Transcript Q&A

Lessons from Japan's Disaster

Dr Yoichi Funabashi
Journalist; Chairman, Rebuild Japan Initiative Foundation

Professor Heizo Takenaka
Professor, Faculty of Policy Management, Keio University; Former State Minister for Economics and Fiscal Policy, Japan

Chair: Oliver Morton
Briefings Editor, The Economist

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**Question 1:**
I wanted to hear a little bit about the specifics of how a large company would organize getting replacement components for those that cannot be supplied during the disaster? Did they already have a contingency plan? And if so, anyway, how did they go about recovering production from components that might have been lost due to the disaster?

**Oliver Morton:**
Which of you would care to take that? Okay, Professor, start on that one. [Laughter]

**Heizo Takenaka:**
Well, maybe you are talking about the supply chain or [incoherent] contingency plan issue. Well, there was efforts already done by many companies. Even before the disaster, for example, automakers had this kind of contingency plan, but, for example, in the case of [incoherent] automakers, one part will be purchased from A company, and from B company. Just already, they already had a kind of plan, they found this time A company and B company purchased their parts from C company commonly. So, now they are concerned with how to map the details of the supply chain. It is difficult even for them to understand, maybe.

So, still they are reviewing that, but the problem, if any, will be not only big companies, but also small businesses are now concerned with that issue: business contingency plan. According to the survey of the government, as far as big companies are concerned, 70% of companies already have this kind of contingency plan, so this will be spread even for the small businesses.

**Oliver Morton:**
Lady in blue at the back.

**Question 2:**
My field is catastrophic risk. Coming to the very important question of debris, and the 22 million tons plus... TEPCO, I felt, used some very effective silt dams to contain radiation contamination in water. I had wondered if there was any part of Japan where there were inlets not subject to serious tsunami risk
where the silt dams might allow you to use your natural sea environment to actually let your debris rest in sea water and be protected. At the moment, the temporary management is obviously a tremendous problem in your arenas, and it is not necessarily safe. As well as that, the attempts to recycle might put some interesting Caesium-137 results into your manufactured products, you know, by error. So, I was wondering if you have any innovative thoughts about what you are going to do with the debris, because it is obviously holding back recovery quite considerably?

**Oliver Morton:**
You want to give that a bash?

**Yoichi Funabashi:**
Yes. I am not too familiar with the specifics, but I think politically it is very difficult. The Fishermen's Union Association [Japan's Fishers Association] is politically very powerful, and they do not want to get their waters being compromised by debris. Certainly, you know, the debris in Fukushima area, some of them must be contaminated with the radiation. But I think it would be very difficult for the other prefectures to receive a transfer of debris simply because of the people's fear of the contamination, of radiation. So, out of the 22 million tons, only 4 million tons have found a way to be disposed elsewhere.

Professor Takenaka knows much better than I do because he did a civil survey on Goto Shimpei's enterprise to revitalize Japan in the wake of that Kanto Great Earthquake in 1923, but I don't know how many people here have ever stayed in the New Grand Hotel, in Yokohama, near Yamashita Pier. Yamashita Pier actually was built by the debris of Kanto Great Earthquake. So, there must be some way to really harness that debris for some new ways of infrastructure in Japan, but so far I have not seen any new, resourceful, ingenious way of disposing of debris.

**Oliver Morton:**
The gentleman back there.
Question 3:
I have a question for Dr Funabashi on the impact for the tsunami on Japan's relationship with China. 2010 was a pretty bad year for China-Japan relations with the fishing boat incident, I believe that when the earthquake and the tsunami came along, in the immediate aftermath China was quite supportive in providing help. Did that lead to a longer-term improvement in the relationship, or has it gone back to being as difficult as it was before the tsunami?

Yoichi Funabashi:
I think you are right in saying that 2010 was perhaps one of the worst years in terms of the Sino-Japan relationship as we had Senkaku [Islands] shock, various confrontations, and others. Did March 11 really change the equation of that relationship? I don't think so. Basically, I think that that relationship still is relatively difficult to manage, but at the same time many Japanese companies have actually moved their production capacity into China in the wake of March 11, partly because of their fear of electricity instability in Japan, but perhaps more than that, because of that higher yen appreciation.

What we are witnessing now is a massive relocation of the Japanese manufacturing base, leaving Japan much more hollowed after March 11, and China is one of the most promising destinations for that relocation and investment. But I think that China's wage rise, and perhaps some social instability in the coming years, may perhaps rethink… to get that Japanese business kept in, so rethink of their investment in China as before. Already China's wage is twice as high as Vietnam, and five times as high as Myanmar. So, I think that wage level would be perhaps a more determinant factor in the coming years.

Oliver Morton:
Gentleman at the front, here.

Question 4:
I was particularly impressed with your comment on nostalgia. After Chernobyl, I organized a committee based on the idea that the human species is rather too stupid, except in periods of heightened consciousness, to deal objectively with the risks it is taking. I downloaded hundreds of pages from the press all
over the world as Fukushima was going on, and there was an amazing eloquence, all the countries in the world produced journalism of very high standards, which lasted for several weeks. There was also a lot of encryption of a certain criminal elements of this gigantic dumping of Caesium isotopes into the Pacific, environmental protection agency records that were suppressed about contamination of American water.

You seem to be implying that Japan, which is the most respected – along with Germany – country for technological expertise might be abandoning this whole project altogether? I mean the Germans seem to be moving towards that; do you feel that that could happen in Japan?

Yoichi Funabashi:
I thought of that scenario about seven or eight months ago; I do not now. Even though I think Japan still is confronted with the enormity of the challenges such as how to deal with that wasted materials, a back-end problem, [incoherent] for instance, yet I think that the people are so fearful of disruption of the rapid pace of this dependence on nuclear energy.

Others feel that, Japan being a viable nuclear energy country, forms some social power for Japan. They feel that if deprived, Japan's power will be diminished. Japan being in a position to pursue a nuclear fuel cycle will provide a source of power for Japan. So, they tend to stick to this, what I call another myth. But I assume that the popular opposition to the re-opening of the Japanese nuclear plants would remain to be a strong impediment to Japan's nuclear energy posture in the coming years. Inevitably, I think that Japan will less depend on nuclear energy. How quick and how far? I don't know at this point, but I think that politically it would be extremely difficult to maintain this level of nuclear energy. It now has only 7% of the nuclear energy consists of 6% or 7% of all nuclear balance in Japan, compared to say 30% a year ago.

Oliver Morton:
Professor Takenaka?

Heizo Takenaka:
Well, basically I agree with the comment by Dr Funabashi. From the viewpoint of an economist, for example, the Japanese government is spending every
year about one trillion yen for energy, for energy. This is a big amount. In the case of NASA in the US, they spend about 2 trillion yen, so about half of the NASA budget is used by Japan’s government for energy. And among this 1.3 trillion, 42% is spent for nuclear plants; that is amazing. And the renewable energies part is only 6% or 8%. So, this balance should be changed dramatically. But, still, we need discussions on how long or how short or how rapidly we should diminish the weight on the nuclear power plant. This must be a trend, but as mentioned by Dr Funabashi, the speed of change we are discussing that now.

**Oliver Morton:**

There was a question over there.

**Question 5:**

What you say about the regulator and TEPCO was nothing that we discovered in the course of the last year. In 1999, when there was the criticality accident in Tokai, which showed the most extraordinarily laxness in approach. To have a criticality accident in a bucket would not have happened in 1943 – by 1943 it was known that this was the single biggest risk. In 2003, if I am right, TEPCO had to close down pretty much its whole reactor fleet because of falsification of safety records and the regulator had to resign. Why on earth was it possible that that laxness continued for another 10 or 12 years after Tokaimura and was a factor, certainly, in what had happened before? I think from the viewpoint of any other regulatory structure that I know in the nuclear world that would just simply not have happened.

But as a very brief second point as well, is there a debate in Japan at the moment about the damage being done to the quality of life by continuing to have a forcible evacuation from people, when in most of the evacuation zone the threat to life would be considerably less than the threat to life through living in a city like Tokyo, which is relatively clean, or certainly a city like London, where – I was at a meeting last night – there are 4,300 early deaths a year because of the London city air? There is no potential risk of that nature in the evacuation zone, and yet the devastation on life for forcing people to stay out of their homes when the risk is relatively modest, I think, is enormous.
Heizo Takenaka:

The 1999 criticality accident didn't have anything to do with TEPCO, it was a Japan nuclear company. But TEPCO... first of all, I think you have to take into account what we call nuclear village, the nuclear community of the utilities regulator, bureaucrats, and academics, and even media forming a very much formidable nexus to promote aggressively the nuclear energy. And this has been very much politically powerful; that is number one. And within this nuclear village, actually TEPCO has been more powerful than the regulator in terms of expertise as well as political clout.

So, TEPCO has been dictating the terms, not the NISA. And I think that this regulatory regime has serious flaws in Japan, and new regulatory authority must be thoroughly independent from the government, but at the same time they really have to strengthen their expertise and professionalism. And unless and until they really will be able to be equipped with this they just cannot compete with other utilities.

Oliver Morton:

And, as to the point about the relatively low risk and evacuation zone?

Heizo Takenaka:

Yes, we still have 110,000 people in evacuation, and I think it is... we may see a third big hole in Japanese society and politics, after Hiroshima and Okinawa, and now Fukushima. Fukushima has two million people, but sooner or later half of them will be perhaps, will get down into below the poverty line. Fukushima prefecture will come to be the oldest prefecture in Japan in 20 years, 15 to 20 years. So, it would remain to be polarising Japan, and you really have to put this Fukushima programme in a much wider context. It is not only a local issue; it is a national issue.

Yoichi Funabashi:

In my presentation I mentioned the need for so-called 'big picture' for reconstruction. In Japan, each ministry had very strong power and the territories are very strictly, vertically segregated. We need now a kind of superpower to bundle these ministries, so we can have a much more drastic way. In the case of, for example, TEPCO, the Ministry of Economy, Trade, and Industry had a very strong power, and in this village TEPCO is still very
strong. And also, as far as evacuation, evacuated people we need much more comprehensive method to save them. But still, we do not have this kind of ‘big picture’, and that is a regret.

**Oliver Morton:**

Okay, I know there were many more people who wished to ask questions, and there is effectively no time for them to do so. There has been one gentleman very patiently over in the corner there.

**Question 6:**

Thank you very much. I have a question to both of you, Dr Funabashi and Professor Takenaka. Both of you have pointed out the potential, say, bottleneck of power supply. Professor Takenaka said that stoppage of nuclear is increasing an import of energy, and that might increase the energy price and energy cost, and that might encourage industry holding out. And Dr Funabashi said that because of the strong opposition for the reoperation of the nuclear power plants, it would be extremely difficult to increase or maintain the show of nuclear. And renewable is too expensive and also it has a very much special constraint in terms of energy density.

So, how could we cope with this development? You know, facing the current deficit, and facing the high energy costs, and facing the risk of industry hollowing. The government is now discussing future energy policy at this point in time. You have partly answered this question, but what is the vision about energy mix in 2030?

**Yoichi Funabashi:**

I think the government really must give a clear signal to the market about what kind of energy policy they really will formulate, and what kind of vision, as you said, they will, you know, really project. That has been, actually, very much missing in my view.

There must be many entrepreneurs now in Japan who have been trying to explore the renewable energy in many ways, have invested a lot of money, but unless the government, I think, really articulates its policy and formulates effective measures to ensure there, I don't think that those new seeds finally will blossom. I think entrepreneurship is the most crucial in my view, and that
has been spectacularly lacking in the government commissioned recovery plan.

Professor Takenaka talked a lot about this, but in the wake of the Kanto Great Earthquake, there emerged new enterprises... many of them, most of them vanished and perished, but the remaining ones, for instance, are very much global companies: Sharp, Panasonic, and Toyota. They are all dated back to that period, and they actually really took advantage of the new needs, the critical needs of the people, which was so much revealed in that crisis days. In the case of Toyota, they changed from textile into automobile because automobiles were very much mobilized to help people to deliver the goods and water. So, automobiles became a new industrial revolution in Japan.

In Sharp's case, radio, and radio broadcasting in Japan two years after the Kanto Great Earthquake, but the potential of radio was already recognized by Mr [Tokuji] Hayakawa, the founder of Sharp. And then, in the case of Panasonic, they have manufactured bicycles, but then Matsushita Konosuke, the founder, found that battery was very much crucial in the crisis, so they transformed from that bicycling company into the battery company.

So, I think we are perhaps maybe witnessing the new entrepreneurship springing forth at this point. I am not too sure who will be the winner, of course not, in the coming years, but the government must make very clear its goal and direction, and that is, I think, the most crucial.

Heizo Takenaka:

Small comment, I use a term of 'compound crisis', this is a compound crisis, only one policy cannot solve the issue. For example, in the case of TEPCO, we... ten years ago, we...when I was in the cabinet, I strongly proposed deliverisation [sic] of an altruistic [uncertain] market, but TEPCO was very strongly against that [laughter], and even the Ministry of Trade didn't support that. So, we need deliverisation [sic] of the market, for example, and we should introduce the corporate tax rate to stop the hollowing out. And also, much more active laws should be taken by the Bank of Japan for monetary easing, this will stop appreciation, etc etc. This kind of package of policies will be needed. Under such circumstances, as was mentioned by Dr Funabashi, new entrepreneurship will be realized.

From the viewpoint of business, now we have a chance, we have an opportunity, when lifestyle changes, new needs for the industry emerge. So, it is very important to encourage this kind of effort about deliverisation [sic],
privatisation, etc etc. Regrettably the government is moving in the other direction. [Laughter]

**Oliver Morton:**
Thank you very much. I feel terribly guilty to be breaking up a fascinating discussion, which I know many of you would continue to wish to participate in. I can offer you the opportunity either to nobble [sic] our speakers in the corridor directly afterwards, or, I believe that Dr Funabashi and Professor Takenaka's book, *Lessons from the Disaster* [full title: *Lessons from the Disaster: Risk management and the compound crisis presented in the Great East Japan Earthquake*] is probably available through Amazon.jp, though not, I am told, through Amazon.co.uk, should you wish to continue the discussion in a more monologue form. [Laughter]

**Yoichi Funabashi:**
For your information, this is published in Korean and Chinese, if you want to read in Chinese you can. [Laughter]

**Oliver Morton:**
The options are all but limitless. So, it remains for me to thank you for being such an attentive and interested audience, to thank the Daiwa Anglo-Japanese Foundation, who I should have mentioned earlier on in association with whom Chatham House has presented this event, and, most importantly, to thank our two speakers. Thank you very much. [Applause]