

German Ambassador to Japan Volker Stanzel

Challenging Common Agenda during Turbulence in Global Economy

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Japan and Germany have many challenges in common, not simply economic challenges but social ones too. What can we learn from each other that would help us solve our common issues? On April 10, *JAPAN SPOTLIGHT* took the opportunity to meet with the Federal Republic of Germany's ambassador to Japan, Volker Stanzel, to hear his views. In a wide-ranging interview he discusses topical economic issues such as nuclear and renewable energies, and also social issues such as migration, aging population, youth unemployment and income inequality. We also have a frank assessment of progress in the Japan-EU Free Trade Agreement negotiations.

Haraoka: You have shown great initiative in showcasing the close relationship between Germany and Japan – maybe this is because you personally have rich experience of Japan already. What aspects of Japan are you most interested in?

Ambassador Stanzel: I studied in the 1970s at Kyoto University for three years and I worked in Japan for three years from 1982 to 1985. But as you know very well, this is far from sufficient to gain a deep knowledge so I still have to spend more time here.

Historically, my initial interest was politics. I became interested in Japan because of political questions in the 1960s during the time of the anti-nuclear arms movement. I was active in this movement; we still have the so-called Easter marches which grew out of the anti-nuclear marches and continue today, but now they are much less conspicuous. My interest in Japan thus stemmed from the nuclear catastrophe of Hiroshima and Nagasaki. Through living in Japan, I also became interested in its culture as well; but this is a topic that it takes a lifetime to really understand.

Disposal of Nuclear Waste

Haraoka: Nuclear arms are very different from power stations; what is your view on nuclear power and the Fukushima incident?

Ambassador Stanzel: I headed the division in the Foreign Ministry from 1999 to 2001 which dealt with the civilian use of nuclear energy. I came to the opinion that as long as the question of the final disposal of nuclear waste remains unresolved, it is not a responsible



Volker Stanzel, German ambassador to Japan

policy to use nuclear energy. This is the case even for nuclear energy for peaceful purposes because no one has found a solution for the ultimate disposal of nuclear waste. This was one of the main arguments for the German government to negotiate the phasing out of nuclear power plants with the nuclear industry in 2001.

How Germany Moved from Nuclear to Renewable Energy

Haraoka: Today we Japanese are discussing in depth about the appropriateness of continuing with nuclear power stations. It seems on the one hand difficult to keep

nuclear energy, but without it many things cannot be achieved. Renewable energy sources in Japan are not yet well developed so it is very difficult to have enough renewable energy to satisfy both daily life and industrial needs. What do you think about this point?

Ambassador Stanzel: Japan is a country which has more earthquakes than any other country in the world. There is also the question, as I just mentioned, of waste disposal. But the conclusion is for the Japanese people and Japanese government to make.

I can only tell you about our experience last year after the German policy of exiting civilian use of nuclear energy was sped up, meaning that the oldest eight of our 17 nuclear power stations were closed down immediately. This resulted in a dramatic change in our energy supply. Over the following months, despite this change, we were never short of energy. Part of the solution was trade with our neighboring countries. However, I hasten to add that supplies from

nuclear power plants in France, as I often can read in the Japanese press, were only a very small factor in this. As a matter of fact, we had a situation in February when we even exported surplus electricity to France, as we have done many years in the past. All European countries to which we are linked by high-voltage power lines and through a pan-European power grid played a role, as well as power-saving measures and the increase of renewable energy supplies (by now reaching 20%).

Comparing consumption I found that the consumption of electricity *per capita* is almost the same in Japan and Germany. Obviously, as the last nuclear reactor has been shut down in Japan, currently we are using more nuclear power than Japan is using.

In Germany our greatest source of renewable energy is wind; we have most wind on the coast along the North Sea. So what we have to do more efficiently is store that energy. The development of a powerful north-south transmission network is one of the most important challenges we are facing in this respect.

Challenge to Industrialized Countries of Cheap & Plentiful Labor

Haraoka: During a recent meeting in Germany with former German Ambassador to Japan Hans-Joachim Daerr, he mentioned several social issues which should be considered a common agenda for Germany and Japan, specifically that aging is an issue that we could profitably study together. Do you agree?

Ambassador Stanzel: Let me say something on the basic question of cooperation. Like Germany, Japan is traditionally an industrialized country. Both our countries are medium-sized powers. The major challenge for us at the present time is less social development within our societies than the challenge that is coming from the outside; that is, mainly the rise of the newly developing powers, for example China, India, Russia and possibly at some point South Africa.

So our major preoccupation should be how to deal with the challenge coming from these countries. There is one major factor which is labor. If you have some countries with so much more labor supply than we have, which can thus produce not only more but at much lower costs than we can, how do we deal with that? We depend on our exports, so how can we ensure that our prosperity continues to grow? We should develop ideas so that we can deal efficiently with the challenges that confront us.

This, I think, should be the preoccupation of our two countries which are in a very similar situation, of similar size and similarly depending on the further development of globalization. Of course, we might include France, Australia and Great Britain, and others which are in a similar situation too. You have a number of countries, traditional industrialized countries, which are historically new to this situation. This is something that should bring us together to think strategically about this and how we can tackle such challenges.

Beyond this we are confronted with a range of other challenges, just in the same way they confront the BRICs, the US and other countries.

They include, of course, climate change and migration. The pressure of migration is being felt not only by European countries but also by Japan. The number of Chinese in this country is already almost a million and growing. Migrants from other countries will also increase because Japan is an attractive destination for migrants.

Many industrialized countries have to deal with the problem of migration. And leaving aside how you handle the details, I feel that in Germany we always benefit from migration when we concentrate on the chances it offers rather than on the threat it poses.

Turning to social issues, the one that I see of primary importance is the aging of our societies. Both Japan and Germany have social problems but they are not all that similar, so that in some cases bringing our experts together would not get us very far. But in the aging of societies we do share a similar problem. Since I assumed office, there has been a plethora of conferences on the issue of aging societies both in Japan and Germany. A whole range of ideas was put on the table. This is something that needs to be tackled seriously, so I agree with you very much on that.

Migration & Aging of Japanese Society

Haraoka: In Japan our aging population, coupled with a declining population, is a serious issue. It may be different in Germany where you may not suffer from depopulation but Japan does suffer. Some suggest we should have more young labor coming from other Asian countries such as India, Indonesia and the Philippines. Perhaps we should be more open to accepting such migration, especially from Asian countries. Do you agree?

Ambassador Stanzel: This is a problem to be tackled by the Japanese and I cannot say very much about it, but looking at it from a German point of view, there is an obvious difference in that Germany is at the center of a continent. Ever since there were Germans we have been used to people moving in and out of the area which is now called Germany. So for us migration is something that is very natural and only in extreme moments is a source of concern.

We have a book in Germany that recently became a bestseller which says "Germany is abolishing itself" – meaning Germany is allowing too much immigration too rapidly. It deals mainly with specific types that cause concern in Germany but in an island country like Japan I can imagine the social impact of migration is something quite different.

And the second point, migration may solve the problem of the aging of society only if you allow the continuous inflow of young labor over decades and decades. In Germany we have a situation where part of the population that migrated into Germany 30 or 40 years ago is now reaching retirement age. They are a burden on the younger generation in just the same way as elderly Germans are a burden on the younger generation. So having migrants coming into the country may facilitate overcoming the problem of aging for a certain period of time but it is not a long-term solution. But this is but one example; other measures will have to be taken too.

Interview

Haraoka: Should Japan focus on skilled labor rather than unskilled labor in attracting immigration in order to raise its growth potential by innovation possibly spurred by those immigrants?

Ambassador Stanzel: I think we should not see migration as if it were the magic way of solving the aging problem in Japan. I am not against increasing migration into Japan but it is portrayed like a silver bullet and I just doubt that. The question I am raising is whether it is really possible that with increased skilled labor all problems disappear. Skilled migrants will also age.

Haraoka: Improvement in the education system could also be one of the long-term solutions. If we can have an education program like ERASMUS we could increase diversification and then perhaps establish productive long-term relationships with Asian countries?

Ambassador Stanzel: I think it would pay off to look at ways of improving the Japanese education system. The number of Japanese students going abroad has dropped by 20%. But even more important, when Japanese companies employ graduates they might take it positively into regard when a student has studied abroad.

Comparing Income Inequality

Haraoka: Increasing income inequality does seem to be a social question for many countries, for example the US. Many Japanese people are now talking about such income inequality. How about in Germany?

Ambassador Stanzel: My understanding is that Japan is one of the industrialized countries where this kind of income inequality is least extreme. In Germany, there is recognition of a growing gap between high and low incomes but it has not yet turned into a burning issue. It is not yet entering the consciousness of most German people – it may come in the future.



As for Japan, you would know much better than I but from what I see it was the liberalization of the labor market under Prime Minister Junichiro Koizumi which contributed to the longest growth period of the Japanese economy since World War II. It led to more affluence for the average Japanese but at the same time led to a difference in income levels between certain groups. This was mainly due to a much higher number of precarious jobs among younger people. This increase in inequality that occurred in parallel with the liberalization of the labor market led to economic growth. Are there demands that Japan should go back to the pre-Koizumi days?

Impact of Youth Unemployment

Haraoka: Following from the previous question on income equality there is the problem of youth unemployment. I am not sure about Germany specifically but in Europe this does seem to be a major issue. In Japan non-permanent workers are often not paid enough and alongside this we also have youth unemployment. In Germany is youth unemployment also a vital issue?

Ambassador Stanzel: No, it is not, but you are right that in other European countries it is an issue. Among European countries one of the major controversies between us is what we can call the “British School” model and the “Continental School” model.

Thanks to a Social Democratic government in Germany we have curiously enough a situation where among Continental European countries we are the closest to the British School model, which is the liberalization of the labor market. This led to an increase in the number of precarious jobs, mainly affecting the younger generation with less job security. This kind of liberalization in Germany has led to economic growth with more jobs, but also more precarious jobs for the younger generation. But as long as the economy is growing the way it does, we are not confronted with the problem you describe. However, in countries with less growth and a less liberalized labor market, the result is that you have secure jobs on the one hand and no jobs at all on the other. This adversely affects those who newly enter the job market which mainly means young people. This is so in a country like Spain where you have a dramatic situation. It would be easy to say that the “Thatcherite cure” is the cure for all. This has been discussed by a number of governments in Europe – in Spain particularly. It is not easy to take a decision that will negatively affect elderly people, who have been used to being secure in their jobs. If you take a step like that, as we did in Germany under the Schroeder government, it will lead to enormous domestic controversies. So again there is no silver bullet.

Haraoka: The labor market in Germany is quite liberalized. Do you think that more deregulation would lead to more job opportunities?

Ambassador Stanzel: It has been so to date in Germany, but I do not know if it would do the same for Spain and Greece.

Haraoka: In Germany were you successful in lowering your costs through innovation?

Ambassador Stanzel: Yes, Germany was confronted with an enormous challenge which was unification. Unification put so much pressure on German companies that they were forced to pursue this course. Other countries benefitted from the integration process in Europe and lavish EU subsidies that came with it and maybe got used to it in a dangerously complacent way.

Haraoka: So structural adjustment in Germany is progressing well due to your need to adjust to reunification?

Ambassador Stanzel: It was, and I hope that this will continue, but you never know what is around the corner.

Concept of Wellbeing within GDP

Haraoka: Some people, particularly French people, are discussing the concept of well-being replacing or complementing GDP. For example, the quality of the environment, which can be measured in many ways, could be taken into account when discussing economic growth. Such a pluralistic approach could be useful when talking about economic performance. Real happiness seems to be a concept that many people are talking about. What do you think about this? Is it a useful discussion in your view?

Ambassador Stanzel: Discussion on the measurement of our degree of happiness or contentment with our situation is useful, but I think this concept gives the result that Costa Ricans are the happiest people in the world. I wonder what Costa Rican people think when confronted with this finding by experts. It does seem extremely theoretical.

Japan-EU Free Trade Agreement Negotiations

Haraoka: On a different topic, please tell me your personal assessment of progress in the Japan-EU Free Trade Agreement negotiations.

Ambassador Stanzel: It is in a very dangerous situation; we need it, we want it. With a country such as Japan and a continent such as Europe both will really benefit if we have a free trade agreement. It is easy to lower or eliminate customs duties; this can be done relatively quickly. But non-tariff trade barriers are much more difficult to deal with. I presently see a situation where the so-called scoping exercise is not really making the necessary headway. In order to enter into proper negotiations, about which we will have to take decisions at



the EU-Japan summit in the summer, there has to be significant progress on the non-tariff trade barrier front.

We are losing time. It is April, and we had originally envisaged to have the summit now. If we had stuck to that timetable it would have been a disaster, but that disaster can still happen. If there is no progress before the summit, we will have no negotiations. There will be a symbolic negative impact if we have such a situation. How can there be “a third opening of Japan” if it is not possible to deal even with some minor issues?

Also, as a METI person you know quite well, it seems easy to start with some significant steps, but these steps are not being taken, so at the present time I am quite pessimistic.

Further Joint Research

Haraoka: Finally, former ambassador Daerr has suggested there should be joint research, between, say, the German Embassy or a German think tank and JEF to research common social issues in our two countries. What is your advice?

Ambassador Stanzel: I think it is a good idea. As JEF already has a relationship with Deutsche Gesellschaft für Auswärtige Politik e.V. (DGAP) and as DGAP have a large research institute doing research on a whole range of issues, they could be the best partner for JEF. All the problems that we have mentioned beg further discussion, so maybe people should meet not once but regularly. They could go in depth into the problems that we have just begun discussing, so I recommend JEF working with DGAP regularly. **J.S**

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