say the perception that immigrants in Japan are more likely to commit crime or engage in anti-social or destructive behaviour than Japanese nationals. Though statistical evidence does not support this view, it is nevertheless prevalent in Japanese media and society<sup>31</sup>. While this perception remains entrenched in the country, it will likely be difficult to foster better relations between immigrant and native workers.

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29 Weiner, Michael (1997)

30 Wa-pedia (2004)

Without a proper system in place for processing and handling immigration, the ability of the government and local municipalities to handle immigrants will be severely crippled in the future. Furthermore, without proper support for immigrants at the social level, Japan is at risk of losing or perhaps even alienating the workforce that it sorely needs.

Another solution that has recently been suggested is, instead of relying overtly on foreign workers, to tap into the underused native talent pool of potential female workers<sup>31</sup>. According to the World Bank, in 2008, 49 percent of Japanese women aged 15 or older were employed, a good five to ten percent lower than that of many other world economies, such as the United States at 60 percent or China at a record 68 percent. By drawing in more female workers, Japan could begin to supplement its dwindling workforce without relying solely on immigration. But for this measure to take place, reforms must be undertaken to facilitate more women's entry into the workplace.

One long-standing problem regarding female participation in the workplace is the lack of available child-care facilities, such as kindergartens and nursing homes, as well as a lack of any real child-care subsidies. For comparison, in Europe, generous subsidies are offered to expecting mothers, which both encourages more women to enter the job market and to stay working, while also stimulating the birth rate. Sweden, in particular, enjoys an estimated 70.2 percent female employment rate, as well as a birth rate close to 2 children per woman,

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31 Sharp, Andy (2010) – 'Japan's Untapped Resource'

one of the highest birth rates in Europe. Japan, meanwhile, is falling below 1.4 children per woman.<sup>32</sup>

"If you bring the cost of raising a family down and make the environment more livable, birth rates will rise and young people from within the country and from overseas will come to the provinces," comments Shimizu Tokiko<sup>33</sup>, the first female Bank of Japan branch manager, in a recent interview.

Another problem regarding the discrepancy between male and female employment is the disincentive for women in Japan to enter into a working career caused by the "glass ceiling" found in many Japanese corporations. Many complain of being left in dead-end "Office Lady" jobs, usually ones involving easy office-related work, albeit work that does not lead to adequate training of the skills necessary to reach the higher ranks of the corporate ladder<sup>34</sup>. "If a woman is denied experience with important duties, later on she'll be told she's not fit to be a manager," Tokiko explains. Consequently, many women end up opting out of the labor market in favor of raising children at home. Many are also marrying later in life, if at all.<sup>35</sup>

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32 Market Watch (2010)

33 Bloomberg (2010)

34 Wikipedia (2010) – 'Office Lady'

35 The Economist (2010) – 'The Death of Births'

"The potential dividend to economic output from reducing gender inequality is huge," says Kevin Daley of Goldman Sachs. "For the U.S. to raise female employment levels to male employment levels would raise GDP by seven to eight percentage points. For continental Europe by nine percentage points. For Japan by 16 percentage points."<sup>36</sup>

For this to happen, however, proper facilities must be in place that can help people of working age, especially women, to achieve a proper balance between work and family life, instead of being forced to choose between having a career or raising a family.

A third solution which has been proposed is to raise the retirement age in Japan. Although corporations in Japan are not required to set a mandatory retirement age, workers in Japanese corporations and businesses generally retire around the age of 60 to 65. Extending the effective retirement age and offering incentives to workers to stay within the workplace and to pass on their expertise to younger workers may also help to bridge the gap regarding Japan's rapidly rising dependency ratio.

The fourth, and ostensibly least appealing option is to simply batten down the hatches economically; that is to say, to accept the fact of the decreasing economic power of Japan as inevitable, and fall back on market protectionism rather than market speculation. This may have to happen to some extent, in any case, since Japan's infrastructure must be restructured to absorb the aftershock of the nation's massive post-war economic boom.

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<sup>36</sup> Sharp, Andy (2010) – 'Japan's Untapped Resource'

The most sustainable solution for the long term, in my estimation, is the second one; that of encouraging more women to enter the jobs market with their sights on long-term careers. For this to happen, however, more and better child-care facilities and services must be made available, and businesses must offer generous child-care subsidies and maternity leave, something that is virtually non-existent in most workplaces in Japan today.

This solution also requires, to some extent, a change in attitude towards working women who wish to focus on their career, a challenge to the traditional “office lady” mentality. This entrenched mentality is something that cannot be legislated out of existence, but requires a gradual change at the social level.

The reason that I recommend this solution above the others proposed is that it impacts not only the labor shortage itself, but also presents a potential solution to other problems that are interlinked, such as the country's imminent population decline and its low birth rate.

Thusly, encouraging young people to raise families alongside maintaining working careers is an important factor in helping Japan to stave off its gradual depopulation. The solution of more immigration is very likely the best one as a stop-gap in the short-term, while preparing to better implement child care and related services, but its effectiveness as a long-term solution is questionable.

Whatever solution Japanese authorities ultimately decide to move forward with, whether choosing one or a combination of the ideas available, one thing is certain: Without adequate preparation for the coming decline in population and workers in the next few decades, the economic and social implications for Japan could be severe indeed.

### **3. Externalities**

Aside from the main problem of replenishing its required number of workers for its economy to remain properly functional, Japan must also deal with other problems, such as those outlined in the first part of this paper. In this last part, I will briefly examine some of these issues, and potential solutions that have been offered for them.

#### **3.1 Territorial disputes**

In regards to taking steps to improve its diplomatic relations with China, Japan finds itself in a difficult position. The Senkaku / Diaoyu Islands dispute continues unabated. The dispute has legal, political and economic ramifications not just regarding the islands themselves, but the oceanic regions around them, which are estimated to contain vast amounts of unexploited natural resources, and whose maritime boundaries are not well defined.

Attempts have been made in the past to draw up plans for co-development of the region. These attempts have, however, usually fallen through at critical moments, leaving the matter unresolved. As long as it remains so, neither nation is capable of benefitting from the potential resources contained in the region.

"The problem with finding a resolution lays in large part with the fact that neither government wants to look weak to domestic and foreign audiences by appearing especially conciliatory," Richard Weitz of *The Diplomat* writes. "Yet the Sino-Japanese economic relationship has been developing robustly despite these differences. Bilateral trade between China and Japan reached \$149.2 billion in the first half of 2010, maintaining China's status as Japan's largest trading partner. And, while the Chinese purchase almost 20 percent of Japan's exports, the Japanese for their part provide the biggest national source of foreign direct investment in China."

Suggestions have been made that the admittedly strained relationship between China and Japan could be improved through other mutual ventures<sup>37</sup>, such as the joint removal and disposal of leftover chemical weapons shells from the second World War. Such endeavours would be mutually beneficial to both nations and arguably contribute to the economic growth and technical expertise of both sides. In addition, the removal and disposal of such wartime remnants would curtail the threat of their acquirement and use by extranational terrorist groups, and positively contribute to both China and Japan's international image. This would, however, require the mutual co-operation and communication of the two nations, something that is, as of right now, lacking.

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37 *The Diplomat* (2010) – 'How to improve China-Japan ties'

The same applies to many of Japan's political differences with other sovereign nations. As with the Senkaku island dispute, neither Japan nor Russia wish to appear overly conciliatory regarding the Russian-held northern territories. An easy solution to this problem is far from sight, but it is possible that relations between the two countries may be improved through mutual co-operation regarding other issues, where the two nations in question have more to gain from co-operation than conflict.

### **3.2 Sinecure or necessity?**

As for Japan's whaling dispute with other countries, it is imperative that the issue be examined dispassionately, from a purely economic point of view. As an example; aside from political support, the truth is that whaling does not contribute greatly to Japan's economic growth. "A major problem for whaling advocates is that Japanese consumers are not buying even heavily subsidized whale meat," writes Jeff Kingston of the Japan Times<sup>38</sup>. "One third of the meat harvested through 'scientific research' remains unsold. This means that the proceeds from selling the meat do not cover the costs of conducting the whaling."

Some critics, such as professor Jun Morikawa of Rakuno Gakuen University, have gone so far as to claim that the overseeing of whaling ministries in Japan is not at all necessary for either culinary reasons nor economic ones, but is essentially intended as a sinecure for

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<sup>38</sup> Japan Times – 'Whaling Whoppers Debunked'

retired bureaucrats in Japan.<sup>39</sup> Whether this claim is true or not, it is clear that the current situation demands action, both from Japan and its critics.

However this situation is finally resolved, the talks have, at least for the moment, calmed down. The first step towards reaching an agreeable solution will be to move from political and social agitations and grandstanding, and towards a rational, equitable debate.

### **3.3 Dependency ratio**

The problem of Japan's growing dependency ratio, as mentioned earlier in this paper, might be solved partially, if not entirely, by implementing the solutions recommended in part 2 of this paper. However, even alongside a greater immigration ratio, it is likely that this problem cannot be properly addressed without raising the nation's general retirement age substantially.

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<sup>39</sup> Morikawa, Jun (2009) – 'Whaling in Japan: Power, Politics and Diplomacy'

## **Conclusion**

Japan is, in some ways, becoming the victim of its own success. The nation boasts the third largest economy in the world, high standards of living and an average life expectancy of over 80 years. But it is this combination of high living standards coupled with a long life expectancy and the post-war baby boom which has resulted in Japan becoming the fastest aging nation in the world, with an estimated 23% of its citizens at age 65 or over, a percentage that is expected to increase rapidly over the next few years.

The country's economic success has hinged in great part on the idea of sustainable growth, and population growth has been a large part of that equation. Now that the effects of population aging and decline are setting in, it is becoming clear that this model is no longer sustainable.

If Japan is to recover economically, it is imperative that the country focus its efforts on encouraging people to raise families, and to ensure that the right facilities and infrastructure are in place to help them achieve a proper balance between work and family life. It must also address its immigration laws, as more immigration is likely the only realistic short term solution to its lack of labor. Mitigating the population decline and filling the void in the labor market is but one of many problems facing Japan today, but it is one that looms large in the immediate future of the country, and bears potential long-term consequences for the worse if it is not adequately addressed, and in due time.

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