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METI's White Paper on International Economy & Trade 2026



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NEXT ISSUE

The Nov./Dec. 2026 issue's cover story will be "Technological Innovation & Industrial Policy for Global Economic Prosperity". As geopolitical risks rise – including the strategic use of tariffs and critical minerals and growing instability in the Middle East – advancing innovation, including through AI, and promoting a circular economy have become global priorities. We will examine the background, expectations, and challenges behind this trend. Our next issue will be published on our website on Nov. 10, 2026.

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Japan's Energy Cooperation with Emerging Asian Economies

By Hideichi Okada

The conflict in the Middle East, which began with the US and Israeli attacks on Iran in February 2026, had a major impact on the global economy when Iran blockaded the Strait of Hormuz. The impact was particularly severe on Japan and the countries of Southeast Asia, which depend heavily on crude oil from the Middle East. Not only did the price of petroleum products soar, but securing sufficient supplies also became a critical challenge.

Drawing on its experience of the first oil crisis in 1974, Japan had worked steadily and systematically to build up its petroleum stockpiling program. As a result, as of March 17, 2026, Japan possessed petroleum reserves equivalent to a total of 242 days of domestic consumption (based on the Petroleum Stockpiling Act): 146 days of national reserves, 90 days of private-sector reserves, and six days of jointly held reserves with oil-producing countries. Following the blockade of the Strait of Hormuz, Japan was able to secure a stable domestic supply of oil by drawing down these reserves while simultaneously diversifying its sources of supply.

Naphtha, however, as is well known, which had been excluded from stockpiling requirements due to the difficulties associated with storing it, experienced supply problems. Reduced supply volumes and bottlenecks in distribution caused by concerns over potential shortages led to problems across a wide range of downstream sectors, including construction materials and paints.

By contrast, petroleum stockpiles in ASEAN countries generally amounted to less than one month's worth of consumption, with the exceptions of Thailand (95 days) and the Philippines (60 days). Many countries lacked sufficient reserves and were faced with the need to implement measures both to contain soaring prices and to secure adequate volumes of supply.

In April 2026, Prime Minister Sanae Takaichi announced the "Partnership on Wide Energy and Resources Resilience Asia (POWERR Asia)" initiative during an online meeting with the leaders of countries from across the Asian region. The initiative included emergency financial assistance totaling US\$10 billion to support Asian countries in procuring crude oil and petroleum products, constructing storage tanks, and diversifying energy

sources.

This year's White Paper on International Economy and Trade advocates the realization of a "hybrid trade policy" that simultaneously pursues two objectives: achieving economic security through cooperation among like-minded countries and other partners, and restoring a rules-based free trade order, at a time when geopolitical risks are rising and some countries are pursuing unilateral or increasingly coercive trade policies. In this context, the White Paper highlights the importance of Japan's cooperation with emerging economies in Asia, particularly in the fields of energy and urban development, as a means of strengthening the resilience of global supply chains.

One notable example of Japan's energy cooperation with emerging economies in Asia is the "Asia Zero Emission Community (AZEC)" initiative, launched in 2022. AZEC provides a framework through which 11 Asia-Pacific countries work together toward carbon neutrality and net-zero emissions. Already, some 350 cooperative projects are underway in areas such as alternative energy development, hydrogen, methane, and carbon capture and storage (CCS).

Achieving zero emissions requires not only a transition from fossil fuels such as oil to new energy sources, but also improvements in energy efficiency. In the current context surrounding the Strait of Hormuz, efforts under POWERR Asia to achieve stable supply of oil, together with cooperation under the AZEC framework to promote energy efficiency and facilitate the transition to alternative energy sources, can be viewed as two halves of a whole.

As new trade and energy policies are being explored amid a changing geopolitical environment, frameworks for energy cooperation between Japan and the emerging economies in Asia are expected to play a major role in promoting the stability and growth of the global economy.

JS

Hideichi Okada became chairman & CEO of the Japan Economic Foundation (JEF) in July 2026. Previously, he was president & CEO of Japan Petroleum Exploration Co. Ltd., executive senior vice president of NEC, and vice minister for international affairs at the Ministry of Economy, Trade and Industry. He also served as executive assistant to Prime Minister Junichiro Koizumi.

Exclusive Interview

LEADERS IN JAPAN

No. 16

Chief Executive Officer, The Garden of Siloam

Dr. Kazuko Kumon



Helping Children with Disabilities & Building Inclusive Societies

By Naoyuki Haraoka

Interview with The Garden of Siloam representative Dr. Kazuko Kumon on June 4, 2026

The Leaders' Interview for the September-October issue features Dr. Kazuko Kumon, a pediatrician who has spent more than 10 years providing medical and health support for children with disabilities in Kenya. She first went to Kenya in 2002 and has been running a local NGO called The Garden of Siloam on the outskirts of Nairobi since 2015, offering developmental support services for children with disabilities. "Siloam" refers to the pool mentioned in the New Testament, known as the place where Jesus Christ healed a blind man.

Introduction

Haraoka: I understand that the origin of the name the "Garden of Siloam", which you founded, comes from a story in the Gospel of John. In this passage, Jesus explains that being born with a disability is not a punishment or a sign of wrongdoing. Rather, every person has value and the potential to live a meaningful life that reflects God's love and purpose. Could you share your thoughts on the meaning of this?

Kumon: I believe that we often begin by trying to identify the cause behind everything. I am the same. I feel understanding the cause of a patient's symptoms is extremely important, and doing so can help prevent many problems. However, if we focus too much on the cause, our attention becomes fixed on the past, and we lose sight of the future. What Christ is saying here is that disability does not occur because it is someone's fault, but that it is a part of God's plan. Analyzing the cause is one way to understand the situation, but what is even more important is to consider how we should move forward from here and what we ought to do for the future.

For example, tomorrow I will be meeting with parents who have lost their child. At such times, they may think, "If only we had done something differently then perhaps our child wouldn't have died." I am sure many thoughts like that come to mind. But what is more important is to look at the life that lies ahead for them in the midst of losing their child, and to see how God's will may work within that life.

I believe that this is what God was showing us.

Haraoka: That's a positive way of thinking. It also seems to suggest that disability is simply one aspect of being human and should not be viewed as either good or bad.

Kumon: It's more important to focus on the difficulties that arise because of a disability than on the disability itself. Some people may not feel troubled by not being able to see, while others may find it extremely inconvenient. We sometimes describe disability as "one aspect" of a person, but I believe that this is not always appropriate. For example, being unable to walk is, of course, very inconvenient. It can lead to discrimination or prevent someone from participating in society. What is essential is for society to change, so that a person

can do more even if they can't walk, and for society to provide more choices on how to live life to its fullest, despite their disability.

The social model focuses on how disability affects a person's ability to live, and the real task is to change society by removing barriers and expanding possibilities.

Inspiration Behind the Garden of Siloam & Its Activities

Haraoka: It's been 11 years since you established the Garden of Siloam in 2015 and started your work there. Could you briefly explain what motivated you to create the facility and what activities you are involved in?

Kumon: First of all, I have always been a Christian, and as a Christian, how to live my life was a major concern for me. Like many people, I wanted to do something that would benefit others, so I went overseas and worked in the healthcare field, but it wasn't easy. For one thing, what I believed was helpful to others was not necessarily actually helpful. I also spent some time working in healthcare from a broader, more systemic perspective, but when I did that, it became difficult to pay attention to the details. As a result, I sometimes lost sight of the meaning of what I was doing and spent nearly 10 years searching for a sense of purpose.

I left Japan in 2000 and have been in Kenya since 2002. While working there for JICA and other organizations' health and medical support programs, I gradually came to feel that it was not enough simply to "do something for others". What mattered more was who I was living for, and with whom I was choosing to live my life. It was during that time that I encountered children with disabilities.

Until then, I had been working in HIV management and maternal and child health, but in the Kenyan society I came to realize that the issues children with disabilities faced were extremely difficult to resolve. These challenges involved problems with the system, discrimination against people with disabilities, and the fact that each disability is so different. Of course, even in maternal and child health or HIV care, each person's life is different, but when it comes to disabilities, the diversity of individual experiences is even greater. For example, someone who cannot walk and someone with an intellectual disability may both be labeled "persons with disabilities", yet their daily lives are completely different. In the midst of all this, I met children who were doing their best to live their lives, and that encounter made me feel that I wanted to walk with them.

Being a clinician, I had been approaching various issues with a focus on healthcare. But once I became friends with the children, I realized that this was not only about health. It also involved the challenges their families faced, and I wanted to create something where everyone could think and work together. That is what led me to establish the Garden of Siloam.

When I thought about what was needed to put a smile on the children's faces, the first thing that came to mind was the need for rehabilitation and medical care. At the same time, however, I also had to consider the fact that many of them were unable to attend school. If children are unable to go to school, we need to think about how they can participate in society. Putting a smile on their faces and making their families happy is also a significant factor. This means we need to consider how to support the families as well. In many cases, having a child with a disability leads to a family falling apart, or the presence of a child with a disability pushes the family further into poverty. The reasons for this include the lack of social security systems, the absence of welfare services, and the fact that mothers cannot go out to work. There are also situations where a single mother abandons her child, leaving the grandmother to raise the child alone. In such cases, we must then consider how to support the grandmother.

Thus, when we think about how a child is to grow up, we also need to provide family support as well as programs to generate income for them. In addition, our facility is not a residential institution but a day-care center. This is extremely important. The children grow up in their own homes, live within their communities, come to the center from those communities, and then return to them. Through this process, the community itself can begin to change.

We also think about how to bring about change in the community, just by having these children live in these communities, how to achieve this, how to advocate for the creation of systems where none exist, and how to encourage society to be responsive. In terms of holistic and comprehensive care, we provide direct services such as education, rehabilitation, medical care, and psychological support for children. In addition to this, we also support their families and provide community-based assistance.

Haraoka: So you are not simply seeing sick children in your capacity as a clinician but rather placing importance on the connections within families and communities and considering the welfare of the whole environment surrounding the child.

Kumon: That's right. Health is a significant factor, but good health alone does not guarantee a child's happiness.

How Support for Kenya Has Changed & Diversified

Haraoka: In Japan, there are still very few people who study Africa. In contrast, ASEAN countries have very close ties with Japan, and there are experts who are interested in how relations between Japan and ASEAN nations can be further developed from a

global perspective. When it comes to Africa, however, there seem to be relatively few people with that kind of interest and awareness. As you mentioned, activities that contribute to welfare and social development are extremely valuable for strengthening relations with Africa. Do many people, whether Japanese or non-Japanese, engage in the kind of activities that you are involved in?

Kumon: Africa's colonial past continues to shape many countries on the continent, and the influence of former colonial powers remains significant. At the same time, that picture has been changing quite dramatically in recent decades. When I first went to Kenya in 2002, the country had been independent for less than 40 years, having gained independence in 1963. Back then, I was struck by how visible Britain's influence still was in many aspects of society.

Twenty-five years later, the situation looks quite different. New actors have become increasingly influential, often in ways that have little to do with Kenya's historical ties to Britain. My own work was in HIV/AIDS programs, and in that field the United States has played a particularly prominent role, or some might even say an overly active one. There is no question that this involvement has made a substantial contribution. At the same time, it is important to recognize that many of the foundations were laid earlier. Britain's legacy, for better or worse, had already helped establish much of the institutional framework on which later initiatives were built.

China also has a very significant presence in Africa today. Compared with Japanese aid, the scale of Chinese funding is on a completely different level. In that sense, while foreign assistance was once largely shaped by the influence of the former colonial powers, China has now entered the picture, making the landscape far more diverse.

When I first went to Kenya in 2002, obtaining a work visa was not that difficult. Nor was it difficult to obtain a medical license. At the time, the prevailing attitude was that anyone willing to help was welcome, and there was a strong sense that support from abroad was needed. This brought people from many different backgrounds to work there. Over the past few years, however, obtaining a work visa has become much more difficult. Foreigners are increasingly seen as people who take away local employment opportunities, and there is less willingness to let them come in. I believe the same is true with regard to medical licensing.

Another change is that many Japanese who come today do so through social business initiatives. The phrase "a win-win relationship" with local communities has become much more common, reflecting a growing emphasis on creating benefits for both sides.

Kenya has become increasingly multinational. Nairobi is home to a major United Nations presence, and over time it has developed a solid business infrastructure. While the benefits may not always

reach the most vulnerable segments of society, it is nevertheless a country where foreigners can live comfortably and enjoy their time, and many people see it as a place with real business opportunities. Kenya has attracted a wide range of people looking to start small businesses, including social enterprises.

Large corporations have entered the market as well. I have had the opportunity to interact with Toyota Tsusho, for example, and they have been engaged in major initiatives under the slogan "With Africa for Africa."

In that sense, there has been a noticeable shift over time. In the past, many people came to Africa primarily to provide assistance and support. Those people are still here today, of course, but that is no longer the only reason people come. Increasingly, people are coming for business, partnership, and other forms of engagement as well, and that is something I have noticed over the years.

Haraoka: Kenya is regarded as one of Africa's more developed countries, and I imagine that is why many people see it as a land of business opportunities.

Kumon: Yes, that's true. But from what I've observed, it's not always easy to make it work. Some people are successful, of course, but there are cultural differences, and despite being one of Africa's more developed countries, Kenya still has considerable disparities. Some sectors are very advanced, while others remain underdeveloped, and I feel that this makes things quite challenging.

Challenges in Raising Funds Due to Institutional Gaps

Haraoka: I imagine that over the past 11 years you have faced a variety of challenges. Some may have been economic, others technical, and, as you mentioned earlier, there may also have been issues related to African cultural norms and discrimination against people with disabilities. I would appreciate it if you could share how you have approached and addressed these challenges.

Kumon: I'm often asked that question, but to be honest I'm not always sure how to answer it. One thing I wonder is whether these challenges are really difficult because they are in Africa. Even if you work in Japan under ordinary circumstances, there are plenty of difficulties. It's not always clear whether something is difficult because it's Japan, because of the individual involved, or because of society as a whole.

For example, I do believe there are certain difficulties that are specific to working in Africa, differences in concepts of time, limitations in infrastructure, and various other practical challenges. However, some of the issues that I find most difficult, such as

interpersonal relationships, are not necessarily problems because we are in Africa. They may actually be the same kinds of issues people encounter in workplaces anywhere: internal relationships, organizational structures, and the way teams work together.

For instance, there have been periods when friction between departments became quite serious and created significant challenges. There are also times, particularly around elections, when tensions arise between different ethnic groups. However, beyond those issues, what often matters in practice is whether there is a culture of mutual respect. This is not a matter of Africa lacking such a culture. Rather, people in each department are often so focused on doing their own jobs well that they lose sight of one another. But that is something that happens quite commonly in Japan as well.

In that sense, many of the challenges we face are not unique to Africa. They are challenges that arise wherever people and organizations are working to create change for reform. What I have found important is creating opportunities for people to listen to one another, understand each other's perspectives, and build relationships based on trust and respect. I believe those efforts are necessary regardless of what country or culture one works in.

However, the greatest challenge for the Garden of Siloam is financial sustainability. The reason why the funding is so difficult is that there is no established system to support it. In Japan, welfare-related businesses exist because there is a framework that allows them to survive, even if they are not highly profitable. Some organizations may generate substantial profits, but the key point is that there are institutional mechanisms that make it possible to continue operating without having to earn large profits.

For example, there may be government subsidies based on having a certain number of employees or service users. There are also disability pension schemes for beneficiaries, and some of the costs can be covered through those payments.

The biggest difference, perhaps, is between operating in an environment where such systems are in place and operating in one where they do not exist at all. When there are no subsidies, no disability benefits, and no public support structures, organizations must secure all of the necessary resources on their own. That is probably the most significant difference. The largest part of my work, by far, is fundraising, so that is naturally the challenge I feel most strongly about. Cultural differences have not been a major challenge for me, as I've adapted after living here for nearly 25 years.

Haraoka: If we are to create new systems for funding, the issue goes beyond welfare alone. It becomes a matter of economic systems and political structures as well. Addressing it would require large-scale efforts and sustained advocacy for change.

Kumon: Yes, that's right. For example, there is a government program that provides educational support for children with

disabilities, but the number of beneficiaries is far too limited, leaving many children without assistance. In our case, we approached the local authorities and were eventually able to secure support for children attending the Garden of Siloam.

The problem is that these decisions are often driven less by institutional policy than by political incentives. Support may be granted because it helps officials gain votes in the next election, much like infrastructure projects or other public benefits are sometimes used to build political support. Corruption and patronage also remain deeply entrenched, making systemic change extremely difficult.

Rather than trying to transform the entire system at once, we focus on improving the lives of the children in our care. By securing the resources they need and showing what is possible, we can raise public awareness and, hopefully, contribute to gradual social change. In that sense, our approach has been to keep making small but steady efforts, believing that each step can help move society in a better direction.

Japan Today: Population Aging & Healthcare Challenges

Haraoka: In Japan's aging society, it is often said that for older adults to achieve both mental and physical well-being, it is important to engage in work that is appreciated by others, such as volunteer activities, rather than focusing solely on financial rewards. Some people also argue that having a sense of purpose in life, or *ikigai*, is one of the keys to healthy longevity. From that perspective, I wonder whether working overseas in search of such a sense of purpose could be a meaningful way of life for some older Japanese adults. What are your thoughts on this?

I have also heard that an increasing number of Japanese physicians are leaving clinical practice to become healthcare consultants because financial pressures on hospitals have made it difficult to provide adequate compensation. Given that situation, I wonder whether some of these doctors might find greater fulfillment by working in countries of the Global South, where their skills could have a direct impact and where they might experience a stronger sense of purpose of life. What is your view on this?

Kumon: To answer your first question, the fundamental philosophy behind our work is that human relationships are based on mutual giving and receiving, regardless of whether a person is elderly, has a disability, or belongs to any other group. When we talk about *ikigai*, the focus can sometimes remain centered on oneself. However,

when viewed from the perspective of society, I believe that things function best through interaction and mutual support among people.

For example, our staff care for children at our facility every day. They clean up children's feces and vomit, and often work under very demanding conditions. Of course, receiving a salary is an important source of motivation. But I don't think that is the only reason they continue working. Rather, I believe it is because what they receive from the children is far greater than what they give. The relationships they build, the joy they experience, and the lessons they learn from the children provide a deep sense of purpose of life that cannot be measured in financial terms.

They are able to see firsthand the truly wonderful qualities that these children possess. Many of the children have grown up isolated from society, often confined to very limited environments. In such circumstances, they have little opportunity to share the gifts and strengths they inherently possess. I believe that people reveal their true potential and individual values through giving to others. Wherever there is meaningful human connection, there is growth. And that growth is not only personal growth for the individuals involved but is also growth for society as a whole.

I think helping others merely to find a sense of purpose in life for oneself is a one-way street. The children are happy because they see that the staff genuinely enjoy being with them and sharing their lives with them. And when the staff see the children happy, they in turn find happiness themselves – not just a sense purpose in life. It becomes a positive cycle in which everyone helps one another grow. That is why a society's priorities and values matter so much. A society that values only individual achievement, in my view, cannot truly develop. Real growth happens through relationships, mutual care, and the ways people give to and receive from one another.

Of course, I think it's wonderful when older people go abroad as volunteers. But if they are only looking for a sense of living purpose for themselves, they may not find it anywhere. What's important is noticing the people around us who need help. A sense of purpose in life will often follow it naturally.

When it comes to healthcare systems, there is no easy answer. It largely depends on what a society values. In countries like the United Kingdom, where healthcare is available to everyone, the system has become so overstretched that getting specialized treatment can be very difficult. In trying to make healthcare accessible to all, the system can end up struggling to provide quality care to everyone. At the other extreme, in countries like the United States, those who can afford it have access to advanced care, while many others are left behind.

So I sometimes feel that the key question is not simply how much doctors are paid. If they are earning a living cost, what really matters is whether they find meaning and satisfaction in the work they do. Questions about health insurance and healthcare systems don't have simple answers. Kenya, for example, is now moving toward universal health coverage.

A healthcare system is something an entire society builds together, so the outcome depends on the values people choose to uphold. In countries like the US, where individual freedom is highly valued, many people can end up being left behind. The real question is whether we want a society centered on individual choice or one that seeks the well-being of everyone. Healthcare and health insurance systems are ultimately a reflection of those choices.

Vision for the Future

Haraoka: Finally, if you don't mind, could you share your aspirations for the future and what you hope to accomplish through your work looking ahead?

Kumon: As I grow older, one of the questions that weighs on my mind at this point in my life is how much of what I hope to achieve can be realized. In the first 10 years, we focused on training staff so they can genuinely understand and respond to the children's needs. We brought in experts in rehabilitation, medical care, and education, and worked to build a team capable of supporting children with disabilities. Through these efforts, we now have a staff of dedicated professionals who are able to respond effectively to the needs of children with disabilities. The challenge for the next 10 years is to broaden the reach of their work beyond the children in Siloam. I believe they have much to contribute to society, and creating those opportunities is a major goal for the future.

Today, more than 200 children are on our waiting list, and sadly, some pass away before they are admitted. That reality shows that focusing only on what happens within our facility is not enough. Going forward, one of our biggest challenges is finding ways to connect with the broader community and become an organization that can make a difference in society as a whole.

Haraoka: In other words, you're looking not only to expand the organization itself, but also to create more facilities like this one.

Kumon: That's right. If we simply expand under the current model, we would go bankrupt, so making the facility larger is not the answer. What is important is to consider what kind of facilities we should create and how we can support others in pursuing the work they want to do. I believe that will become an important part of our work from now on.

Haraoka: Thank you for taking the time to speak with us and for sharing valuable insights. JS

Written and translated by Naoyuki Haraoka, Advisor of Japan SPOTLIGHT, with the cooperation of Tape Rewrite Co.

METI's White Paper on International Economy & Trade 2026

By Haruhisa Somaya

In this issue of *Japan SPOTLIGHT*, the Cover Story features METI's White Paper on International Economy and Trade 2026, an annual publication released by Japan's Ministry of Economy, Trade and Industry (METI), which is responsible for Japan's trade policy.

The Mini Cover Story highlights Japan's new Disaster Management Agency, which has been formally approved by the Japanese Diet as the country's central command for disaster management policy.

METI's White Paper 2026 expresses concern over rising policy uncertainty and increasing geopolitical risks, including instability in the Middle East, as key elements shaping the global economic environment. In this context, building co-creation partnerships with emerging economies – such as those in the Global South, where markets are expanding due to high economic growth and population increases – has become essential for the development of Japan's economy and the stability of the global economy.

Developing markets in emerging economies is important for Japan as a means of diversifying its trade structure, thereby reducing dependence on specific countries and strengthening resilience against geopolitical risks. It is also crucial for diversifying sources of vital resources and materials indispensable to Japan's economy. Furthermore, the White Paper analyzes how investment in emerging economies – particularly in sectors such as energy, real estate, and AI-related industries – can effectively contribute to addressing challenges faced by these countries. The report also underscores the importance of “friend-shoring” among like-minded nations for critical minerals and energy, going beyond traditional trade rules.

Based on the above understanding, METI sets out Japan's trade strategy for 2026 as follows. Japan aims to “remain a reliable economic partner” while “maximizing Japan's added value in the world through addressing global challenges”, and to counter protectionist and inward-looking trends to evolve and realize a Free and Open Indo-Pacific (FOIP). To this end, Japan aims to build a “trusted economic sphere” by advancing existing initiatives such as EPAs, including the CPTPP and realizing AZEC 2.0 – an expanded Asian Zero Emission Community incorporating POWER Asia (Partnership On Wide Energy and Resources Resilience Asia), and engage in “global crisis management and growth investment” through cooperation with allies and like-minded nations and co-creation with the Global South. Furthermore, Japan intends to adopt a hybrid strategy that advances rules-based initiatives grounded in “free trade and the

rule of law” while responding to immediate issues in US–China relations. The *Japan SPOTLIGHT* article provides a more detailed explanation of these elements.

In addition, drawing on the themes of the White Paper, experts on Middle Eastern affairs and the economies of the Global South – particularly ASEAN – together with a representative from Japan's business community, participated in a roundtable discussion and offered valuable perspectives and insights. We expect that Japan's trade policy will become more widely understood among government officials, business leaders, and other stakeholders around the world, contributing not only to Japan's growth but also to further development of the global economy.

The theme of the Mini Cover Story is “The Mission of Japan's New Disaster Management Agency and Expectations at Home and Abroad”. This feature responds to the recent decision by the Japanese Diet to establish the Disaster Management Agency – an organization responsible for strengthening Japan's disaster risk reduction framework, protecting lives and livelihoods through comprehensive pre-disaster risk reduction measures, and serving as a unified command from the onset of a disaster through recovery and reconstruction.

Japan SPOTLIGHT conducted an interview with the young official helping to lead the agency's preparation office, as well as one with a disaster risk reduction expert who provided expert advice to the Japanese government. These interviews explore in depth the objectives and specific policy measures behind the creation of the Agency and Japan's new approach to disaster management. *Japan SPOTLIGHT* also gathered firsthand views from foreign residents in Japan regarding their expectations for the new Agency. In addition, given that the Asia-Pacific region faces the highest disaster risks in the world, experts from the Asian Development Bank – an institution deeply engaged in disaster-risk management – contributed an article expressing strong expectations for partnership with Japan's Disaster Management Agency.

We sincerely hope that the establishment of the Disaster Management Agency and Japan's new initiatives in disaster preparedness will become widely known, contributing not only to Japan's resilience but also to the advancement of disaster-risk reduction across the Asia-Pacific region and the world.

Haruhisa Somaya is editor-in-chief of *Japan SPOTLIGHT* & executive managing director of the Japan Economic Foundation (JEF).

White Paper on International Economy & Trade 2026 – Summary

By Japan SPOTLIGHT

Japan SPOTLIGHT would like to express its appreciation to the Policy Planning & Research Office, Trade Policy Bureau, Ministry of Economy, Trade and Industry (METI) for providing the materials that made this article possible.

1. Growing Risks to the Global Economy

• In 2025, although global economic prospects became more uncertain due to tariffs, progress in trade negotiations and the restoration of policy predictability supported growth that exceeded expectations, while global trade volumes remained resilient (*Table, Chart 1 & 2*). Japan's exports to the United States are projected to decline year-on-year in FY 2025, and its trade surplus with the US is expected to decrease by approximately ¥2 trillion (around 20%). Overall, however, Japan's trade deficit is projected to narrow. At the same time, growth in returns on overseas investments is expected to contribute to a further expansion of the current account surplus (*Chart 3*). Meanwhile, although China's trade surplus with the US has declined significantly, close attention should be paid to the possibility that exports routed through third countries, such as

Vietnam and Mexico, are increasing.

• Meanwhile, global policy uncertainty has reached its highest level since 2000, driven by historically elevated tariff rates and export controls on critical minerals. Geopolitical risks also remain elevated, reflecting Russia's invasion of Ukraine and the deteriorating security situation in the Middle East. It is difficult to expect these risks to diminish in the foreseeable future (*Chart 4, 5 & 6*).

• The deteriorating geopolitical situation in the Middle East has led not only to higher crude oil prices (*Chart 7*), but also to sharp increases in naphtha prices in Asian markets. Around 90% of the crude oil transported through the Strait of Hormuz is destined for Asia, while many Asian countries hosting production bases of Japanese companies rely heavily on the Middle East for imports of petroleum products. These developments have brought to the forefront supply chain risks affecting Asia's energy security (*Chart 8 & 9*).

TABLE

Global growth forecasts (IMF)

	2025		2026		
	Forecasts (as of Apr)	Actual	Forecasts (as of Jan)	Forecasts reference scenario (as of Apr)	Forecasts adverse scenario (as of Apr)
World	2.8%	3.4%	3.3%	3.1%	2.5 %
US	1.8%	2.1%	2.4%	2.3%	
China	4.0%	5.0%	4.5%	4.4%	
Japan	0.6%	1.2%	0.7%	0.7%	
Euro Area	0.8%	1.4%	1.3%	1.1%	

Note: The reference scenario assumes that the war in the Middle East region turns out to be relatively short-lived. The adverse scenario assumes that the war would be more prolonged and the recovery of economic activities would take more time due to damage to and/or closures of energy infrastructure.

Source: IMF, Netherlands CPB

CHART 1

Global trade volume

(2021=100)

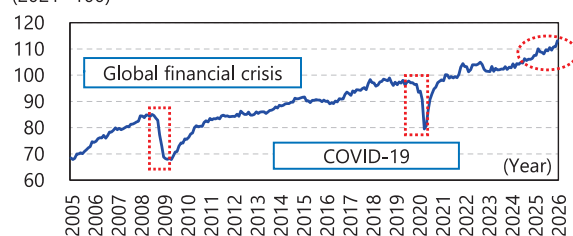
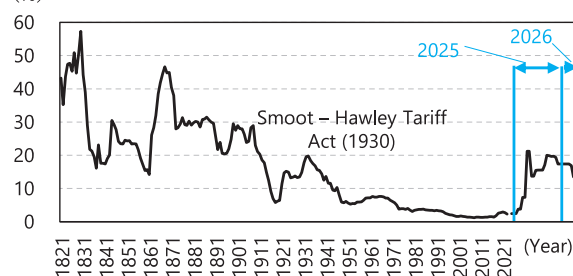


CHART 2

US effective tariff rate

(%)

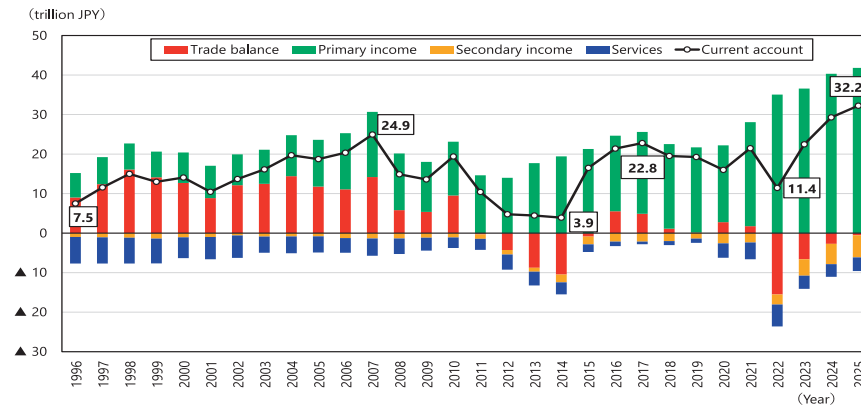


Note: The reference scenario assumes that the war in the Middle East region turns out to be relatively short-lived. The adverse scenario assumes that the war would be more prolonged and the recovery of economic activities would take more time due to damage to and/or closures of energy infrastructure.

Source: IMF, Netherlands CPB

CHART 3

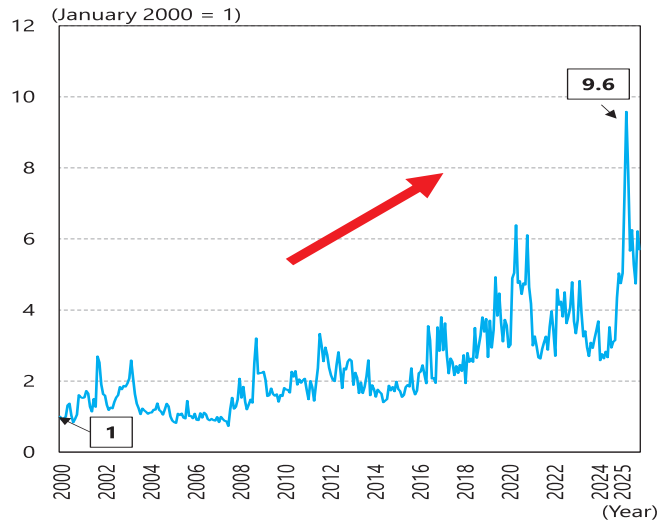
Trends in Japan's current account balance



Source: Compiled from the Bank of Japan, "Balance of Payments Statistics"

CHART 4

Index of global economic policy uncertainty



Source: Baker, Scott R., Nicholas Bloom, and Steven J. Davis. 2016. "Measuring Economic Policy Uncertainty", Quarterly Journal of Economics 131(4): 1593-1636. Compiled from the corresponding dataset

CHART 5

Index of trade policy uncertainty facing Japan

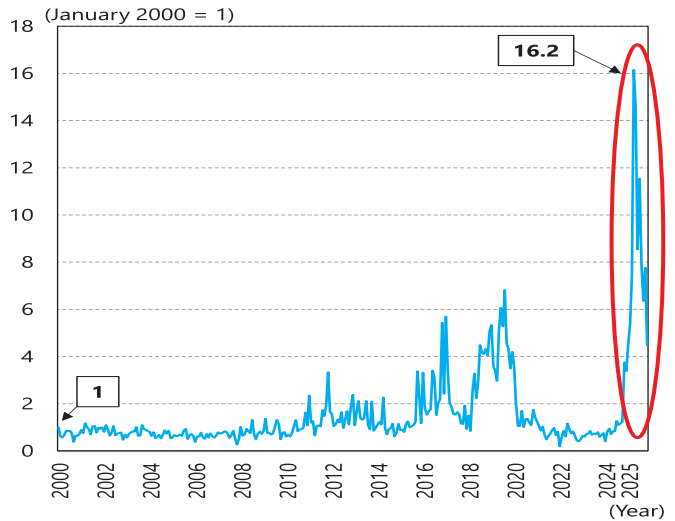
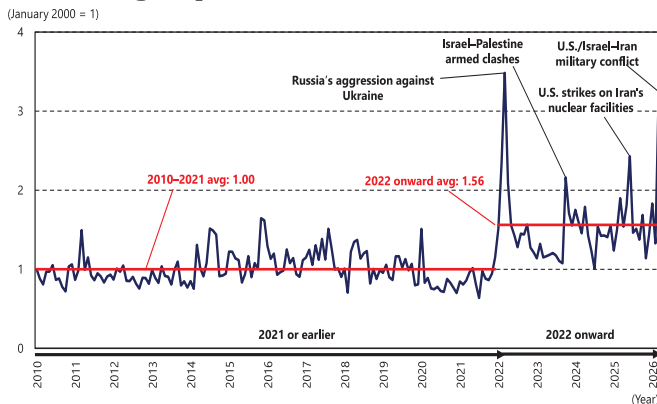


CHART 6

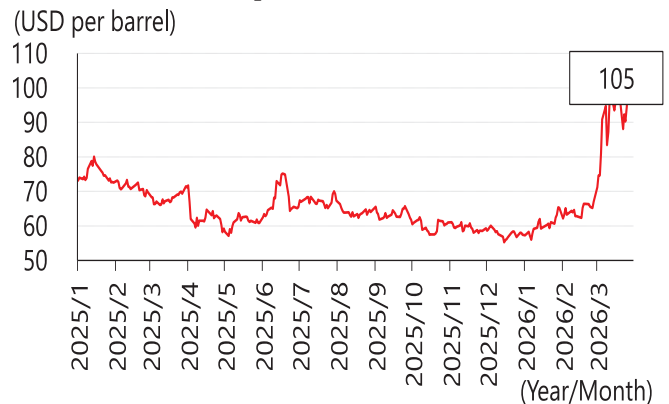
Global geopolitical risk index



Source: Caldara, Dario and Matteo Iacoviello. 2022. "Measuring Geopolitical Risk", American Economic Review 112(4): 1194-1225. Compiled from the corresponding dataset.

CHART 7

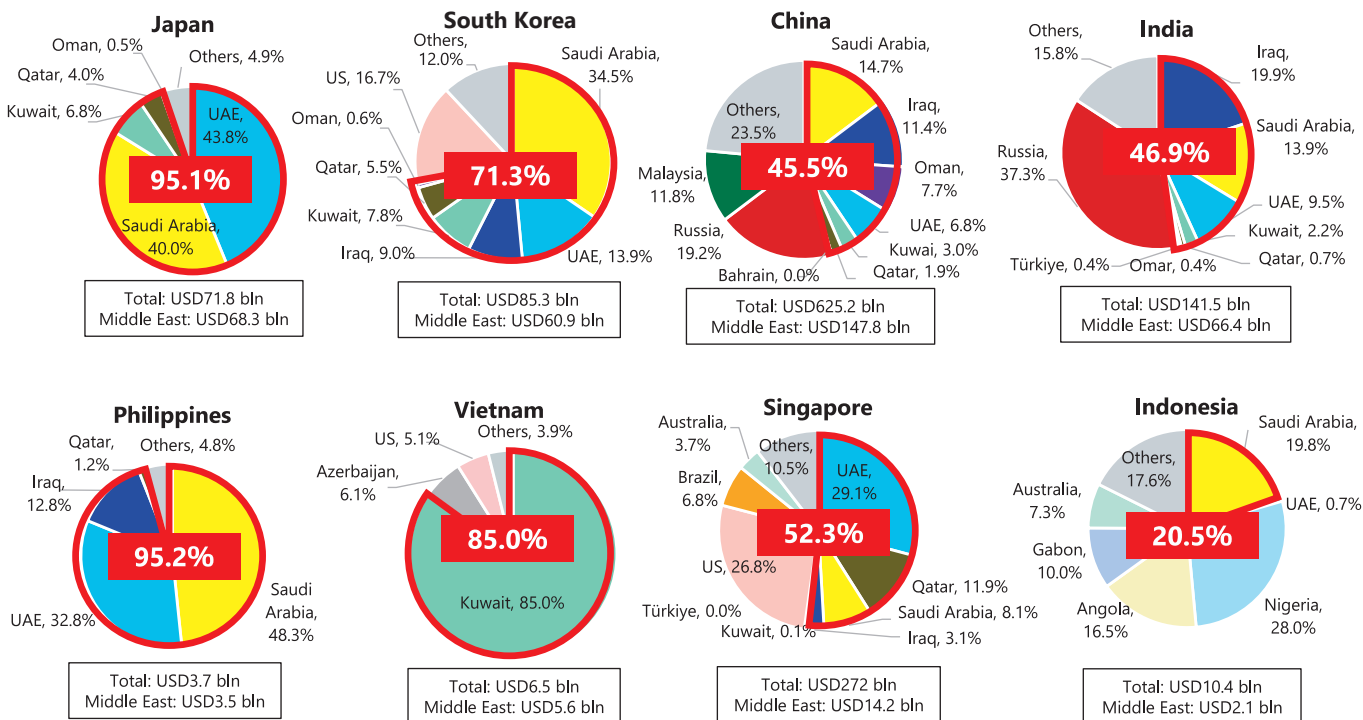
WTI crude oil price



Source: Number and composition of ships compiled from IMF PortWatch. The moving average is a 7-day moving average. Crude oil prices compiled from LSEG

CHART 8

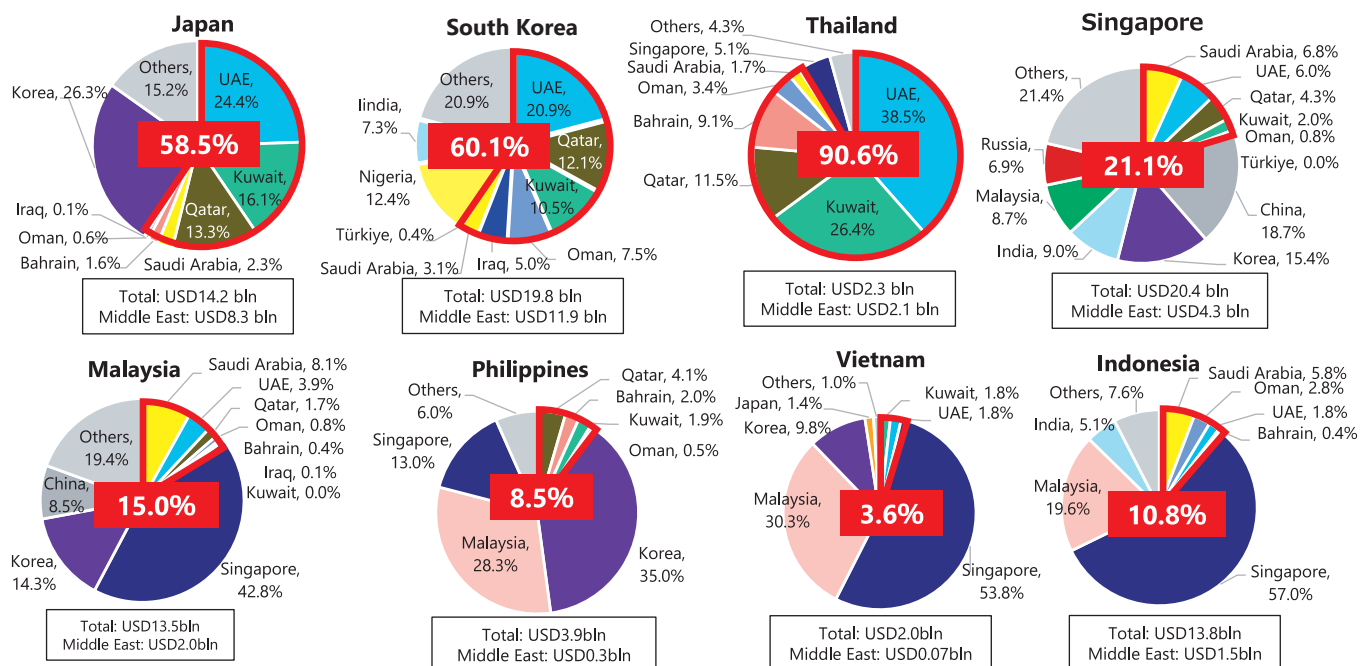
Shares of the Middle East in Asian countries' crude oil imports (2024 [2023 for Vietnam])



Note: HS2709 for crude oil
Source: UN Comtrade

CHART 9

Shares of the Middle East in Asian countries' imports of oil products (2024 [2023 for Vietnam])



Note: HS271012 for oil products. The code contains naphtha but also contains gasoline, kerosene, and distillate.
Source: UN Comtrade

- Strengthening supply chains across Asia, including Japan, has become an urgent priority to prevent operational disruptions at Japanese companies overseas and shortages of critical goods in Japan, while ensuring the stable supply of essential commodities, including crude oil, naphtha and other petroleum products, as well as medical supplies.

- In an era in which supply chain risks can significantly influence national economies, it is difficult to expect policy- and geopolitical-

related risks to diminish in the foreseeable future. Such risks arise not only on the supply side but also on the demand side, as well as through natural disasters and other disruptions. The ability to effectively manage supply chain risks will be a key determinant of the success of economic policy.

2. Emerging Economies' Importance in Supply Chain Demand & Supply

CHART 10

Real GDP growth rate

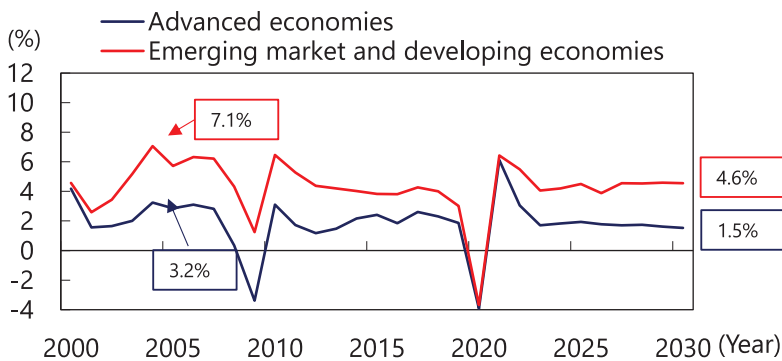


CHART 11

World population prospects

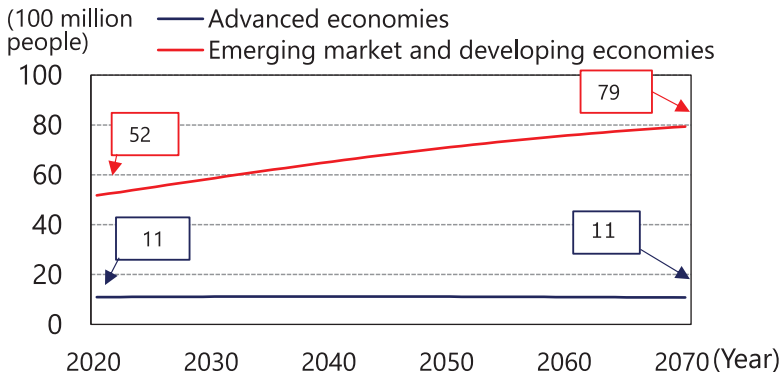


CHART 12

Share of critical mineral reserves

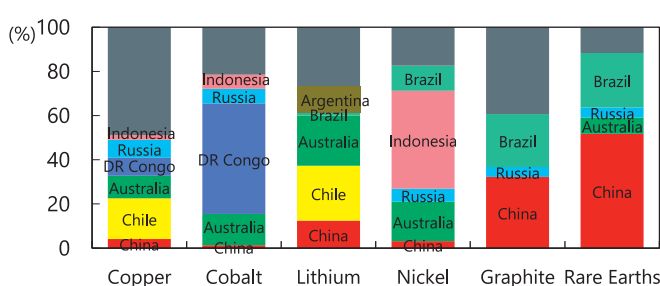
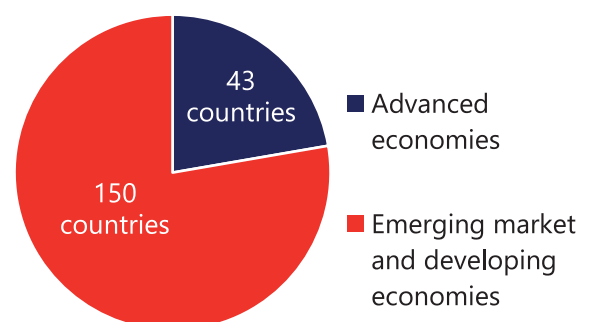


CHART 13

Number of UN member countries



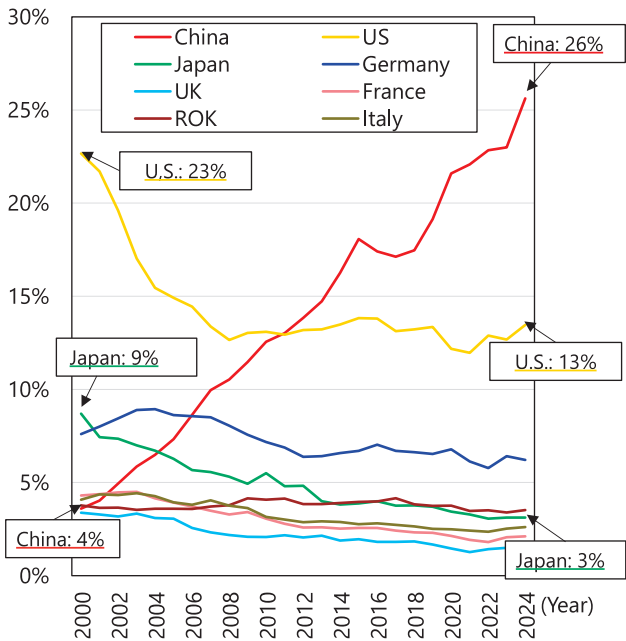
Source: GDP growth rates are based on data from the IMF World Economic Outlook. Population data are from the United Nations World Population Prospects. Shares of critical mineral reserves are compiled from the USGS MINERAL COMMODITY SUMMARIES 2026. Gray represents other nations. The total number of United Nations member states is as of March 2026.

alternative suppliers. Establishing and maintaining trade rules is essential not only to mitigate supply chain risks but also to ensure the stability of international trade.

High Returns and Supply-Demand Diversification through Japan's Investment in Emerging Countries

- Japan's outbound investment is concentrated in advanced countries, particularly the US (Charts 17 & 18), while returns are higher in emerging countries (Charts 19).

CHART 14
Share of imports in emerging markets by country



Source: Created based on UN Comtrade data

CHART 15
Export values to emerging economies by country (vs. 2000)

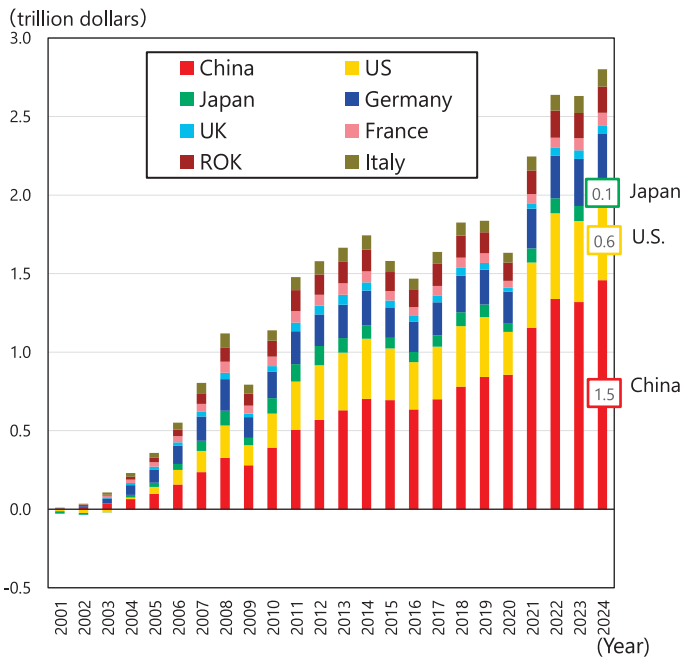
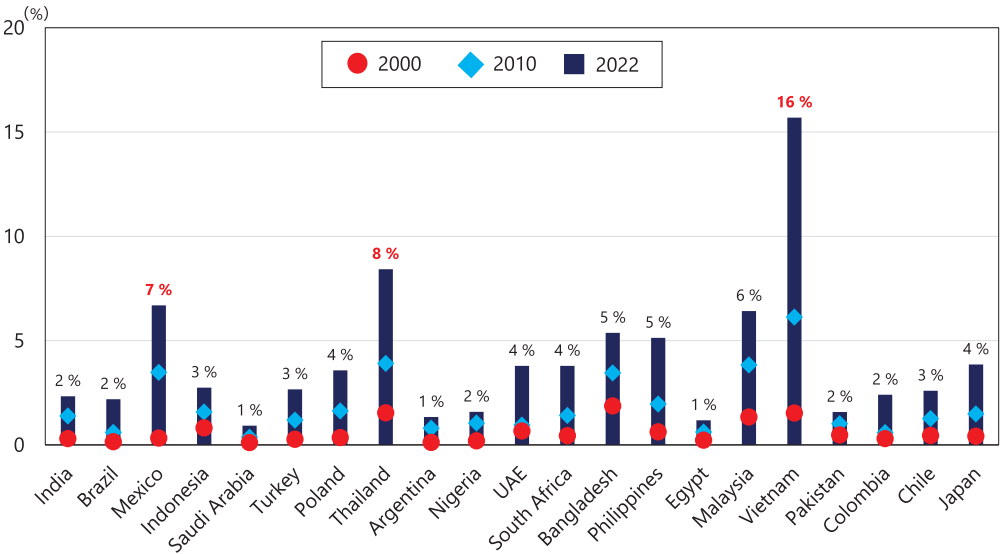


CHART 16
Chinese value-added in the exports of emerging countries (%)



Source: OECD TiVA

- Investment in emerging countries also contributes to market development and the diversification of production and supply bases and supports supply-chain risk management.
- Japan's proactive investment in emerging markets has built a

strong track record, contributing to the current account surplus (Chart 20).

- On the other hand, in flow terms, Japan has been overtaken by China, raising concerns about its declining presence (Chart 21).

CHART 17

Comparison of Japan's outward FDI stock in advanced & emerging countries (2024)

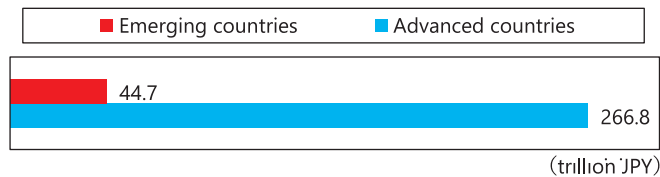
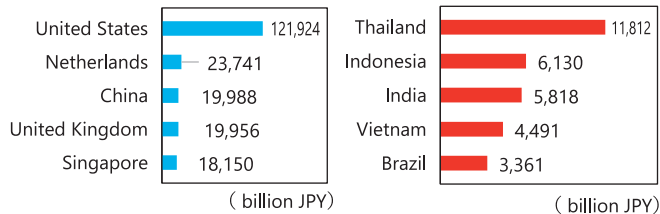


CHART 18

Top 5 destinations of Japan's outward FDI stock in advanced & emerging countries (2024)



Note: The rate of return is calculated by dividing the current-year income on Japan's outward FDI by the average of the previous-year and current-year FDI position. The analysis covers only those countries for which country-level data are available in the Balance of Payments Statistics. While not all countries are included, the countries covered account for approximately 94% of the investment position and approximately 92% of the income.

Source: Compiled from the Bank of Japan, "Direct Investment Statistics" and "Direct Investment Position Statistics."

CHART 19

Trends in the rate of return on Japan's outward FDI in advanced & emerging countries (2024)

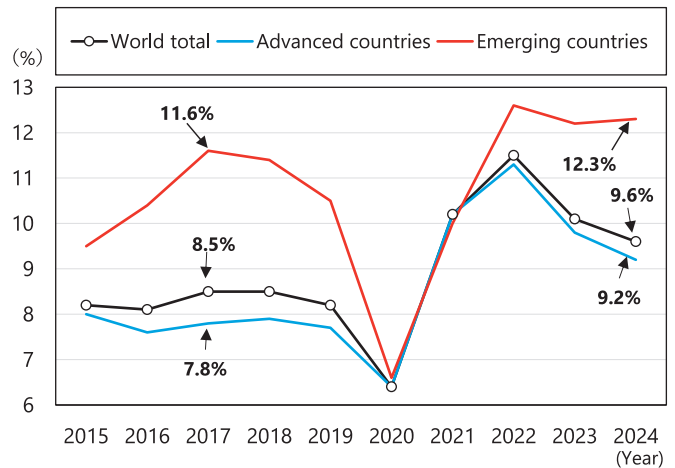


CHART 20

Foreign Direct Investment stocks to emerging markets by country (Stocks)

(billion dollars)

Stocks

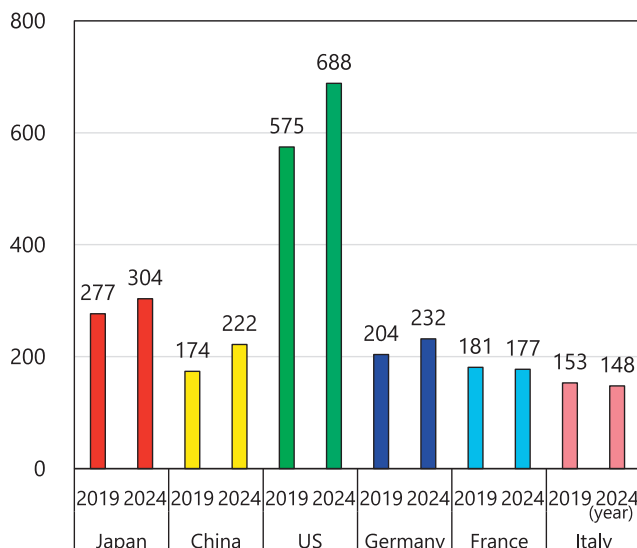
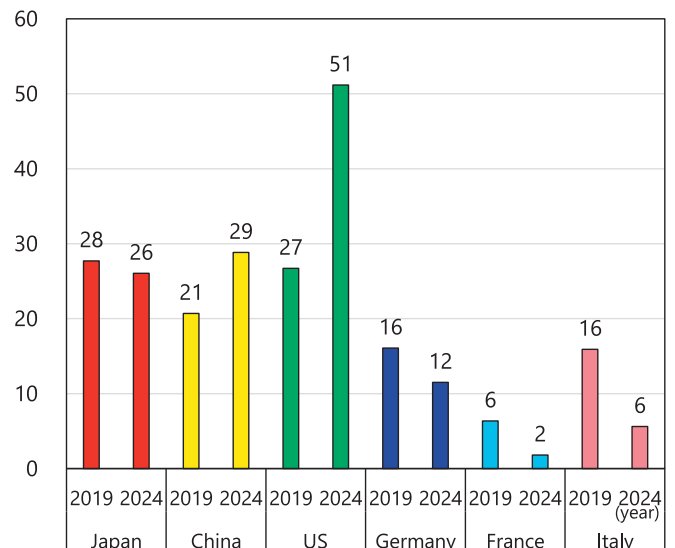


CHART 21

Foreign Direct Investment stocks to emerging markets by country (Flows)

(billion dollars)

Flows



Source: Bank of Japan; CEIC; Eurostat; Bureau of Economic Analysis

3. Building Co-Creation Partnerships Between Japan & the Global South

(1) Energy-Related Cooperation with Asia Supported by Japanese Technologies

• In addition to economic growth and the expansion of energy and electricity demand driven by AI, Asia is facing growing supply chain risks stemming from the situation in the Middle East. Against this backdrop, efforts to strengthen supply chains, including those related to energy, and to advance carbon neutrality and the energy transition are expected to accelerate further.

• Japan's expansion into these markets through investment and other initiatives, supported by Japanese technologies, can help promote such efforts while also contributing to the strengthening of Japan's own supply chain resilience.

(2) Japanese Real Estate Investment Contributing to Solving Challenges in Emerging Economies, Including Asia

• The development of industrial parks contributes to strengthening supply chains in host countries while providing an important foundation for investment and exports by Japanese companies, including small and medium-sized enterprises. Investment in industrial parks represents one of Japan's key areas of competitive advantage.

• Urban development contributes to addressing challenges faced

by cities in emerging economies experiencing rapid economic and population growth. It also represents a form of real estate investment that can create new opportunities for Japan, including through the expansion of Japanese content and other offerings via commercial facilities.

(3) Increasing Momentum for FTAs & EPAs Worldwide

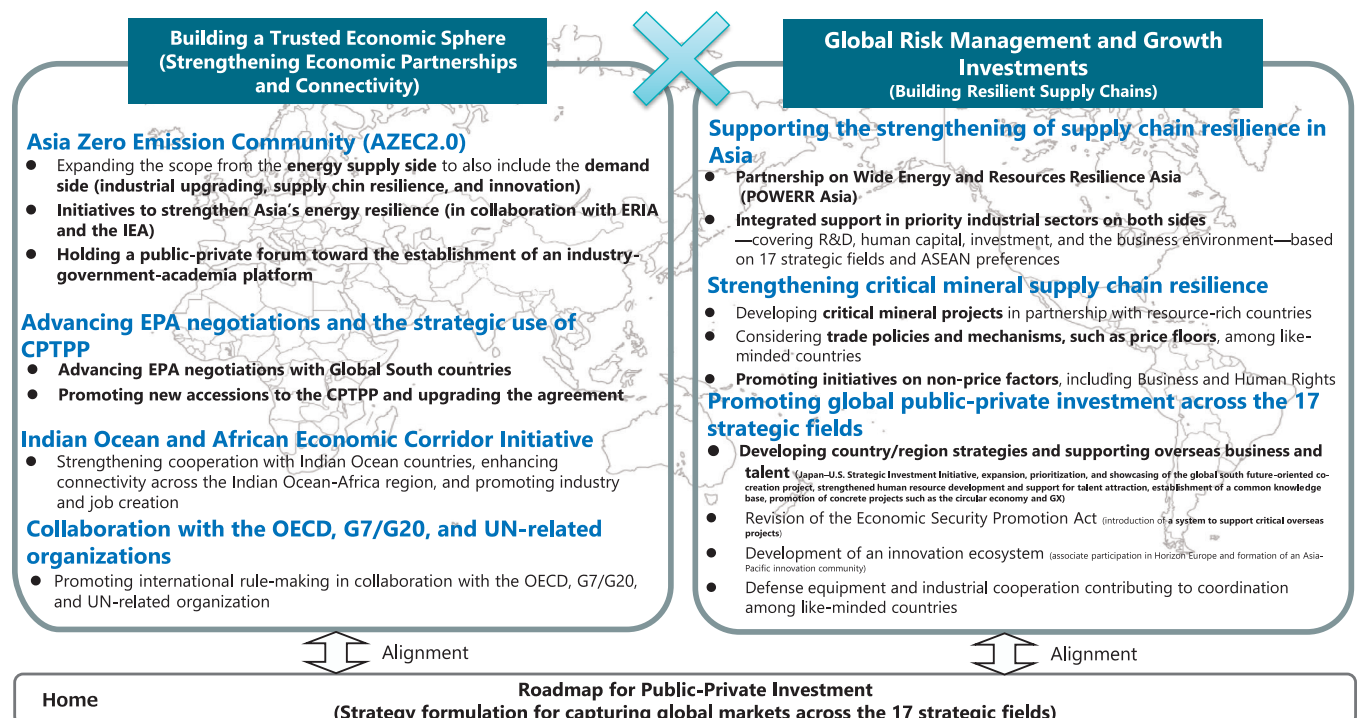
• Amid growing uncertainty surrounding the international economic order, efforts to conclude FTAs and EPAs have gained momentum. Such initiatives are accelerating across regions and among both advanced and emerging economies, as demonstrated by agreements such as the Mercosur-EU and India-EU trade agreements.

(4) Trade Strategy 2026

• As the global economy shifts from an era of neoliberalism centered on the pursuit of a single global market toward an era in which state involvement and economic security are gaining importance amid potential fragmentation, Japan will continue to pursue the objectives of its trade strategy: remaining a "trusted economic partner" and "maximizing Japan's value-added presence in the world by contributing to the resolution of global challenges". In coordination with the public-private investment roadmap, Japan will contribute to its growth strategy with the aim of achieving shared prosperity for Japan and the global community.

REFERENCE 1

Hybrid trade strategy



Source: The International Trade and Economic Strategy 2026

- To this end, Japan will build a truly free and mutually beneficial “trusted economic sphere,” including major powers, while promoting proactive strategic investments that enhance resilience and investments that promote growth to support export expansion, and positioning contributions to FOIP as a key objective, thereby contributing to the realization of updated FOIP.

- While addressing immediate challenges, including responses to the US and China, Japan will advance a “hybrid trade strategy” that promotes both free trade and the rule of law through a rules-based approach (Reference 1).

(5) Direction of Trade Strategy Toward the Global South

- Strengthening partnerships with the Global South is key to realizing updated FOIP; since FY2023, an annual US\$1 billion the global south future-oriented co-creation project has supported 423 projects in 79 countries, with results to be shared domestically and internationally.

- Building on these demonstration projects and other initiatives, and in coordination with regional strategies and the public-private investment roadmap covering 17 growth strategy fields, Japan aims

to achieve the following: (1) commercialization of projects, (2) expansion of participating businesses and partner countries, and (3) wider deployment of successful initiatives across regions and sectors. In addition, Japan will pursue (4) the creation of a shared knowledge base through academic collaboration with Global South countries, which will serve as a foundation for these efforts (Reference 2).

4. The Vision for a “Virtuous Cycle between Domestic and Global Economies” Through Japan’s Growth Strategy

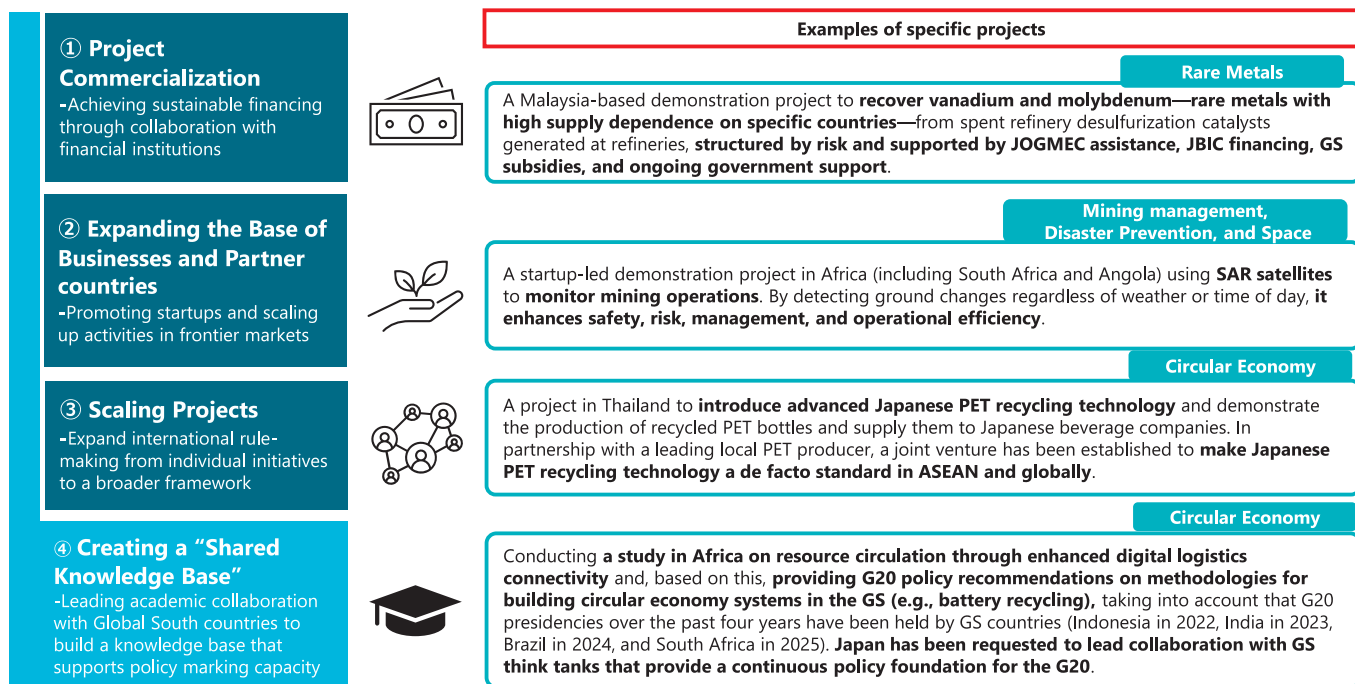
- Japan’s Growth Strategy aims to (1) build a resilient industrial structure capable of competing globally through strategic investments that enhance resilience and investments that promote,” while (2) strengthening investment returns by creating a trusted economic sphere where Japanese goods and services are chosen.

- This approach will also contribute to exchange rate stability by increasing foreign currency earnings.

JS

REFERENCE 2

Trade strategy toward the Global South



Source: The International Trade and Economic Strategy 2026

R oundtable on “White Paper on International Economy & Trade 2026” – Strengthening Supply Chain Resilience Through Deeper Trust with the Global South (Aug. 7, 2026)

By Japan SPOTLIGHT

Participants: Fukunari Kimura, President, Institute of Developing Economies, JETRO
 Kiyotaka Morita, Director of International Affairs, Keidanren (Japan Business Federation)
 Sachi Sakanashi, Board Member, Director of the Japanese Institute of Middle Eastern Economies (JIME), Institute of Energy Economics, Japan (IEEJ)
 Keiji Yoda, Former Director, Planning & Research Office, Trade Policy Bureau, METI
Moderator: Hideichi Okada, Chairman & CEO, Japan Economic Foundation (JEF)

Participants



Fukunari Kimura



Kiyotaka Morita



Sachi Sakanashi



Keiji Yoda



Hideichi Okada

Abstract of Discussion

- Geopolitical risks – most notably the crisis in the Strait of Hormuz – continue to amplify uncertainty in the global economy.
- In this environment, building *trusted and stable economic relationships* is the most critical foundation for strengthening supply chain resilience.
- For Japan, forming reliable partnerships with the Global South – regions endowed with abundant resources and significant growth potential – is essential not only for economic security but also for long-term economic growth.
- Cooperation frameworks such as **POWERR Asia**, which aims to address the vulnerabilities in ASEAN countries' energy stockpiling systems revealed during the recent energy crisis, will play an increasingly important role. Likewise, the sustained development of the **Asian Zero Emission Community (AZEC)** is vital for supporting decarbonization across Asia.
- Private investment in the Global South is becoming more important than ever. Such investment supports economic development, expands employment opportunities, and contributes to improving urban amenities in rapidly growing cities, as well as strengthening energy infrastructure.
- Concluding FTAs with these countries is also essential. Doing so helps deepen their understanding of how rules-based free trade directly contributes to their own economic development.

Opening remarks from Mr. Yoda, former director of the Trade Policy Planning and Research Office, Trade Policy Bureau, in charge of drafting the White Paper on International Trade 2026

Yoda: This year's White Paper is structured around three key issues:

rising risks in the global economy, the growing importance of emerging economies, and the direction of national trade policies.

Regarding the global economy, although uncertainties persisted in 2025 – such as the implications of the Trump tariffs – global trade volumes did not decline as much as initially forecast. In fact, trade expanded, and global economic growth ultimately exceeded IMF projections. That said, indicators of policy uncertainty and

geopolitical risks have reached their highest levels since the beginning of the 21st century. This underscores the need to closely monitor global risks, particularly supply chain risks, which are the central focus of this year's report.

At present, developments in the Middle East have had significant implications for supply chains involving petroleum products such as naphtha. When Prime Minister Sanae Takaichi visited Vietnam in May, Japan expressed its intention to cooperate on strengthening supply chains for medical gloves. At the same time, Japan announced the **POWERR Asia** initiative, which aims to reinforce supply chains, including energy, across the broader Asian region. This initiative is expected to generate substantial benefits for Japan as well. These developments are also highlighted in the White Paper.

Within this context, the White Paper's main message is the growing importance of emerging economies in the global landscape. We emphasize their significance in terms of growth rates, population, critical mineral resources, and voting power in international institutions such as the United Nations. Using various datasets, we illustrate the substantial role emerging economies play in global supply chains. By contrasting this with China's dominant presence, we aim to clarify the strategic direction Japan should pursue.

Finally, one of the new analytical components we highlight this year is a detailed examination of investment relationships with more than 20 emerging economies commonly referred to as the Global South. This analysis draws on the **fDi Markets** database by the *Financial Times*, which is particularly valuable because it aggregates data at the project level and allows cross-tabulation by country and industry. This enables us to analyze, in detail, the types of industries and the countries from which emerging economies receive foreign direct investment, something that has not been extensively examined before. We believe this adds meaningful value to this year's White Paper.

Based on these findings, we identify two sectors, energy and real estate, as areas where Japan has already expanded its direct investment and where further potential exists. Building on this, we outline Japan's trade strategy moving forward. In short, our message is that Japan should pursue two major pillars: the creation of a trusted economic sphere and the strengthening of supply chain resilience in specific strategic domains.

We hope today's roundtable will also offer meaningful insights for the Trade Policy Bureau and for METI as a whole. We look forward to the discussion.

Introduction

Okada: As Mr. Yoda explained, this year's White Paper was drafted amid rising geopolitical risks, including the surge in crude oil prices driven by instability in the Middle East, and growing uncertainty in global political and economic conditions. Japan and many Asian economies remain heavily dependent on Middle Eastern oil, and the vulnerabilities in the region's energy supply chains have become

increasingly apparent.

The White Paper emphasizes the importance of strengthening supply chain resilience not only for oil but also for other critical materials essential to stable economic activity. We are entering an era in which the ability to manage supply chain risks may well determine the trajectory of economic development.

Against this backdrop, building stronger relationships with emerging economies, such as those in the Global South, which possess diverse resources and rapidly expanding markets, has become an urgent priority for Japan. As many of these countries deepen their ties with China, Japan must consider how best to engage and cultivate mutually beneficial partnerships. In doing so, as Mr. Yoda noted, Japanese investment in energy-related projects and in real estate aligned with the growing demand for urban development in emerging economies will be increasingly important. At a time when international political dynamics, shaped in part by the influence of certain major powers, and the erosion of the WTO's functions are contributing to greater uncertainty in the global trading system, Japan must work to restore a rules-based international order to secure supply chain resilience and ensure business stability. Strategic expansion of FTAs/EPAs and the membership of CPTPP will be essential in this effort.

This year's White Paper advocates a "hybrid trade strategy", one that simultaneously advances economic security through coalitions of like-minded partners while also promoting free trade and the rule of law. Such a dual approach is precisely what today's trade policy environment demands.

Today, based on the perspectives presented in the White Paper, we are joined by three distinguished experts: Ms. Sakanashi, director of the Middle East Research Center at the Institute of Energy Economics, Japan; Dr. Kimura, director of the Institute of Developing Economies, specializing in ASEAN and the broader Global South; and Mr. Morita, director of the International Economic Affairs Bureau at Keidanren, who offers a business-driven view of current trade and economic issues.

Rising Risks in the Middle East & Their Impact on Asian & Japanese Economies

Okada: Our first topic today concerns the rising risks in the Middle East and their implications for Asian and Japanese economies. I would like to begin by asking each of our three speakers to share their views on this issue. To start, I would like to invite Ms. Sakanashi to discuss how she assesses the current situation in the Middle East, the recent movements in crude-oil prices and their outlook, and the potential effects on the global economy.

Sakanashi: The biggest impression that I had from the White Paper's section on the Middle East is how clearly the data shows that Japan's presence in the region has significantly diminished in recent years. At the same time, the White Paper also highlights various efforts Japan has undertaken to strengthen ties with Middle Eastern

countries. However, many of these initiatives have been forced into reconsideration – if not entirely derailed – by the outbreak of the Iran–Israel war on Feb. 28 this year. That said, the conflict has also created new opportunities for Japan to deepen cooperation with Middle Eastern partners.

Regarding the nature of the conflict, I view this war as one centered on Israel's position within the emerging Middle Eastern order. Israel is a country with considerable economic potential, and in recent years it has sought to normalize relations with Arab states while effectively sidelining the Palestinian issue. Iran, however, has consistently opposed this trend. It has supported armed groups resisting Israeli occupation and continued its nuclear development, making itself a serious threat from Israel's perspective. Israel, convinced that the Iranian threat could no longer be tolerated, persuaded the United States to join military action against Iran – leading to the current war.

Yet the conflict has revealed that even the combined military power of the US and Israel is insufficient to topple the Islamic Republic of Iran. Negotiations between Washington and Tehran are ongoing, but no resolution is in sight. Each time talks stall, the US launches strikes on Iran, Iran retaliates, and the Gulf region is drawn deeper into instability.

Under these circumstances, Japan's ability to expand economic engagement with Middle Eastern countries will remain limited until stability in the region is restored. Still, despite the lack of agreement between the US and Iran over how to secure the safe transit of the Strait of Hormuz, Gulf states themselves are making maximum efforts to stabilize the region.

As for crude oil prices, they surged above US\$110 in early April – around the 40th day of the conflict – but have not risen further, partly due to expectations surrounding the outcome of US-Iran negotiations. However, with the war now at risk of becoming prolonged and with the possibility that the Bab el-Mandeb Strait off Yemen could also be “closed”, the outlook for global energy markets remains highly uncertain. Even so, the most important point to bear in mind when looking ahead is that the Gulf countries are making every possible effort to stabilize the region.

Okada: When we talk about the Middle East, crude oil tends to dominate the conversation. But Qatar is also a major producer of LNG, and the Gulf states themselves rely heavily on imported goods. This has reminded us that the security of the Strait of Hormuz affects far more than oil alone, it has broad implications across the region's entire supply system. I would like to ask Dr. Kimura to share his views on how current geopolitical risks are affecting Asian economies, how we should assess these developments, and how Asia might continue to grow while confronting these challenges.

Kimura: When we look at oil supply to ASEAN countries, it is clear that their situation is quite vulnerable. Since March, governments have taken steps such as diversifying supply sources, but with no clear sense of when the Iran-Israel war will end, there remains a real

possibility of severe supply disruptions. In the worst case, countries may have to impose sharp cuts in demand. Vietnam and the Philippines are seen as particularly exposed to serious vulnerability of energy supply. This crisis has made it unmistakably clear that ASEAN economies were not adequately prepared for an energy-supply shock.

Structurally, most ASEAN countries rely heavily on fossil fuels and have a high dependence on Middle Eastern supply. Reducing that dependence has long been a policy challenge, but progress has been slow. On top of that, preparations for sudden supply interruptions, such as building sufficient oil stockpiles, have been only partial in many countries. During my time as chief economist at ERIA, since its establishment in 2008, we consistently emphasized the importance of diversifying energy supply and strengthening stockpiling systems. But in practice, many governments did not fully commit to these measures.

This time, however, the severity of the situation has prompted ASEAN countries to finally take these issues seriously. At the same time, the current moment presents an opportunity for Japan. In bringing ASEAN countries into discussions on economic security and supply-chain resilience, Japan is well positioned to play a leading role. Initiatives such as the Indo-Pacific Economic Framework (IPEF) have tried to involve ASEAN, but enthusiasm on their side has often been limited. For issues like advanced semiconductors or rare earths, many ASEAN governments saw these as matters for multinational firms rather than national priorities.

But when the conversation shifts to stable supplies of energy and food, they cannot remain indifferent. By broadening the definition of economic security to include these urgent concerns, ASEAN countries may become more willing to engage in supply-chain risk management.

Energy security, especially stable oil supply and crisis preparedness, is an area where Japan has long experience and expertise. This crisis has also shown that major powers have done little to support ASEAN. In contrast, Japan has achieved meaningful progress through initiatives such as accelerating the Asia Zero Emission Community (AZEC) and launching POWER Asia, a partnership aimed at strengthening energy-supply resilience. These are significant achievements in economic diplomacy. POWER Asia moved quickly, and because it goes beyond financing to include broader forms of cooperation, it represents a major step in reinforcing Japan's presence in ASEAN.

More broadly, ensuring stable supply of critical materials and preparing for disruptions rests on three pillars: securing stockpiles and other forms of readiness; taking appropriate measures during a crisis; and building long-term resilience. Japan has spent many years experimenting with and refining these approaches, and I believe Japan can make substantial contributions to ASEAN countries in all three areas.

Okada: Thank you very much. This crisis has made it clear that, while Japan has built up substantial oil reserves over many years,

many Asian countries did not share the same sense of urgency. Dr. Kimura's remarks highlight important questions about how Japan should move forward in light of this. Next, I would like to invite Mr. Morita of Keidanren to discuss how Japan is being affected by the shifting international political and economic landscape, and to share his outlook for the Japanese economy.

Morita: Keidanren views the situation in the Middle East much as Ms. Sakanashi described. We are concerned about the recent intervention by Israel and the US in Iran. With Russia's aggression in Ukraine still unresolved, it is difficult not to question whether US involvement in Iran was the right decision. For now, we hope that the Gulf states, which are making significant efforts to mediate, can help stabilize the situation. If conditions calm down, Japan, which maintains good relations with the US, Iran, and Israel, may be able to play a constructive role.

Regarding the impact of the Gulf crisis on the Japanese economy, the situation in the Strait of Hormuz is still ongoing, so it is hard to make firm predictions. But so far, the effects on Japan have been smaller than initially feared. Crude oil prices briefly reached a peak of \$110 but have since then remained relatively stable. Japan's oil-supply policy has worked effectively. In addition to maintaining substantial reserves, Japan has also secured alternative supplies, such as imports from Mexico, which has helped reassure companies. When the crisis began, the Japanese government urged that business as usual should be maintained and that economic activity should not be unnecessarily constrained. The business community supported this stance. Even so, the crisis in the Strait of Hormuz continues, and concerns remain significant.

A separate issue from the Middle East is the impact of export controls on critical minerals. There is discussion among the US, the EU, and Japan about establishing a price floor for these minerals. At this stage, we have reservations about whether such a measure would be appropriate.

Finally, regarding POWER Asia, in light of the crisis in the Strait of Hormuz, deepening Japan's cooperation with ASEAN has become even more important. Energy security and decarbonization are closely linked. Ensuring stable energy supply, while advancing energy-saving and decarbonization efforts through AZEC, is essential. AZEC-related projects are gradually emerging across ASEAN, and some of them are attracting interest from Keidanren member companies. It will be important to steadily advance these projects.

Strengthening Partnerships with the Global South for Supply Chain Resilience

Okada: I would now like to move on to our next theme: how Japan can deepen cooperation with the Global South to reinforce and strengthen supply-chain resilience. To begin, I would like to ask Mr. Morita to discuss Japan's FTA strategies with various regions, as well as the diversification of outward investment as part of Japan's

broader business strategy for strengthening ties with the Global South.

Morita: I would like to discuss Japan's FTA strategy by focusing on three areas: (1) the CPTPP, (2) the Japan-Mercosur EPA, and (3) the Japan-UAE EPA and the Japan-GCC FTA.

First, the CPTPP. After the US withdrew, Japan took the lead in advancing this agreement. It is worthwhile noting that the CPTPP already includes Mexico and several ASEAN members, meaning it covers part of the Global South. From the business community's perspective, expanding the CPTPP membership is essential. We particularly hope to see Indonesia, the Philippines, and the UAE join, as preliminary discussions for accession have already been approved.

Indonesia, however, presents several challenges. Many tariffs remain, and the business environment is not always favorable. Without commitments that exceed those in the Japan-Indonesia EPA or RCEP, Indonesia may not be eligible for the CPTPP. The same applies to the Philippines. From Japan's perspective – especially in terms of sea-lane security – the Philippines is strategically important, and we would like to see it join. But again, commitments beyond the RCEP and the Japan-Philippines EPA will be required.

Second, the Japan-Mercosur EPA. The launch of negotiations, a long-standing aspiration of the Japanese business community, has finally been decided. This EPA is extremely important for resource and food security. Japan imports soybeans, chicken, and other food products from Brazil, as well as iron ore etc. It is anticipated that the future EPA will strengthen these supply chains.

Brazil also maintains many investment restrictions, including local-content requirements and remittance controls, making investment difficult. If these barriers can be eased through the EPA, Japanese companies will find it easier to expand locally. Negotiating only an investment agreement with Brazil would not be enough; cross-sector deals, such as concessions in agriculture in exchange for commitments in investment, will be necessary. For this reason, we welcome the decision to pursue a comprehensive EPA.

Third, the Middle East and the Gulf region. We welcome the conclusion of negotiations for the Japan-UAE EPA. Beyond strengthening energy-supply resilience, investment in the energy sector is crucial. The UAE is actively investing in renewable energy as it seeks to reduce dependence on oil, creating many opportunities. The EPA's removal of foreign-investment restrictions is welcome in this regard. We hope this momentum will help advance negotiations for the Japan-GCC FTA.

Finally, I would like to add comments on USMCA and the WTO. The ongoing review of the USMCA is important for Japan, even though Japan is not a member. Many Japanese companies operate in Mexico and Canada and export to the US. We will continue urging that rules of origin not be tightened excessively, so that goods manufactured in Mexico and Canada can continue to be exported to the US under the USMCA.

As for the WTO, it is unfortunate that the organization is not

functioning as it should be. However, the recent agreement on the plurilateral e-commerce initiative shows that things can move forward when negotiated among the interested parties. Japan submitted a substantial proposal on WTO reform in July, addressing decision-making processes and ensuring a level playing field. The business community supports this proposal, and it is important to move it forward. Since consensus is difficult under the multilateral settings, advancing discussions first in plurilateral formats could be the key.

Okada: Thank you very much. I would now like to turn to Dr. Kimura. In particular, we would appreciate his views on how Japan should strengthen its relationships with ASEAN countries going forward, and what approaches might be most effective in doing so.

Kimura: The global economy is currently facing multiple sources of disruption. In this environment, it is essential for the emerging economies of the Global South to recognize that maintaining a rules-based international trading system is also in their own interest. They need to understand that they must take an active role in preserving the foundations of a stable and dynamic global economy.

ASEAN countries, in particular, must take the lead. Japan's efforts to encourage them in this direction are extremely important. Since the 1990s, ASEAN economies have pursued proactive trade and investment policies, building highly sophisticated international production networks. Looking at the 2025 US trade statistics, ASEAN countries have shown remarkable resilience amid the turbulence of the "Trump 2.0" tariff measures. Although results vary by country, ASEAN as a whole has benefited from positive trade-diversion effects: as US imports from China declined, ASEAN exports filled most of the gap.

To preserve a broad rules-based trading order, ASEAN should serve as a key supporter of such principles within the Global South. Expanding CPTPP membership, updating its provisions, and strengthening cooperation with the EU and ASEAN are all important steps. The CPTPP has, unintentionally, become a forum of middle powers committed to open trade and investment – without the US or China. In a disorderly global economy, it plays a valuable balancing role. For this reason, bringing ASEAN countries into the CPTPP and deepening dialogue between the CPTPP and ASEAN are both important. Digital agreements emerging across the region could also be incorporated into the CPTPP through updates. Advancing these initiatives will be essential.

Regarding the WTO, some ASEAN members have begun joining the Multi-Party Interim Appeal Arbitration Agreement (MPIA) that temporarily substitutes for the second tier of the WTO dispute-settlement system. This participation needs to expand. Encouraging ASEAN countries to take ownership of trade-rule enforcement is critical.

When we talk about strengthening ties with the Global South, trade and investment are central. Japan's investment flows have been overshadowed by China in recent years, but Japan's long experience

in ASEAN remains a major strength. Japan should continue expanding investment in new areas such as energy and real estate, building on the capabilities accumulated over decades.

ASEAN's current stage of economic development also presents new opportunities. Some countries are approaching the final step from upper middle-income to high-income status, and they face a range of emerging social economic challenges. Japan should consider how it can contribute to addressing these issues.

The most important question is how ASEAN economies can foster their own innovation. They cannot rely solely on multinational corporations; developing human capital that supports innovation is essential. Digital and green innovation will be particularly important. Social challenges such as aging populations are also becoming relevant. Japan has already experienced these issues and developed policy responses, so there are areas where Japan can offer meaningful support. Japan should keep a close eye on how these issues evolve.

Okada: Thank you, Dr. Kimura. As you noted, the Global South, especially ASEAN, has built highly developed manufacturing-based supply chains and formed a remarkable economic community. In today's environment, where the importance of rules-based and predictable trade systems is increasingly recognized, your point about encouraging ASEAN to take a more proactive role is particularly significant. You also offered insights into how Japan might contribute to emerging social challenges in high-income economies, such as aging and education. Next, I would like to ask Ms. Sakanashi for her views on how Japan should strengthen its relationships with the Middle East, including strategies such as a potential FTA with the GCC countries.

Sakanashi: With regard to relations between Japan and the GCC countries, I believe that the current conflict has once again highlighted the need to further strengthen these ties. Japan's high degree of dependence on Middle Eastern oil, especially crude oil, has once again been highlighted, and reducing this dependence through diversification of energy sources is clearly necessary. That said, Japan cannot eliminate its reliance on the Middle East entirely. The region will remain essential for Japan's stable energy supply. In response to the Iran-Israel war, Japan needs to gain a clear understanding of the current needs of the Middle East, particularly those of the Gulf oil-producing states, and deepen its cooperation with them accordingly.

The Gulf countries are trying their best to mediate between the US and Iran because they urgently need to restore regional stability and return to the economic-diversification strategies they had been pursuing before the war – strategies aimed at a post-oil, decarbonized future. Japan should recognize these needs and continue strengthening its support for their diversification efforts.

FTAs are certainly important, but the recent conflict has once again revealed that the GCC is not necessarily monolithic. We are seeing emerging frictions between Saudi Arabia and the UAE, the two major

powers within the GCC. For Japan, this suggests that bilateral frameworks, such as the comprehensive economic partnership already concluded with the UAE, may deserve greater emphasis. Rather than focusing solely on the GCC as a bloc, Japan should consider each country's direction and explore cooperation accordingly.

China has been the most active partner supporting the Gulf states' diversification strategies. Even so, trust in Japanese technology and Japan's approach to working with GCC countries remains strong. Historically, Japan's relationship with the GCC has centered on resource imports, but the trust built through that relationship can now serve as a foundation for deeper cooperation on economic diversification.

Specific areas of cooperation could include decarbonization technologies, advanced fields such as AI and smart-city development, human-resource development, and support for food-security initiatives, which are critical for GCC countries. In addition, Saudi Arabia has shown strong interest in Japan's content and entertainment industries. As the Gulf states seek to create new sources of employment in a post-oil era, Japanese support for emerging industries could become highly valuable.

Okada: Thank you, Ms. Sakanashi. As you noted, an important question for Japan is how best to contribute to the Gulf states' economic-diversification efforts. Saudi Arabia's interest in Japanese content industries and the UAE's desire to establish cultural centers highlight areas where Japan's strengths could be put to effective use.

The Future Direction of Japan's Trade Policy

Okada: This year's White Paper on Trade sets out a new approach described as a "hybrid trade policy". I would now like to ask you all for your views on what will be most important for Japan's trade policy from now on. To begin, I would like Dr. Kimura to share his thoughts.

Kimura: The government has released the Trade Strategy 2026, which introduces the concept of a "hybrid trade strategy". The White Paper goes a step further. While the trade strategy is written partly as a message to the Japanese public, the White Paper incorporates the perspectives of emerging economies. It presents a realistic vision of deepening cooperation with them while also enabling Japan to tap into their economic dynamism.

In reality, China's economic influence continues to grow in many regions, and this is not always viewed negatively. At the same time, countries seeking a counterbalance to China face the challenge that the economic power of the West is not sufficient on its own. Japan must recognize these dynamics and find ways to work effectively with the Global South. Expanding exports of intermediate goods through building a reliable, rules-based trading system is essential for Japan to benefit proactively from global economic vitality. The White Paper clearly states that engagement with the Global South is

not only about economic security but also about economic development and growth. In this sense, it represents a meaningful step forward.

It is crucial for Japan to shape its trade policy with ASEAN, and more broadly the Global South, in mind.

Sakanashi: Looking at the Middle East, one cannot ignore the scale of China's presence. In this context, the US has at times taken an approach that implicitly asks countries to choose between China and the US. Japan should not adopt such a binary stance. Instead, Japan should offer Gulf countries an additional option.

For example, within the "POWER Asia" framework, mentioned earlier, there are elements related to restoring oil-production capacity in the Gulf. Strengthening trilateral cooperation among Japan, the Gulf states, and Asian countries within this framework will be important.

The recent energy crisis revealed that Southeast Asian countries lack sufficient stockpiling systems. At the same time, Gulf producers are eager to secure stable destinations for their exports. This creates opportunities for trilateral cooperation, such as establishing joint stockpiling arrangements between Southeast Asia and oil-producing countries. Various possibilities are already being explored. Japan should continue exploring these new avenues of support.

Morita: I believe that economic security and free trade/investment are not opposing concepts; they can and should coexist. Free trade/investment with the Global South contribute directly to Japan's food and energy security. And when Japan invests in Global South economies and transfers technology, it supports their development.

Finally, no matter how well rules for free trade and economic security are established, nothing works without peace. The crisis in the Strait of Hormuz is a clear example. Even if the Japan-UAE EPA or a Japan-GCC FTA were to enter into force, those rules would be meaningless if the Strait were physically closed. I sincerely hope that the current crisis surrounding the Strait of Hormuz moves in a positive direction through mediation by the Gulf states and that stability is restored.

Okada: Thank you all for joining us this morning and giving us your valuable insights. Despite rising geopolitical risks and increasing economic and political uncertainty, today's discussion highlighted the importance of Japan drawing on its strengths while also moving beyond traditional approaches. By adapting our policies to the new geopolitical and geoeconomic landscape and by building on what we have achieved so far, we can work with partners around the world to create a peaceful, stable, and predictable international framework.

JS

Written and translated by Naoyuki Haraoka, Advisor of Japan SPOTLIGHT, with the cooperation of Tape Rewrite Co.

Interview with Riku Oyama, assistant director, Preparation Office of Establishing the Disaster Management Agency, Cabinet Secretariat

Reframing Disaster Risk Reduction in Japan: the New Disaster Management Agency's Commitment

By Japan SPOTLIGHT

In July 2026, the Diet passed the Act to Establish the Disaster Management Agency, marking the first step toward creating Japan's new command center for disaster risk reduction, response, recovery and reconstruction. We spoke with a young official helping to lead the agency's preparation office.

(Interviewed on July 21, 2026)

Introduction

JS: Will the Disaster Management Agency begin its operations in November?

Oyama: The legislation establishing the agency was just passed recently, and the government is working toward launching it within the year.

JS: Could you tell us a bit about yourself, particularly your experience in disaster management?

Oyama: I am currently seconded from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), where I have mainly been involved in river-related infrastructure development and management. Preparation Office of Establishing the Disaster Management Agency was launched in November 2024, and since then I have been fully engaged in establishing the new agency.

During my time at MLIT, I also worked at local field offices, where I dealt with responses to wind and flood disasters. Through those experiences, I came to understand firsthand how essential it is to strengthen disaster risk reduction across the country, especially given that disasters can occur anywhere in Japan at any time.

JS: Regarding the reasons behind the agency's establishment, we understand that there has been growing concern that Japan may face major disasters – such as a Nankai Trough earthquake or a Tokyo inland earthquake – while preparedness for those possible disasters remains insufficient. Could



Riku Oyama

you share your thoughts on this?

Oyama: Up to now, disaster response has been coordinated mainly by the Cabinet Office's disaster management team, working together with relevant ministries and local governments. I believe we have managed to get through past disasters under that framework. However, when we consider the potential impact of a Nankai Trough earthquake, the scale of damage expected is far beyond anything we have experienced before. This means we need to further strengthen our ability to respond when a major disaster occurs.

To prepare for such large-scale events, it is essential to reinforce a wide range of pre-disaster measures during normal times

from hard infrastructure to soft non-structural initiatives. With this in mind, the government has decided to establish a new, independent Disaster Management Agency, creating a structure that enables all relevant ministries and agencies to work together as one. We are now moving forward with building that system.

The Role of the Disaster Management Agency

JS: Regarding the role the Disaster Management Agency is expected to play, we understand that it will not only work to prevent major disasters before they occur but also focus on reducing their impact. Notably, these efforts will be carried out through collaboration not only with other ministries and agencies, but also with local governments and organizations such as NPOs. How will these

collaborative relationships be built?

Oyama: The Disaster Management Agency is intended to bring together the strengths of industry, government, academia, and civil society, serving as the command center for driving thorough disaster risk reduction – combining structural and non-structural measures in normal times, both to prevent damage before it occurs, through such steps as the seismic retrofitting of buildings and infrastructure and urban development that factors in disaster risk, and to put arrangements in place ahead of time for a timely and effective response, including how damage is assessed and how support reaches affected areas once a disaster strikes – and for coordinating disaster response from the moment an event occurs through recovery and reconstruction. However, disaster management is not something the national government can handle entirely on its own, nor does the establishment of the agency mean it will take over everything.

In line with past practice, local governments will continue to be on the front lines when disasters occur. We do not intend to fundamentally change the important role they have traditionally played.

On the other hand, it is not realistic to expect disaster-affected local governments to handle every aspect of on-the-ground response, such as transporting supplies to affected areas or managing evacuation centers, entirely on their own, given the limitations in manpower.

In that context, one initiative the national government has been working on since last year is the introduction of “Hometown Disaster Management Officers”. These officers serve as dedicated points of contact for each of Japan’s 47 prefectures. This initiative will continue even after the Disaster Management Agency is established. The aim is to build visible, day-to-day working relationships between the national government and local governments, so that when something happens, we can also provide personnel support.

In terms of cooperation with companies and NPOs, one effort we launched last fiscal year is the new “Registered Disaster Support Organizations” system, which helps create direct, visible connections with NPOs and similar groups. As for agreements between local governments and private companies for disaster response, we believe it is necessary to further encourage the conclusion of such agreements. At the same time, a key challenge going forward is how to ensure these agreements are truly effective in practice.

With that in mind, we recently established an expert panel to examine how collaboration between local communities and private companies should function. We intend to discuss concrete directions in the coming months.

JS: Disasters come in many forms – not only the wind and flood damage or typhoons you have handled

before, but also earthquakes and even pandemics. Will the Disaster Management Agency cover a wide range of disasters? Or is the agency primarily focused on earthquakes?

Oyama: The main focus of the Disaster Management Agency will be natural disasters – specifically earthquakes, wind and flood damage, and volcanic events. The agency is expected to take the lead in coordinating the response for such disasters.

In the case of a pandemic, the Cabinet Agency for Infectious Disease Crisis Management, which is positioned within the Cabinet Secretariat, will serve as the command center for infectious-disease emergencies. Likewise, for nuclear disasters, the Cabinet Office’s Nuclear Disaster Management division will continue to function as the command authority. In this way, areas requiring specialized expertise will be handled through a division of roles among the relevant organizations.

JS: Disaster management inevitably requires a broad, cross-sectoral perspective – encompassing energy policy, industrial policy, and urban planning, among other areas. In that sense, it becomes a highly integrated undertaking, one that typically benefits from a think-tank-like function to support its work. Should we understand that the Disaster Management Agency will assume such a role?

Oyama: While it would be ideal for the Disaster Management Agency itself to have some think tank functions, the reality is that its staff will consist mainly of career government officials. For that reason, we intend to draw on the disaster-related research institutes within the relevant ministries and also work closely with universities across the country. By incorporating academic and expert perspectives in a flexible manner, the agency hopes to examine policy approaches that make full use of scientific knowledge.

At the same time, when it comes to specialized expertise on disaster-response know-how, the agency will need to accumulate its own knowledge base. With a view to applying lessons and insights from upcoming disasters to strengthen later measures, building this body of knowledge within the Disaster Management Agency will be an essential task going forward.

JS: There is an advisory committee preparing for the establishment of the agency. Will the experts on that committee take the lead in carrying out these specialized functions?

Oyama: We would certainly appreciate receiving opinions and advice from the experts on that committee regarding the various challenges

in disaster-management policy. At the same time, the Cabinet Office's current disaster-management division already consults with individual experts on specific issues, and we intend to continue valuing those networks as well. By drawing on this broader community of specialists, we hope to maintain a strong and diverse base of expertise.

JS: Human resources development will become increasingly important. As disaster-management efforts come to rely more on digital technologies, we will need experts in those areas, and as we saw during Covid-19, evidence-based policymaking will also be essential. If you have a policy or direction regarding the development of such human resources, could you share it with us?

Oyama: The Disaster Management Agency aims to build human capacity in disaster management by developing professionals with specialized expertise who can coordinate effectively among the various stakeholders involved. The Digital Agency is already developing digital-technology professionals on a broad scale, and if disaster-management perspectives could be incorporated into that effort, it would help build a pool of digital disaster-management specialists as well.

We also plan to establish a division within the Disaster Management Agency dedicated to promoting disaster-management DX. Through that division, we hope to work with the relevant ministries to build human capacity, for example, by providing training to local governments on how to use the Cabinet Office's New Integrated Disaster Information System, which serves as a centralized platform for disaster-related information. We hope to strengthen human resources development through this kind of inter-ministerial collaboration.

When it comes to evidence-based policymaking, conducting proper disaster-risk assessments at the regional level and determining how each locality can design its disaster-management measures on the basis of objective data will be a major pillar of what the Disaster Management Agency should tackle. As for human resources development in this area, we are considering holding regular learning sessions with local government officials. At the same time, we hope to create an environment that enables municipalities to carry out risk assessments smoothly, for example, by developing guidelines on disaster-risk assessment.

Incorporating Diverse Perspectives in Disaster Management

JS: While strengthening support by incorporating diverse perspectives including foreign nationals is

essential, public education also plays an important role. In particular, disaster-management education must reach children in elementary and junior-high schools as well. Do you have any policy direction or plans regarding education for the general public in this area?

Oyama: We recognize the increase in foreign visitors to Japan due to inbound tourism, and we intend to strengthen our efforts to provide information to foreign residents and visitors to enable them to take appropriate action in the event of a disaster. This will include building on initiatives we have already undertaken.

At the same time, a growing area of concern is the living conditions of disaster-affected people during evacuation. Living comfortably in shelters is a right that should be guaranteed equally to everyone, Japanese citizens and foreign residents alike. With that in mind, we would like to examine how evacuation shelters should be designed and managed so that foreign residents can also receive the same benefits.

JS: I understand that many foreign residents in Japan have pointed out that disaster information is still not adequately provided in multiple languages. Are there any measures or plans you are currently considering for addressing this issue?

Oyama: With the growing number of foreign nationals in Japan, it is essential to provide multilingual disaster information, covering the key languages spoken by foreign residents. As is the case for Japanese residents, the actions one can take at the moment a disaster occurs are limited. For foreign nationals staying in Japan for a certain period, it is important to understand the local risks, know where to obtain information, and know how to evacuate, and to look into these matters during normal times. Conducting such simulations in advance would help them take calm and appropriate action if and when a disaster occurs. So we believe we should try to provide multilingual information tools, including hazard maps, so they can be used to check what actions to take in advance.

JS: As you mentioned, the number of inbound visitors has increased significantly, so one approach would be to work with the Japan Tourism Agency to provide multilingual hazard maps and disaster-related information in advance, allowing inbound visitors to understand these matters from the outset. Could you tell us more about this?

Oyama: We are already working in coordination with the Japan Tourism Agency, and there are disaster-information apps that

support multiple languages. Taking these tools into account, we believe it is necessary to cooperate with relevant ministries and agencies to provide information on a wide scale to foreign residents and visitors.

Community-Based Disaster Risk Reduction

JS: As you mentioned earlier regarding cooperation with local governments, it seems that you place significant emphasis on community-based disaster risk reduction. I believe that comprehensive and strategic systems for disaster resilience, including urban planning, as well as community-integrated disaster risk reduction education are essential. If you have any specific ideas or initiatives under consideration, could you share them with us?

Oyama: Until recently, disaster risk reduction education had traditionally been conducted mainly through schools. Starting in FY 2025, under the leadership of the Cabinet Office, we launched a model project on community-based disaster risk reduction education. This initiative aims to promote more practical disaster risk reduction education that actively involves local communities.

The members of the model project include not only local government officials and schoolteachers, but also key community figures involved in disaster risk reduction, such as leaders of voluntary disaster risk reduction organizations and heads of neighborhood associations. They participate as partners in community-based disaster risk reduction education, working with the community to consider how lives can be protected during a disaster. In practical terms, it is important to discuss in advance matters such as who will assist elderly residents in the event of a disaster. We believe that strengthening these kinds of community connections, even slightly, will help communities build relationships that enable mutual support when a disaster occurs.

JS: In large metropolitan areas, relationships between neighbors tend to be weak, so I imagine it may be difficult for places like Tokyo to build strong relationships. What are your thoughts on this?

Oyama: That, too, is indeed a challenge unique to urban areas. For example, in city centers, high-rise condominiums are common, and many households live next to each other without the close neighborly relationships of the past. In such settings, it becomes important for condominium managers and residents to discuss in advance how they will support one another when a disaster occurs, and to consider what disaster risk reduction should look like in this kind of environment.

In urban areas, we need to consider that there will inevitably be a greater demand for water, food, and other daily necessities during a disaster. For residents living on upper floors of high-rises, where the building itself may already have adequate seismic reinforcement and other necessary measures in place, it is also important for each household to maintain its own stock of food, water, and other supplies. This ensures that they can protect themselves and remain safe at home for a certain period if a disaster occurs.

Growth Potential of the Disaster Risk Reduction Industry

JS: Disaster risk reduction and national resilience is one of the 17 strategic sectors identified by the Cabinet of Prime Minister Sanae Takaichi, and I believe it has considerable potential as a new industry. How do you view the development potential of the disaster risk reduction industry?

Oyama: Japan has been struck by disasters countless times, and while advance disaster risk reduction measures are of course essential, recovery and reconstruction projects have also been carried out across the country after each disaster. Through both the development of preventive infrastructure and the subsequent recovery and reconstruction efforts, various industries have accumulated technologies and expertise in many forms. Even so, I believe the disaster risk reduction industry still has considerable room for further growth.

Within this context, it is important for the Disaster Management Agency to identify and draw out the technologies that companies already possess which can be applied to such efforts, and to support them in bringing those technologies to the broader market. For example, there are individuals responsible for disaster response among local governments and private companies, and by creating opportunities to match these people, who have specific needs, with companies that possess relevant technologies, we can help bring those technologies into wider use. Ultimately, I hope we can build a system in which these technologies circulate throughout society and, over time, contribute to an economic cycle that forms a fully-fledged disaster risk reduction industry. To begin with, we will need to conduct a comprehensive inventory of what kinds of disaster risk reduction technologies currently exist.

JS: I feel that much depends on whether we can genuinely share the importance of disaster risk reduction with the public. In that sense, disaster risk reduction education – that is, activities aimed at raising awareness and promoting understanding – is extremely important.

Oyama: This applies not only to companies but also to residents: each and every individual needs to recognize disaster risk reduction as something they must actively engage in. The key is how we can make disaster risk reduction a natural part of daily life. In other words, by minimizing the boundary between everyday life and the extraordinary circumstances of a disaster, a concept we refer to as “phase-free”, it becomes important to create systems in which the technologies and tools people use on a daily basis can also be used during emergencies.

When technologies are already part of everyday life, they tend to spread widely and naturally. When it comes to “disaster risk reduction technology”, although the demand for large-scale infrastructure equipment such as heavy machinery may exist, it may not be the same for tools used by the general public unless elements are incorporated that make them suitable for daily use. I believe this perspective is crucial.

Enhancing International Collaboration

JS: Asian countries have shown strong interest in the future activities of Japan’s Disaster Management Agency, and institutions such as the Asian Development Bank also have high expectations. In Asia, countries like the Philippines and Indonesia experience major earthquakes and tsunami, and I understand that a cooperative framework with Asian nations has been built since the Great East Japan Earthquake. Looking ahead, do you have any thoughts on how this might progress?

Oyama: Based on our intention to continue the cooperative frameworks we have established with various countries up to now, bilateral cooperation will of course remain important, but multilateral cooperation will also become increasingly significant. Next year, in 2027, the Asia-Pacific Ministerial Conference on Disaster Risk Reduction is scheduled to be held in Sendai. For us at the Disaster Management Agency, not only will organizing and hosting such a conference be important, but it will also serve as a valuable opportunity to communicate Japan’s disaster risk reduction initiatives internationally and to strengthen collaboration with countries overseas. At that time, we hope to demonstrate our commitment to advancing disaster risk reduction efforts even more by showing that Japan has launched a new organization – the Disaster Management Agency – and reinforced its institutional capacity. We intend to prepare thoroughly so that we can convey that message effectively.

The Agency’s Commitment

JS: Finally, looking ahead, what does the Disaster Management Agency aim to achieve? In other words, once this initiative is fully on track, do you have a picture of what Japan’s disaster risk reduction landscape might look like? For example, do you envision the emergence of new types of disaster-resilient cities, or a situation in which both disaster risk reduction and mitigation are strengthened, leading to a more resilient national infrastructure? It may be difficult to say much at this stage, but if possible we would appreciate any insights you can share.

Oyama: As I mentioned earlier, our aim is to make disaster risk reduction something that naturally becomes part of daily life, to create an environment in which everyone feels that “disaster risk reduction is something we all need to engage in.” I believe the Disaster Management Agency can play a central role in building that kind of environment.

I believe it is essential that people first develop an awareness of disaster risk reduction. Of course, we want every citizen to take measures such as stockpiling supplies during normal times, but even when a disaster does occur, it is equally important to restore essential functions as quickly as possible and to have a vision in advance for rebuilding communities in a way that makes them even better than before. With all of this in mind, we hope to take a broad, long-term view of what Japan’s disaster risk reduction system should look like and to create an environment in which disaster risk reduction can be thoroughly advanced.

JS: That is certainly an important point. It is easy to speak of changing mindsets, but in practice it is quite difficult, and I believe the real challenge is yet to come.

Oyama: To do so, we need to take the lead and carry out the responsibilities we are expected to fulfill.

JS: We sincerely hope you will continue with your efforts. Thank you very much for taking the time to speak with us today.

JS

Written and translated by Naoyuki Harada, advisor to Japan SPOTLIGHT, with the cooperation of Tape Rewrite Co.

Interview with Nobuo Fukuwa, Nagoya University Professor Emeritus and Chair of the Advisory Council for the Establishment of the Disaster Management Agency

Tackling Risks & Leading a Calamity-Prone Nation – Disaster Management Agency's Role

By Japan SPOTLIGHT

We spoke with Professor Emeritus Nobuo Fukuwa of Nagoya University, who served as Chair of the Advisory Panel for the Establishment of the Disaster Management Agency, about the agency's mission and role. A leading authority on earthquake engineering, Prof. Fukuwa began his career at Shimizu Corporation, where he conducted seismic research on nuclear power facilities, before entering academia at Nagoya University.

(Interviewed on July 7, 2026)

What Is Expected from the Disaster Management Agency

JS: Let me begin by asking what you expect from Japan's new Disaster Management Agency. The Diet approved the legislation, and the agency is scheduled to be established in November.

Fukuwa: Unfortunately, many people in Tokyo, having moved there from other parts of Japan, lack strong ties to their local community. As a result, few see disaster preparedness as a shared responsibility.

Another issue is that Japanese government agencies tend to focus on optimizing their own organizations, making it difficult to adopt a system that takes a comprehensive, bird's-eye view of the nation as a whole. Consequently, there is a tendency to turn a blind eye to inconvenient realities, and organizations often find it difficult to confront problems directly.

As a result, Japan remains insufficiently prepared for disasters that could threaten the very survival of the nation, such as a Nankai Trough megathrust earthquake or a major earthquake directly beneath the Tokyo metropolitan area.

What really brought this problem into focus was the revision of the Nankai Trough earthquake damage estimates in March 2025. When the estimates were updated, it became clear that the goals set a decade earlier – reducing fatalities by 80% and cutting housing damage by half – were nowhere near being achieved.

Many people assume that a major earthquake directly beneath central Tokyo is a rare event. However, if an earthquake strikes



Nobuo Fukuwa

directly beneath a populated area, there may be little or no time for an early warning. Tokyo has approximately 180,000 elevators. How many people would end up trapped in elevators if such an earthquake were to occur?

The Tokyo Fire Department only has about 20,000 personnel, and its first priority in the aftermath of a major earthquake would be firefighting. This raises the possibility of scenarios that are almost too disturbing to contemplate.

Moreover, damage assessments for super-high-rise buildings have not been adequately conducted. It seems to me that some high-rise buildings have been constructed with economic efficiency taking precedence, with costs being cut wherever possible. I am

particularly concerned about high-rise residential towers. How science and technology are used ultimately depends on society's values. Whether they are employed to enhance safety or primarily to reduce costs makes a tremendous difference to the level of safety that society can achieve.

Unless we take disaster preparedness seriously and implement robust safety measures, we risk suffering irreversible damage. We must first identify the problems that exist across the various government ministries and agencies and take corrective action. The Disaster Management Agency should have the authority to issue recommendations, and government ministries and agencies should be obligated to give due consideration to them. That is the first and most important step. We must create forums where ministries, government agencies, and local authorities can openly and honestly discuss the realities of disaster preparedness.

Once such discussions take place, it will become clear that the disaster-response capabilities currently available in our society are far from sufficient to cope with the scale of damage that a major catastrophe could cause. Therefore, we must make every possible effort to reduce potential damage. Yet over the past decade, the measures taken by both the public and private sectors have simply not been enough.

Take industrial water and energy, for example. Without a stable supply of industrial water, it is impossible to generate electricity, refine petroleum, or sustain manufacturing activities. Recent conflicts in the Middle East, including those involving Iran, have highlighted Japan's extremely low energy self-sufficiency rate. As an island nation, if its ports were to be severely damaged by a major disaster, energy imports could come to a halt.

The only way is for the Disaster Management Agency to use its authority to issue recommendations and drive efforts to reduce damage before disasters occur. According to current estimates, the worst-case Nankai Trough megathrust earthquake could completely destroy 2.35 million buildings. Yet Japan's construction industry can build only about 500,000 buildings per year.

If partially damaged buildings are included, the number of affected structures could amount to roughly ten times the annual construction capacity of Japan's building industry. In such a situation, it would be difficult for the nation to continue functioning. That is why we must make every possible effort to reduce potential damage in advance.

The most important task of the Disaster Management Agency is to fundamentally rethink Japan's disaster-management strategy. Once this is done, it will become clear that, under the current system, it would be impossible to cope adequately with a major disaster. Therefore, every available resource must be mobilized to implement thorough pre-disaster measures aimed at minimizing damage. This is the second mission of the Disaster Management Agency.

However, strengthening infrastructure and buildings through pre-disaster seismic retrofitting takes time, and those efforts may not be completed before a major earthquake strikes. So it is essential to secure the full commitment of both industry and the public and to establish a command center capable of mobilizing all available resources after a disaster occurs. At the same time, we must recognize that it is impossible to do everything. Regrettably, priorities will have to be set, and those priorities must be established with the understanding and agreement of the public.

To ensure that we leave this country in a sound condition for future generations, we must identify the measures that are indispensable, establish clear priorities, and work together to carry them out. We must take the threat of highly likely disasters, such as

a Nankai Trough earthquake, as an opportunity to pursue pre-disaster preparedness and strengthen our society.

As for disaster management studies, most disasters in the past were relatively limited in scale, so responses to them relied heavily on government support. Even the Great East Japan Earthquake affected only about 5 million people in the three hardest-hit prefectures of Tohoku – roughly 5% of Japan's population. This was comparable to the population of Hyogo Prefecture, which was affected by the Great Hanshin-Awaji Earthquake. The same applies in terms of GDP. The scale of the damage was very different from that of the Great Kanto Earthquake, which claimed more than 100,000 lives and caused economic losses equivalent to nearly four times the national budget.

Moreover, many past disasters struck rural areas. As a result, disaster research has not fully confronted the realities of a true catastrophe. At the same time, the focus on short-term results has reduced the number of researchers who take a comprehensive view of disaster management. With so much research confined to narrow specialties, the field of disaster management studies faces significant challenges.

Disaster management studies require a big-picture approach rather than focusing on individual areas. Unless knowledge from many different fields is brought together, it is difficult to produce results that truly benefit society. Society is the product of all academic disciplines combined, and a disaster is what happens when that society breaks down. That is why we need to connect natural sciences, engineering, and social sciences. Research alone is not enough; the findings from different fields must be brought together and understood by government officials. Only when officials across different ministries and agencies implement disaster-management policies with an understanding of the bigger picture can those research outcomes deliver real benefits.

In addition, we need to tell businesses that they must focus not on short-term profits but on business continuity. We must also encourage every citizen to take basic preparedness measures, such as storing emergency water supplies and securing furniture.

The Disaster Mitigation Research Center at Nagoya University

JS: Is the Disaster Mitigation Research Center at Nagoya University intended to promote the kind of interdisciplinary collaboration you have just described?

Fukuwa: In the past, academics often had broader areas of expertise.

However, with the abolition of the traditional course system at universities, that has largely disappeared. Under the old system, there was a professor, associate professors, research assistants, technical staff, and others, each with clearly defined roles. Professors were expected to maintain a broad, overarching perspective, while junior researchers concentrated on strengthening the foundations of their respective fields. Over time, they would develop and gain the ability to see the bigger picture. As a result, it was possible to “Think Globally, Act Locally”. Today, however, the system no longer functions that way. The loss of that capability was exactly why I decided to establish the Disaster Mitigation Research Center.

As concerns over a potential Nankai Trough earthquake grew, it became increasingly important to connect the findings of diverse academic disciplines and translate them into practical applications for industry and society. To achieve this, collaboration among all stakeholders, including government agencies, became essential. This was a challenge that a relatively small institution like Nagoya University could not tackle on its own. Therefore, with the support and participation of government and industry, the Center was established as a platform where all parties could work together to reduce disaster risks.

In addition, another organization, the Aichi-Nagoya Resilience Co-Creation Center, was established through joint funding from Aichi Prefecture and Nagoya City. This goes beyond collaboration to co-creation, making it a more proactive organization. The Aichi-Nagoya Resilience Co-Creation Center was jointly established by Aichi Prefecture, Nagoya City, and Nagoya University. Its objective extends beyond disaster management to the broader goal of enhancing societal resilience. I organized informal gatherings with long-time acquaintances from Chubu Electric Power, Toho Gas, and Toyota Motor Corporation, to have frank discussions about disaster preparedness.

After these gatherings had continued for some time, the Great East Japan Earthquake occurred. In response to concerns about the inadequacy of existing disaster-preparedness systems, we created an off-the-record forum where such issues could be discussed openly in daytime meetings. As a result, we were able to exchange honest views about vulnerabilities in society that are rarely discussed in public.

Having continued these activities for roughly 10 years, we gradually became able to communicate these ideas to government officials in charge of national resilience and disaster management. More recently, we have launched the Industrial Disaster Prevention Study Group to discuss disaster preparedness in industry, and the *Bōsai Furudanuki no Kai* (“Association of Veteran Disaster-

Management Experts”), where experienced practitioners can engage in more frank discussions.

The *Bōsai Furudanuki no Kai* brings together retired disaster-management professionals from government, industry, and the media and encourages them to speak frankly about the disaster-preparedness problems within their respective organizations. In fact, discussions of this kind have provided part of the foundation for the debates that are now leading to the establishment of a Disaster Management Agency.

About 100 companies participate in the Industrial Disaster Prevention Study Group. This would be quite difficult to organize in Tokyo. I believe it has been possible in Nagoya because it is a center of manufacturing and because the people there have a strong sense of local identity and pride.

JS: I think communication that spans organizations and sectors in this way is extremely important. To facilitate it, wouldn't it be desirable for it to become normal for people with industry experience, like yourself, to enter academia, and for academics to move into industry as well?

Fukuwa: Yes, I think that's very important. Personnel exchanges really matter. I worked at a major construction company's research institute, and I was involved in nuclear power as well. Because nuclear power is a comprehensive, multidisciplinary field, people from electric power companies, manufacturers, and government agencies all worked together. That kind of interaction is extremely important.

JS: That's one area where Japan hasn't made much progress yet.

Fukuwa: No, it hasn't. Another issue is the lack of a sense of crisis. Having enjoyed 80 years of peace, Japan has not become proficient at crisis management. I believe that is why the current Japan Growth Strategy Council has included investment in crisis management among its 17 growth-strategy initiatives – to improve this situation.

Disaster Risk Reduction Renaissance

JS: Could you tell us about the “Disaster Risk Reduction Renaissance”?

Fukuwa: My goal is to make Japan a better country and to realize a renaissance through disaster preparedness and risk reduction. They

can help create a safer, happier, and more prosperous society. By transforming Japan's current model of excessive centralization into one that is autonomous, decentralized, and cooperative, we can rethink how communities are built and how the nation is organized.

At the same time, if each region builds on its own traditions and develops new local industries, numerous opportunities for growth will emerge. By embracing regional diversity and encouraging people with different perspectives to create new ideas and initiatives, we can achieve regional revitalization. I see the Disaster Risk Reduction Renaissance as precisely this process: creating new industries, revitalizing local communities, and building a more resilient society through disaster risk reduction.

Disaster risk reduction is something that can be pursued because it is a matter that directly affects people's daily lives. Disaster preparedness and risk reduction are fundamentally local issues. They require an understanding of local conditions and a strong connection to the community. When we think about a vision for Japan's future, the essence of the National Land Development Strategy is to build a society that is autonomous, decentralized, and cooperative. Excessive concentration in Tokyo is not sustainable, so we need to make use of the strengths and resources of all parts of Japan.

To achieve effective disaster preparedness and risk reduction, education and public awareness are essential. Very few architects study thorough training in how buildings respond to earthquake motion. Architectural education is largely geared toward designing buildings that are attractive and well received, while safety-related education accounts for only about 20% of the training.

For instance, tall buildings constructed on soft ground are especially vulnerable to severe shaking. Yet designers often treat

building responses as if they were broadly similar. Consequently, buildings in major urban areas that are susceptible to strong ground motion can be at greater risk of damage. It is particularly worrying when value engineering is used to reduce costs by designing structures to meet only the minimum seismic requirements. Greater understanding of these issues is essential.

Learning from history is also important. In my view, the origins of the Pacific War can be traced in part to the Great Kantō Earthquake, the Spanish flu pandemic, the assassination of Prime Minister Takashi Hara, and the series of disasters that followed. Amid such upheaval, the democratic spirit of the Taishō Era gave way rapidly to militarism, eventually leading Japan into war. The transition from Taishō democracy to militarism did not occur in isolation; it was shaped by the succession of crises and disasters that Japan experienced during that period.

Toward the end of World War II, the Tōnankai Earthquake, one of the major earthquakes along the Nankai Trough, struck Japan. It devastated Nagoya's military production facilities, severely disrupting aircraft manufacturing. Similarly, one could view the collapse of the Edo period as the result of a succession of crises. In the span of only five years near the end of the Tokugawa Era, Japan experienced the Tōkai Earthquake, the Nankai Earthquake, an earthquake directly beneath Edo, a major storm that struck the city, and a cholera epidemic. These events may well have exhausted the shogunate and undermined its ability to govern.

The problem is that people receive almost no education about the connections among these historical events. Education remains compartmentalized. We need to rethink and improve the quality of education.

Disaster education should include experimental learning, such as using scale models to demonstrate which types of buildings are safer and which types of ground are more stable during an earthquake. For example, when teaching children, I often use a pudding experiment. If you shake a pudding while it is still in its container, it hardly moves. But once you remove it from the container and place it on a plate, it begins to wobble significantly.

Next, I ask the children to shake the pudding after eating parts of it away. As they do so, a valley forms. We then observe how a valley responds to shaking. Next, we carve a cliff on one side and look at how the top of the cliff shakes. Finally, we flatten the pudding until it becomes a thin, level surface. At that point, it hardly shakes at all. Through this exercise, they can see that the way something shakes depends on its shape alone.

Next, I place a piece of *takenoko no sato* (a bamboo-shoot-shaped biscuit topped with chocolate) on top of the pudding and stick a piece of *kinoko no yama* (a biscuit stem topped with a chocolate cap)

Photo: Japan SPOTLIGHT



into it. The *takenoko no sato* topples over almost immediately when the pudding is shaken because of its pointed shape. The *kinoko no yama*, however, has a stem that acts like a pile foundation, making it much more stable.

The lesson is that a structure needs a sound foundation.

This illustrates why hands-on learning can be so effective. Rather than relying solely on theoretical explanations, it is often better to help people understand through direct experience.

Creating good educational materials and distributing them widely could become a sustainable business, and even small changes in education can make a real difference in society.

That's why I created the Disaster Risk Reduction Center – a place to put those ideas into action. The Disaster Risk Reduction Center building is equipped with a seismic isolation system. The isolators are flexible, so we can pull the building slightly with a jack and then release it, causing the entire four-story structure to sway significantly. It's a real building that actually moves. A full-scale building that can be made to shake is an ideal experimental facility. It provides a unique environment for developing and testing new technologies, including various sensors and seismic retrofitting methods. The idea of a real building serving as a platform for that kind of innovation is incredibly exciting.

JS: It's important to improve disaster prevention awareness among the younger generation with the use of such tools.

What the World Expects from Japan

JS: Japan is recognized as a disaster-prone country, and there is great interest in how the country prepares for and mitigates disaster risks.

Fukuwa: Unfortunately, disaster losses have not declined compared with a decade ago. Despite national targets to cut damage by 50–80%, little progress has been made. Meanwhile, Japan promotes itself internationally as a science and disaster-preparedness leader. To live up to global expectations, Japan must now take disaster preparedness more seriously. That is the mission of the proposed Disaster Management Agency.

JS: Many Asian countries face similar disaster risks and look to Japan's Disaster Management Agency for guidance.

Fukuwa: What Asia needs is not expensive, cutting-edge technology,

but practical and affordable solutions that can be deployed on a large scale. Too often this point is misunderstood. By working with manufacturers, we can develop high-performance technologies that are also low-cost and widely accessible. The automotive industry demonstrates this well: mass production enables advanced technologies to be delivered at affordable prices. The technology is advanced, yet remarkably affordable. One example of something I helped develop is a single-sided hatchback damper.

A single-sided damper is extremely effective for preventing furniture from tipping over during earthquakes. Dampers would normally cost tens of thousands of yen per unit but can be manufactured for just a few hundred yen through mass production. Japan may be able to provide affordable, high-performance solutions by adapting automotive manufacturing technologies for disaster preparedness. Another example is a project we developed with a housing manufacturer: homes designed not only to keep pollen out through airtight construction, but also to provide protection against flooding through watertight construction.

Observations from past disasters show that airtight homes can remain largely dry even when flooded. Water typically enters through sewer pipes and foundation vents, so adding backflow prevention valves can turn an airtight home into a watertight, flood-resilient home. Such homes are now gaining widespread adoption.

This is a simple yet highly effective technology for protecting homes from flooding, developed by Ichijo Komuten. The company's manufacturing base is in the Philippines, where most of its housing materials are produced. Therefore, these factories would remain unaffected by a major earthquake in Japan, and materials could still be supplied from the Philippines. Based on this idea, we decided to have container homes manufactured there.

These container homes are equipped with solar panels, battery storage, and water purification systems, allowing them to function even when essential utilities are disrupted. If deployed quickly, they can provide immediate housing even in areas where lifeline services have been cut off. They could even be used in the desert. The way I think about disaster-prevention technology is to identify people's problems and solve them by combining the technologies that are already available. I feel that this is something the Japanese are particularly good at.

International contribution means understanding the challenges faced by different countries and addressing them by combining the technologies Japan already has. This is one of Japan's greatest strengths. While Japan may not always be known for original inventions, it excels at combining technologies into practical solutions.

I believe disaster preparedness is a comprehensive field that

combines existing technologies to deliver affordable solutions that benefit a wide range of people.

Disaster Risk Reduction in Tokyo

JS: Finally, one last question. Disaster preparedness is particularly important in Tokyo and other large cities. Yet many residents may not feel a strong connection to their local community. Could this be a disadvantage for disaster preparedness efforts?

Fukuwa: One possible solution is for Tokyo residents to maintain homes in two locations. At present, housing in Tokyo is so limited that people have virtually no room to accommodate others in times of need. A society with so little spare capacity is inherently weak in the face of disasters. After all, it is society's spare capacity that enables people to overcome disasters.

I often tell people, "Think about it. With working remotely now commonplace, there's no need to stay in such cramped conditions. Why not buy a house in the countryside and live there instead?" Vacant homes in rural areas can be earthquake-retrofitted and equipped with solar panels and battery storage. By working remotely most of the time and commuting to Tokyo only when necessary, families can enjoy the benefits of both urban and rural life through dual-location living. People would gain ties with local communities, experience rural culture, and share the culture of Tokyo in return. The benefits would go both ways.

After the Great Kanto Earthquake, many people were able to evacuate because they had family homes in rural areas. Today, most people no longer have such destinations. That is why I believe people should intentionally maintain a place they can retreat to in an emergency. I think this would make people happier overall. In a sense, it would be a modern-day version of the *sankin-kōtai* system (requiring feudal lords to spend alternating periods in their domains and in Edo, now Tokyo) helping to create a more autonomous, decentralized, and cooperative society.

JS: There are benefits in lifestyle and living environments.

Fukuwa: Yes, I agree. Sell your current condo, keep a small apartment in Tokyo, and own a spacious home in the countryside instead. You could enjoy fresh food, spring water, a vegetable garden, and a much healthier lifestyle.

Rural Japan can serve as a testing ground for technologies that may also benefit developing countries. Solutions designed for

Tokyo's highly urbanized environment are often difficult to export, whereas technologies developed for depopulated rural areas may be far more transferable.

Developing countries need solutions that do not rely on extensive infrastructure. Instead, they need self-sustaining, decentralized technologies – such as flying cars, off-grid solar power systems, wells, and other technologies that enable local self-sufficiency.

If Japan is to maintain its depopulated rural and mountainous communities, it will need self-sufficient housing. Homes equipped with solar power, batteries, fuel cells, and plug-in hybrid systems can provide that independence. In time, even road maintenance may become unsustainable, which could lead to the widespread adoption of flying cars.

JS: Ultimately, this would be part of Japan's growth strategy.

Fukuwa: That's right. In other words, it's about turning adversity into opportunity. That is what I call a "Disaster Risk Reduction Renaissance" – using our heads in a positive, optimistic, and forward-looking way. And while we're at it, we might as well make some money from it too.

Until now, we have been so focused on short-term profits that safety has often been overlooked. But if we take a long-term perspective, view things from a broader vantage point, and pursue overall optimization rather than piecemeal solutions, a completely different future comes into view. This is what the Disaster Management Agency is for.

JS: And given that we live in an aging society, this could offer hope as well. It shows that even in an aging society, there is still tremendous economic potential.

Fukuwa: This is a new government agency unlike any that has existed before, so it must strive to adopt new perspectives. I hope it will inspire not only older generations, but young people as well, and give them hope for the future.

JS: Thank you very much for sharing your valuable insights today.

JS

Translated from the original Japanese by Naoyuki Haraoka, Advisor of Japan SPOTLIGHT & the Japan Economic Foundation (JEF)

From Risk to Resilience: ADB & Japan Creating Pathways Together

By Maria Anna C. Orquiza & Sifayet Ullah



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Disaster resilience is a development imperative across Asia and the Pacific. No longer viewed as a specialist concern, disaster risk management (DRM) has been mainstreamed across governments and the private sector. DRM is a strategic area where Japan and the Asian Development Bank (ADB)¹ can deepen their partnership, share know-how, and help economies manage and prevent risks, prepare better, recover faster, and become more resilient. In March 2026, Japan announced the establishment of a new Disaster Management Agency, opening fresh opportunities to translate national lessons into regional impact.

Resilience – a Development Imperative

The Asia-Pacific region is the most disaster-prone region in the world and home to 4.8 billion people. In the past five decades, out of 8.25 billion people directly affected by disasters globally, more than 7 billion were from Asia and the Pacific (UNESCAP, 2023).² Risk hotspots continue to remain concentrated in Asia. As per World Risk Index 2025, six out of the top 10 highest-risk countries are from Asia, including India and the People's Republic of China, representing over one-third of the world's total population.

In 2025 alone, disasters cost economies across Asia and the Pacific more than \$156 million in damage every single day (EM-DAT: The International Disaster Database, 2026).³ While the region is experiencing more frequent and intense climate-induced hazards, geohazards also remain a major compounding factor behind disaster loss and damage. Between 2001 and 2020, geophysical events made up 12% of disasters in the region yet accounted for 62% of fatalities and 38% of damage.

With around 60% of the global population living and working in Asia and the Pacific, major shocks to its population and economies create global market disruptions. Higher risks, increased costs, implementation delays, and returning volatility caused by frequent disasters often disincentivize investment decisions and constrain Asia's growth potential. External factors, such as pandemic, conflict, trade uncertainty, and fragmented supply chains affecting the region impact the ability of ADB members to invest in risk-informed development and disaster resilience. To help navigate a world with compounding and cascading risks, ADB supports its members in solving complex challenges together through a wide range of policies and instruments covering the full spectrum of DRM and resilience building.

Disaster Resilience: a Shared Development Agenda

Disaster resilience is a shared global agenda for ADB, the government of Japan,⁴ and development partners worldwide. The Sendai Framework for Disaster Risk Reduction, the Paris Agreement, and the Sustainable Development Goals collectively reinforce a people-centered resilience building approach. Catering for the world's most disaster-prone region, ADB positions itself as a partner in building regional resilience through collaborative action. Disaster resilience is one of the key priorities of ADB's Strategy 2030 aiming for prosperity, inclusivity, and sustainability.

Disaster resilience is a development necessity. Disasters undermine economic progress, disrupt development, and erode hard-won gains. They destroy infrastructure, displace communities, and weaken institutions and service delivery, hitting the poor hardest, particularly women. Poverty and vulnerability to natural hazards are mutually reinforcing. Recurrent disasters diminish national capacities to eliminate extreme poverty. Fiscal pressures intensify, as revenues decline and reconstruction costs surge, diverting domestic resources and international assistance away from long-term development priorities.

For ADB members with scarce resources and fragile infrastructures, disaster impacts are devastating. As a multilateral development bank, ADB views disaster risk management not as a humanitarian concern but as an issue that impedes core development and fiscal sustainability, which are prerequisites for sustained growth. This pathway to resilience involves acknowledging the relationship between disasters and poverty, helping those in chronic and churning poverty struggling to improve development outcomes against frequent disasters. Embedding disaster risk reduction (DRR) measures into development planning and translating plans to interventions is central to strengthening the disaster resilience of communities, systems, governments and nations.

The impact of major disasters is no less detrimental for advanced economies. Over the past 30 years, Japan has faced major disasters. The 1995 Kobe earthquake had lasting economic impacts, with the port yet to fully regain its global ranking. Drawing on past lessons, Japan's 2025 disaster resilience policy upholds a vision of building a Disaster-Resilient Nation. It highlights low-probability but high-impact risks – such as megathrust earthquakes and volcanic eruptions. The policy factors in the aging populations, infrastructure

interdependencies, and complex, cascading disasters requiring cross-sector coordination and planning. Notably, even in the most advanced economies, disasters cause significant short and longer-term impacts, and curb growth.

ADB fosters broad-based partnerships with governments, civil society and the private sector, and invests heavily in enhancing regional collaboration. By integrating DRM into development, ADB aims to enable its members to transition from reactive response to proactive risk management. This shared commitment resonates with Japan's ongoing efforts to establish a Disaster Management Agency. While primarily a domestic reform, its vision – centered on prevention, whole-of-government engagement – aligns closely with ADB's core principles. This underscores a common ambition for disaster prevention, advancing resilience as a cornerstone of sustainable development.

ADB's Approach to Resilience Building: a Transformative Journey

ADB follows a holistic approach to DRM that balances risk reduction, preparedness, and resilient recovery, underpinned by robust risk analytics (Chart 1). Over time, ADB's approach has evolved from post-disaster response to systemic risk management. It emphasizes a multi-hazard, inclusive perspective, recognizing resilience as traversing physical, ecological, financial, and social-institutional dimensions. The aim is to build system-wide resilience that accounts for the interdependence of critical infrastructures and services. Transformative investments, such as risk-informed land use planning and pro-poor investments are priorities. Beyond infrastructure, cross-sectoral investments into social, environmental and financial sectors are made to advance resilience comprehensively.

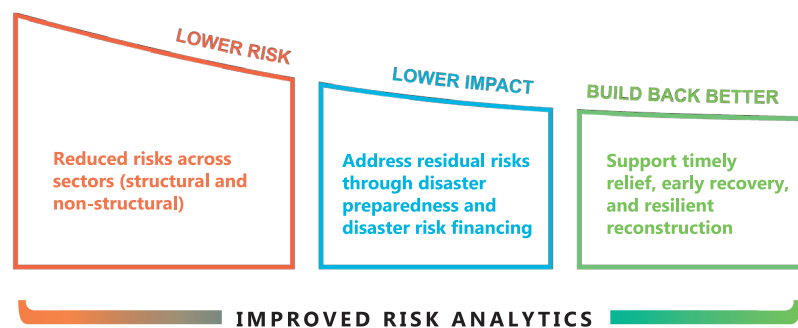
ADB invests in resilience through a combination of standalone and embedded measures. Standalone initiatives hold DRR as the primary objective, whereas embedded measures factor in risk consideration as part of development projects. To make investments risk-informed, DRM is mainstreamed across ADB's portfolio. Through Country Partnership Strategies, an effective blend of standalone and embedded interventions is made. Investments are directed towards a combination of structural measures such as flood protection, seismic retrofitting, or non-structural measures like shaping policies,

standards, and regulations. Investments in resilience involve strengthening institutions, capacities, and partnerships essential for long-term sustainability.

ADB is guided by a suite of enabling policies and financing instruments that evolved over time in response to rapidly changing risk landscapes. Among international financial institutions, ADB was the first to adopt a dedicated disaster policy in 1987. A range of successive policies followed alongside the establishment of dedicated financing instruments (Chart 2). ADB's current engagement is guided by the Revised Disaster and Emergency Assistance Policy (DEAP, 2021) and complemented by a comprehensive package of financing instruments and policy options – the Crisis Preparedness and Response Toolkit. Anchored in DEAP, this toolkit is designed to help ADB's members prevent and mitigate, prepare for, respond to, and recover from crises by ensuring that financing is available at every stage of the crisis cycle. It combines ex-ante (pre-arranged) and ex-post (after crisis) financing tools to ensure speed through rapid disbursement, flexibility through reprogramming funds, scaling through large budget support and

CHART 1

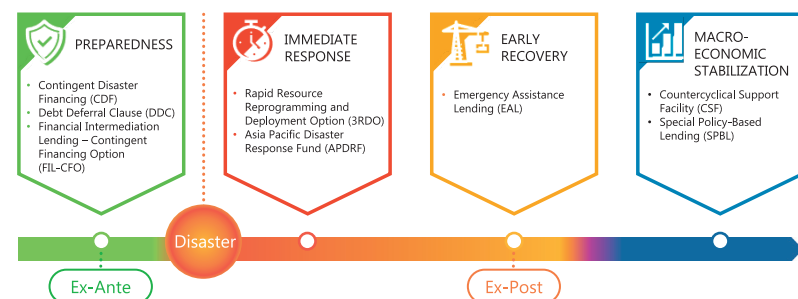
ADB's Disaster Risk Management approach



Source: Asian Development Bank

CHART 2

ADB's financing instruments for Disaster Risk Management



Source: Asian Development Bank

resilience building through policy reforms and enhancing preparedness. ADB's approach to a risk-layered financial strategy is effectively manifested through this toolkit. Collectively, these enable ADB to support its members with instruments covering the full disaster risk management continuum from response to recovery-reconstruction with greatest emphasis on DRR.

In 2024, ADB approved its Disaster Risk Management Action Plan (DRMAP) 2024-2030 (ADB, 2024), operationalizing DEAP. The broader goals of DRMAP are to help member countries to lower risk across sectors, lower impact through enhancing preparedness and disaster risk financing readiness and promote resilient recovery-reconstruction through “build back better” approaches. The four interlinked DRMAP work streams are fully aligned with the Sendai Framework for Disaster Risk Reduction and ADB Strategy 2030. DRMAP carefully considers disaster risk in upstream country strategy-programming, midstream pipeline development, and downstream project design and implementation. The first workstream promotes disaster risk screening, upstream risk assessment, and risk-informed decision-making tools. The second workstream assists member countries in increasing DRR investments and transboundary initiatives. The third promotes disaster risk financing to strengthen governance and disaster preparedness. And the fourth enables effective post-disaster recovery through improved programming, planning, and institutional strengthening. ADB's evolving approach reflects a paradigm shift toward proactive system-wide resilience building.

Why Institutions Matter: the Bridge from Policy to Resilience

ADB's DRM agenda shows that better risk analytics, preparedness, financing, and resilient recovery matter – but they do not deliver results automatically. What determines whether they translate into action is how institutions shape risk reduction and preparedness and perform under stress. Two economies can mobilize similar resources and still see very different results because coordination, clear decision-making authority, and accountability shape whether risk reduction and preparedness are prioritized in investments, response is organized and support reaches people quickly, and whether reconstruction moves from plans to delivery. Strong institutions do more than respond once a shock occurs. They also reduce and prevent risk beforehand by setting policy, preparing resilience plans, organizing data and risk information, and clarifying responsibilities before a crisis tests them.

Many of ADB's members face familiar institutional hurdles: fragmented mandates across ministries, unclear leadership during complex emergencies, weak links between national policy and local delivery, and limited arrangements for coordinating information and finance. These gaps deprioritize risk reduction and preparedness,

slow down evacuation and logistics decisions, delay damage and needs assessments, complicate recovery financing, and make it harder to move from emergency measures to reconstruction with a clear sense of priority. They also create a recurring trade-off: when a major disaster hits, the same institutions responsible for planning and prevention are often pulled fully into response operations, leaving less capacity for preparedness and long-term risk reduction. The result is not only slower recovery, but also recovery that can be less coherent, less inclusive, and less effective at reducing future losses.

This is also where ADB's operational agenda and Japan's reform agenda most clearly meet. Financing, technical assistance, and resilient infrastructure standards matter – but they work best when institutions can reduce risk, set policy, develop resilience plans, and carry them through via clear roles and shared procedures. Institutions turn lessons from past disasters into policy, align national and local actions, and keep implementation moving before, during, and after disasters. They also connect parts of the resilience agenda that are too often treated separately: risk analytics, early warning, budget preparedness, and recovery governance. In short, institutions are the bridge between knowing what to do and being able to do it at speed and at scale.

Japan's Disaster Management Agency is a useful illustration of how institutional design can support faster, more coherent recovery. By creating a clearer center of coordination under the cabinet and linking preparedness, response, and reconstruction more closely, the reform addresses a problem many members of ADB recognize: recovery is often slowed not by lack of intent, but by fragmented authority and weak coordination. The broader lesson is that risk reduction, policy setting, preparedness planning, and recovery management work best when treated as connected responsibilities rather than separate tasks. That helps explain why Japan's latest reforms matter not only domestically, but also as a regional reference point.

Japan's Renewed Momentum: Launching a Disaster Management Agency

Seen in that light, Japan's renewed momentum on disaster resilience starts with a clear diagnosis—and a broader reform vision. The Basic Policy for Promoting a Disaster-Resilient Nation (Government of Japan, 2025) argues that Japan must prepare for national-crisis-scale disasters by strengthening preparedness in normal times, using scientific evidence and lessons from past events, and mobilizing public, private, academic, and civic capabilities. It places the protection of human life and human rights first, while also safeguarding the functions of the state, society, and the economy. Within that vision, Japan announced in March 2026 the establishment of a Disaster Management Agency under the

cabinet as the institutional centerpiece of the reform, with implementation expected to be staged through 2026.

The new agency gives that vision an operational home. It is not just a coordinating body; it is meant to help set policy, shape resilience and preparedness plans, and drive execution across government. By bringing strategic functions such as the Central Disaster Management Council into one institution under the cabinet, it can translate risk assessments and lessons from past disasters into concrete measures, align ministries around shared priorities, and sustain implementation over time. The reform also reaches beyond the center: regional disaster management bureaus are intended to strengthen local support, while a proposed Disaster Management Academy points to longer-term investment in training, shared practice, and institutional learning.

The reform is also substantive, not merely organizational. The basic policy calls for rigorous, evidence-based preparedness – backed by better risk assessment, smarter use of digital tools, and rapid nationwide damage assessment during crises. These are institutional tasks as much as technical ones: reducing risk, setting priorities, preparing resilience plans, and executing them consistently across levels of government. The policy also elevates a victim-centered approach by shifting from supporting places (evacuation centers) to supporting people (evacuees), improving living conditions and welfare support, and offering “one-stop” coordination so local governments can move faster from response to recovery and better reconstruction. It emphasizes whole-of-society

collaboration – across national and local government, private companies, non-profit organizations/non-government organizations, universities, and communities – and Japan’s continued role in international disaster risk reduction through sharing experience, technologies, and lessons learned. For ADB’s disaster-prone members, the relevance lies not only in the agency itself, but in the broader policy direction: stronger preparedness, clearer recovery governance, and closer links between national coordination and local delivery. Two-way learning also matters: many members have advanced community-based preparedness, shock-responsive social protection, and innovative risk financing approaches that can inform how any system builds resilience.

That broader relevance points naturally to partnership: when Japan’s reform agenda, regional role, and technical know-how are linked to ADB’s regional reach, they can be translated into practical support for disaster-prone economies across Asia and the Pacific.

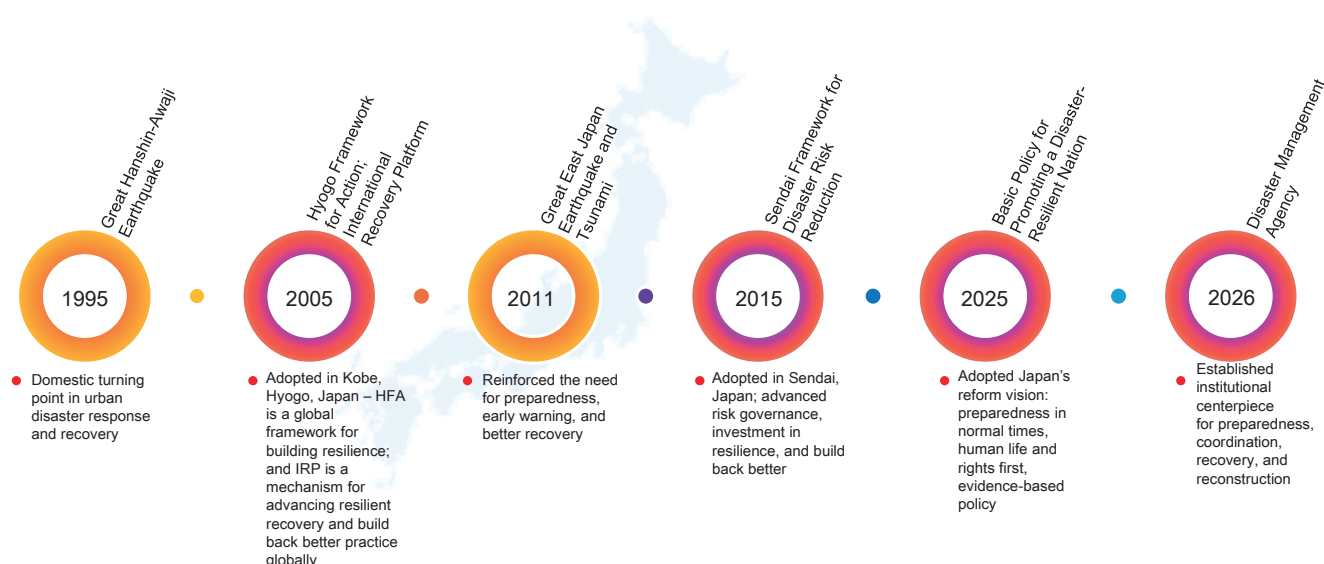
Deepening ADB-Japan Partnership for Resilience

Japan already plays a leading role in disaster risk management across Asia and the Pacific (*Chart 3*), but its contribution is not only financial. It also lies in technical expertise on resilient infrastructure, multi-hazard early warning, post-disaster recovery, and disaster risk financing, as well as in shaping regional and global disaster risk management agendas. Japan helped advance international frameworks such as the Hyogo Framework for Action and the Sendai

CHART 3

Japan’s domestic experience & global leadership in Disaster Risk Management

Turning points in disaster response and recovery



Source: Government of Japan, and United Nations Office for Disaster Risk Reduction

Framework for Disaster Risk Reduction. Japan hosts the International Recovery Platform (IRP) Secretariat since its creation after the 2005 Kobe conference. The IRP serves as a key global mechanism for promoting resilient recovery through knowledge sharing and peer learning among disaster-prone countries. It also continues to support regional cooperation through platforms led by the Association of Southeast Asian Nations, early warning initiatives, wider multilateral coordination, and regional disaster risk finance mechanisms such as the Pacific Catastrophe Risk Insurance Company (PCRIC). In that landscape, ADB plays a complementary role by helping translate regional experience and policy innovation into operational support through country programs, technical assistance, and financing platforms, including for members beyond the Pacific. Together, these engagements help translate global commitments into practical cooperation, strengthen institutional capacity, and promote shared standards across disaster-prone economies.

That is where partnership with ADB becomes especially important. ADB offers a regional delivery platform – through country programs, technical assistance, and financing tools – that can turn Japan’s policy experience and technical know-how into practical support for its members. As Japan’s Disaster Management Agency moves from establishment into implementation, it adds a new dimension to that partnership: emerging lessons on preparedness, coordination, and recovery governance that ADB can help adapt and apply across different country contexts (*Chart 4*).

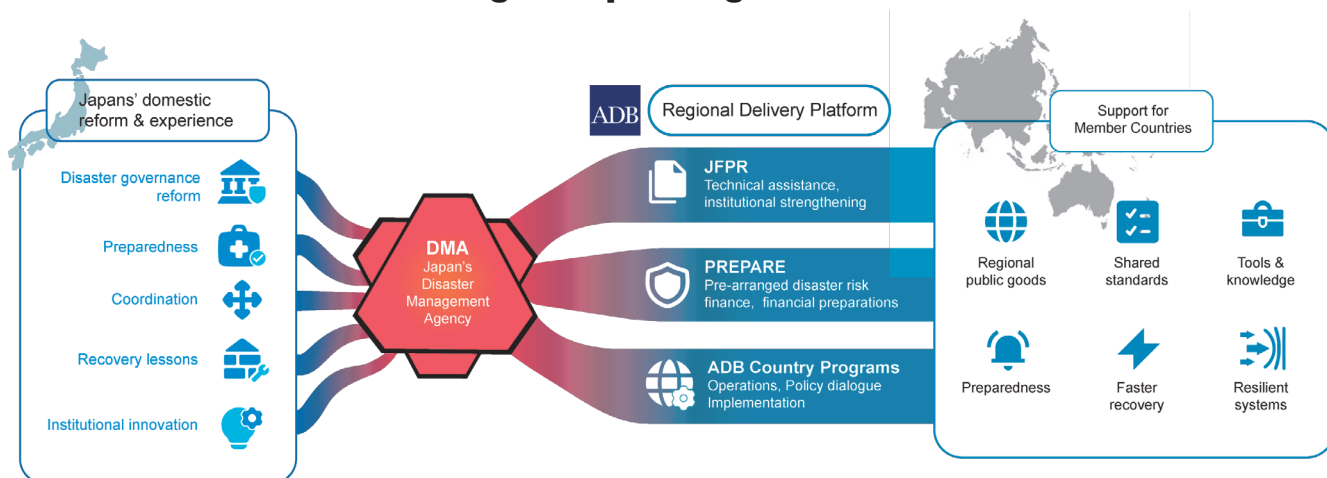
Two instruments make that partnership practical. The Japan Fund for Prosperous and Resilient Asia and the Pacific (JFPR) supports the “software” of resilience – risk analytics, institutional strengthening, and recovery readiness that complement sovereign lending. A newly

announced ADB–Japan platform adds a second pillar: the Pre-Arranged Resources for Enhancing Preparedness and Resilience (PREPARE) financing partnership facility, launched in May 2026 with Japan as its initial financing partner. As ADB’s first financing partnership facility focused entirely on disaster risk finance, PREPARE reinforces the shift from reacting after disasters to building financial preparedness before they strike. That is especially relevant for Pacific economies, where disaster shocks are frequent, fiscal buffers are limited, and rapid liquidity can make a decisive difference.

From that foundation, ADB and Japan can deepen cooperation in four practical areas that directly support members. First, they can co-develop regional standards and knowledge products for resilient development and recovery, including guidance on risk-informed land use, infrastructure choices, and reconstruction governance. Second, they can help member countries strengthen end-to-end recovery management through rapid assessment workflows, recovery planning templates, and digital tools that improve coordination and transparency from the earliest stages. Third, they can scale sector-specific early warning systems by combining Japan’s technologies and operational experience with ADB’s country engagement, helping governments and communities anticipate shocks, protect critical assets, and reduce losses across sectors such as transport, energy, water, agriculture, and urban services. Fourth, they can connect financing to institutional readiness by aligning contingent finance, rapid-disbursement protocols, and fiduciary arrangements with agreed preparedness and recovery systems. A regional knowledge-sharing platform could cut across these areas by spreading standards, tools, and practical lessons more widely. Taken together, these strands show how national experience can be turned into shared regional capability – a theme that points directly to the way forward.

CHART 4

From domestic reform to regional public goods



Source: Asian Development Bank

Looking Ahead: Bridging National Experience into Regional Resilience

Resilience is not a choice, it's a necessity – enabled by institutions, investment, and sustained partnership. Across this agenda, ADB's Disaster Risk Management Action Plan, Japan's Disaster Management Agency, and the ADB–Japan partnership point in the same direction: stronger preparedness, prevention and mitigation in normal times, clearer coordination under stress, and faster, higher-quality recovery when disaster strikes. Together, they create an opportunity to turn national experience into regional tools, standards, and practical support for disaster-prone economies across Asia and the Pacific.

The task now is to carry that momentum into implementation and shared learning. As Japan's new agency moves through staged implementation, practical lessons on coordination, preparedness, and recovery governance can be distilled and linked to ADB's country operations and regional platforms. These lessons can help shape guidance, technical assistance, and financing approaches that respond to the needs of disaster-prone member economies. At the same time, Japan can benefit from ADB's broad-based experience across diverse country contexts, sectors, and financing instruments, drawing on what works in institutional strengthening, community-based preparedness, shock-responsive systems, and recovery planning at scale. This must also be done in the age of artificial intelligence and machine learning, where better data, forecasting, and decision support can strengthen disaster risk reduction and recovery – and where the ideas, skills, and civic energy of young people can help drive innovation and resilience from the local level upward.

For Asia and the Pacific, the prize is large – and so is the opportunity. If Japan and ADB can turn hard-earned experience into regional public goods, economies across the region will be better prepared and resilient, and equipped to reduce damage and losses and recover more quickly as hazards intensify. These public goods could include shared methods for risk assessment and recovery management, stronger standards for resilient infrastructure and essential services, multi-hazard early warning systems, and preparedness-based financing linked to institutional readiness. The priority now is to deepen collaboration where it matters most: embedding risk analytics in planning and investment; strengthening the institutions that lead response, support affected people, and manage recovery; and aligning rapid financing with systems that ensure speed, effectiveness and accountability.

Disasters cannot be eliminated altogether. But with the right systems, partnerships and preparedness, they need not reverse development – and recovery can be faster, safer, and more resilient.

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Interview with Ken & Margy Love

Americans Familiar with the Asia-Pacific Region Share Their Experience in Reflecting on Future Japanese Disaster Management

By C. A. Pomeroy

Hawaiian couple Ken and Margy Love were interviewed by freelance journalist C. A. Pomeroy on being prepared for disasters.

Profiles of Ken & Margy

Ken Love and his wife of 50 years, Margy, are both originally from Chicago, in America's Heartland. Along with some family members, they moved from the mainland United States to the Big Island of Hawaii in 1996. Ken works with the State of Hawaii's agriculture department plus the US Department of Agriculture (USDA), in addition to the University of Hawaii. He is a food preservation expert and provides local farmers among other persons concerned with professional agrobio advice, particularly with tropical fruit trees.

He has worked as a cameraman for Associated Press Photos / Wideworld out of New York and Chicago, and was sent out on special assignments. He spent much time at the AP Tokyo Bureau in particular, as it was headed by his friend, the legendary Tom Dygard. He has also worked for other news services in Asia. Thus he and Margy have traveled widely, coming face-to-face with most disasters to be encountered around Asia and the Pacific Rim of Fire.

Climatic disasters have loomed large in Ken's mind, ever since as a youth he saw the aftermath of tornadoes in his grandmother's Chicago neighborhood, not to mention observing them at a distance with their daughter. Margy experienced a large tornado during an outing to the suburbs with their children, and shares her husband's foremost fear of them, instilled especially during a visit to an Illinois amusement park with six kids when a tornado touched down. Fortunately all were unharmed.

Almost as bad for her, though, is having big earthquakes strike without notice, like a Level 6 one that struck in May with its epicenter only a mile away and traumatized their cats. This quake caused greater damage to the house of their younger son, a professional chef living next door to them – a chunk of the external concrete fell away, exposing some wiring, and the chimney was dislodged a few inches as well. The Federal Emergency Management Agency was



Photo: Mr. & Mrs. Love

Ken & Margy Love

helpful, but only really checked the structural integrity upon assessing the walls' interiors. They found wide cracks in the ceiling and broken stairs, with the rebar having been forced out of the concrete in their 1970s' home.

Interview Objective: General View of Non-Japanese on Disaster Management

In November of this year, Japan will establish its Disaster Management

Agency (*Bosai-cho* – *bosai* being a term that is being pushed for universal use by Japan, as with tsunami). In the wake of major tremors in Hawaii, Kyushu and elsewhere, the new national government unit is seen playing a crucial role in terms of international cooperation along with this field's digital transformation, enhanced resilience and speedy recovery.

There were several models considered upon drafting the 2025 law to establish the new agency, among them the US national agency, which aims to provide assistance before (storm alerts and hazard mapping), during (effective evacuation from volcanic eruptions and floods) and after (distribution of emergency food stockpiles like surplus cheese products found in USDA warehouses).

Japan SPOTLIGHT took the opportunity during their visit to Tokyo in July to celebrate their 50th wedding anniversary with friends here to interview them about disasters, the roles to be played by both public and private entities, risk management in business as well as everyday life, and in reflection of global climate changes, the outlook for our future.

What to Expect from the New Japanese Agency for Disaster Management

Pomeroy: We understand you have been globetrotters. What do you see the new Japanese Disaster

Photo: Mr. & Mrs. Love



Margy & Ken Love at their 50th wedding anniversary

Management Agency doing globally with counterpart entities abroad?

Ken: The agency can, in addition to helping less prepared countries, focus on Pacific Rim and small island nations. Here, in the Pacific basin, China is already very involved, although offering “less-planned” assistance. Taiwan is trying as well but is facing an uphill battle perhaps. Palau, Fiji and even Papua New Guinea, as well as Latin American countries, are among places that need to be focused upon due to past links to Japan, including immigrants.

I see the situation presenting an opportunity to link with other agencies in the region, in order to benefit small island nations like Palau that already have strong connections to Japan. Still, the new agency will have to make itself available at a moment’s notice when disaster strikes, anywhere in the world, to assist. It should not matter what country or where in the world it is, even if such help proffered is refused by some countries. Being prepared is the important thing.

Margy: Ken often says, primarily in agriculture, Palau is very close to Japan and in international meetings often thanks Japan for building its first roads and schools during the Taisho Era, early in the 20th century. Knowing that help is required should mean Japan and others coordinating with the Japanese government need to be on standby from the early stages of disaster mitigation.

Ken: I think Japan could have an initial actions team head to a

disaster site anywhere around Asia and the Pacific. Such a team must comprise experts who can assess the need for dogs and have other search and rescue capabilities that befit the situation. It should be in the air at the latest an hour after the disaster is confirmed. It should take even less time if the disaster is on the homefront.

Then again, I sometimes travel to southern Europe but see China becoming more influential these days as a result of the heatwave hitting France, Spain and Greece. There are so many small air-conditioning systems and refrigerators to be spotted, not “Made-in-Japan” but Chinese products. Both the Japanese public and private sectors must do better in Europe, the Mideast and Africa for disaster management in the bigger sense of the word. JICA and Japanese NGOs have excellent networks in Africa. Coordinating with these before disaster strikes will enhance the new agency’s effectiveness.

Margy: Enhanced communication and mutual understanding of cultural differences should be furthered. Our oldest son served in the military. I’m sure such people are well aware of how to handle emergencies. Japanese Self-Defense Forces are likely trained to do the same, the same way those who cook gain knowhow concerning mishaps involving fire and electrical appliances.

We all know that transborder fires, explosions whether volcanic, bombs or even gas, and superstorms will hurt you regardless of power or money. Especially children and the disabled elderly should be taught how to face disasters, the same way schools and hospitals use drills in the US to respond to terrorist and criminal threats on campuses and similar locations.

Type of Disaster Management Necessary for Farming & Agribusiness

Pomeroy: As you are in the main business of farming – though Ken, you’re also into hunting new fruit varieties while Margy finds new cultural assets to pass on to children – isn’t risk assessment vitally important in agriculture as well as in the food sector?

Ken: Indeed, being able to look out for the future, keeping in mind seasonal diversity, adopting crop distancing/rotation regimens with an eye to plant variety and using “street smarts” in facing adversities such as abnormal weather, flooding or drought, will make or break a business. Not just assessment but risk management, both are essential. I don’t think the two are quite the same. I can assess a situation and know what to do once it happens. Indeed, in my field of

expertise, mitigation is that doing “something” – being proactive – before it happens. It is the need to ensure business continuity and resilience, not just finances and insurance.

As regards the food sector in which I was involved as a production expert not to mention as a chef, various precautions required upon preparing the final output equal the need to scrutinize safety and sustainability from the onset. Food safety is the first chapter in any textbook or class.

Assessing a situation and mitigating it can be applied to climactic conditions as well – something I would like to see part of this new agency address. When I comment about Japan’s new agency, it comes from growing up in the 1950s and 1960s, running home from school to see Astro Boy on TV or listening to baseball on my new Sony transistor radio (I still have it from 1964 and it still works). Many Americans thought of Japanese products as cheap and high quality. People here in Hawaii still drive Datsun!

Margy: I share Ken’s stance, and we both fear tornadoes in particular because this weather phenomena is “like Loki playing with humans using his fingertips”, as my husband puts it. Tornadoes have a particularly nasty habit of showing up out of nowhere, providing almost no forewarning. However, being near an earthquake epicenter and an active volcano is not a fun experience. We can usually react in time thanks to such modern technology like earthquake warning systems, yet being suddenly met with a tornado touchdown is a truly life-threatening event.

Overall Views on Japanese Preparedness for Natural Disasters

Pomeroy: Do you think the Japanese at this time are prepared enough to deal with major disasters?

Ken: I think they are prepared at household levels in places like Kobe, Koriyama and Kumamoto now, but maybe people should become even more seriously well-prepared. There is still a need to interact with people at the community level. It is crucial to have a community-wide channel for providing mutual aid.

There is still a general impetus in Japan to interact with people worldwide. We have seen much debris from Japanese shores reach Hawaii many months later, underscoring the wide-ranging need to be prepared always at all levels of society. Hopefully, the Japan side will maintain its open stance. I think Japan has fostered much international goodwill by being on the scene early after an

international disaster – earthquakes in Turkey or Colombia. Maybe it’s due to NHK and good PR, but on the day of a disaster I see the Japanese helping pull people out of collapsed buildings. I don’t see the Americans doing it, although I know they are there.

Margy: It seems most Japanese have been touched by a disaster or a would-be one, like taking shelter because of an oncoming typhoon. I heard evacuations in Okinawa, Kagoshima and other islands like Amami-Oshima take place often. The new agency should spearhead these types of operations in preparation for the inevitable day when a real nationwide disaster strikes.

In reflection of events like the great Lahaina fire and Fukushima, people should not be complacent about damage from concomitant fires, gas explosions, landslides or whatever. As with working in the kitchen, one should be prepared always. I often tell my students, keep at it, practice makes perfect.

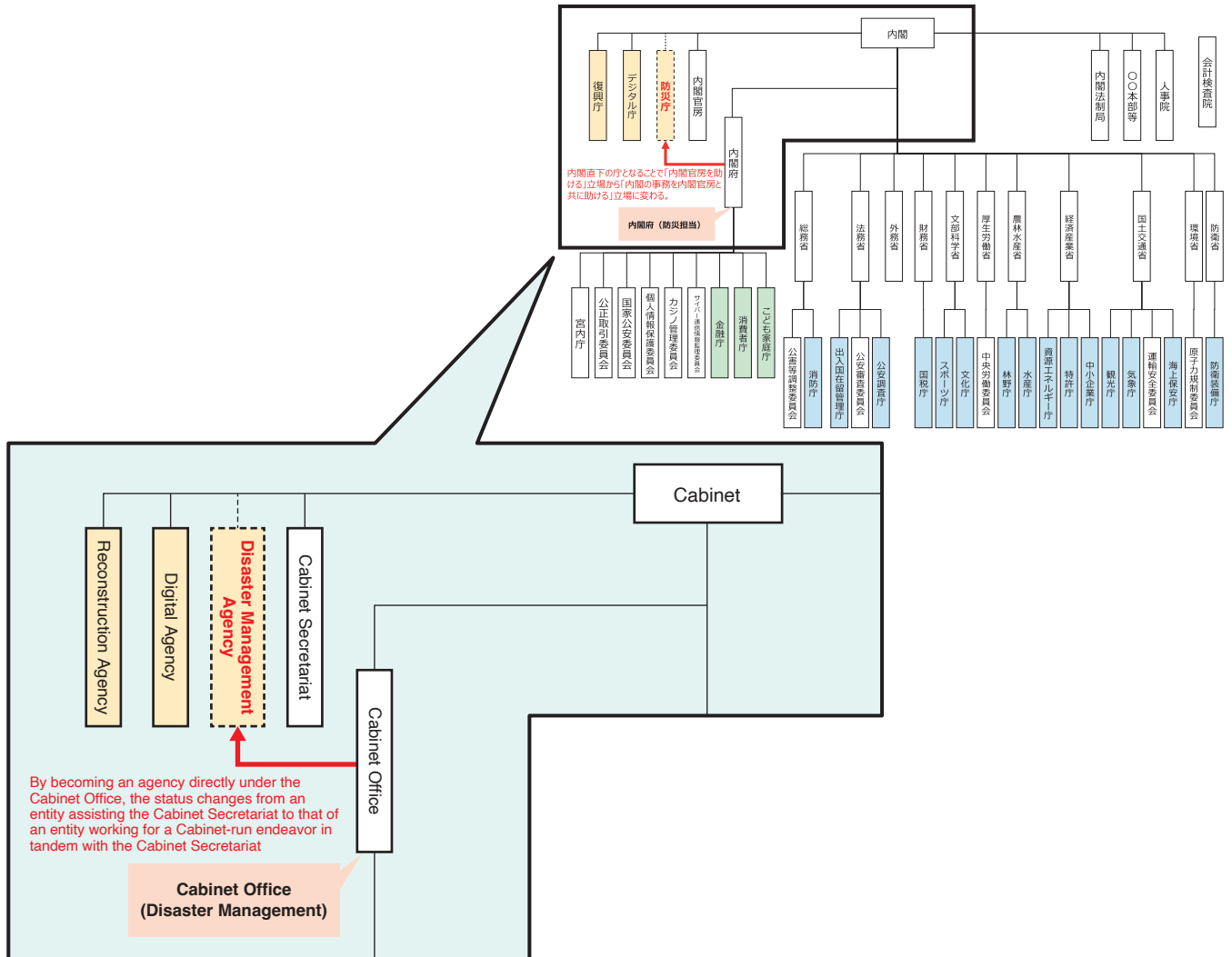
Ken: Just as preparations are required in terms of foodstuff and clothing, securing essential paperwork and cash using fire/ waterproof safes or other containers is a must. Risking life and limb to get some scraps of paper is foolish. That’s a conclusion we all agree on. More education is still needed, like the earthquake practice vehicles in Japan.

Photo: Mr. & Mrs. Love



They found “only” 42 irretrievably-damaged macadamia trees on their Big Island farm in Hawaii.

The organization of Japanese government ministries/agencies



Source: Disaster Management Agency Establishment Office, Cabinet Secretariat

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C. A. Pomeroy is a Texan who has been working in Tokyo for the vernacular press since 1989. He has also contributed to the Japanese-language *Global Keizai* magazine and the *Oriental Economist's Bio Business Explained* book. He is seismological technology/disaster mitigation education and business continuity planning specialist.

The Transformation of the International Order Driven by Natural Resources (Part I) – From Oil Shocks to the Hormuz Strait Crisis

By Guo Sizhi



Author Guo Sizhi

Introduction: When Oil Shapes the International Order

Throughout the 20th and 21st centuries, the factor that has most profoundly shaken the international order has not always been military power or ideology, but often “natural resources”. Among them, oil has served as the lifeblood of industrial civilization, sustaining national economies, militaries, and diplomacy, and determining the trajectory of global hegemony. When Britain’s Royal Navy shifted from coal to oil in the 1910s, when the United States secured Middle Eastern oil in the 1940s, and when the Soviet Union built a vast resource bloc during the Cold War, oil acted as a catalyst for structural change in the international system.

The most symbolic turning point was the 1973 Oil Shock. Oil was used as a “weapon” for the first time, plunging the global economy into unprecedented turmoil. Half a century later, the 2026 Hormuz Strait crisis has once again exposed the fragility of Asia’s energy security and revealed the persistent vulnerability of the global oil order.

This paper traces the historical continuity from the Oil Shock to the Hormuz Strait crisis, analyzes how oil has shaped the international order, and examines the future of global energy geopolitics and the challenges facing Japan.

How the Oil Shock Shook the Global Economy

The Day Oil Became a Weapon (1973)

On Oct. 6, 1973, the Jewish holy day of Yom Kippur, Egypt and Syria launched a surprise attack on Israel. The Fourth Arab–Israeli War had begun. When the US immediately moved to support Israel, Arab oil-producing countries made a historic decision: to use oil as a

political weapon.

On Oct. 17, 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) halted oil exports to the US and the Netherlands. Crude oil prices surged from about US\$ 3 per barrel to US\$ 12 per barrel, a fourfold increase within just a few months – an unprecedented shock in the postwar era.

This was not merely a numerical spike. For industrialized nations that had built their growth on cheap Middle Eastern oil, it was as if the foundation of their economies had suddenly collapsed. Gasoline lines stretched across American cities, toilet paper disappeared from Japanese stores, and fuel shortages forced factories in Europe to shut down. The simultaneous surge in energy prices and economic stagnation plunged the world into a new crisis: stagflation.

Japan’s energy structure at the time illustrates the severity of the shock. In 1973, Japan’s energy self-sufficiency rate was only about 7%, crude oil import dependence was about 93%, and dependence on Middle Eastern oil reached 85–90%. Japan’s prosperity rested on a single, fragile artery delivering crude oil from the Middle East. If that artery were severed, the nation’s vast industrial civilization would fall silent. Blast furnaces would be extinguished, trains would stop, city lights would flicker out, and society would sink into darkness. The fear felt by Japan’s leadership was not merely economic – it was the realization that the nation’s life-support system could be removed at any moment (*Table 1*).

In response, Japan enacted the Oil Stockpiling Act in 1975, establishing a national petroleum reserve system. Japan accelerated the development of energy-saving technologies and transformed itself into one of the world’s most energy-efficient nations. The Oil Shock demonstrated that oil was not merely a resource but a strategic weapon capable of determining national destiny.

TABLE 1

Crude oil price trends during major oil crises (1973-1990)

Year / Event	Initial Price (US\$/bbl)	Peak Price (US\$/bbl)	Percentage Increase
1973 First Oil Shock	3	12	+300%
1979 Second Oil Shock	15	35–39	+150%
1990 Gulf War	17	41	+140%

Note: Prices represent benchmark crude values in nominal US\$. Peak values reflect short-term market spikes during each crisis.
Source: BP Statistical Review of World Energy; US Energy Information Administration (EIA); OPEC Annual Statistical Bulletin

The Transformation of the Oil Order After the Cold War

After the Oil Shock, oil geopolitics evolved in tandem with the Cold War structure. The Iranian Revolution (1979), the Iran–Iraq War (1980–1988), and the Gulf War (1990–1991) repeatedly turned the Middle East into the epicenter of global supply instability. During the Gulf War, crude oil prices nearly doubled, reaffirming oil’s role as a destabilizing force in international politics.

In the 21st century, China’s rise triggered an explosive increase in Asian oil demand. China’s oil consumption grew from 4.7 million barrels per day in 2000 to 14 million bpd in 2020, fundamentally reshaping global markets. Meanwhile, the US shale revolution of the 2010s propelled the US back to the position of the world’s largest oil producer. The emergence of the “OPEC+” framework, led by Saudi Arabia and Russia, meant that oil prices were increasingly influenced by coordinated actions between Middle Eastern and Russian producers.

Oil geopolitics thus shifted from a Middle East–centric structure to a multipolar system involving the US, Russia, and Asia. The fragility of this complex oil order would be dramatically exposed during the 2026 Hormuz Strait crisis.

Strait of Hormuz Crisis & Shockwaves Across Global Energy Order

In February 2026, the Strait of Hormuz abruptly revealed its true nature as the most vulnerable artery of the global economy. After years of simmering tension, the confrontation between the US and

Iran crossed a critical threshold, triggering military clashes around the strait. The Islamic Revolutionary Guard Corps (IRGC) laid multiple naval mines at the mouth of the strait, while fast attack craft approached tankers under the cover of night and unmanned aerial vehicles monitored US naval vessels. Floating mines drifted across the surface, making tanker navigation virtually impossible. The US Navy immediately launched mine-clearing operations. Each night, as minesweepers advanced through the strait, oil slicks and the wreckage of damaged commercial vessels testified to the severity of the crisis. Helicopter-borne sonar systems detected mines one after another, heightening tension. The strait entered the worst possible condition: “technically open, but effectively closed”.

With roughly 20% of global seaborne crude oil and 30% of LNG passing through this narrow waterway, its paralysis instantly plunged the world into a new phase of severe supply disruption. The global oil market – having already endured the first oil shock in 1973, the second in 1979, the supply crisis triggered by the Gulf War in 1990, and the energy turmoil following the 2022 Ukraine crisis – is now entering yet another period of acute instability due to the ongoing Iran–Hormuz Strait crisis.

Oil prices surged immediately. Brent crude jumped from \$72 to \$95 in early March, and WTI climbed above \$92 during the same period. In the ensuing turmoil, Brent reached \$124.68 in mid-April, while in the physical market prices spiked to \$144 in mid-March. In London’s insurance market, war-risk premiums for tankers soared to more than ten times their usual levels, forcing shipping companies to suspend operations. The strait was, in effect, sealed.

Unlike past crises, the 2026 shock did not remain confined to crude oil. LNG, naphtha, and petrochemical feedstocks were all

TABLE 2

Price & maritime logistics trends during the 2026 Hormuz Strait crisis

Indicator	Pre-Crisis Level	Immediate Aftermath	Crisis Peak
Brent Crude (US\$/bbl)	72	95	124.68 (market) / 144 (physical)
WTI Crude (US\$/bbl)	~70	92.30	~118
Strait Traffic (ships/day)	100–135	~55	—
Supply Disruption (million bbl/day)	—	20	—
Strategic Reserve Release (million bbl)	—	—	400

Note: “Physical market” refers to real cargo transactions outside futures markets. Maritime traffic figures represent average daily vessel counts through the Hormuz Strait.

Source: International Energy Agency (IEA); US Energy Information Administration (EIA); Lloyd’s List Intelligence (shipping data); ICE/NYMEX market price data

disrupted simultaneously. Spot LNG prices in Asia exceeded \$100/MMBtu – surpassing even the peak of Europe’s 2022 energy crisis. Naphtha prices doubled from around \$1,200 per ton to \$2,300. Petrochemical products such as polyethylene, polypropylene, ethylene, propylene, and PTA rose by 30% to 70%, severely affecting Asian manufacturing. Semiconductor production faced delays due to shortages of critical chemicals, and the cost structure of electronics, automotive components, and packaging materials deteriorated sharply.

Japan was hit particularly hard. With 90% of its crude oil and 20% of its LNG imported from the Middle East, the country was exposed to the full force of the shock. Between March and May 2026, Japan’s consumer price index rose 4.8% year-on-year. Gasoline prices increased by 35%, kerosene by 40%, electricity bills by 28%, and plastic products by 22%. Rising packaging costs pushed food prices up by 12%, while semiconductor-related cost increases drove electronics prices up by 15%. Logistics costs surged due to higher fuel prices, squeezing corporate profits across industries.

Within a week of the strait’s closure, Japan’s combined national and private oil reserves fell from the equivalent of 230 days of consumption to an effective 180 days. The government began considering its first emergency release of national reserves since 2011. The Japan Organization for Metals and Energy Security (JOGMEC) initiated emergency procurement of US WTI crude, Australian condensate, and spot LNG from Southeast Asia. At the same time, Japan quietly increased imports of Russia’s ESPO crude. By March 2026, ESPO imports had risen 65% year-on-year, revealing a new vulnerability: growing dependence on Russian oil.

Across Asia, countries scrambled to secure non-Middle Eastern supplies. India increased its share of Russian crude imports from 10% in 2021 to 48% in 2026. China elevated Russia to its top supplier with a 22% share. Thailand tripled its imports of Russian crude, while South Korea and Taiwan expanded indirect or rerouted imports despite sanctions constraints. Russia, leveraging the ESPO pipeline and the Northern Sea Route, boosted its oil revenues by 18% year-on-year despite sanctions. The crisis accelerated a structural shift: Asia’s energy dependence began to move from “Middle East-centric” to a dual reliance on the Middle East and Russia.

The global economy also suffered. The IMF estimated in April 2026 that a prolonged crisis could reduce global GDP by 1.2% to 1.8%. The OECD projected global inflation to rise by 2.5% to 3%. The world faced the specter of supply-shock-driven stagflation. In early July 2026, the Islamic Revolutionary Guard Corps (IRGC) once

again attacked an oil tanker, and from July 7 to July 10 a series of exchanges with the US unfolded. The US Department of Defense and US Central Command condemned Iran’s attacks on three commercial vessels in the Strait of Hormuz as a serious violation of the ceasefire agreement and announced additional military measures. President Donald Trump ordered new strikes against Iran, causing tensions in the area to flare up once again.

Although the US Navy strengthened its vigilance around the Strait, the ceasefire remains only at the stage of a “principle agreement”, with formal signatures still postponed. Iran continues to insist on “managed passage”, while the US maintains its naval blockade, leaving the Strait in an abnormal state of dual blockade. Shipping traffic has fallen to less than 10% of peacetime levels, and the embers of conflict have not been extinguished; they continue to smolder, with the possibility of renewed escalation impossible to dismiss.

Since 2026, the Strait of Hormuz has increasingly become entrenched as a “structural risk” that continues to shake the foundations of the global energy order.

The Future of the Global Oil Order

The 2026 crisis marked a turning point in the evolution of the global oil order. Unlike past shocks, which were largely regional in origin, the latest crisis emerged from the intersection of multiple geopolitical fault lines. The Middle East’s chronic instability, Russia’s assertive resource diplomacy, the shifting supply dynamics of the US, Asia’s expanding demand, and the rise of mineral-resource geopolitics under decarbonization all converged to create a new, multi-layered energy landscape.

The Middle East remains structurally unstable. Iran continues its nuclear development and asymmetric maritime tactics. Saudi Arabia’s Vision 2030 aims to reduce oil dependence, yet roughly 70% of its fiscal revenues still come from hydrocarbons. Regional tensions involving Israel, Yemen, and non-state actors persist, extending instability beyond the Gulf into the Red Sea and Arabian Sea. The Strait of Hormuz will remain a global choke point for the foreseeable future.

Russia’s role has expanded. Under sanctions, Moscow has redirected its energy exports toward Asia, using oil and gas as strategic levers. India and China have become major buyers of discounted Russian crude, while Southeast Asian nations have increased imports to secure price advantages. The ESPO pipeline and Arctic shipping routes have strengthened Russia’s position. The

global oil order is no longer Middle East-centric; it is increasingly dual-centered, with Russia as a major pillar.

The US, once a stabilizing force through its shale revolution, now faces uncertainties. Declining well productivity, rising extraction costs, and stricter environmental regulations cast doubt on the sustainability of US supply. The world must now account for US supply volatility as an additional risk factor.

Asia's demand continues to grow. China, India, and Southeast Asia have become the world's largest energy-consuming region. Their energy security is inseparable from global market stability. The 2026 crisis exposed Asia's vulnerability and underscored the need for diversified supply, expanded reserves, and regional cooperation.

Decarbonization introduces new geopolitical risks. While oil demand may peak in the 2030s, renewable energy expansion requires vast quantities of minerals such as rare earths, copper, nickel, and cobalt – resources concentrated in a handful of countries. Hydrogen, ammonia, and CCUS technologies also entail new supply-chain constraints. The world is transitioning from oil geopolitics to mineral geopolitics, but the underlying vulnerabilities remain.

Japan faces the challenge of navigating this multi-layered energy landscape. Diversification, strategic investment in new energy technologies, and regional diplomatic engagement are essential. Yet Japan's energy security cannot be achieved in isolation; it must be embedded within Asia's broader energy architecture.

The future global oil order will be defined not by a single region or resource, but by the interplay of multiple actors and technologies. The 2026 crisis signaled the beginning of this new era.

Conclusion: The Continuity of Crisis & the “Next Reality”

The 2026 Strait of Hormuz crisis was not merely another supply shock. It was the reappearance of a historical pattern – one that has shaped global politics and economics for half a century. The world has repeatedly learned that energy insecurity is not an anomaly but a structural condition of modern civilization.

The crisis demonstrated that energy disruptions are no longer confined to specific regions. A single maritime incident in the Middle East can destabilize manufacturing in Asia, raise inflation in Europe, and trigger fuel shortages in Africa. The simultaneous disruption of crude oil, LNG, naphtha, and petrochemical feedstocks revealed the fragility of global supply chains. The world was reminded that when energy stops, civilization stops.

The crisis also exposed the shifting dynamics of global energy

flows. Russia's increased oil revenues – despite sanctions – highlighted how geopolitical shocks can reorder global trade patterns. Asia's growing reliance on Russian crude signaled a structural shift toward a multi-centered energy order. The world now faces a dual vulnerability: dependence on traditional fossil fuels and emerging dependence on critical minerals required for decarbonization.

The July 7 tanker attack underscored the persistence of instability. The provisional ceasefire between Iran and the US remains fragile, with no formal agreement in sight. The Strait of Hormuz continues to operate under a dual blockade, and the risk of renewed escalation is ever-present. The crisis has not ended; it has merely entered a new phase.

Asia, now the world's largest energy-consuming region, faces profound challenges. Its economic growth depends on stable energy supplies, yet its dependence on imported hydrocarbons exposes it to global shocks. Europe, navigating decarbonization, remains vulnerable to supply disruptions. Emerging economies in Africa and the Middle East face heightened social risks from fuel shortages and price volatility. The world confronts a “double instability”: the insecurity of fossil fuel supply and the uncertainties of energy transition.

Japan, too, must adapt. While diversification and technological investment are essential, Japan's energy security cannot be achieved alone. It must be integrated into a broader regional and global framework. The 2026 crisis serves as a warning that the next disruption may come sooner than expected – and from an unexpected direction.

Energy security is not a matter of price; it is a matter of survival. The world must prepare for the next reality: an era in which energy shocks are not exceptions but recurring features of the international system. The lessons of 2026 must be internalized, not only by Japan but by all nations that depend on stable energy flows. The future global order will be shaped by those who understand this reality and act accordingly.

JS

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Tokyo Trials: Bad Apple or Bad Barrel?



Author Maya Nirula

By Maya Nirula

Introduction

“Four things belong to a judge: to hear courteously, to answer wisely, to consider soberly, and to decide impartially” (Socrates, 399 BC)

The impartiality and independence of the judiciary is an age-old discussion, yet the parameters remain indistinct. What is indisputable is that a considerable degree of impartiality is required to administer justice.¹ Today, it is widely accepted that “it seems to be a chimera to pursue *absolute* impartiality”² since “judges are but men, and are swayed like other men by vehement prejudices.”³ If “imperfect impartiality” is accepted, the question then becomes: “How much partiality can be tolerated before rule of law objectives are thwarted to an unacceptable degree?”⁴

This paper will attempt to answer the above, drawing on the decision of the International Military Tribunal of the Far East (IMTFE) in the Tokyo Trials (Tokyo Trials or Trial). Part I of this paper will briefly discuss the concept of impartiality and the types of impartiality and bias that subsist in judicial decision-making. Part II of this paper will review the decision-making process during the Tokyo Trials, alongside the impact of other external influences – before and during the trial – to determine whether any partiality or bias was at play, and if so to what extent. This examination will reconcile the above discussion in attempt to provide a conclusion on which judges in the Tokyo Trial were irremediably partial. This is relevant as the Tokyo Trials are most-often remembered for the controversial dissent of Justice Pal, riddled with assertions that he should have recused himself given his bias. However, upon examination, this review will demonstrate that, in fact, several justices suffered from insidious and incurable prejudices that clearly prevented them from properly administering justice. Was the Trial plagued by a bad apple or was the majority of the barrel contaminated?

What Is Impartiality?

“That in the execution of justice, I carefully lay aside my own passions, and not give way to them however provoked” (Tom Bingham, *The Rule of Law*, Penguin, 2010).

For the purpose of this paper, impartial, bias, and prejudice will be understood to denote similar concepts where the judge has an *interest* or *preconception* that affects his partiality.

It is often stated that “the fundamental value in judicial ethics is

impartiality.”⁵ It is crucial to clarify that when the law *requires* impartiality from the judiciary, it does so cognizant of the inherent partiality that exists in all humans.⁶ The task of judges is not to have “complete absence of bias or prejudice” but that they should be impartial *enough* to enable them “to perform their duties of office fairly, impartially, and diligently”.⁷ Put another way, imperfect impartiality requires judges to set aside their bias whenever they don the robes.

In practice: types of impartiality or bias

The presence of certain types of interest are definitive in concluding that a judge is no longer “untouched by avarice” and is therefore unable to impartially discharge his duty.⁸ In cases where the judge has “a material of financial interest” in the case, whether it is through a bribe or a future gain, it is settled law that he should recuse himself.⁹ Similarly, a relational interest typically refers to a judge’s pre-existing relationship with a party, and is often considered a factor that would unfairly influence the determination of a case.¹⁰ Ideally, the law expects judges to show “equal grace to friend, foe, [and] kinsman”; however, the perils of a judge deciding a case improperly in favour of a social acquaintance are well-known and generally also form grounds for recusal. Importantly, a political bias covers both an external interest “that [is] situated at the intersection between judicial impartiality and judicial independence”, and an internal interest that “relates to ideological zeal”.¹¹

Whilst internal political interests are easier to set aside, impartiality is quite easily compromised in cases involving an external political interest. Especially when the future of a judge’s reputation or career can be jeopardized by others that have an interest in the case. This is principally relevant since the *independence* of the judiciary, disconnected from influence or manipulation from any other body or person, is sacrosanct and should not be compromised under any circumstances. Political bias is significantly amplified in an international setting, where the *national bias* among members of an international court would often yield unjust results.¹² This view continues to be held today, with critics arguing that strictures imposed on judges by the rules of international law are never able to completely overcome the national prejudice that domestic judges carry with them to an international bench.¹³ During and after World War II, especially at the time of the Tokyo Trials, similar concerns subsisted, namely “that international judges would be inclined to determine cases according to the wishes of the government of which they were nationals, or according to

what they perceived to be *their* country's political interests" (discussed further below).¹⁴

Imperfect impartiality: what is *impartial enough*?

*"That I never engage myself in the beginning of any cause, but reserve myself unprejudiced till the whole be heard. That I suffer not myself to be prepossessed with any judgement at all, till the whole business and both parties be heard."*¹⁵

It is plain that certain types of partiality are typically *incurable*, and are thereby grounds for recusal for a judge *because* they prevent him from properly administering justice. These include having a financial interest, a sufficiently close relational interest, or an *external political interest*, which challenges both the impartiality and the independence of the judiciary. The most unacceptable, unpalatable, and unjust form of partiality remains the "premature formation of a concluded view", which is often coupled with one of the other interests.

The cornerstone of the rule of law is to reserve judgment till a trial is concluded.¹⁶ The formation of a predetermined view on the outcome of a case *before or during* the course of a trial is unacceptable. Premature adjudication crosses the line between tolerable and impermissible, consequently resulting in the immediate disqualification of a judge.¹⁷

The Role of a Judge: Tokyo Trials

The IMTFE

In 1946, General Douglas MacArthur, the supreme commander of the allied powers, ordered the creation of the IMTFE (Tokyo Tribunal or Tribunal) in which all judges would ascribe to the authority of the IMTFE Charter (Charter). The Tokyo Tribunal consisted of 11 jurists, mostly representing the Allied nations. The Tribunal comprised Justice William Webb, Australia (President); Justice William Donald Patrick, United Kingdom; Justice Myron Cady Cramer, United States of America (who replaced Justice John Patrick Higgins); Justice Mei Ju-ao, China; Justice Ivan Michyevich Zaryanov, Soviet Union; Justice Radhabinod Pal, India; Justice Bert Röling, Netherlands; Justice Edward Stuart McDougall, Canada; Justice Henri Bernard, France; Justice Erima Harvey Northcroft, New Zealand; Justice Delfin Jaranilla, Philippine Islands (the Justices). The decision that was finally pronounced in December 1948 included a majority decision supported by Justices from the US, the UK, Canada, China, Philippines, the USSR and New Zealand (the Majority), the independent decision of Justice Webb, and the independent dissents of Justice Bernard, Justice Pal, and Justice Röling (partial dissent).

Which types of impartiality or bias were at play in the Tokyo Trials?

The Tokyo Trials were riddled with irregularities; not only did it lack *due process* as we understand it today, its outcome was predetermined.¹⁸ Even if the outcome was not decided *before* the Trial began, which remains plausible, there was certainly premature

adjudication *during* the Trial that resulted in a dubious and questionable verdict.¹⁹ Resultantly, the Majority decision in the Tokyo Trial typifies the most unacceptable form of partiality or prejudice – working backwards from a predetermined outcome.²⁰ The Tribunal was clearly more concerned with preserving the 'Nuremberg position' and preventing any stultification of the Nuremberg judgments, as opposed to upholding the rule of law.²¹ The entire concept of a fair trial is eroded if the judges have already decided how the case will finally be decided.²² The seminal rule that "justice should not only be done, but should manifestly and undoubtedly be seen as done" is premised first on *justice being done*; it is nugatory and contrary to the rule of law for justice merely to be *seen as done*.²³ Underpinning the predetermination of this Trial were:

(a) lapses in procedure, evidence, other forms of due process, questioning the legitimacy of the Trial;

(b) the involvement of *external* views and pressure on the *necessary* convictions, compromising the independence of the judiciary; and

(c) the presence of various forms of bias, including political and relational, jeopardizing the impartiality and authenticity of the Tribunal.

It is indisputable that the proper administration of justice was irreparably eroded. The discussion below will examine various procedural and legal lapses that underpinned the Tokyo Trials.

Prior to the Tokyo Trials

The Potsdam Declaration of 1946 stated, "we do not intend that the Japanese shall be enslaved as a race or destroyed as a nation, but *stern justice* shall be meted out to all war criminals, including those who have *visited cruelties upon our prisoners*."²⁴ The subsequent Moscow Conference decided "to vest complete authority" over the Tribunal in the hands of MacArthur, the Supreme Commander for the Allied Powers. This paved way for the establishment of the IMTFE and the contentious Charter, which ostensibly provided an exhaustive set of governing rules. This was problematic for many reasons, but mainly because (a) it lacked several formal and procedural rules required for a fair trial; and (b) it disallowed consideration of settled legal principles, including the rule of law, if inconsistent with the Charter.²⁵ Moreover, none of the Justices had any previous experience adjudicating matters concerning international law; when objections were raised to this, they were rapidly rejected without due consideration (much like most concerns or evidence raised by the defense). In *Some Reflections on the Future of War Crimes*, K. Takayanagi consistently objected to the fact that the "bench included no one known to the profession of international law, with the solitary exception of Justice Pal of India, who is a member of the International Law Association."²⁶

During the Trial

Due Process. There are various procedural aspects of the Trial that raised suspicion concerning the authenticity of the IMTFE, including

the treatment of evidence, the rules of procedure, and the blatant disregard for any contrary opinions across the bench.²⁷ In hindsight, three key elements highlight the pre-existing prejudice towards the guilt of the accused and the predetermined outcome of the Trial.

Article 13 of the Charter sets out comparably *vague* rules on the admissibility of evidence, if compared with current evidentiary standards (both domestic and international). However, while one must account for the standards of the time, certain principles are so fundamental to the proper discharge of law, and the administration of justice, that they should not be dismantled.²⁸ Critics argue that “it was the *duty* of the IMTFE to provide a reasoned account of how it reached its decisions” that is “based upon a careful analysis and weighing of the evidence presented by the prosecution and the defence, leading to *factual findings* on *all* of the elements of *all* of the charges.”²⁹ The Charter (Article 13) states, “the tribunal shall not be bound by technical rules of evidence” and “shall admit any evidence which it deems to have probative value” whilst adopting “expeditious and non-technical procedure”. In relation to *relevance* it states, “the Tribunal may require to be informed of the nature of any evidence before it is offered in order to rule upon the relevance.”

Regrettably, this – in practice – translated into: *most* of the defense’s evidence was rejected as inadmissible for lack of relevance; the prosecution was allowed to present any and all *complementary* evidence to establish their claim (albeit hearsay); and the defense was disallowed the opportunity to submit any rebuttal evidence. For example, “the Tribunal refused to admit a large portion of documentary evidence” submitted by the defense to justify the position of Japan during the war and denied Kiyose Ichiro, counsel for the defense, the right to read significant portions of his opening statement.³⁰ Even Justice Northcroft acknowledged the absurdity with which the prosecution would deny the defense any opportunity to present their case, recording that the prosecuting lawyers “behaved in the most unseemly fashion, being constantly on their feet with the most unmeritorious, technical, and for the most part stupid, objections and protests to almost every word that was said.”³¹ Justice Webb, the presiding judge, “had full discretion to reject documentary evidence on the pretext that it was irrelevant, which he used *all the time*.”³² In his decision he acknowledged this by writing, “much of the evidence tendered, *especially by the defence*, was rejected, principally because it had too little or no probative value or because it was not helpful as being not at all or only very remotely relevant.”³³ Conversely, the prosecution was permitted to admit and use much evidence, including hearsay, to support their argument. Justice Pal notes, “following these provisions of the Charter, we admitted much material which normally would have been discarded as *hearsay evidence*”, which is typically excluded given the “possible infirmities” that cannot be addressed without cross-examination.³⁴ As was raised in the defense’s appeal, “the Tribunal established rules of procedure for the prosecution, changed them and made them more strict when the defence was being presented, and changed them back again when the

prosecution’s evidence in rebuttal was offered.” It is unsurprising that “the verdict has been plainly stated by some judges of the Tribunal not to have been based on evidence” and consequently the trial “unfair”.³⁵

A large part of the dissenting opinions also emphasize the unjust treatment of evidence.³⁶ Justice Bernard, for example, in his dissent, clearly states “though I am of the opinion that the Charter permitted granting to the accused guarantees sufficient for their defence, I think that *actually these were not granted to them*.” He emphasized fundamental lapses in due process by stating that “essential principles, violation of which would rest in most *civilized nations* in the nullity of the entire procedure, and the right for the Tribunal to *dismiss the case against the accused*, were not respected.”³⁷ In relation to evidence, he euphemistically stated that he was unable to confirm or deny “that all the evidence and *only the evidence* produced *during* the course of the trial was taken into consideration”. Justice Bernard believed external information and pressure guided this process, and that the Majority had failed to meet standards required of a judge in relation to independence and the treatment of evidence.³⁸ Also, Justice Bernard found the prejudiced preclusion of the Emperor, “a principal author who escaped all prosecution”, to be a regrettable exercise of sovereignty “in an unequal and unjustified way”.³⁹ It is manifest why he Justice Bernard concludes that “a verdict reached by a Tribunal after a *defective* procedure cannot be a valid one.”

Justice Röling, the Dutch judge, criticized the duplicity of the Tribunal by stating that “the majority judgment, moreover, has, though stating that it was bound by the Charter, disregarded its provisions where *it saw fit to do*.”⁴⁰ At times, he asserts, there was often little evidence supporting the Majority decision. For example, in relation to charges against Hata Shunroku after the capture of Hankow, Justice Röling reveals that there was little authentic evidence and any evidence furnished was unable “to prove that Hata was there on that day, or that he knew what was occurring, or that he could have prevented the events”. Another example concerns Shigemitsu and his role as a statesman “for peace rather than war”. Justice Röling disagreed with any determination of guilt in this respect given “the decisive element” in a crime against peace is “intention of aggression” and where a man has “occupied a position for the sake of promoting peace, one cannot be accused of aggressive intent”.⁴¹ The defense in their appeal alluded to Justice Röling’s dissent, asserting that he “points out instance after instance in which the Tribunal has unfairly construed evidence, or even ignored it or made findings in the teeth of it.”⁴²

Justice Pal devoted over 70 pages in his dissent “to the demonstration of the exact way in which the Tribunal’s method of procedure and rulings crippled the defense.”⁴³ Throughout his expansive dissent, Justice Pal identified examples where the prosecution had been unfair in their treatment of evidence, even prohibiting the defense to proceed with cross-examination where it should have been allowed. A specific instance of hypocrisy relates to

a denial by the Tribunal premised on the fact that “a document could not be used unless served on the prosecution twenty-four hours in advance.” Conversely, when the prosecution attempted the same method in relation to the cross-examination of a defense witness, they “departed from this rule and announced that the rule as to processing and serving a copy of the document in advance did not apply to such cases.” In so far as fairness of procedure and Trial was concerned, Justice Pal maintains that “as a judicial tribunal, we *cannot* behave in any manner which may justify the feeling that the setting up of the tribunal was only for the attainment of an objective which was essentially political though cloaked by a juridical appearance.”⁴⁴

Independence of Judiciary or *lack thereof*

The independence of the judiciary is at the crux of judicial ethics.⁴⁵ That said, it is unsurprising that other indiscernible forces can agitate the process in a case with a predetermined outcome. Justice Bernard was honest in stating that he could *not* confirm that “points of law and findings of facts adopted by the majority were done so *outside of all assistance of persons other than judges*.”⁴⁶ Today, there is a plethora of evidence available in support of the assertion that, in fact, external influence manipulated and guided this “independent proceeding”. It is apparent that the “Nuremberg position” could not be compromised as it would undermine the validity of that precedent.⁴⁷ The Tribunal was implicitly bound to both follow the Charter and to reach a finding akin to that in Nuremberg.

The first crucial point is that judges were *communicating* with their respective governments on confidential matters relating to the case and the views of the bench. In March 1947 when differences in opinion were beginning to plague the Tribunal, “three commonwealth judges – Patrick, McDougall and Northcroft – wrote letters to their respective governments to explain the divisions and propose suitable actions.”⁴⁸ In a letter to the Lord President, one suggested course of action proposed that the United Kingdom should “stick with the trial to the end *even though the outcome would be regrettable*.”⁴⁹ It is hard to interpret that statement to mean anything other than that a *desired* outcome had already been decided by those communicating. This in itself is contrary to the required independence of a judiciary and sufficient bias to necessitate recusal.

The next crucial point is that judges were *being influenced* by their respective governments. Assistant Under-Secretary Esler Denning, who became the first post-war British ambassador to Japan, expressed distress at the possibility of eroding the “prestige of the prosecuting powers” and asserted that “here we have a predominantly Western tribunal sitting in the Far East to try Japanese war criminals [and] if the tribunal fails *to fulfil its task*, Western Justice will become the laughing-stock not only of Japan but of the Far East in General.”⁵⁰ Again, it is hard to understand “*fulfil its task*” as meaning anything other than delivering the desired decision, namely convictions for the accused. These facts illustrate a sufficient prejudice that makes clear that the Tribunal (or at least parts of it)

were partial and not independent.⁵¹

Justice Patrick was improperly influenced by his government. The UK government, “paying scant heed to the principle of judicial independence” prepared recommendations on how best to “iron out the differences between the judges”, and going further, to “emphasize to General MacArthur the dangers of a verdict being given which would stultify the Nuremberg judgments”.⁵² It is noteworthy that Justice Patrick refused to directly contact General MacArthur and advised the UK to only do so informally, condemning any overt interference such as sending over Lord Robert Alderson Wright as improper. His concerns were founded, not on valid principles of judicial ethics but on fears that the judges “would greatly resent the intrusion as being influenced by outside sources” and may “blow off the handle”.⁵³ This was evident in his proposal that he would “further campaign to *convert* his colleagues to the *vital necessity* of their pronouncing judgment on the basis of Nuremberg.” In sum, Justice Patrick was incapable of being sufficiently impartial and, in taking cognizance of the *extent and impropriety of interference*, should consequently have recused himself.

The determination on Justice McDougall is less straightforward. Similar to the link between the Foreign Office and Justice Patrick, the Dominions Office proposed to “*get* the Canadian government to instruct the Canadian judge to back up Lord Patrick’s campaign”.⁵⁴ Fortunately, the Canadian government objected, stating it would need to study the matter more.⁵⁵ Compared with the UK’s complete disregard of judicial ethics, the Canadian position appears refreshing. However, the fact the Dominions Office stated the matter needed further review instead of rejecting it to preserve impartiality, coupled with Justice McDougall’s ongoing communication with his government, seems sufficient to deem his involvement as insufficiently impartial or independent, thereby requiring his recusal.

Justice Röling, who eventually did dissent, is an ideal illustration of the degree of external influence this Trial witnessed and the unjust predetermination that enveloped the proceedings. When the Dutch heard rumors of Justice Röling’s potential dissent, Jonkheer van Vrendenburch, assistant under secretary at the Dutch Foreign Office, communicated to the UK that “there was a commission of four ‘jurists’ responsible for *controlling* the activities of the Dutch judge in Tokyo” and that “they were unlikely to *allow* the Dutch judge to challenge” the Charter.⁵⁶ The use of words like “controlling the activities of the Dutch judge” and “unlikely to allow” is more than sufficient to establish further undue interference with the proceedings in Tokyo.

The involvement of the UK, Canadian, and Dutch governments in the proceedings and their influence on the outcome of the Trial is apparent. This was sufficient evidence to *require* a mistrial as the independence of the judiciary was clearly compromised. Regardless of whether the trial was predetermined before commencement, it was incontestable that the matter stood adjudged *during* the Trial. Given such premature adjudication, it is not disproportionate to

conclude that the Trial was irretrievably tainted and should not have proceeded. Moreover, the fact that some judges were willing to conspire and influence their fellow members, instead of giving due regard to legitimate legal questions raised, underscores the illegitimacy and inauthenticity of the entire Trial.

Personal partiality and bias

Alongside the absence of due process, judicial impartiality, and judicial independence, the clear subsistence of premature adjudication rendered the Trial contrary to the rules of law. However, the discussion would be incomplete without also considering the presence of the other types of impartiality and bias.

Together with the prejudice of premature adjudication is the striking presence of an *external* political or national interest. The fear of legal scholars that “international judges would be inclined to determine cases according to the wishes of the government of which they were nationals, or according to what they perceived to be ‘their’ country’s political interests” is well-founded.⁵⁷ The precise fear comes to fruition in the Tokyo Trials. As is illustrated above, the *pressure* from respective governments and the *control* on their judges is a clear form of national interest that erodes impartiality. The clearest example of this is the account relating to Justice Røling: “A nervous Dutch foreign ministry spent over a year desperately talking Røling off the ledge. In October 1947, the Minister of Foreign Affairs asked Røling to desist, insisting that *Voting against [the Majority] would be very undesirable on political grounds.*”⁵⁸ Also, the UK’s influence on Justice Patrick and Justice MacDougall, along with their assertion of authority to remove Justice Webb (albeit temporarily). It is apparent that the exertion of political interests compromised the independence of the IMTFF.

This is distinct from an *internal* political interest, which is more remediable. It is notable that Justice Pal harboured strong political views on Western imperialism and their imposition of “victor’s justice”. As Justice Pal noted, “A victor can dispense to the vanquished everything from mercy to vindictiveness; but the one thing the victor cannot give the vanquished is justice.”⁵⁹ However, he seemed capable of setting aside his personal political views when approaching his role as a judge, which is common for many judges. It is unlikely on the basis of his anti-colonial views that an objective informed observer would conclude that Justice Pal was biased and unable to appropriately discharge his functions as an impartial adjudicator. As discussed above, personal political views, whilst they lend to partiality, are rarely so fundamental that they disallow a judge from discharging his duties properly. Regardless, the partiality that Justice Pal is often accused of, namely questioning the legitimacy of the Charter, is incorrect as such a challenge is not a form of partiality or prejudice, but is rather the duty of a judge.

Along with an *external* political interest, there was also a strong relational interest, which prevented certain judges from treating alike *both friend and foe*. For example, Justice Webb was personally infuriated by defense attorney Kiyose, who on the commencement of

the trial raised a request for the recusal of Justice Webb (and others who remain unnamed) as unfit to serve on the IMTFF. Kiyose argued that Justice Webb “had been assigned by the Australian government to investigate Japanese violations” and had prepared a report that would undoubtedly form part of this Trial. He consequently concluded that Justice Webb must recuse himself given the blatant conflict of interest in him acting both as prosecutor and judge.⁶⁰ The recusal request was refused but further cast suspicion on the ability of Justice Webb to discharge his duties with sufficient impartiality, given both the identified conflict of interest, and his antagonism towards the defense. His prejudice appeared consistently through the course of the Trial. Including in his baseless rejections of the defense at every turn and, in his commentary, where he clearly reveals knowing that his rulings are bringing the defense’s case “to a standstill”.⁶¹ Justice Webb should also have recused himself given his compromised position.

Similarly, the defense raised objections concerning Justice Jaranilla’s ability to maintain objectivity. Jaranilla had previously been captured by the Japanese, and had been a part of the Bataan Death March in April 1942, during which the Japanese military forcibly transferred over 70,000 Filipino and American POWs. Given his strong affiliations with the US, including his post in the American colonial insular government, he was also questioned for being an “eastern puppet” of the Americans.⁶² Importantly, most of the Allied powers harbored some desire to seek revenge against “those who visited cruelties upon [their] prisoners”, which clearly contributed to their prejudice of conviction.⁶³ In light of his multifaceted interests, and perhaps a subconscious desire for revenge, Justice Jaranilla should also likely have recused himself.

Lastly, it is evident that the IMTFF proceedings were clearly subject to confirmation bias, particularly regarding the treatment of evidence. Given the predetermined view on conviction and the stated need to follow Nuremberg, the Tokyo Trials presented a case in which “judges might be biased in favor of evidence that confirms their prior hypotheses and might disregard evidence that does not correspond with their previous assumptions” and are often unwilling to accept any alternative.⁶⁴ Since confirmation bias results in “interpreting information in a manner consistent with their assumptions” it results in inconspicuously biased decisions that are often unapparent to most.⁶⁵ Apparent in the Tribunal’s treatment of evidence, it is patent that such a bias was also at play in Tokyo.

Tokyo proceedings were also influenced by the conjunctive fallacy, in which “people erroneously believe that events described in more detail are more probable than those described in less detail” and start to believe they are true.⁶⁶ The ideal example of this is the prosecutions presentation of the ‘Rape of Nanking’, which “spanned a period of eight months”, during which the “defence counsel was prohibited from submitting any rebuttal evidence”.⁶⁷ The fact that the prosecution’s account of Nanking was incomparably more detailed, and lasted nearly as long as the time taken to present the *entire* defense, raises serious concerns that judges were unduly influenced

by conjunctive fallacy.

Another relevant consideration is the impact of inadmissible evidence on the mind. A study conducted confirmed that “experienced judges were not different from inexperienced jurors in reacting to inadmissible evidence” and that they are unable to completely disregard information once they *know* it.⁶⁸ This is pertinent to Tokyo because, as was confirmed by Justice Bernard, the judges were aware of extrajudicial information and had evidence collected *outside* of the Trial, which, they were clearly unable to fully disregard.

It is evident that there was a medley of prejudices at play. As noted above, a certain degree of impartiality is inherent and accepted in most trials insofar as justice can still be properly administered. However, from the above discussion, it is manifest that the Tribunal was insufficiently impartial and would be seen by any objective standard (and most subjective standards) as biased and unable to properly perform its functions. If the litmus test is “impartial enough” then, at a minimum, half the Tribunal should have recused themselves.

Questioning the Charter

Justice Pal has been widely criticized for his questions on the legitimacy of the Charter. In fact, he was even asked during the Trial to recuse himself if he was unable to accept the authority of the Charter.⁶⁹ It is unsurprising that members of foreign governments, especially the UK, found such challenges *inconvenient* to their objectives; Justice Patrick felt that “members [who] ha[ve] accepted office and were now questioning the Charter were neither legally nor morally defensible” and that such a challenge “involved *rank dishonesty*”.⁷⁰ This view was shared by Justice Northcroft who felt the Charter declared the law, and the Tribunal was a mere fact-finding body “not empowered to review it”; he stated that, “if any of us had disagreed with the law of the Charter we should have declined to accept office under it.”⁷¹

By contrast, Justice Pal held a strong belief that a judge is duty-bound to question the law. Reflecting upon the enormity of the Trial, in terms of both its scope and the punishment that would result from the Tribunal’s findings, Justice Pal wrote that “I for myself find great difficulty in accepting and acting upon evidence of this character in a trial in which the life and liberty of so many persons are involved.”⁷² Justice Pal is correct in stating that Justices must be *more* judicious in determining jurisdiction and justiciability, for the resulting impact of such adjudication is grave. Pal was not wholly alone in his concerns. Justice Bernard writes that any rule barring Justices from questioning the Charter would “jeopardize any proper administration of justice”, arguing that the Tribunal “was obliged to scrutinize the substantive provisions of the Charter” and “if it found them to be beyond the competence of their author, to refuse to apply them”.⁷³ Yet despite the merits of Justice Pal’s caution, his position was condemned.

Conclusion

It is clear that a certain degree of partiality is present in *all* judges. It is equally clear that not all prejudices justify the recusal of a judge. Insofar as a judge is able to discharge his duties relating to the proper administration of justice and intrinsically uphold the rule of law, he may continue to adjudicate a case. In reviewing the Tokyo Trials through this lens of sufficient impartiality, it is patent that the proceeding irrefutably undermines judicial impartiality and independence to an unacceptable extent. The subsistence of bias manifested itself in various aspects of the Trial resulting in cumulatively subverting the sanctity of the Tribunal, and, crucially, casting doubt on the legitimacy of the convictions. From the above discussion it is evident that, at least five Justices (Webb, Patrick, Jaranilla, MacDougal, and Northcroft) should have recused themselves. What bearing this determination should have on the legacy of the Tokyo Trials, only history may decide.

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Japanese Economy Returning to “A World with Interest Rates”



Author Nobuo Iizuka

By Nobuo Iizuka

Long-Term Interest Rates Nearing 3%

Japan's long-term interest rates, which generally refers to the yield on 10-year government bonds, are showing signs of approaching the 3% mark. Looking at the secondary market yield on newly issued 10-year government bonds (hereinafter referred to as the 10-year bond yield), which is used as a leading indicator in Japan's economic trends index, long-term interest rates in Japan have remained below 3% for nearly 30 years, ever since falling below 3% at the end of August 1996 (*Chart 1*). In this month's article, let us examine the trend in long-term interest rates over the past 30 years, comparing it to various economic data.

Policy Rate Spread Remains in 2-Percentage Point Range

The primary factor impacting long-term interest rates is the Bank

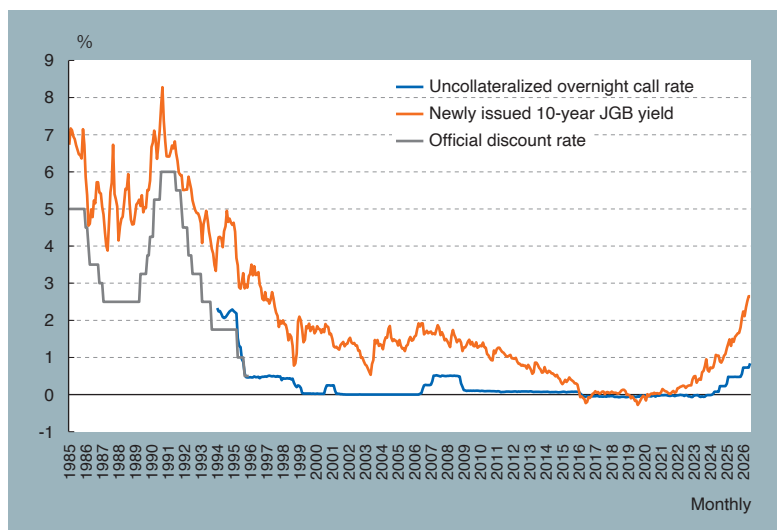
of Japan's (BOJ) monetary policy. This is because long-term interest rates are considered to reflect market expectations regarding the BOJ's future policy rates. Since the BOJ's policy interest rate changed from the traditional discount rate to the unsecured overnight call rate in the mid-1990s, *Chart 1* shows both data.

Thirty years ago, the BOJ was in the process of cutting the policy interest rate in response to the burst of the bubble economy. In 1991, the official discount rate which stood at 6% was quickly reduced, falling to 1.75% by the fall of 1993. Materials on the reduction of the official discount rate released by the BOJ at the time note that “the new official discount rate is at a sufficiently low level, even in light of the current economic situation”, but the official discount rate was cut twice in 1995 to 0.5%. The unsecured overnight call rate, which had taken over the role of the policy interest rate, also fell to around 0.5% by the fall of 1995.

The spread between long-term interest rates and the policy rate stood at 2.5 percentage points by the end of August 1996. During the period when the so-called unconventional monetary policy was being implemented, particularly in the latter half of the 2010s, the spread narrowed to almost zero at times, but this can be regarded as an exceptional circumstance. In contrast, the policy interest rate stands at 1% at the time of writing this article. Considering the outlook of the policy interest rate, it is only a matter of time before long-term interest rates reach the 3% range. Furthermore, with many market participants anticipating the BOJ raising the policy interest rate further, the spread between long-term interest rates and the policy interest rate is likely to further widen.

CHART 1

Trends in Japan's policy rate & long-term interest rate



Source: Bank of Japan; Cabinet Office “Indexes of Business Conditions”

Relationship with GDP Growth Rate Boosted Fiscal Management, But ...

Long-term interest rates have been closely watched also for their relationship with nominal GDP growth. This is because high growth rates indicate strong demand, which in turn leads to a rise in long-term interest rates through higher demand for funds. In

addition, they are also closely watched from the perspective of fiscal sustainability. Japan's national tax revenue for fiscal 2025, which was released on July 3, reached a record high partly due to the high nominal GDP growth rate. If long-term interest rates remain low compared to the nominal GDP growth rate, the government can benefit from increased tax revenue while keeping interest payments low.

Looking at [Chart 2](#), which compares the annual average of the end-of-month secondary market yields on newly issued long-term government bonds (10-year) with the nominal GDP growth rate, it can be confirmed that since 2013, with the exception of 2020 during the coronavirus pandemic, Japan has continued to manage its public finances against a favorable backdrop where the nominal GDP growth rate has exceeded long-term interest rates.

On the other hand, looking at the year-on-year growth rate of nominal GDP on a quarterly basis, it has slowed to 3.6% in the January to March quarter of 2026. Moreover, the year-on-year growth of real GDP was only 0.4% with much of it attributed to rising prices. There is also a need to monitor the possibility of market participants becoming reluctant to purchase government bonds in anticipation of future risks to fiscal management, leading to a rise in long-term interest rates.

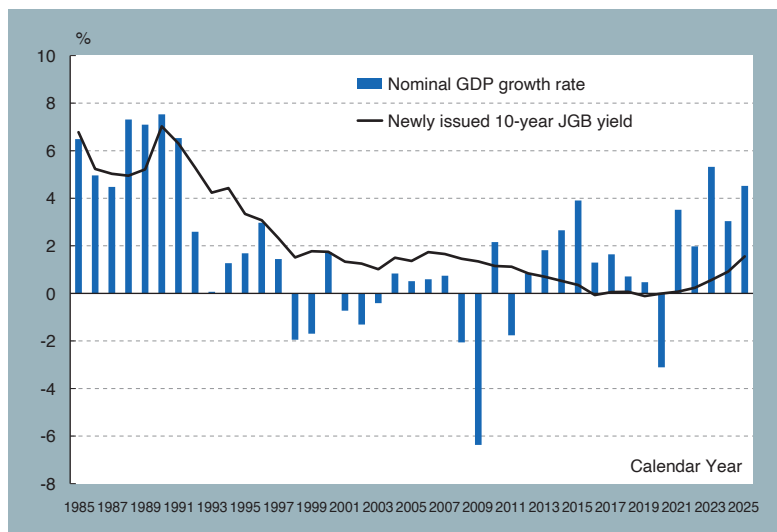
Narrowing Spread with US 10-Year Treasury Yield

The spread between long-term interest rates in Japan and the United States is also closely watched for its potential impact on the yen-dollar exchange rate.

[Chart 3](#) compares the Interest Rates: Long-Term Government Bond Yields: 10-Year: Main (Including Benchmark) for the US, obtained from the FRED database of the St. Louis Federal Reserve with the secondary market yield on newly issued 10-year long-term government bonds. Looking at the bar chart which subtracts 10-year Japanese government bonds from the yield on 10-year US Treasury bonds, it is clear that the spread between Japan and the US, which had been widening from around 2021, has narrowed over the past year. Since the 1990s, the yen-dollar exchange rate tended to strengthen during the contraction phase of the US-Japan spread, but most recently the yen has instead been weakening. Has there been a change in the relationship between the US-Japan spread and the yen-dollar exchange rate? Is it simply a matter of the absolute level of the spread, or is it a structural change?

CHART 2

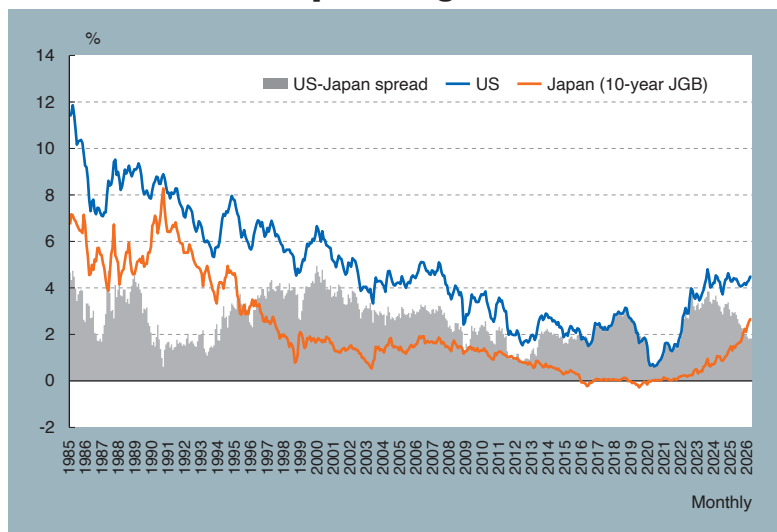
Trends in nominal GDP growth rate & long-term interest rate



Source: Cabinet Office "National Accounts", "Indexes of Business Conditions"

CHART 3

Trends in US & Japan long-term interest rates



Source: Cabinet Office "Indexes of Business Conditions", FRED

NOTE: This article was based on information available as of July 28, 2026.

Article translated from the original Japanese by Mio Kawashima

JS

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Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2018	580.9	0.8	569.2	0.7	0.6	0.9
2019	579.1	-0.3	571.8	0.5	-2.6	0.6
2020	554.3	-4.3	554.1	-3.1	-10.4	-0.2
2021	574.2	3.6	573.7	3.5	5.4	-0.2
2022	581.3	1.2	584.5	1.9	-0.1	2.3
2023	586.5	0.9	616.7	5.5	-1.3	3.1
2024	586.9	0.1	636.9	3.3	-2.6	2.5
2025	593.7	1.2	666.4	4.6	-0.3	3.1
2025/3rd Qtr.	592.3	-0.4	668.8	0.3	-1.1	2.9
4thQtr.	593.8	0.2	675.0	0.9	0.3	2.7
2026/1st Qtr.	596.6	0.5	679.8	0.7	2.5	1.7
2nd Qtr.	598.3	0.3	687.7	1.2	0.2	1.5
Nov.	—	—	—	—	-2.0	3.0
Dec	—	—	—	—	0.6	2.4
2026/Jan.	—	—	—	—	4.3	1.9
Feb.	—	—	—	—	-2.0	1.5
March	—	—	—	—	-0.4	1.7
April	—	—	—	—	0.5	1.4
May	—	—	—	—	0.1	1.4
June	—	—	—	—	1.9	1.6
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	7.7	7.8
2019	76.9	-5.6	78.6	-5.0	15.3	-1.4	8.6	-4.2	7.4	-3.0
2020	68.4	-11.1	68.0	-13.5	12.6	-17.3	7.5	-13.7	6.3	-15.1
2021	83.1	21.5	84.9	24.8	14.8	17.6	8.9	19.6	7.7	21.4
2022	98.2	18.2	118.5	39.6	18.3	23.1	11.8	31.9	9.4	22.0
2023	100.9	2.7	110.4	-6.8	20.3	11.0	11.6	-1.7	10.4	10.9
2024	107.1	6.2	112.7	2.1	21.3	5.1	12.7	9.8	10.0	-3.9
2025	110.4	3.1	113.3	0.5	20.4	-4.3	12.9	1.8	10.1	1.3
2025/3rd Qtr.	27.2	0.3	27.9	-3.1	4.7	-12.8	3.3	5.7	2.5	2.1
4thQtr.	29.9	4.9	29.7	2.6	5.4	-2.5	3.4	12.6	2.8	9.8
2026/1st Qtr.	29.7	10.5	30.2	5.8	5.2	-3.1	3.4	9.9	2.8	19.1
2nd Qtr.	30.9	17.0	31.5	15.9	5.6	11.5	4.2	34.4	2.9	20.6
Nov.	9.7	6.1	9.4	1.4	1.8	8.8	1.1	7.3	0.9	19.5
Dec	10.4	5.1	10.3	5.4	1.8	-11.1	1.1	9.3	1.0	2.5
2026/Jan.	9.2	16.8	10.4	-2.6	1.5	-5.1	1.1	3.2	0.8	29.6
Feb.	9.6	4.0	9.5	10.3	1.8	-8.0	1.1	8.5	0.9	14.0
March	11.0	11.5	10.4	11.0	1.9	3.4	1.2	18.1	1.0	16.1
April	10.5	14.8	10.2	9.9	1.9	9.5	1.2	24.3	1.1	27.0
May	9.5	16.8	9.9	12.5	1.7	12.3	1.3	26.1	0.9	14.0
June	10.9	19.3	11.3	25.4	1.9	12.9	1.6	52.7	1.0	20.2
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%)	Active job openings- to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2018	1.4	1.61	2.4	2.9	1.1	19.5	110.4
2019	-0.4	1.60	2.4	2.4	0.2	19.3	109.0
2020	-1.2	1.18	2.8	6.5	2.8	16.0	106.8
2021	0.3	1.13	2.8	6.4	1.8	21.5	109.8
2022	2.0	1.28	2.6	3.3	-15.5	11.4	131.4
2023	1.2	1.31	2.6	2.5	-6.6	22.5	140.5
2024	2.8	1.25	2.5	1.7	-2.7	29.3	151.5
2025	2.3	1.22	2.5	1.2	-0.6	32.2	149.6
2025/3rd Qtr.	2.4	1.21	2.5	1.3	0.2	10.7	147.5
4thQtr.	2.2	1.19	2.6	1.7	0.7	7.3	154.1
2026/1st Qtr.	3.0	1.19	2.7	1.8	0.5	9.6	156.9
2nd Qtr.	3.4	1.18	2.5	2.3	0.3	7.8	159.4
Nov.	1.7	1.19	2.6	1.7	0.6	3.7	155.1
Dec	2.4	1.20	2.6	1.7	0.1	0.9	155.9
2026/Jan.	2.5	1.18	2.7	1.6	-0.6	0.9	156.8
Feb.	3.4	1.19	2.6	1.7	0.3	3.9	155.2
March	3.1	1.18	2.7	2.0	0.8	4.8	158.6
April	3.6	1.18	2.5	2.3	0.4	3.9	159.3
May	3.3	1.17	2.5	2.4	0.0	4.0	158.3
June	3.4	1.18	2.5	2.2	-0.1	-0.1	160.7
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2018	8.8	10.6	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2019	8.8	0.3	26.6	-7.6	19.0	-5.3	14.7	-7.6	18.5	-3.9
2020	7.8	-12.1	24.1	-9.4	17.2	-9.4	15.1	2.7	17.5	-5.1
2021	9.5	21.8	30.2	25.0	20.7	20.6	18.0	19.2	20.4	16.4
2022	11.4	21.1	36.4	20.6	28.6	37.8	19.0	5.7	24.8	21.9
2023	11.4	-0.2	34.7	-4.6	27.6	-3.4	17.8	-6.5	24.4	-1.7
2024	12.0	4.7	38.0	9.4	28.6	3.7	18.9	6.2	25.3	3.6
2025	12.8	6.6	41.1	8.2	29.1	1.6	18.8	-0.4	26.7	5.5
2025/3rd Qtr.	3.2	-1.3	10.3	4.9	7.2	-3.3	4.7	0.5	6.5	2.5
4thQtr.	3.3	6.0	11.0	8.6	7.6	3.3	5.1	1.8	7.3	5.6
2026/1st Qtr.	3.3	6.1	11.5	15.4	8.0	7.6	4.9	11.5	7.3	12.6
2nd Qtr.	3.3	3.3	11.8	20.5	8.8	30.2	5.3	17.0	7.6	18.7
Nov.	1.0	6.6	3.6	7.9	2.4	4.3	1.6	-2.5	2.4	2.4
Dec	1.2	21.6	3.9	12.5	2.6	5.4	1.8	5.5	2.5	14.7
2026/Jan.	1.0	-1.1	3.7	23.3	2.7	-1.2	1.5	32.0	2.6	0.6
Feb.	1.1	3.1	3.7	8.9	2.4	7.0	1.4	-11.0	2.3	35.5
March	1.2	16.7	4.2	15.0	2.9	17.9	2.0	17.7	2.3	8.9
April	1.0	3.9	4.0	16.3	2.9	30.1	1.8	15.5	2.6	15.0
May	1.1	4.7	3.6	20.2	2.7	29.6	1.7	17.9	2.4	13.7
June	1.1	1.7	4.2	24.9	3.2	30.7	1.8	17.6	2.6	27.9
Sources	"Trade Statistics of Japan", Ministry of Finance									



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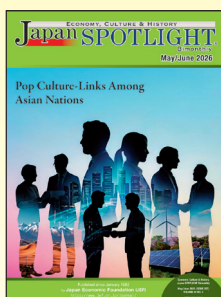


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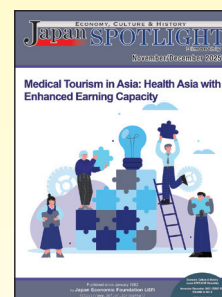
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