

## Japan's recovery

Who needs leaders?

# The aftermath of the March 11th disasters shows that Japan's strengths lie outside Tokyo, in its regions

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THE earthquake, tsunami and nuclear accident that struck Japan three months ago have revealed something important about the country: a seam of strength and composure in the bedrock of society that has surprised even the Japanese themselves. Not only has this resilience helped the hundreds of thousands suffering from the loss of families, homes and livelihoods to cope with their suffering, despite the self-absorbed dithering of their national politicians in Tokyo. By reminding Japan of the hidden depths of its local communities, especially compared with the

shallowness of central government, it has also provided a sense of how Japan could emerge stronger from the crisis, ending years of economic drift.

One of the most heroic examples of community spirit was 24-year-old Miki Endo, who used the loudspeaker system in Minamisanriku, a fishing port close to the focus of the 9.0 earthquake, to urge residents to do what they could to escape the incoming tsunami. She drowned at her post. Television footage shows the rising sea approaching, with her haunting voice echoing over the waves. More than 1,000 of the town's 18,000 residents died.

Quieter examples of selflessness also abound. One fisherman tells of the four days he spent clearing the wreckage of his village, with no knowledge of the whereabouts of his eldest son. When his son eventually appeared, walking down off the mountain after a long cross-country trek to reach his parents, the two wiped tears from their eyes but did not say a word to each other. The son did not wish to disturb his father's toil.

The quality and commitment of local leaders have been a revelation, so refreshing compared with the bickering politicians in the national Diet (parliament). Talk to mayors in the disaster-stricken areas and you get a sense of Wild Western true grit. Jin Sato, mayor of Minamisanriku, is one. He survived the tsunami by clinging to a fence on the top of a building as water washed over his head for three minutes. Since then he has worked all hours, sleeping in a cot in his office.

Another is Katsunobu Sakurai, mayor of Minamisoma, who in the heat of the crisis went on NHK, the national broadcaster, to berate the country's authorities for failing to come to the aid of his town, which faced rising radiation levels from the nearby Fukushima Dai-ichi nuclear-power plant. After he posted an SOS video on YouTube, *Time* magazine made him one of its 100 most influential people of 2011. He has galvanised other mayors into speaking out more forcefully.

The more they do, the clearer it becomes that their communities are not just disaster-stricken; they are on the front-line of all of Japan's most pressing problems, be they economic decline, ageing, debt, or depopulation. National leaders in Tokyo avoid tackling Japan's huge fiscal problems, but municipal authorities have first-hand experience of the effects of shrinking budgets. Though some have recklessly inflated those problems through mismanagement, many others have become masters in the art of thrift.

In the past decade local governments have merged towns, reduced the number of schools and run welfare services on a shoestring. In the process the average size of municipalities in Japan has almost doubled from 36,000 people to 69,000.

Yet the small amount of revenue they raise compared with what they spend (local taxes provide about 40% of their income) means that they remain reliant on the central government which, deep in debt itself, has to spend about 60% of its money on local government. On top of this precarious situation, authorities in the disaster areas now face the vast challenge of rebuilding after a tragedy that left 24,000 people dead or unaccounted for, and 100,000 at least temporarily homeless. Even in the face of this horror, the sense of local pulling-together persists.

There are plenty who dwell on the downsides of this community spirit. Some executives (especially foreign ones) dismiss its effect on business as thinly disguised socialism; it puts the preservation of jobs above profit, and prevents companies going bust that would otherwise make room for new competitors. It can stifle innovation, because it discourages people from speaking out. And it sometimes edges towards xenophobia—though the only sign of this has been a few mutterings about “foreign looters” in disaster areas.

Above all, it remains deeply hierarchical; even in small groups people refrain from challenging their elders and superiors. Occasionally that deference is deserved: the elderly may play a valuable role in their communities. One statistic shows that 65% of those who drowned were over 60; anecdotally, it appears that a lot died with infant grandchildren in their arms. They were looking after them while the generation in between worked. That has shocked Tokyoites, who thought the extended family was long gone.

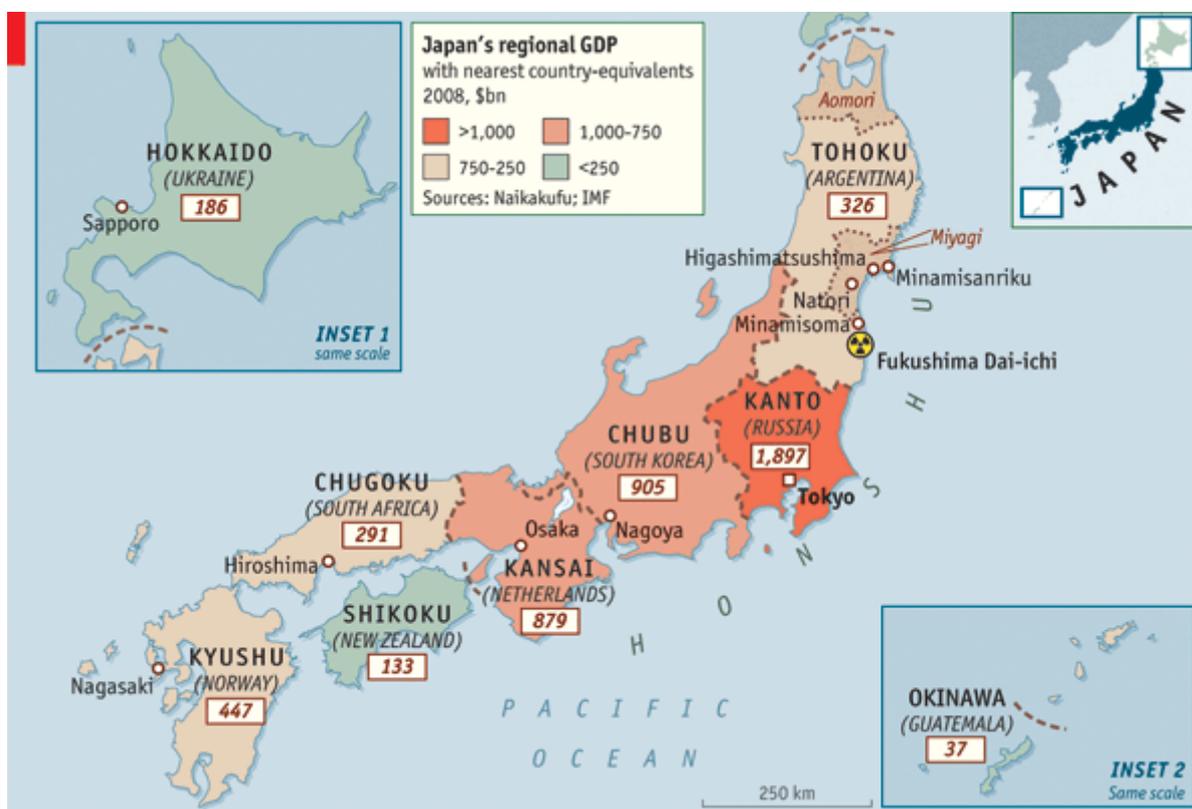
### **Hard-headed northerners**

Over the past three months this strength in adversity in one of the country's most under-reported regions has made people rethink their old conceptions about Japan's geography. Tohoku, the region of northern Honshu where the disaster struck, is an unusual place and part of its resilience may be culturally specific. Its tight-knit, independent streak dates back centuries. More than 1,100 years ago, the last time a tsunami of such scale lashed its shores, its tribesmen were known by southerners as

Emishi (insubordinate northerners). At that time, they had only recently been vanquished by the Yamato, which remains the dominant ethnic group.

But if Tohoku could prove so strong, perhaps other parts of the hinterland are equally so. The crisis revealed Japan's blind spot about what goes on beyond the centre of power. For instance, Eisuke Sakakibara, a former finance mandarin once known as "Mr Yen" for his influence on currency markets, expressed astonishment at the number of parts suppliers in the disaster zone which could disrupt global supply chains. Some of those little-known firms, such as Renesas Electronics, whose tiny microcontrollers are vital for the car industry, are recovering fast—which will help the wheels of the global economy spin a bit more quickly. Yet among the Tokyo-centric elite, few knew how important these scattered firms were.

Because of such pockets of dynamism, the economic potential of Japan's regions, from Hokkaido in the north to Kyushu in the south, is much larger than is often assumed. Areas that are viewed as ageing backwaters on fiscal life-support could justifiably claim to be economic entities in their own right—if they had more freedom to set their own policies and balance their books. Tohoku, for example, has a GDP the size of Argentina's; Kyushu's economy is the same as Norway's (see map).



Yet until now they have remained peripheral to Tokyo, the engine room of the economy, and their fragile finances reflect that. A series of decentralising reforms since 1995 have failed to provide fiscal autonomy, nor has local government attracted a depth of talent to match its new responsibilities. There was a step forward last month when municipalities were given the chance to talk directly to the central government, without going through the usual prefectural channels. But the clamour is for more independence. Osaka and Nagoya, Japan's second and third industrial hubs, are especially tired of playing second-fiddle to greater Tokyo; local leaders in both cities are trying to create bigger economic enclaves and new political parties.

The gap between capital and countryside—especially as seen from Tohoku—has grown starker in recent weeks, thanks to the antics within the government and the Diet. From the early days of the crisis it was not lost on many evacuees that few politicians had bothered to make the two-to-four hour journey by train from Tokyo to witness their plight first-hand. (By contrast, the 77-year-old Emperor Akihito and his wife Michiko have made frequent visits, bowing deeply before the victims.)

In Fukushima people have been infuriated by the apparently arbitrary way the government has set limits on the levels of radiation, which affect whether people are allowed to stay in their villages or not. Across the country there is dissatisfaction at the apparently arbitrary way the government has declared some foods safe from radiation, and others unsafe. And in the tsunami zone mayors say they badly need guidance, not just on how to rebuild their shattered towns, but also on how much money they will have to spend.

To many there was no starker demonstration of the out-of-touch arrogance of national politicians than on June 2nd when opponents of Naoto Kan, the prime minister, sought and failed to force him out of office, by way of a no-confidence motion in the lower house. In the disaster area mayors spoke out angrily at the way political gamesmanship was distracting from recovery efforts. “When someone is drowning, what's important is not who rescues them, but how they are rescued,” complained Hideo Abe, mayor of Higashimatsushima, a damaged port.

Matters worsened when Mr Kan won a reprieve by promising to stand down, and then appeared hours later to backtrack on the timing. Three months after March 11th, his government has still not submitted a ¥10 trillion (\$125 billion) emergency reconstruction budget, nor secured approval for funding mechanisms to pay for the

annual budget. The opposition, which controls the upper house, is demanding that he goes as a condition for passing the finance requests, possibly as a prelude to forming a “grand coalition” with the ruling party.

### **Leaders who don't lead**

Amid such chaotic politics, some despair of their national leaders. “The brain is dead, but at least the rest of the body is functioning,” quips Yoichi Takamoto, a Kyushu-based entrepreneur and head of TMSUK, a robot manufacturer. But that does not necessarily mean that he or others despair for the country.

Seiichiro Yonekura, professor of innovation at Hitotsubashi University, notes that Japan has rarely had outstanding leaders during its modern history. Even in the post-war era only a few politicians had any charisma. Yet the country rebuilt Tokyo from the ashes of the second world war, and Hiroshima and Nagasaki from atomic destruction. Japan became the world's second largest economy. If something of a similar magnitude is to be achieved again, good ideas are crucial. Then, like “ants in an anthill”, he predicts, Japanese society will get to work.

This sounds idealistic, but it would not be the first time a natural disaster has done more than shake the ground under Japan's feet. An earthquake that levelled Tokyo (then called Edo) in 1855 loosely coincided with the beginning of the end of more than two centuries of feudal isolation; the Meiji imperial family was restored to power in 1868. Another in 1891 forced Japan to re-examine its Meiji-era love of all things Western; many of the European-style brick buildings it had used to replace its traditional wooden ones fell down. In 1923 the Great Kanto Earthquake helped set in motion a political crisis that ultimately led to militarism and the second world war.

### **Planning and money**

Since the March disaster two overarching challenges have emerged that could, if tackled, have similarly far-reaching consequences (though without, one hopes, the belligerence). First, Japan has to come up with plans and finance for rebuilding the tsunami-wrecked towns so that they will not only suit the mostly elderly people who used to live there but will also be revitalised to attract the young.

Second, it needs to use the Fukushima disaster to rethink energy policy and decentralise decision-making in a way that could kick-start economic revival. Both

issues profoundly challenge the tenets by which Japan has been ruled in recent decades. But if ever there were a moment for the country to break out of its centralised straitjacket, this is it.

Jun Iio, who heads the working group of the prime minister's Reconstruction Design Council, says that some big bureaucratic hurdles have already been overcome which, he reckons, shows an unprecedented level of flexibility in the relevant ministries. One is planning. For the first time the Land Ministry and the Agricultural Ministry have agreed, as a result of the tsunami, to relax the rigid restrictions on the use of farm and urban land.



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Mr Iio says this means that parts of the cities that were swept away by the floods can be reclassified as farmland. The plan is that the people who used to live there will be relocated by the government to apartments on higher ground. It is not yet clear how much they will be paid for their old houses. To help things along, the powerful Justice Ministry has agreed to be flexible on property rights.

But mayors such as Isoo Sasaki of Natori, a town whose port was washed away by the tsunami (he also lost his 140-year-old sake business), insist they should be able to tailor their rebuilding efforts to individual communities' needs, rather than relying on a one-size-fits-all policy. He admits that during Japan's bubble era in the 1980s, there were embarrassing local building initiatives that saddled towns with both debts and eyesores. But he believes municipalities have learned from their mistakes; indeed, a few pioneering planners have made great strides recently reviving their towns with old feudal-era ideas that encourage compact and sustainable living arrangements.

Then there is the question of money: the affected areas cannot possibly afford to rebuild themselves. And people are fearful that when the money is finally approved in parliament, it will come with strings tightly attached.

Yoshihiro Murai, governor of Miyagi, the most prosperous prefecture hit by the crisis, points out that this is a perennial problem. He says he has raised taxes twice, cut his staff and shed popular services to save money, yet the discretionary spending power of his office is still only 5–6% of the total budget. He believes one way to raise money would be to increase consumption tax, which people have said they would be prepared to tolerate in order to pay for the emergency. But the government, as yet, is only studying the issue. Perhaps one difference is that Mr Murai, who used to be a helicopter pilot in Miyagi and knows every inch of its coastline, appreciates much better than his central-government counterparts how badly the money is needed.

### **Nuclear or not**

Responding to the nuclear disaster is even harder. Mr Kan had initially sought to stay in power until the Fukushima nuclear plant has stabilised its reactors and reached a state of “cold shutdown”. But the timetable for that may already have slipped into 2012, which is too distant for those trying to oust him.

Not only is Fukushima Dai-ichi's owner, Tokyo Electric Power (TEPCO), struggling to keep the plant under control. It is also stretched by the demands for compensation from people whose livelihoods, at least for the time being, have been ruined by the disaster. The government has patched together a compensation scheme, but experts believe this may have been a sop to let the company's book-keepers approve the end-of-year accounts. As fears of bankruptcy mount, TEPCO's shares hit a new low on June 6th.

Tatsuo Hatta, an economist at Gakushuin University in Tokyo, believes TEPCO may have to sell off its power plants to international operators to remain solvent. That could set in motion what he and a few outspoken commentators consider a long overdue overhaul of the energy market in Japan, which could have an immense impact on national politics. He says that executives at TEPCO and the other oligopolistic electricity utilities have stifled argument about Japan's nuclear-energy programme, both by pouring money into politics and by muffling the media through their huge advertising budgets.

Yet those anxious for change note approvingly that even on energy policy, power has now shifted slightly towards local and regional governments. Prefectural governors, including those who originally supported nuclear power, are having second thoughts. In some areas local authorities are expressing strong opposition to the restarting of nuclear reactors closed for maintenance; consequently, all but 19 of the nation's 54 reactors are out of action.

Others, however, are weighing up costs and benefits, as they should. On June 5th a governor was re-elected in Aomori prefecture, on the northern tip of Honshu, who said he would keep its two nuclear-power plants provided an experts' committee was set up that vouched for their safety. The prefecture is one of Japan's poorest, which may be why it is prepared to strike a deal with the nuclear industry.



AFP A future with wind

In a decentralised system different areas could take a different view of what forms of energy are best for them. Hokkaido, for example, could benefit from its proximity to Russia's natural gas deposits off the eastern coast of Siberia. Okinawa in the south could benefit from solar power, because it has lots of sunshine. Wind could power the

country's mountainous areas. Places like Tokyo, with their vast needs, could use a variety of sources.

As for Tohoku, some believe that it should set the tone for a national energy policy that is increasingly self-reliant and efficient. Thus, its towns could be rebuilt to minimise electricity use and car traffic. The huge swathes of land destroyed by the tsunami or depopulated because of radiation could become wind, wave or solar farms. As for Fukushima itself, some wits say it could become a new home for the central government. Then again, perhaps it has already suffered enough.