

A country that is on the front line

Japan offers the world examples to follow as well as ones not to. It is as relevant as ever, argues Noah Sneider



Reuters

JAPAN'S NEW imperial era began in spring 2019, when a nondescript man in a dark suit revealed its name: Reiwa. The first character, rei, means "auspicious" or "orderly"; wa means "harmony" or "peace" (officials chose "beautiful harmony" as the English rendering). For the first time the name came not from classical Chinese literature, but from Japan's Manyoshu poetry anthology, compiled over a millennium ago: "In this auspicious (rei) month of early spring, the weather is fine and the wind gentle (wa)."

The early months of Reiwa were hardly auspicious, nor the winds gentle. In early 2020 covid-19 blew in. Japanese donned masks and stayed at home, fuming at politicians who continued to dine out. China, Japan's biggest trade partner, flexed its muscles and suppressed Hong Kong that summer. In the autumn the president of the United States, Japan's chief ally, refused to accept his defeat at the ballot box. The pandemic postponed the 2020 Olympics, which Abe Shinzo had hoped to be the crowning achievement of his record-long tenure as prime minister. Ever fewer babies were born. Mr Abe's intestinal illness led him to step down. The nondescript man in the dark suit, Suga Yoshihide, took over, but after a year he too was gone.

Yet amid all the turbulence, Japan has fared rather well. The Olympics went off in the summer of 2021, with few spectators and little fanfare, but without the epidemiological disaster that detractors had predicted. The ruling Liberal Democratic Party (LDP) chose a new leader, Kishida Fumio, another inoffensive figure. On October 31st voters gave the party a healthy majority in the Diet's powerful lower house. No populist rabble-rousers hijacked the debates and no pseudo-authoritarians impugned the outcome. Average life expectancy in Japan hit new highs of 88 years for women and 82 for men. Excess mortality actually fell; only 18,000 have died of covid-19, in a country of 126m. Masks have stayed on and double-vaccination rates have risen to around 80%.

The rest of Reiwa will demand more resilience in the face of unprecedented challenges. In the Showa era, from 1926 to 1989, Japan lost and recovered from the second world war, grew into the world's second-largest economy and led Ezra Vogel, a Harvard historian, to write about "Japan as Number One" and to urge America to learn lessons from its former foe. Mr Abe had this in mind when he declared that "Japan is back"—his Olympics recalled those of 1964, which symbolised the post-war revival. Such nostalgic bravado exaggerates modern Japan's successes. But the pessimism of Japan's "lost decades", a hangover from the Heisei era that followed Showa, when the bubble burst and the economy stagnated, also exaggerates its failures.

Reiwa's dawn has already provoked plenty of soul-searching. "The question for the Reiwa era is what kind of Japan do we want to get back?" muses Funabashi Yoichi, a writer. Japan is in a "post-growth or post-development era", and its values must evolve from the "faster, higher, stronger" of Showa to "diversity, resilience and sustainability", argues Yoshimi Shunya of the University of Tokyo. Others hope to reprise past glories. "We must make Japan Number One again," declares Amari Akira, an LDP bigwig.

At least one safe bet is that Reiwa will be a time of demographic decline. On current trends the population will shrink by a fifth to 100m by 2050. It is likely also to be a period defined by competition between America and China, by natural catastrophes, by ageing and by secular stagnation. This special report will explore how Japan is grappling with these issues. Once seen as the maladies of an idiosyncratic patient, they have become endemic for many—they simply afflicted Japan earlier or more intensely. A more fitting identity for Reiwa-era Japan may be what Komiyama Hiroshi, a former president of the University of Tokyo, calls *kadaisenshinkoku*, or an “advanced-in-challenges country”.

Put another way, Reiwa will find Japan to be on the global front line. That is the result of proximity, not prescience. But it will nonetheless fall to Japan to demonstrate foresight in working out how to survive there. Its successes can serve as models, and its failures as cautionary tales. It is a “harbinger state”, argues Phillip Lipscy of the University of Toronto. “We treat Japan as unique at our own peril.”

An outdated image

All too often what happens in Japan is seen as *sui generis*, reflecting an almost-mystical social cohesion possible only on a closed island with a relatively homogeneous citizenry. This cultural essentialism is for Japanese both a source of pride and a cover to ignore examples from outside, while giving foreigners (especially Westerners) a source of fascination and a licence to discount unsexy policies, from disaster drills to zoning laws. Culture is obviously important, but it also changes, often through cross-pollination. The behaviour that had the most impact on the course of covid-19 in Japan—mask-wearing—first came from the West, taking root during the Spanish flu of 1918. In Japanese, “face mask” is still written in *katakana*, the alphabet reserved for foreign words.

The idea that Japan never changes is an old chestnut that needs cracking. These days change is only gradual. But that does not mean it does not happen—and that it cannot accelerate, as it has at times in the past. One reason the economy has avoided the collapse that some predicted decades ago is that policies have changed. The transformation is even more pronounced in foreign affairs. Once derided for “karaoke diplomacy”, singing from American tunes, Japan now does more of its own song-writing. Diplomats speak of Asia in terms of the “Free and Open Indo-Pacific”, a coinage of Mr Abe’s. Trade negotiators discuss “Data Free Flow with Trust”, another Japanese idea. Central bankers ponder “quantitative easing”, also pioneered in Japan. Years before Joe Biden promised America would “Build Back Better”, Japan pushed to insert the phrase into the UN framework for disaster-risk reduction.

Japanese society is changing too, though mostly from the bottom up. “It seems as if change is not happening, but the seeds for future change are there,” says Mr Komiyama. Old ideals, from the *sarariman* (salaryman) to *shimaguni* (island nation), are eroding. In Japan’s stubbornly seniority-based system, the Showa generation still runs the country. But those who follow have a different outlook and different values, reckons Hiroi Yoshinori, a philosopher at Kyoto University. “The young don’t know the period of high growth—there is a huge generational gap.”

For too many, it is an anxious time. That comes through in conservative voting patterns: young Japanese are more likely to support the LDP than the old. Some retreat into the dark realms of the *netto-uyoku* (far-right online extremism) or isolation as *hikikomori* (shut-ins)—hardly uniquely Japanese behaviour. Others, though, embrace the chance for reinvention, choosing startups or freelancing over large companies and lifetime employment. Their energies are often channelled not into products and services, but into cultivating the social capital that makes a society resilient, into volunteering, social entrepreneurship and socially engaged art. Their scale is local, not national or global, their arenas the private sector or civil society, not politics.

This is partly because politics has become ossified in the absence of real competition. Such stasis is a big reason why being on the front line does not mean being in the vanguard. Japan's treatment of women is retrograde, its protection of minority rights weak, its government services archaic and its climate policy dirty. Many institutional frameworks are stuck in the past. Labour laws are designed for industrial-era monogamous employment, tax codes and family law for the Meiji-era patriarchy, immigration practices for a growing population. "The central government is running behind the times," laments Yanai Tadashi, the founder and head of Fast Retailing, and Japan's second-richest person.

Those weaknesses will hamper Japan in the Reiwa era. Nonetheless, its ability to cope should not be underestimated. And the world should pay attention. Showa Japan once offered lessons in how to win the future, while Heisei Japan showed how to lose it. Reiwa Japan will offer lessons in how to survive. The place to start is on Japan's front line with China. ■

Why Japan needs more forceful defence

The strong case for more active and interventionist security and defence policies



YONAGUNI, A ROCKY island at the edge of the East China Sea, long had few defences: just two policemen and two guns. That suited locals, a laid-back, heavy-drinking bunch—until recently. China's rise has made many wary. “Look at what's happening in Hong Kong,” frets Itokazu Kenichi, the island's mayor. There is also “a sense that America is in decline”, says Tasato Chiyoki, a councillor. As Japan's westernmost territory, such worries are no abstraction: on a clear day, Taiwan looms a mere 111km away.

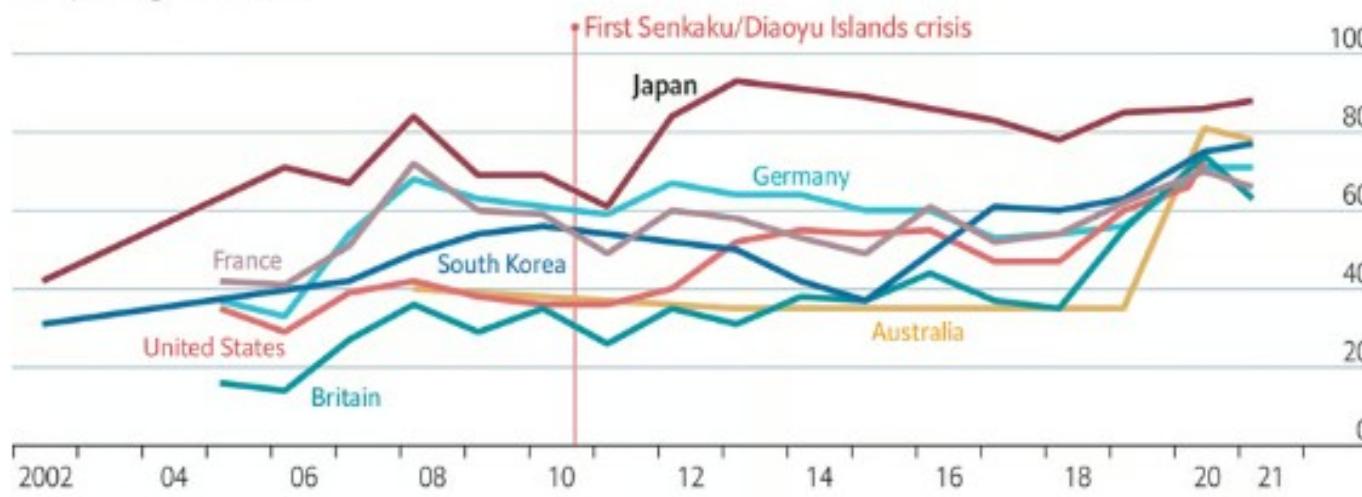
Japan's Self-Defence Forces (SDF), as its army is called, opened a small outpost on Yonaguni in 2016. It faced resistance, but opposition has since faded. Earlier this year, local voters elected Mr Itokazu, an advocate of expanding the military presence. Even some who were against have changed their tune. “I don't think China will invade,” Mr Tasato says. “But with the current situation, you never know.” Now he would like his government to plan for refugees who might flee Taiwan in a conflict.

If rivalry between China and America is the big story in 21st century geopolitics, no other country, except perhaps Taiwan itself, has as much influence as Japan over how it will unfold—nor as much to lose if it goes badly. “Japan is the front line,” says General Yoshida Yoshihide, chief of the army. This reality is forcing a realisation that, although there can be no substitute for America, Japan must supplement it in order to maintain a favourable balance of power.

Early suspicion

What is your opinion of China?

% responding unfavourable*



Source: Pew Research Centre

The Economist

*Somewhat or very

Japan is strengthening defences and building ties with others. Tanaka Akihiko, of the National Graduate Institute for Policy Studies (GRIPS) in Tokyo, speaks of a shift from a “one-pillar” to a “multi-pillar” architecture. “We can’t rely on America alone,” he says. That does not mean turning away but keeping America close by contributing more. Nor does it mean antagonising China, upon which the economy depends. “As the rest of us figure out how to compete with China without catastrophe, Japan has been there for at least a decade and Japan has the best strategy,” says Michael Green, a former official at America’s National Security Council.

Although this strategy coalesced under Mr Abe, it is the culmination of a long evolution. After the war Yoshida Shigeru, a former prime minister, said Japan should shelter under the American security umbrella and focus on reviving its economy. Others, such as Kishi Nobusuke, Mr Abe's grandfather, wanted to ditch the strictures of the American-imposed constitution and re-establish Japan as a military power. The Yoshida doctrine won. For decades, Japanese foreign policy was limited to economics.

The first inklings of change came under Nakasone Yasuhiro in the 1980s. But the big turning-point was the first Gulf war. "Even Honduras went there with a stick," says Kanehara Nobukatsu, a later deputy national security adviser under Mr Abe. "Japan sat on the couch and sent a cheque—that was our reputation." When the Kuwaitis took out an advertisement in American newspapers to thank the coalition, Japan was left off the list, prompting policymakers to rethink its role, says Iokibe Makoto, a historian of diplomacy. The shift coincided with the rise of a generation of revisionist leaders.

The China threat

China's aggression has been a catalyst, especially in clashes over the disputed Senkaku Islands in 2010, when it banned exports of rare earths to Japan. "We had been in a greenhouse," says Miyake Kunihiro, a former diplomat. "China was kind enough to break the windows—the cold wind came in and we woke up." America's ambivalence to Asia has made Japanese leaders fear abandonment; Donald Trump's erratic behaviour led some to speak of going nuclear (an option that remains unlikely). Officials welcome Joe Biden's focus on Asia, but worry about the absence of American trade policy and a tendency to frame the contest with China in ideological terms. In Mr Biden's talk of a "foreign policy for the American middle class", many hear echoes of "America First".

That has increased the urgency to do more at home. To Mr Abe's chagrin, Article Nine of the constitution, which forbids "land, sea, and air forces, as well as other war potential", stands. In practice, it matters less than it did, owing to changes in the laws governing the SDF passed in 2014 and 2015. In the past, it could use force only in response to a direct attack. The new framework allows it if the Diet deems a situation an "existential threat". "Some people focus on the limits," says Richard Samuels, a security expert at MIT. "But those are pretty flexible limits: an existential threat is what you call an existential threat."



One result of the new laws is more space to plan realistically. During the cold war, Japan and America had a combined operations plan for what to do in a conflict with the Soviet Union, but it was largely worthless because it considered only a scenario in which the Soviet Union invaded Japan alone, says Michishita Narushige, also of GRIPS. "The constitutional limit really distorted the scenario," he says. No longer. Discussions about a clash with China are under way. Japanese and American officials talk a lot about



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officials worry more about a second, less clear-cut situation, such as a blockade of Taiwan, or occupation of its outer-lying islands. There is no consensus about Japan's red lines (nor an understanding of America's). A Japanese leader now has the tools to act, but needs a political decision to use them. Officials fret that the public does not share their sense of urgency, and might recoil against using force. The LDP is in coalition with Komeito, a pacifist party with close ties to China. Issues between China and Taiwan "need to be resolved through those parties", says Yamaguchi Natsuo, Komeito's leader.

Taiwan. In April Mr Biden and Mr Suga, then prime minister, mentioned "peace and stability in the Taiwan Strait", the first such reference since 1969.

Behind closed doors, consultations focus on two types of contingency. First is an invasion of Taiwan, probably involving Chinese attacks on American bases in Japan and perhaps an attempt to seize Japanese islands. But senior

The SDF has been moving resources from Hokkaido towards the south-west. A host of new bases have appeared in the Nansei Islands, which spread some 1,200km from Okinawa to Yonaguni. The army has created a force for recapturing islands modelled on America's Marine Corps. At the base of this new Amphibious Rapid Deployment Brigade on Kyushu, soldiers train to swim with 45kg packs and practise escaping from capsized troop carriers. "It's different from the cold-war period," says General Hirata Takanori, the brigade's commander. "We are the first responders now."

The shift is a work in progress. "This is not enough firepower," admits General Yoshida. Defence spending has grown since 2010, but not at the pace of China's (or even South Korea's). The SDF is often like a football team practising without a ball. On Amami-Oshima, the site of a new missile base, drills stop before the firing begins; to practise shooting missiles, troops must travel to America. Decision-making is still too slow. By the time Japan got planes to Afghanistan to evacuate personnel after America's withdrawal, almost nobody was left to be picked up.

Yet “Japanese capability is not inconsequential”, says Sheila Smith, author of “Japan Rearmed”. The submarine fleet has grown from 16 to 22, making a difference to Chinese planning. Last year Japan and Australia agreed to let their forces operate in each other’s territory—the first such pact with a country other than America. Negotiations over a similar deal with Britain began after the recent visit of the aircraft-carrier *Queen Elizabeth*. Warships from Germany and the Netherlands also called by this year, and French forces joined Japanese-American exercises for the first time. Co-operation with India has blossomed through the Quad club. “The fact that India is active in the Quad—a lot of that has to do with Japan,” says C. Raja Mohan, an Indian foreign-affairs expert.

Japan has played a similar role in South-East Asia. “Of all the ASEAN dialogue partners, Japan understands ASEAN the best,” says Bilahari Kausikan, a former senior Singaporean diplomat. Though China’s Belt and Road Initiative has attracted more attention, Japanese companies and government agencies have quietly worked to build a big stock of investment in ASEAN’s infrastructure. Those in the region have noticed: polls show Japan is the most trusted big power among South-East Asians.

That is not true in South Korea. In 2015 the two agreed that Japan should apologise and pay compensation to Koreans held as sex slaves by its imperial armed forces, but South Korea later backed off that pact. There is plenty of blame for poor relations all round. Yet in South-East Asia “the second world war is a non-issue”, says Mr Kausikan. It sometimes helps that Japan does not press too hard on human rights, an approach equal parts strategic and self-serving. For some, Japan seems a more reliable partner than America. “Americans only talk,” says Mr Mohan. “The Japanese are the ones who built it all—they have the experience, money and political skill to move things in the region.”

From Japan’s perspective, America’s approach to South-East Asia is too inflexible. The Americans avoid state-owned enterprises, but in much of Asia, it is hard to find purely private-sector projects, says Maeda Tadashi, governor of the Japan Bank for International Co-operation. Emphasising competition between democracy and authoritarianism impedes closer co-operation with countries such as Vietnam, a communist dictatorship that has an important strategic role. Demanding allegiance to cold-war-style blocs is anathema to many. “They don’t like to be forced to choose between China or America,” says Kitaoka Shinichi, president of the Japan International Co-operation Agency.

Nor, for that matter, does Japanese business. “I do not want to be on the US side,” says Mr Yanai. “I do not want to be on China’s side either.” China accounted for 22% of Japan’s exports in 2020, while America took 18.4%. That has informed the government’s approach to decoupling, which is decidedly selective. Mr Amari, who has spearheaded economic-security policy, says Japan’s focus is on reducing risks from “choke-points”, such as medical equipment and semiconductors. TSMC, a big Taiwanese semiconductor manufacturer, was lured this year with big subsidies to build a foundry in Japan.

More sensitive industries are girding for further divisions. Nakajima Norio, boss of Murata, a manufacturer of high-end electronic components that once counted both Apple and Huawei as big customers, reckons the worst case may mean developing separate supply chains or even separate legal entities to work for clients on both sides. Less sensitive industries continue to press ahead. Mr Yanai’s Uniqlo has just opened a flagship store in Beijing and plans to build 100 new stores in China every year.

Japan can teach America lessons on “how you diminish some vulnerabilities, while still not talking about wholesale decoupling”, says Mireya Solis of the Brookings Institution think-tank. America might try to learn from Japan on trade policy as well. Where Japan was once a laggard, it has undergone a dramatic evolution since deciding to join the Trans-Pacific Partnership (TPP) in 2011, and ultimately rescuing it when America under Mr Trump pulled out in 2017. “We saw Japan transform from rule-taker—doing what it was pressured to do—to rule-maker,” says Wendy Cutler, a former deputy United States trade representative.

Japan’s new leadership in the region is facing its first real test with duelling bids from China and Taiwan to join what is now the CPTPP. It is indicative of the trials that await in the Reiwa era. The delicate balancing act with China—deterring but not provoking, enjoying the fruits of its market while denouncing the ills of its politics—will be harder to sustain. Officials reckon that Xi Jinping has not yet decided what to do with Japan. But they worry that may change, especially if China’s economy stalls. Japan remains an ideal target for nationalist passions: in China, memories of its wartime atrocities are still potent.

However, Japan’s new activism abroad will also be significantly constrained by its own domestic limitations. It has chosen to become more proactive internationally at a time when its relative economic strength is slipping. Its economy is still the world’s third-largest. But the trajectory will force difficult choices about priorities. Back on Yonaguni, China is not the only potential disaster on Mr Itokazu’s mind. ■

Japan has a chequered record on climate change

Prepared for disaster, unprepared for climate change



KARASHIMA YUKARI sits before a colour-coded map. She points out homes that were inundated by floods in Saga prefecture in August, for the second time in two years. Ms Karashima, who works at the Peace Boat Disaster Relief Volunteer Centre, a non-profit, spends much time rushing to scenes of crisis, staying long after the television cameras have gone, scrubbing mould from wet walls and training residents to prepare for the next disaster.

There is plenty to keep her busy. Japan is a “department store of natural hazards”, says Nishiguchi Hiro of Japan Bosai Platform, a group of firms that develop disaster-related technologies. Few countries have been shaped so much by hazards and disasters. Besides earthquakes and tsunamis, there are typhoons, floods, landslides and volcanic eruptions. Japan has had to learn to live with risks, making it a laboratory for resilient societies. “The concept of resilience is key to what others can learn from Japan,” says Rajib Shaw, a disaster expert at Keio University in Fujisawa.

As the threat from natural hazards grows, from climate change-fuelled fires to zoonotic pandemics, the world must live with more risk. The countries that fare best will be the resilient ones. In “The Resilient Society”, Markus Brunnermeier, an economist from Princeton University, argues that “Resilience can serve as the guiding North Star for designing a post-covid-19 society.”

The biggest lesson from Japan is the value of preparation. As Ms Karashima says, “It’s too late if you start acting after the disaster happens.” That this sounds banal in much of the world makes its absence more striking. Of \$137bn provided in global disaster-related development assistance from 2005 to 2017, 96% was spent on emergency response and reconstruction, less than 4% on disaster preparedness. Donors prefer high-profile rescue work; the media cover disasters when they happen, not when they do not. Many governments treat prevention as a cost, not an investment. But natural hazards are not always disasters. “The hazard becomes a disaster when the coping capacity is too weak,” says Takeya Kimio, an adviser to Japan’s overseas development agency. In 2015 he promoted the “Build Back Better” concept in the UN Sendai Framework, a global pact on disaster-risk management.

It is a lesson learned through bitter experience. The Ise Bay Typhoon, which killed 5,000 people in 1959, prompted the first disaster-management reforms. Another round came after the Kobe earthquake in 1995, which killed 6,500 and left more than 300,000 homeless. The government now has pre-arranged contracts for repairing infrastructure, allowing post-disaster reconstruction to begin fast without going through cumbersome procurement processes, says Sameh Wahba, of the World Bank's disaster-management programme. Local governments stockpile essential goods in schools and community centres. Parks have benches that can be used as stoves and manholes that become makeshift toilets. Across Japan, every day as dusk falls, folk tunes spill out from neighbourhood speakers—a charming element of local life, but also a means of testing alert systems.

Building safer

The government focuses on engineering-based solutions. Such investment, along with improvements to building codes, has reduced risks. That most structures built to new standards withstood the 9.0 magnitude Great East Japan Earthquake in 2011 that triggered a big tsunami and nuclear meltdown is testimony. “If not for Fukushima, it is the biggest averted disaster in history,” reckons Francis Ghesquiere of the World Bank.

But one cannot discount Fukushima. This nuclear meltdown points to another lesson: that over-reliance on technology can create a false sense of security. Officials who believed sea walls would protect them ignored scientists’ warnings about the plant’s location near a major fault line. Regulators who were too cosy with the nuclear industry overlooked the placing of the plant’s backup generators in a basement. When the earthquake knocked out the main electricity lines, the tsunami overcame the sea walls and flooded the generators, cutting power to the water pumps, leading the reactors to overheat. Even the best hardware can fail.

The software is as essential as the hardware. When Shimizu Mika, a resilience expert at Kyoto University, was a child in Kobe in 1995, citizens were unprepared. "We used to have a drill in schools, duck and cover, and then nothing else," she recalls. Now people realise disaster risk is everyone's business. A cabinet-office survey before the pandemic found a majority had discussed household disaster plans in the preceding year or two. Both the private sector and civil society, which blossomed after Kobe, have invested in disaster preparedness. The key is making this participatory and citizen-led; the goal is not simply imparting knowledge of evacuation routes, but strengthening ties within a community.

Research suggests such efforts are more than feel-good fests. When disaster strikes, social capital makes a big difference in survival and recovery rates, argues Daniel Aldrich, director of the resilience-studies programme at Northeastern University. He points to the neighbourhoods of Mano and Mikura in Kobe. Both had similar demographic and physical characteristics, but Mano had more social capital, thanks to a history of activism and community events. When the earthquake hit, residents in Mano self-organised to fight fires; those in Mikura did not. More than 15 years later, NGO density is a better predictor of population recovery rates than income or public spending, Mr Aldrich contends.

The Reiwa era will test these personal ties. One reason is climate change. On Yonaguni, typhoons have become “highly unpredictable”, says Mr Itokazu. Perversely, Japan’s history of disasters has made it a laggard on climate change. With so many old hazards, the new ones have not generated as much urgency as elsewhere, laments Koizumi Shinjiro, a former environment minister. The Fukushima meltdown has kept environmentalists focused on anti-nuclear campaigns, rather than climate change.

The nuclear disaster also paralysed energy policy. Although the government has pledged to reach net-zero emissions by 2050, it has yet to provide a credible plan for how to get there. Its interim maps depend on restarting large numbers of mothballed nuclear plants, an unlikely prospect given popular resistance. Leaders have avoided frank discussions with the public about the trade-offs. Meanwhile, Japan will continue to consume lots of fossil fuels, including coal.

Another difficulty is the “changing landscape of vulnerability”, says Mizutori Mami, head of the UN office for disaster-risk reduction. The elderly, of whom Japan has growing numbers, are at most risk. That was a lesson from the floods two years ago, says Ms Karashima; this year, her team had lists of those who could not reach evacuation shelters and needed help. The pandemic led even more people to remain at home. Adapting to a future when multiple hazards may hit at once will require a flexibility that the Japanese system lacks.

Earthquakes remain the greatest threat, particularly in and around Tokyo. The government reckons that in the next 30 years there is a 70-80% chance of a severe earthquake and tsunami in the Nankai Trough, a zone south of Japan's main island. It may strike where the population and economy are concentrated, crippling industry and roiling global supply chains. The death toll could reach as many as 323,000 (the earthquake and tsunami in 2011 took some 20,000 lives); one study reckons it could lop 11.1% off GDP (a loss 4.5 times bigger than in 2011). "It would challenge the survival of Japan as a state," says Fukuwa Nobuo, director of the disaster-mitigation research centre at Nagoya University. It would also devastate one of the world's great cities, again. ■

The big city that is also pleasant to live in

Surprisingly, the world's biggest city is also one of its most liveable



Getty Images

“ONLY THUMBS stood up from the flatlands—the chimneys of bath-houses, heavy house safes and an occasional stout building with heavy iron shutters,” wrote Russell Brines, the first foreign journalist to enter Tokyo after the second world war. From a pre-war population of 7m people, only 3.5m were left. As Tokyo rebuilt, the city was rife with violence and slum-like living conditions. Ahead of the 1964 Olympics, officials rushed to spruce up the infrastructure and clean up the streets, clamping down on then-widespread practices such as public urination.

Tokyo is now the world’s largest city, with 37m residents in the metropolitan area and 14m in the city proper. It is also one of the world’s most liveable, with punctual public transport, safe neighbourhoods, clean streets and more restaurants and Michelin stars than any other. In the liveability index of the Economist Intelligence Unit, our sister group, Tokyo comes joint fourth, but its population is larger than the combined populations of the others (Adelaide, Auckland, Osaka and Wellington). “It’s possible to have a liveable city at any scale—Tokyo proves that,” says Gabriel Metcalf, at Committee for Sydney, an Australian think-tank.

It offers lessons to developing cities elsewhere. In 1950, 30% of the world's population was urban; by 2050, 68% will be. Much remaining growth will be in megacities of more than 10m in Asia and Africa. There are 33 such cities now; by 2030 there will be 43. As Tokyo grapples with what to do when cities age and shrink, it can also serve as a case study for other rich cities.

Tokyo's liveability is a product of planning's successes but also its failures, argues Jordan Sand of Georgetown University. One success was public transport. After the Meiji restoration, the government put rail ahead of roads, expanding networks through the city and then underground. Even as large firms in America built headquarters in suburbs, in Japan they clustered around transport hubs, incentivising the use of trains and subways, says Okata Junichiro of the University of Tokyo. That helped make Tokyo polycentric, with many hubs, not one.

Around those hubs grew dense, mixed-use neighbourhoods. That was the planning “failure”. After the war, city planners sought to impose zoning as in the West, as they had after the Great Kanto Earthquake of 1923. But the government’s resources were too limited and Tokyo’s growth too rapid to control the process. Japan instead developed lax zoning codes, which allow pretty much anything to be built, rather than prescribing what is permitted. Historically, this model “was part of a modernist ethos to separate functions, to say work happens here, living happens here”, explains Mohsen Mostafavi of Harvard’s Graduate School of Design.

In recent years there has been a “paradigm shift” in how Tokyo is perceived, says Christian Dimmer of Waseda University, Tokyo. Scholars find evidence that, as Tokyo grew, neighbourhoods developed gradually, and became more equal, rather than stratified. In one study, Benjamin Bansal, a Bangkok-based independent researcher, shows that differences in living space per head and other indicators between the city’s 23 central wards have declined during Tokyo’s rapid growth from 1955 to 1975. Activists in the West also note that Tokyo has avoided the housing crises of many rich countries; some reckon permissive zoning made a big difference.

What once were problems now seem virtues. “[Mixed-use neighbourhoods] have proved very resilient,” says Murayama Akito at the University of Tokyo. Consider the work of Jane Jacobs, an American urbanist who railed against planning in the 1960s. “Intricate minglings of different uses in cities are not a form of chaos,” she wrote in “The Death and Life of Great American Cities”. “On the contrary, they represent a complex and highly developed form of order.” Tokyo has many qualities she championed, says Mr Dimmer: “Social capital, eyes on streets, self-management and self-government, people of many walks of life rubbing elbows in public spaces, a mix of old and new buildings.”

The pandemic underlined the value of such qualities. “We became aware of what is there in the square mile around us,” says Rahul Srivastava, co-founder of Urbz, a Mumbai-based research collective. For Mr Srivastava and Matias Echanove, another co-founder, such qualities make Tokyo a model for megacities. Their study of Tokyo informs their work in Dharavi, a poor part of Mumbai, where they advocate what Mr Echanove calls a shift from a “less is more” ethos that sees poorer neighbourhoods as problematic districts to be razed and rebuilt, to a “mess is more” ethos that embraces gradual, *in situ* development.

Tokyo is still growing, but it is also ageing and its population is projected to decline after 2025. “The urbanisation process is finite,” argues Andre Sorensen of Toronto University. “Japan is the first country to see that.” The shrinkage has already begun in Tokyo’s suburbs, where developers once attracted hordes of baby-boomers to freshly built housing complexes. Now, the boomers are getting old and their children have left. Vacant properties, known as *akiya*, are proliferating. Accessing public transit has become more difficult for the elderly.

Technology can help. As Tokyo thinks about “downsizing” public services, big data will matter, says Koike Yuriko, its governor. The city already has granular readings from smart water meters: during football matches at the Olympics, officials could tell when half-time hit from the uptick in flushing toilets. Such data may help make water provision more efficient, and could even be used to flag potential problems with elderly residents who live alone, according to Ms Koike.

Some suburban communities have tried to attract younger residents with promises of cheap property and plentiful space. A handful of developers have shifted to trying to revive such areas. But the sad reality is that some suburbs will survive and others decay. That process is even more obvious in distant regions. ■

An ageing country shows others how to manage

Japan has aged faster than anywhere else, but it is learning how to cope



EVER SINCE 1495 residents of Gojome, a town in northern Japan, have gathered for a morning market. On a recent weekday, along a street of closed shops with almost no people, elderly sellers lay out their autumnal wares: mushrooms and chestnuts, okra, aubergines and pears. It was not always so empty, sighs Ogawa Kosei, who runs a bookshop on the street. He points to pictures his father took that show the scene packed with shoppers.

The population of Gojome has shrunk by half since 1990. More than half its residents are over 65, making it one of the oldest towns in Akita, the oldest prefecture in Japan, which is in turn the world's oldest country. Yet Gojome is less an outlier than a portent. According to the UN, every country is experiencing growth in the size and proportion of its elderly population; by 2050 one in six people in the world will be over 65, up from one in eleven in 2019. The UN also projects that 55 countries, including China, will see their populations decline between now and 2050.

Demographic change has two drivers often lumped together: rising longevity and a falling birth rate. Their convergence demands “a new map of life”, says Akiyama Hiroko, founder of the University of Tokyo’s Institute of Gerontology.

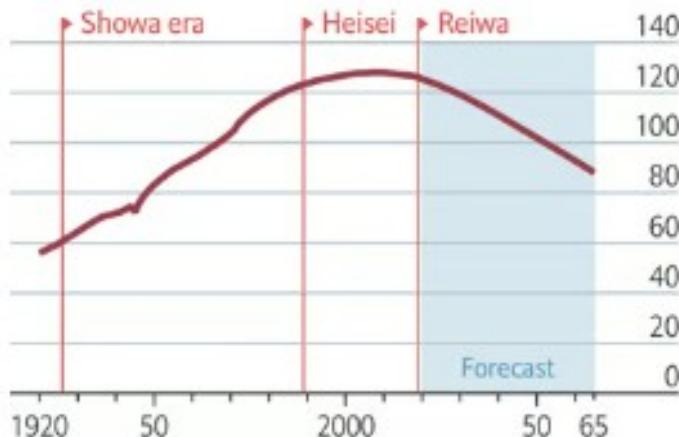
Infrastructure created when the population was younger and the demographic pyramid sturdier must be redesigned, from health care to housing to transport. The new reality demands a “completely different way of thinking”, says Kashiwa Kazuyori, head of Gojome’s town-planning department. When he started work in the 1970s, the focus was on growth. Now it is about managing decline.

Part of the challenge is that demographic change affects everyone differently. Two towns or regions may look similar from a distance, but have distinct historical, cultural and environmental conditions; two individuals may be the same age, make the same money and live on the same street, yet have different mental and physical health. “We often miss the context,” says Kudo Shogo of Akita International University. He is one of scores of young outsiders who have been welcomed to Gojome, which was a trading hub at the crossroads of farm districts. Comparable farm-focused neighbours have been less open to incomers.

That makes designing national policy difficult. “There’s not a one-size-fits-all model,” says Iio Jun, a political scientist at GRIPS. While the national government is responsible for finance, including pensions, the new map of life is best drawn from the ground up. Many ideas come from listening to citizens, says Ms Akiyama. “They know what the issues are—and many times they know how to solve them.”

Rise and fall

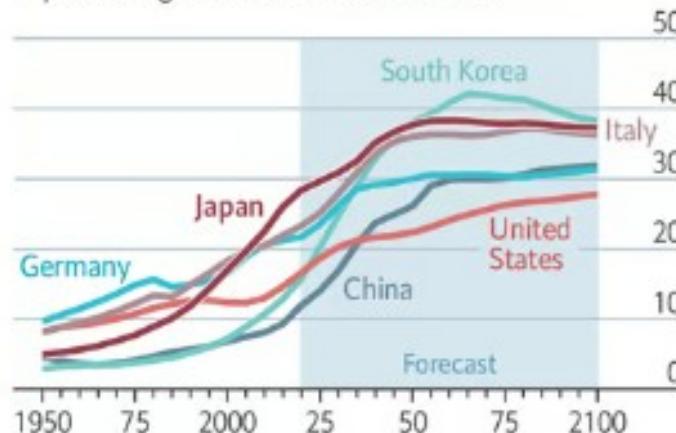
Japan, total population*, m



Sources: UN World Population Prospects;
National Institute of Population and Social Security Research

Old-age dependency ratio

Population aged 65 and over as % of total



*1945-71 population excluding Okinawa Prefecture

One issue is how ageing is discussed: as a problem or a burden. “Older people feel they’re not needed by society,” laments Hatakeyama Junko, the 70-year-old head of Akita Partnership, a non-profit that manages a community centre. Longevity is not itself a problem—it should be celebrated. The problems arise when people live long but unhealthy, lonely, or dependent lives. The goal in Japan has shifted from increasing life expectancy to enhancing the “healthy, autonomous life expectancy”, says Ms Akiyama.

This means finding ways for old people to keep working. Nearly half of 65- to 69-year-olds and a third of 70- to 74-year-olds have jobs. Japan’s gerontological society has called for reclassifying those aged 65-74 as “pre-old”. Ms Akiyama speaks of creating “workplaces for the second life”. But the work of the second life will differ from that of the first; its contribution may not be easily captured in growth statistics. “We have to seek well-being, not only economic productivity,” Ms Akiyama says. Experiments abound, from municipalities that train retirees to be farmers, to firms that encourage older employees to launch startups. The elderly “want dignity and respect”, says Matsuyama Daiko of the Taizo-in temple in Kyoto, which has a “second-life programme” that offers courses for retirees to retrain as priests.

The other key is staying healthy, physically and mentally. Wiser municipalities focus on preventive care. At the Kadokawa Care Centre, a sleek facility in a former school in Toyama, north-west of Tokyo, septuagenarians, octogenarians and nonagenarians splash through a swimming pool and pump away at exercise machines. “If not for this place, I’d be in a nursing home,” gushes Kyoda Taketoshi, an 82-year-old. The socialisation is no less important. “It cost a lot to build this place, but it was worth it,” says Saito Yoneaki, 80, before skipping off to join friends in the sauna. Although Japan’s healthy life expectancy trails overall life expectancy by eight to 12 years, the gap fell slightly between 2010 and 2016.

The birth rate is harder to change. It fell to 1.34 in 2020, far below the 2.1 needed to keep a population stable. Even if Japan could raise it, rural areas would still struggle. One study reckons more than half of Japan’s 1,700 municipalities could vanish by 2040, as young people, especially women, leave. Yet though a return to growth is unlikely in most regions, there is an alternative to outright disappearance: a critical core of newcomers. Even a handful of transplants can revitalise an ageing town without replacing the population entirely, notes Mr Iio.

Gojome is a good example. Although the population has been shrinking, “a new wind is blowing in the town”, says Watanabe Hikobe, its mayor. Over the past decade a small group of young outsiders has arrived, drawn by visions of a slow, bucolic life, and the chance to try new models of untethered work and communal living. Yanagisawa Ryu, a 34-year-old with a computer-science degree from Japan’s leading university, ditched his job in Tokyo and became a “social entrepreneur”. He oversees Babame Base, a business hub in an empty school in Gojome that hosts a graphic-design studio, an ecotourism outfit, a local doctor and a firm that trains farmers to use drones, among others.

Such “urban migrants” are still a relative rarity. Mr Yanagisawa admits his university friends find his lifestyle choices “weird”. But in many ways, they are the vanguard. “Rather than trying to recreate the past, we have to think: what kind of community, what kind of town do we want now?” says Mr Kudo. They are not the only outsiders moving in. ■

Japan's economy is stronger than many realise

Not bad, but could be better



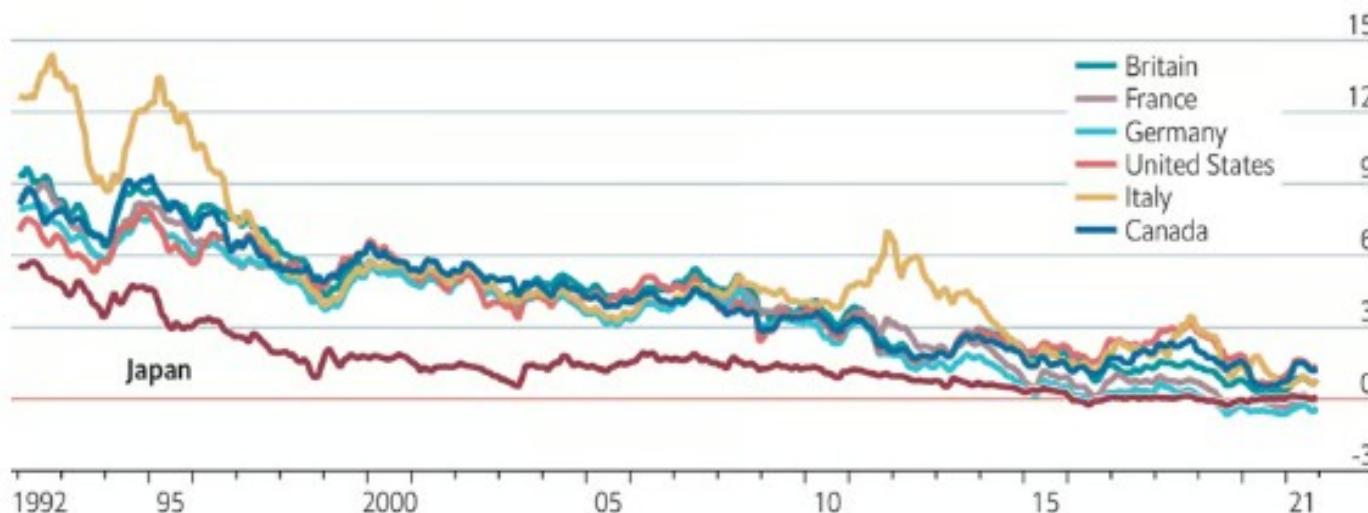
“THE MOST decisive mark of the prosperity of any country is the increase of the number of its inhabitants,” wrote Adam Smith in “The Wealth of Nations” in 1776. Later David Ricardo and Thomas Malthus traded barbs over whether the food supply would keep up. By 1937 John Maynard Keynes was warning of future population decline, with deleterious economic effects.

Japan is the canary in this coal-mine. In the 1980s its booming economy struck fear in the world. After the bubble burst in the 1990s, public debt ballooned and deflation set in. Many in the West said Japan’s debt was unsustainable and the Bank of Japan (BOJ) should do more to boost inflation. In 2013 the BOJ’s governor, Kuroda Haruhiko, embarked on dramatic monetary easing. The debt hovered around 230% of GDP. A strange thing ensued: no fiscal crisis struck, nor did inflation come near the 2% target. “The standard textbook on macroeconomics needs an additional few chapters—it doesn’t capture the problems Japan faced,” says Shirakawa Masaaki, Mr Kuroda’s predecessor.

Many rich countries now face similar “secular stagnation”: low inflation, low interest rates and low growth. Although higher inflation has emerged recently, financial markets suggest secular stagnation will return soon. Demography is a big factor; Japan simply started ageing and shrinking earlier. As Japan has adapted and others have become more like it, some economists are seeing its economy in a new light.

Into the trough

Ten-year government-bond yields, %



Source: OECD

The Economist

Debt has not turned out to be such a problem. “What we thought used to be fiscal limits are no longer fiscal limits,” argues Adam Posen, of the Peterson Institute for International Economics (PIIE) think-tank. “[Japan] has forced people to confront reality: the interest rate can stay below the growth rate for very long periods.” The public debt has been above 100% of GDP for almost 25 years without causing a crisis.

It helps that the country borrows in its own currency, the government has big financial assets and the BOJ holds a big share of the debt. But as David Weinstein of Columbia University argues, Japan has also managed to contain spending. Since 2000, he writes in a paper with Mark Greenan, spending per head on the elderly has actually fallen. “There’s a quiet functionality that people miss,” says Mr Weinstein. “Markets are sanguine because Japan has a rare ability to adjust.” With low marginal tax rates, there is also room to raise revenues.

Some still fear what would happen if interest rates were to go up. The argument that Japan need not worry about its debt because it can respond by levying taxes is “too academic”, says Yoshikawa Hiroshi, president of Rissho University. Raising consumption taxes is a political loser. Policymakers are also haunted by the spectre of external shocks that create new fiscal needs. Recently Yano Koji, a vice-minister of finance, caused a stir with a column comparing the country’s fiscal situation to the *Titanic*.

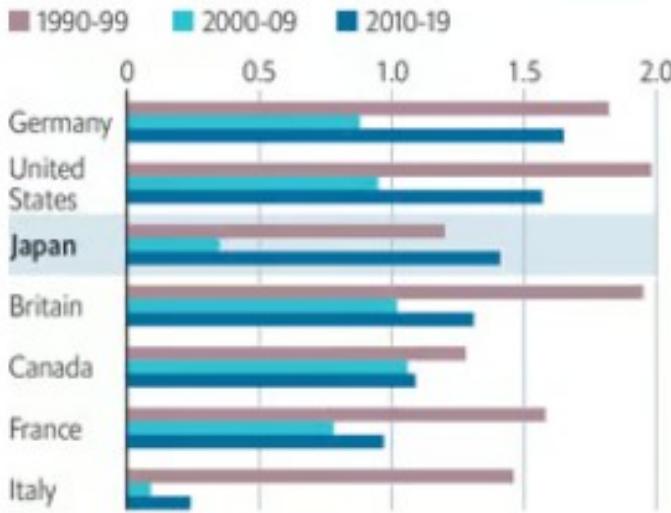
Seeking fiscal space

Yet some reckon fiscal policy ought to be used more forcefully. Many now regret two ill-timed consumption-tax increases in 2014 and 2019. Mr Abe's preferred candidate in the recent LDP leadership race called for postponing the government's primary-balance target until the BOJ hits its inflation target. In late November Mr Kishida's government announced a huge fiscal stimulus worth ¥55.7trn (\$483bn).

Getting inflation up has not proved easy. Under Mr Kuroda, the BOJ expanded quantitative easing, adopted inflation targeting, and purchased a wider variety of assets. That helped pull the country out of its mild deflation, but only barely. "We misunderstood the inflation issue," says Mr Posen. "It turns out that secular stagnation is far more real and persistent than we thought."

An average performer

GDP per person*, average annual % increase



Source: OECD

The Economist

*At constant prices

Once inflation expectations are anchored around zero, raising them is hard. Moreover wages have not risen much, despite a tight labour market. Unions prefer stability of employment to wage rises, reckons Nakaso Hiroshi, a former deputy governor of the BOJ. Companies have gradually taken on more “non-regular” workers on part-time contracts; they account for 40% of the labour force, twice as much as in 1990. Perverse incentives may help depress their wages: many women limit their hours or incomes to secure a tax deduction for married couples earning below a threshold.

Ageing, shrinking populations may also be weighing on demand and thus inflation. For Mr Shirakawa, that is a vindication of sorts. He argued at the BOJ that deflation was more a symptom of factors causing low growth, not the cause. In a new book, “Tumultuous Times”, Mr Shirakawa says the impact of demographic change on growth “is still under-appreciated”.

Overall growth has remained sluggish, but growth per head has recently been comparable with others in the G7. Unemployment has been minimal, longevity has increased and inequality has stayed relatively low. “Maybe Western economists who were so critical of Japan circa 2000, myself included, should go to Tokyo and apologise to the emperor,” Paul Krugman, an economist, tweeted in 2020. “Not that they did great; but we did much worse.”

Yet Japan could still do better. Public spending should be aimed more at improving long-term growth. Economists in Tokyo fret that the government has wasted its pandemic stimulus on handouts: a study by Hoshi Takeo of the University of Tokyo finds that fiscal support in 2020 was more likely to go to companies that were already struggling before covid-19.

Boosting productivity could help to offset the impact of the shrinking population. Mr Yoshikawa reckons that innovation is key to growth, and that ageing creates new problems that entrepreneurs can solve. Generational shifts may help. While many still prefer stable *sarariman* (salaryman) jobs in big firms, some of today’s brightest graduates go into startups. “There is a burgeoning wave—they are a different species,” says Mr Niinami. But structural reforms are necessary too, particularly to the inflexible labour market. It should be easier for workers to move between firms and industries, and harder for firms to exploit non-regular workers.

Yet pressure for reforms is lacking, partly due to resistance from vested interests, but also because life remains comfortable enough. “It’s not an acute disease, it’s chronic,” says Mr Nakaso. “You don’t really feel the pain, but it impacts your health in the long-term.” This could be treated. As Mr Posen puts it, “There are 10,000 yen notes lying on the ground waiting to be picked up.” Will Japan’s leaders grab them? ■

Letting more migrants in by stealth

From a low base, immigration is growing quite fast



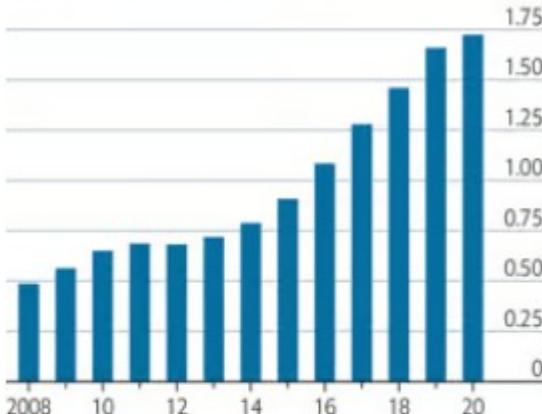
TAKEUCHI MASANOBU has a message for his compatriots: “If you order something, it arrives on time, if you go to the convenience store, you have cheap, good, food—that’s all sustained by foreigners.” Across Japan, foreigners are key in industries from farming to retailing. Vietnamese can be found in the fields of Yonaguni and the factories of Hokkaido. Chinese and Uzbeks man counters in Tokyo’s convenience stores. In Gunma Nepali staff help ageing proprietors of inns carry the *futon*. “They are the labour greasing the wheels of Japan’s convenience,” says Mr Takeuchi, a lawyer in Fukuoka, where one in every 55 workers is foreign, up from one in every 204 in 2009.

Japan may lack an immigration policy, but plenty come in by stealth. The number of foreign workers has trebled in a decade, albeit from a low base. Yet the system is rife with abuse, shown by the death this year of Wishma Sandamali, a 33-year-old Sri Lankan woman detained for overstaying her visa. The pandemic did not help: border controls left thousands stranded abroad. The government has hinted that it may allow low-skilled workers to stay permanently, but it has not taken up the cause of broader reform.

Local leaders express more openness to foreigners than the stereotype of Japan as a *shimaguni* (island nation) suggests. “It’s key to bring in people from outside the prefecture, including those from overseas, to bring in new perspectives,” says Satake Norihisa, governor of Akita. “People with different backgrounds make Tokyo only more attractive,” says Ms Koike, its governor. “If they’re sincere and good people, I have no concerns about them coming—give them land and let them live here,” says Mr Itokazu, mayor of Yonaguni. “It doesn’t matter which country you’re from, we are all descended from apes.”

On the up

Japan, number of foreign workers, m



Source: Ministry of Health, Labour and Welfare

The Economist

earlier.

Yet “there’s a limit to what local governments can do,” laments Toyama’s governor, Nitta Hachiro. Businesses must handle their own language training and social integration. Many foreigners are left without the support they need. The government “leaves the doors wide open for foreigners, but refuses to position Japan as an ‘immigration nation’,” says Hisamoto Kizo, Kobe’s mayor. Presented with a choice, voters may decide the risks of immigration outweigh the benefits. But a frank national discussion is long overdue.

Forward-looking business leaders agree. “This is the time to define a better immigration policy,” says Mr Yanai, Fast Retailing’s founder. Attracting high-skilled workers is “key” to future competitiveness, says Niinami Takeshi, boss of Suntory, a drinks firm. Noda Seiko, from the LDP’s liberal wing, says it is time to consider ending the idea of “Japan as a country for Japanese people”. The public is becoming more open to foreigners. Familiarity helps. Nearly 32m foreigners visited Japan in 2019, up from fewer than 7m a decade

The future could be brighter

It could be a lot better with younger and more dynamic political leaders



THE FIRST general election of the Reiwa era went smoothly. Voters shuffled into polling booths, cast ballots, and gave the LDP a victory, as they have done all but twice since the party's founding in 1955. In one sense, it is a story of stability, despite frustration over the pandemic and worry about the future. Yet in an election with little competition, it is unclear what voters chose.

In the past, competition came from factions within the LDP, says Gerald Curtis of Columbia University: "There was lots of corruption and money politics, but there was a real dynamism." But factional influence has waned. The opposition offered competition for a time, even winning power from 2009 to 2012. But after the disaster on its watch, it has become like the *akiya* that dot Japan's countryside: no price is low enough to entice voters. The marketplace for ideas in Japanese politics has broken down.

Without a threat of losing power, any ruling party becomes unaccountable. Demographic change exacerbates things: some 20% of local politicians are elected without a contest. The result is a government that, in many ways, does not look or think like its people. Less than 10% of new Diet members are women; just three out of 21 cabinet ministers are. Only two are under 50. Dynastic politicians still dominate.

Society is changing faster than established powers. Japan is in the midst of a quiet transformation, argues Hosoya Yuichi, a political scientist: “There is a new wind, but within an old-fashioned structure.” On social issues from gay rights to family law, the LDP is out of step. Many voters feel they cannot change the system, which drives some into business or civil society, not politics. “People are kind of giving up on the country,” says Mr Yanagisawa from Gojome. “Maybe it’s not our issue to think about the country, maybe we should just think about the community.”

The absence of competition creates little incentive for political leaders to take risks. Politicians often lament the lack of “animal spirits” in Japanese business. But the Diet could use some too. Local leaders, especially in ageing regions, feel more urgency. “We can’t just rely on old models or past experiences,” says Mr Satake, Akita’s governor.

Enter Kishida

Mr Kishida, the new prime minister, touts a “new model of capitalism”. But so far it looks like the old one. He also likes to boast of his listening ability, doubtless an admirable quality. What Japan really needs are leaders with vision. Whether Mr Kishida and his successors can demonstrate this will determine if it emerges from the Reiwa era as a model or a cautionary tale.

They should keep three risks in mind. One is external shocks, such as natural hazards and nasty neighbours. A second is internal: today’s mild frustration could turn into something worse. Japan has largely avoided populism and polarisation. But nothing makes it immune to internal divisions. Only 60 years ago Japanese fought in the streets over the security treaty with America. And then there is the risk of aimless drift. Polls find roughly two-thirds of respondents reckon their lives will be “similar” in the future (9% think they will get better, 27% that they will get worse). Complacency could yet rob the country of a brighter future.

The world, in turn, would be wise to pay more heed. Japan used to capture attention mainly as a threat, first in military terms, then in economic ones. Since its “lost decades”, it has fallen out of the headlines. It now generates global interest mostly as a cultural dynamo, a travel destination or a source of tales of “weirdness”. But supposedly unique Japanese phenomena have a habit of appearing elsewhere. Excessive focus on the mystique of Japaneseness obscures how the country is changing, and how policy choices shape this.

It is time to retire the narrative of a stagnant, isolated country in terminal decline. Japan is central to this century’s geopolitics; its international role belies the outdated stereotypes. Big disasters forced the country to change; as a result, it has become more resilient to natural hazards than most. It does not have answers to all the challenges of demographic change or secular stagnation, but it has so far done better on the front line than is often recognised.

Japan should be looked upon as a laboratory for studying shared challenges. The world has an opportunity to draw insights from its successes and its failures. It would be better off if it assimilated more from the outside world. The lessons of the Reiwa era will differ from those of Showa or Heisei, but they will be no less valuable. Japan is no longer Number One, but it still has plenty for the world to learn from. ■

