

Coping with Natural Disaster

By Noboru HATAKEYAMA

First of all, I would like to express my heartfelt gratitude to the people of the world for showing sympathy for the victims and concern about the damage caused by the Great East Japan Earthquake and tsunami and giving us many donations. It is really moving that people in as many as 142 countries and regions shared and cared as the Japanese did.

The Japanese economy has been badly hit by this earthquake and the tsunami that followed. However, even from before then the Japanese economy faced at least the following five weak points.

1. Shortage of economic demand. Since the burst of the economic bubble, the Japanese economy has been suffering from a shortage of demand. The amount of shortage as of now is said to be something like 20 trillion yen, which is 4% of Japan's GDP.
2. Tendency to avoid evaluation of a new technology or a new system, which reduces the courage to undertake reform. It is said that Japanese businesspeople are conservative. They tend to respect precedents. Therefore, there are many cases where Japanese companies that have invented new technologies go to the US first and succeed in selling them or products produced with their technologies there, and then come back to Japan with these success stories from the US. Stories of success in the US often have the power to convince people in Japan. I think this avoidance of evaluation comes from two sources. The first is the wish to avoid taking the risk of trying new technology. The second may be more deeply rooted in Japanese society, especially after World War Two when democracy was introduced, which was interpreted at least partly as meaning that everybody should be equal regardless of one's ability or achievements.
3. Lack of speedy decision-making. The Japanese government is often criticized for its slow process of making decisions and implementing these decisions. In this regard, however, I am afraid that Japanese private sectors are equally slow in doing business. Ten or so years ago one of my Taiwanese friends commented to me as follows. "In a commercial talk with the US, we just send a fax immediately and a deal is done. In the case of Japanese companies, you have to get approval in the form of signatures from your bosses and colleagues who have something to do with the deal. This paperwork takes time."
4. Scattered development of cities without any integrated plan.
5. Vulnerable structure of energy supply sources.

Now this economy has been hit severely by a most relentless natural disaster, which killed around 25,000 people, including those missing. On this occasion I would like to offer my deepest condolences to the victims and their families. We have to convert this historical disaster into an opportunity to improve Japan's economy and society.

What impact will this disaster have on the Japanese economy? There is a possibility that this disaster may be a turning point to naturally overcome these weak points, of necessity. The government of Japan has announced that, according to its tentative calculations, the total amount of damage including that to infrastructure, plants and machines in the private sector due to the Great East Earthquake, but excluding damage deriving from accidents at nuclear electricity generation plants, will be 16 - 25 trillion yen. This amount is almost equal to that of the shortage of economic demand I mentioned before.

Of course, in the initial stage, Japan's GDP will experience a severe drop, especially because of the supply chain breakdown due to the destruction of some parts and components factories. On the micro level, there are as many as 115,000 refugees whose homes were destroyed by the earthquake or swept away by the tsunami, or are located within areas from where the government of Japan has asked people to evacuate due to concern about radioactivity from the damaged nuclear power reactors. It is imperative that many workers, farmers and fishermen who lost their jobs, farmlands or fishing ships are able to start working again soon.

The restoration plan should be divided into two steps. The first step will be a temporary plan for quickly constructing houses and minimum infrastructure, so that refugees can go back to their normal life as soon as possible. Speed is the name of the game here.

However, after these temporary measures have been taken, full-fledged plans and implementation based on those plans must follow as the second step. These plans will describe beautiful and convenient towns or cities worthy of the 21st century and should be selected through international bidding. By the time these plans are submitted, the core principle of the energy policy of the Japanese government should be determined in advance, including the ratio of renewable energy, Japan's fundamental stance vis-à-vis nuclear energy, and the ratio of dependence on petroleum. Plans submitted for the final selection should be reviewed and evaluated by teams including experts from third countries.

Of course, through such a process, it is imperative to eliminate harmful rumors and prejudices to the effect that Japan is a dangerous place to visit as well as any recommendations not to purchase Japanese products, either agricultural or industrial, because of supposed potential radioactivity. **JS**

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