

Japan post-Tsunami: One Year On

Lecture by H.E. Keiichi Hayashi,

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Noswaith dda (“NOSSwythe dha”). [*Good evening.*]

Distinguished Guests, Ladies and Gentlemen,

Introduction

Thank you very much for being here today. This is my first visit to Cardiff since I was appointed Ambassador.

Let me first of all begin by congratulating Wales on its victory in the recent Six Nations Championship!

Today I will speak about Japan after the earthquake and tsunami that hit Japan last year, and in relation to that I would like to touch upon Japan-UK ties, including the relationship between Japan and Wales.

I just came back from Tokyo two weeks ago, having gone there for Prime Minister Cameron’s official visit. This had originally been due to take place back in October, but because of the emergency EU summit meeting on the Euro-zone crisis, it was postponed at the last minute. So I am glad that it finally went ahead this time, and I can say with full confidence that it was a very fruitful visit.

This was, in fact, the first official bilateral visit to Japan by a British prime minister for nine years. At the summit on 10 April, Prime Ministers Cameron and Noda issued a robust Joint Statement, entitled “A Leading Strategic Partnership for Global Prosperity and Security”, which highlighted their convergence of views on a broad range of major global issues, including developments concerning North Korea and Iran, as well as on economic matters.

One of the pillars of the Joint Statement was the strengthening of trade and investment between the two countries. Mr Cameron was accompanied by top executives from more than 40 leading British companies. He began by visiting the headquarters of Nissan, which announced during his visit a major new investment in the UK to the tune of £127 million. This would lead to the creation of nearly 3,000 jobs in this country. There was a

round-table meeting on investment between the two countries and a symposium on nuclear power, both of which Mr Cameron attended in person. He issued a strong message in which he envisaged a further rise in trade and investment flows in both directions. He also emphasized the importance he attached to the “rebalancing” of the British economy or the resurgence of the manufacturing sector, though not at the expense of the financial and services sector. In this context Japan would be a perfect partner for the UK through an enhanced business relationship between the two countries.

At the summit meeting with Prime Minister Noda, the two leaders agreed on a Japan-UK Framework on Civil Nuclear Co-operation, which would encourage, on the one hand, the active participation of experienced UK companies in the process of nuclear decontamination and reactor decommissioning following the nuclear accident in Fukushima and, on the other hand, would provide opportunities for Japanese companies to be involved in the construction of nuclear power plants in the UK. The two Prime Ministers also agreed on breakthrough co-operation in the defence and security arena. This would involve creating new frameworks for the upgrading of intelligence sharing and more frequent military interaction, including joint military exercises. But most notable was the agreement to work toward a new framework for the future joint development and co-production of defence and security equipment, which was made possible by a recent epoch-making decision by the Noda administration to change Japan’s policies on arms export restrictions. Unlike before, Japan is now ready to participate in international co-operation in the development and production of weapons and other defence equipment with friends other than the United States. The UK was chosen as the first of such partners.

The two leaders also reaffirmed their wish for a wide-ranging strengthening of economic ties, including investment by Japanese companies in renewable energy and other aspects of infrastructure in the UK. Furthermore, we expect to see active and enthusiastic participation by British companies in the process of “open recovery” from last year’s disaster in Japan. This will provide opportunities for British companies to

be part of the reconstruction business amounting to £130 billion over five years.

The two Prime Ministers sent a very strong message to North Korea concerning its nuclear and ballistic missile development, which is highly detrimental to peace and security not only in the region but also the entire world. They also confirmed their willingness to cooperate on the basis of the convergence of their views on many pressing international issues such as Iran, Syria and Afghanistan, as well as the reform of the UN Security Council, nuclear non-proliferation, cyber-space and piracy. The cooperation also extends to other equally important challenges including development and Africa, climate change, disaster prevention, as well as anti-piracy in Somalia, the Middle East peace process and Myanmar.

All in all, the visit and the Joint Statement not only reaffirmed our long-standing bonds as the closest partners in each other's region but also opened up a new horizon for mutually beneficial cooperation in diverse areas.

1 Great East Japan Earthquake and Tsunami

(1) Casualties and damage

Let me now go back to one year ago when the Great East Japan Earthquake struck Tohoku on 11 March last year. It was an unprecedented disaster which simply humbled us. Despite the most advanced technology we had and all the preparations we had made on the basis of past experiences of major natural disasters, it went way beyond our imagination. The earthquake, which had a magnitude of 9.0, was one of the largest ever recorded in world history and certainly the severest ever in Japan. In terms of energy it was 10,000 times more powerful than the one which had caused havoc to New Zealand a month earlier. It took the lives of 16,000 people, while more than 3,000 remain missing despite the extensive search which is still ongoing.

It wreaked horrific destruction over a vast area, causing casualties in 20 out of 47 prefectures. The tsunami washed away a total area covering 500

square km. The economic damage alone reached an estimated amount of ¥16 trillion or £130 billion – four times as big as the total defence budget of the United Kingdom.

The total amount of debris left by the giant tsunami reached 23 million tons, or nearly 400kg for every single person of the entire population of the UK to carry away.

(2) Support from the world

The tragedy was beyond description, but it was not without a silver lining. The international response to it was most heart-warming. There was an outpouring of expressions of concern and sympathy as well as generous material assistance from around the world. In the past five decades or so, Japan had become used to its role as a major aid donor. For once, last year Japan became a major aid recipient and humbly appreciated the valuable assistance so generously extended by the international community.

Such help came not least from our friends in the United Kingdom. Fund-raising activities of various kinds were initiated immediately, and the British Government wasted no time in dispatching a search-and-rescue mission, while the Government was also very supportive in a variety of other ways. I should add that among those dispatched to Japan were six fire-fighters from the Mid and West Wales Fire and Rescue Service.

In the months that followed, on top of generous donations from so many people, there were a number of charity events in support of the victims of the disaster, including concerts, auctions and bazaars.

In June nearly two thousand people attended an unprecedented memorial service held in the magnificent surroundings of Westminster Abbey. In the same month, nearly five hundred people came to a modest charity bazaar that took place at my Official Residence, and there were many similar initiatives throughout the summer.

I would like to thank all the people who have been and still are involved in various humanitarian activities for their generosity and goodwill.

Britain's vital, indispensable support for Japan in the aftermath of the disaster was simply wonderful and was deeply appreciated by those whose lives it touched.

(3) Lessons learned from previous disasters

Coming back to the disaster itself, while the damage done was beyond our anticipation, there were also some positive elements in that some precautionary measures that had been taken based on the lessons learned from previous disasters actually served to demonstrate Japan's technological prowess and fundamental economic strength in many crucial respects.

For instance, all of the twenty-seven Shinkansen bullet trains travelling at up to 270 km/h in the affected region at the time of the earthquake were automatically brought to an emergency halt, safely and without a single derailment or casualty. The early detection system introduced to all bullet trains after the Great Hanshin Earthquake of 1995 played a crucial part in this outcome.

Moreover, whereas many of the fatalities in previous earthquakes had been caused by collapsing buildings, on this occasion, although the scale of the earthquake was much larger, the number of people killed by collapsing buildings was relatively limited, with over 90 per cent of the dead estimated to have been drowned.

While early and orderly evacuation before the tsunami struck based on the newly-introduced, regular school- and company-based drills must have saved thousands of lives, many buildings had been strengthened in accordance with regulations introduced after the Hanshin tragedy. We would be happy to share such experiences and technologies for disaster prevention with the international community.

(4) Normal operations restored

Communications networks and supply chains quickly resumed operations. Within a month virtually all major railways and expressways were functioning normally, while supply chains were restored more speedily than first expected.

Japan's economy returned to normal earlier than anticipated and industrial production is in the process of being restored to pre-disaster levels. Japan's GDP growth for CY2011 had been estimated at +1.6 per cent by the IMF before the disaster, but fell to ▲0.5 per cent afterwards. At the same time, I should add that the latest unemployment rate, that for February, was just 4.5 per cent, while the inflation rate remained at ▲0.2 per cent as of the end of 2011.

However, in the medium term, recovery-led demand can be expected in such areas as housing and road construction, and growth of +2.3 per cent in CY2012 is projected by the IMF.

(5) Fukushima nuclear accident

Concerning the accident at Tokyo Electric Power's Fukushima Dai-ichi nuclear power plant, the situation at the stricken plant is definitely making headway, although admittedly the decontamination and decommissioning work in the close vicinity of the plant will take decades. The Government has a roadmap leading to resolution of the problems and evaluates the progress made every month. In fact, the so-called "cold shutdown" of the reactors was achieved last December. That is to say, the basic situation in the reactor site has been stabilized and will be followed by the final process of decommissioning the plant. This process will take thirty or more years to complete, but it can be expected to be conducted in a safe, managed manner.

General radiation levels in Tokyo, which is about 200 km away from the stricken reactors, have never been hazardous, and even in Sendai, 90 km from the site, levels have been normal since April last year. In order to detect the radioactive impact on foodstuffs, careful monitoring is being carried out and, should any food items be found to register above the base level, which is way below the hazardous level, they will be immediately taken out of the distribution channels. So our claim that all Japanese food products in the distribution market are free from radiation danger and safe is fully backed up with facts and figures. We do hope that the ongoing EU restrictions on Japanese food and drinks, although relaxed recently, will be minimized at an early opportunity, as we believe them to be excessive

compared with those adopted by other countries, such as the US and Canada.

2 Policies of the Noda administration

(1) Recovery plan and financing

When the then-Prime Minister Shigeru Yoshida observed the devastated state of Tokyo after WWII, he would say: “Japan will recover, indeed will recover soon.” As one of his successors as Ambassador of Japan to the UK, albeit many decades later, I believe that at this time the Japanese people truly share the determination of that great statesman as they contemplate the effects of the earthquake and tsunami.

What, then, is the current Noda administration doing to address the aftermath of the disaster? The first priority of the Government has been the earliest possible recovery of the affected areas. A ten-year programme of reconstruction has been drawn up with a projected budget of £190 billion. The budget will be fully financed by the issue of Government bonds, with the help of interim tax rises over the coming years.

The reconstruction of the devastated areas aims not simply to recreate things as they were before the disaster but to take a leading role in bringing about the rebirth of Japan. The Government is focusing on a number of key areas, including:

- (1) urban planning geared to the needs of an ageing society, with conveniently located facilities which are well-connected by public transport;
- (2) industry-university collaboration in such areas as materials development, nanotechnology and communications technology;
- (3) the vigorous introduction of state-of-the-art smart energy systems in the affected areas; and
- (4) research and development as well as the production of world-leading drugs, pharmaceutical and medical devices, taking advantage of the concentration of pharmaceutical firms in Fukushima Prefecture.

Moreover, the Government is determined to enlist foreign dynamism in the reconstruction process by making it open to international businesses.

(2) Reform of the social security and tax systems

Thus it is clear that efforts at recovery are the top priority. However, in parallel with the reconstruction drive, we will have to reinvigorate our long-term pursuit to restore the national finances to a healthy state. If not, well, we do not have to refer here to the widespread effects of the Euro crisis. Suffice it to say that we will lose the confidence of the markets and will not be able to sustain healthy economic growth, which in turn will hold back the national revenues needed to finance reconstruction.

From this viewpoint, we will hold firm to the fiscal strategy declared well before the disaster, under which public spending will be streamlined while we pursue the comprehensive reform of the social security and tax systems.

The long-term issue of financing the spiralling social security costs has been caused and will be exacerbated by the rapid ageing of society. The Japanese Government is currently spending £900 billion (¥108 trillion) annually on social security, including pensions and medical expenses. This corresponds to £7,000 a year for every single Japanese citizen in FY 2011, and the total amount is expected to increase by about £17 billion (¥2 trillion) yearly until 2015.

The Government and the ruling DPJ have now proposed financing these commitments in a stable way by progressively raising the consumption tax, or the Japanese equivalent of VAT, currently at 5 per cent or the lowest among the developed nations, to 10 per cent by the middle of this decade. Indeed, a one percent increase in consumption tax is expected to generate about £17 billion of additional revenue.

This marginal revenue increase would be greater than if the UK increased VAT by the same one percentage point, partly because Japan's GDP is twice as large as that of the UK. It is also because the Japanese consumption tax is based on a simple tariff system with universal coverage. This is different from British VAT, which has broad exemptions for such popular items as

food. In our case there is no need yet for a debate on whether pasties should be hot or not in order to be taxable!

I must add, however, that many people, both among MPs and the general public, are still to be persuaded of the merits of this major attempt at reform. Nonetheless, such a reform embracing both the social security and tax systems is evidently something which Japan, with its fast-ageing and -decreasing population, simply must implement, while also trying to sustain economic growth. But I must also point out that all other developed countries, and even such currently emerging countries as China, will face the same problem sooner or later, as they are also undergoing or will soon undergo a similar demographic change.

In a way, Japan is leading the pack by tackling this situation first. Through the drastic reform of the social security and tax systems and through such means as stimulating the development of robots designed to care for the elderly, Japan can provide a model for the rest of the world in addressing what is sure to become the universal question of the ageing society. We are fully conscious that a strong wind always hits the front-runner the hardest.

(3) Review of mid- to long-term energy policies

Prime Minister Noda has also expressed his intention of reviewing medium- and long-term energy policies in the wake of the Fukushima nuclear accident.

According to the basic energy plan formulated before the disaster, the share of nuclear power in electricity generation was to rise from the present 30 per cent to 50 per cent by 2030. However, in the light of the Fukushima accident, there have emerged serious doubts concerning the construction of new nuclear facilities or even the replacement of existing ones.

(4) Issue of energy supply and demand

Moreover, as a short-term issue in energy supply, the supply-demand situation for energy is expected to tighten due to the halting of existing nuclear power generation.

Among the 54 existing domestic nuclear power plants in Japan, operations have been halted at 53 of them due either to the disaster or to regular inspections, leaving only one in operation. And this remaining reactor is shortly due to be suspended for a periodic inspection.

Prime Minister Noda intends for the nuclear reactors to resume operations only after exhaustive safety checks have been conducted and the local authorities concerned have accepted the resumption.

As a result, the supply of electricity has been greatly reduced. Summer temperatures in Tokyo, as some of you well know, go as high as 35°. There had been widespread concerns about possible power cuts last summer due to seasonal demand for air conditioning. However, amid calls for a 15 per cent reduction in power consumption, there was not a single power cut.

This was the case because of concerted action across society, including companies staggering their production to include weekends and holidays together with households refraining from using their air conditioners. According to experts, a 20 per cent cut in peak-period usage was in fact achieved last summer through such voluntary restraint.

Moreover, a variety of energy-saving goods has become available in the shops. Some are quite ingenious and have sold well, contributing to voluntary energy conservation. I daresay such ingenuity in the face of an energy crisis may well be a key to bringing about the socio-economic transformation of our nation through which our society will become more sustainable and energy-saving in its life-style.

Thus, the Government will review from scratch the basic energy plan for the period up to 2030. A concrete strategy and plan including the expanded development and use of renewable energy as well as transforming our society into one with more modest energy needs is expected by this summer. In this regard, too, we are destined to be the front-runner.

One year on from last year's disaster, while we are faced with a long and winding road ahead, we can also look at many positive aspects of Japan's response, such as the rapid rebuilding of roads, railways and other elements of infrastructure. Admittedly there are areas where we could or should have done better. However, we in Japan have learned valuable lessons from both success and failure in our own crisis management, all of which we are willing to share with our friends overseas.

We have thus taken and will continue to take the initiative as regards international cooperation on disaster prevention. One example is the ministerial-level international conference on large-scale natural disasters which the Japanese Government is hosting in July in the City of Sendai in Tohoku.

4 Japan-UK, Japan-Wales relations

(1) The recovery of Japan and the world economy

Japan is now tackling the task of reconstruction with the utmost vigour. At the same time, it recognises that it cannot concentrate on its own recovery while ignoring events elsewhere in the world. A few days ago we saw dramatic evidence of Japan's determination to pull its weight globally when it committed \$60 billion to the International Monetary Fund's effort to raise extra funds that could be used in the event of a spillover crisis in the Eurozone. This move comes on top of Japan's substantial contribution to the European Financial Stability Facility (EFSF). It has led the other members of the G20 to agree on the much-needed enhancement of the IMF's firepower to the tune of \$430 billion. Japanese leadership in this regard has been vocally acknowledged by Mme. Christine Lagarde, Managing Director of the IMF, as contributing to a sense of stability in the context of the Eurozone crisis.

Meanwhile, it is vital that our own economy keeps growing so that we can finance the enormous expenditure required for post-tsunami reconstruction primarily by ourselves. For this reason, Japan needs to ensure the healthy growth of its international trade and investment.

(2) Japan-UK economic ties

In this respect, the UK has been and will remain one of Japan's most significant partners. For instance, the total accumulated amount of Japanese investment in the UK has now reached the level of £250 billion, creating over 130,000 jobs, and is increasing thanks to the much appreciated yen.

Ironically, the disaster's aftermath testified to how intertwined our economies are when a Japanese company's specialized semiconductor factory in Tohoku had to halt its operations due to the damage caused by the earthquake. This also caused the suspension of operations in many car factories in Japan, the US and Europe, including the UK and, as a result, British car production dropped by 13 per cent in the month immediately after the disaster, which in turn contributed to the negative growth of British GDP as a whole in the second quarter of last year.

I must hastily add, however, that the Japanese economy has displayed remarkable resilience by restoring the supply chain much more quickly than expected, bringing back the Japanese car manufacturers' production in the UK to normal levels by the third quarter.

(3) Japan-EU EPA

In order to further boost both the Japanese and British economies, the conclusion of a Japan-EU Economic Partnership Agreement is of paramount importance. Thanks to the strong support of the UK, emphatically and repeatedly voiced by Prime Minister Cameron himself, we are now hopeful of seeing the launch of negotiations for such an agreement as early as this summer. The conclusion of a Japan-EU EPA will encourage further Japanese inward investment into the UK, including Wales.

(4) Japan-UK partnership

As I said at the beginning, the significance of the Japan-UK relationship is not confined to our economic ties. There are many potential fields for co-operation between us which will contribute to world stability. As our Prime Ministers agreed two weeks ago in Tokyo, the two countries are committed to promoting global prosperity and security, based on the shared

values of democracy, the rule of law, human rights and the market economy. Japan and the UK concur on our joint responsibility to meet the pressing global challenges that face us.

The convergence of our views is graphically illustrated in voting patterns in the United Nations General Assembly. Japan and the UK vote the same way with remarkable frequency – over 95 per cent, in fact more often than either country does with the US.

That is why our leaders confirmed the distinctive importance of the leading strategic partnership that exists between us as the two countries regard each other as most important partners in Asia and Europe, respectively.

Having addressed some of the weighty issues involved in Japan-UK relations, I cannot move on without mentioning briefly the two pleasant events that are drawing the world's attention to the UK this year: Her Majesty The Queen's Diamond Jubilee celebrations and the London 2012 Olympics. In this connection, I am hoping that Their Majesties The Emperor and Empress of Japan will be able to visit the United Kingdom to attend the Jubilee Luncheon hosted by Her Majesty the Queen and His Royal Highness the Duke of Edinburgh and to reaffirm the deep friendship that unites our two nations and peoples. I recall from my previous assignment in the UK their visit to Cardiff, which was a great success, during their state visit in 1998.

Turning to the Olympics, which will take place in three months' time, I would like to highlight the fact that it will actually be our first opportunity to participate in the Olympics in London – on previous occasions both in 1908 and 1948, my country was unable to join for various reasons. Therefore, I would encourage the British people to be solicitous towards the “newcomers”. Of course, many people must be hoping that the United Kingdom, as the host country, will earn a handsome number of gold medals, and while Japan may also aim for a good haul, we would perhaps be satisfied with finishing just behind you in the gold medal stakes!

(5) Japan-Wales economic cooperation

Let us now look at the role of Japanese companies in Wales.

Japanese inward investment has made a major contribution to prosperity and employment in the UK for over 40 years, and Wales has figured prominently in this trend. The flow of investment first involved companies in the electrical appliance field, with Sharp in 1969, Sony in 1973 and Panasonic in 1974 all choosing Wales in which to base their operations. Now, decades later, Wales is still attracting investment from companies in this sector, as I saw for myself earlier today when I visited the Panasonic plant. In the 1980s and 1990s it was investment from companies in the automobile sector that hit the headlines. This positive trend has continued – as, once again, I witnessed for myself when I visited Toyota’s new engine plant in Deeside last year. And just last week, on the 19th, Toyoda Gosei opened a new plant near Swansea which is likely to provide around 600 new jobs. First Minister Carwyn Jones, whom I met this afternoon, attended the ceremony.

In July 2010, the Welsh Government announced a new economic policy which placed importance on deepening and expanding the country’s technological base and promoting innovation with the aim of making Wales “the workshop of the world”. Japanese companies have eagerly supported this policy. In the field of life sciences, last month Toray agreed to set up a microarray laboratory with the Cardiff University School of Medicine. Meanwhile, in the realm of supercomputers, on 16 April HPC Wales and Fujitsu jointly announced the first stage of a new collaborative venture involving supercomputing-based research, with the establishment of seven PhD studentships in computational science to be undertaken in Welsh universities. The supercomputer is to be supplied by Fujitsu.

This year marks the passage of four decades since Takiron, one of the front-runners in terms of inward investment, set up a venture in Wales producing plastics for the construction industry. Last year members of the Wales Japan Club celebrated their 30th anniversary. These are some of the facts and trends that augur well for the further development of the thriving economic ties between our two countries.

Our successful relations would not have been possible without the proactive role of Wales itself: the Welsh Government has set aside £4 million of public money to help businesses in Wales like Nissin, a car brake maker, that were affected by the tsunami. It is part of the philosophy of Japanese companies to attach importance to a long-term approach to investment and employment. Even in times of difficulty caused by major natural disasters, they tend to maintain such a philosophy and try their best to retain their workers. In this context the Welsh Government's offer of financial relief to companies in need was highly reassuring. I am certain that this policy has given many Japanese companies in Wales a big boost, not only financially but in terms of morale as well. This reflects very well on the long-term approach adopted by the Welsh Government.

6 Conclusion

Lloyd-George once remarked: "Don't be afraid to take a big step if one is indicated. You can't cross a chasm in two small steps."

Last year a catastrophe of unimaginable proportions was visited on Japan and its people. Such was the scale of the devastation that there was indeed a chasm to cross in order for the country to recover. However, buoyed by the support of our friends in the UK and elsewhere around the world, we in Japan will indeed take as many big steps as necessary for the successful rebirth of the communities devastated by the disaster and of the nation as a whole.

We know that sometimes the tailwind comes from somewhere other than the political or economic arenas, such as from sport. In this regard, we still recall the victory of the Japanese women's football team in last year's World Cup, which indeed provided strong support for the whole nation, reeling the earthquake and tsunami which had struck just months before. Now, turning again to the coming Olympics, I note that in the men's football tournament, for the first time in history Wales will play alongside England as part of a Great Britain team. I note that it will not be until the semi-final that Japan can look forward to playing against Great Britain! It

is my sincerest hope that the two teams will progress to the point where they can put on a wonderful display for us!

Diolch ynfawr. (Dee-olch nvaur.) *[Thank you.]*