

GLOBAL ECONOMY

Rebirth of the Japanese model?



Morning commuters make their way to work from Tokyo Station in Tokyo

By Robin Harding in Tokyo

It was the oil-crisis summer of 1979. Sony's Walkman had hit the streets, Toyota was crushing Detroit, and president Jimmy Carter was warning of a malaise that threatened to "destroy the social and political fabric of America". Into this anxious moment came a book: Japan as Number One.

Written by a Harvard academic called Ezra Vogel, it made an explosive argument: that the US was beaten, and must look across the Pacific for a new economic and political model to save the ailing west.

"The more I observed Japan's success in a variety of fields, the more I became convinced that given its limited resources, Japan has dealt more successfully with more of the basic problems of post-industrial society than any other country," Mr Vogel wrote. "It is in this sense, I have come to believe, that the Japanese are

number one."

Ten years later, Japan's bubble burst. A lost decade began. Far from a model, Japan became an example of what not to do; the foreigners who had once come to learn about lean manufacturing instead gave lectures on monetary policy.

Yet now, as the west endures an-

Just 1.8 per cent of Japan's population is foreign-born compared with 13 to 14 per cent in the US and UK

other crisis of confidence, a certain envy of Japan is creeping in. Its politics are boringly stable. Its high-tech manufacturers from Toyota to robot maker Fanuc prosper in a global marketplace. Living standards are high, earned income inequality is relatively low and Japan's culture retains the cohesion of near total ethnic homogeneity.

Donald Trump's campaign was marked by a Japan obsession. "When did we beat Japan at anything?" he asked in the speech launching his run for the White House. While Britain's Brexiters talk about all kinds of models for the future, from Canada to Singapore, they are strangely silent about the one that most resembles the low-immigration, sovereign on regulation, trade-led economy they seek: Japan.

"Japan has taken the same hit as everyone else but it took it in the 1990s. It has been absorbed by a more cohesive social system and by creating

a two-tier labor market," says Bill Emmott, the former Economist editor, who in the 1980s was skeptical of Japan's economic rise. "Poverty and inequality has increased but not to desperation level. There hasn't been a gross sense of unfairness."

Japan is not and cannot be number one: its deflation and demographic decline are real. But as other rich democracies wrestle with a populism largely absent from Japan, it is worth looking again at how it handles those "basic problems of post-industrial society", and asking afresh: is Japan a model to follow?

MANAGING IMMIGRATION

A trip back in time to Mr Vogel's 1979 prescription does not offer much of a starting point. He lionized Japan's bureaucrats, politicians and corporate leaders - all exposed as donkeys in the 1990s. Japan still has an industrial policy, but state control is a shadow of what it was, and for every Renesas Electronics rescued

by the government in 2012 there is a mobile phone industry wiped out by its own isolation.

The policy area where Japan's model is most obviously different to that pursued in Europe or the US in recent decades is immigration. Just 1.8 per cent of Japan's population is foreign-born compared with 13 to 14 per cent in the US and UK. Japan accepted just 28 refugees in 2016. Only about 10,000 people a year become naturalised citizens according to the ministry of justice.

Japan, however, is a poor example of providing gains to natives by keeping out low-wage foreigners - because they are exactly the people it welcomes in.

"Japan doesn't really have an immigration policy," says Takanobu Nakajima, an economics professor at Keio University. "Whenever there is a labor shortage they lower the hurdles a bit and allow some people in."

In the 1990s and 2000s, the incomers were mainly "nikkei" Brazilians and Peruvians - the descendants of past Japanese emigrants to South America - who worked for low wages in factories struggling against Chinese competition. When the financial crisis hit in 2008, many were summarily sent home.

Today, the strength of the economy is bringing a new flow of guest workers. This time, most come on student and work experience visas from Vietnam, China and the Philippines - except a lot of their studies take place in convenience stores or the work experienced is gutting fish. Migrants account for roughly 10 to 15 per cent of Japan's net job creation since 2013.

Guest workers have few routes to permanent status so they seldom bring a family; nor have they much access to benefits from the Japanese taxpayer. Because so few migrants stay long-term, this approach maintains cultural homogeneity and prevents other political issues becoming entangled with race and identity. The populism of blaming all problems on migrants does not work as it does in Britain and other countries.

But the role of immigration in Japan's future is vigorously debated. Some favor a distinctly Japanese model, blocking guest workers in order to encourage labor shortages, and thus drive up wages and capital investment.

"On the one hand, they've relieved labor shortages. But since they work for very low wages, it drags down wages for Japanese workers and discourages inflation," says Takaki Mitsuhashi, an anti-immigration author. "Maybe we'll solve labor shortages with artificial intelligence, or drones, or driverless vehicles and then perhaps Japan can provide a new model for capitalism. But if we just bring in immigrants there will be no need to do any of that."

Others, especially in business, believe it is a pipe dream to think the economy can provide for Japan's ageing population simply via productivity gains. "By about 2030, Japan's population will be falling by nearly

Rebirth of the Japanese model? (continued)



People walk under colorful paper streamers and paper mache figures for the Tanabata Star Festival in Tokyo

1m people a year. Society won't be able to endure it," says Heizo Takenaka, a reforming economy minister in the government of prime minister Junichiro Koizumi from 2002 to 2006. He argues that Japan urgently needs a framework to accept the immigrants it will inevitably need.

So far, the outcome is closer to Mr Mitsuhashi's vision, as migrant flows have not kept up with growing labor shortages in sectors ranging from restaurants to social care. But while prime minister Shinzo Abe never lets the word "immigration" cross his lips - such is its political toxicity - his government, at the behest of business, keeps opening new loopholes for foreign workers.

The emergence of labor shortages over the past few years points to a newer and more fragile part of Japan's economic model: its will-

“ By about 2030, Japan's population will be falling by nearly 1m people a year. Society won't be able to endure it.

HEIZO TAKENAKA
FORMER ECONOMY MINISTER

ingness, since Mr Abe's election in 2013, to engage in fiscal and monetary stimulus. The Bank of Japan has so far bought more than 43 per cent of the government bond market, while the Abe administration has spent freely, borrowing easily at zero interest rates despite a net public debt that stands at 120 per cent of GDP.

Japan's fealty to stimulus is new

and has yet to cure its decades of deflation. It may not outlive Mr Abe who faces re-election in 2018. At present, however, Japan is the country most closely following former US Treasury secretary Larry Summers' prescription for dealing with so-called "secular stagnation" via stimulative fiscal and monetary policy.

Put together, Japan's immigration

and macroeconomic policies are working to deepen labor shortages. If that does ultimately generate more wage growth, it will be an example for countries such as "Brexit Britain".

REGULATION AND TAX POLICY

Japan has seen the same loss of factory jobs, and polarization between more and less skilled workers, as the rest of the developed world yet has a relatively low level of inequality. Whereas the share of total income going to the richest 1 per cent has risen from 9 per cent to 22 per cent in the US since 1970, and from 7 per cent to 14 per cent in the UK, in Japan the figure is little changed at about 10 per cent, according to the World Wealth and Income Database.

One reason is the tax system. "[Thomas] Piketty recommended asset taxes and Japan has some of the highest in the world," says Mr Takenaka referring to the French economist whose 2013 book, *Capital in the Twenty-First Century*, started a new debate on inequality. "The inheritance tax rate is 55 per cent. There is no doubt that is one reason Japan has avoided a class society."

Other aspects of regulation have curtailed some of the sources of resentment and unfairness in other countries. Japan's liberal planning laws mean the city of Tokyo builds more homes each year than the whole of England (153,621 versus 153,370 in 2016) and keeps house prices down.

After the disaster of the 1990s, Japan became a rigorous financial regulator. None of its banks needed a bailout in the late 2000s, and as a result, there is little of the popular resentment of bankers that pervades the US or the UK. Pay for bankers and executives is a fraction of that in the S&P 500.

That leads back to a theme of Mr Vogel's 1979 analysis: the behavior of Japanese companies. Unlike their western counterparts, they did not embrace a philosophy of shareholder value in the 1980s and 1990s, continuing to run themselves at a modest profit for the benefit of various stakeholders, most notably salaried employees.

A slower rise in top pay is one result. Japanese companies have been reluctant to sell out to foreign competitors or indeed to consolidate among themselves, so there is a large pool of locally headquartered groups, with fierce competition in some domestic markets. Many in Japan have doubts about this model, blaming it for low returns on capital, a lack of dynamism and poor productivity growth.

"Japan has oligopolistic competition. It's fierce between those already in the market but entry is extremely difficult, not least because it's hard to hire labor," says Mr Takenaka. One thrust of recent Abe reforms has been to boost corporate governance and returns on capital. "Abenomics aims to raise the market's metabolism," he says.

Then there are the aspects of Japan most deeply embedded in society, and thus the hardest to duplicate. Japan consistently ranks close to the top of OECD education rankings, with an exceptionally low share of children who lack basic skills. Infrastructure is superb. Crime, always low, keeps on falling.

TICKING TIME-BOMB

Although much of it remains hotly debated in the country itself, this is the outline of the Japan model: limited migration by guest workers, stimulative economic policy to sustain employment and wages; institutions that limit inequality; all underpinned by a cohesive and well-educated society. But given its demographic decline, can Japan sustain what it has? And is there anything others can copy?

Even in 1979, Mr Vogel was questioning demographics. "The nation will be confronted by a smaller workforce and a larger welfare bill, increasing companies' tax burden, reducing the growth rate and creating a vicious cycle." That part of his analysis came true.

Yet, some aspects of Japan - its tax, planning and education systems - hold lessons. Japan also shows Brexit Britain that low immigration is not necessarily a barrier to prosperity even though duplicating a country as homogenous as Japan would be judged desirable.

But population decline hangs over everything, from the competitiveness of Japan's companies to its bare-bones welfare system, and even the ability to pay for national defense. Mr Takenaka says: "Unfortunately, the present situation is not sustainable. If we can't raise incomes and growth then people will not be able to sustain their lifestyle. We're living on the earnings of the past."

Ageing: Pensioner suicides reveal shocking levels of poverty

On Tuesday April 24, two women, one aged 77 and the other in her nineties, walked into Kakio station, on the outskirts of Tokyo, and sat down on a platform bench. They looked like sisters, said one witness. They were dressed in their best clothes.

At about 2.30pm, they joined hands and threw themselves in front of an express train. No suicide note was found and the identity of the older woman remains unclear. But it fits a pattern of suicides among the elderly, such as the 2015 death of 71-year-old Haruo Hayashizaki, who set himself on fire aboard a bullet train.

Mr Hayashizaki was in despair at his pension. Such suicides reveal something hidden in Japanese society: a shocking level of poverty, especially among the elderly and single parents, in a country where family is supposed to solve such problems and welfare is stigmatized. As ageing stretches families and public finances, one of the biggest challenges to Japan's fair-

ly closed economic model is whether it can even take care of itself.

More than 6.5m pension households, 27 per cent of the total, live in poverty, says Naoyoshi Karakama, a professor at Ritsumeikan University in Kyoto, as do 16 per cent of children, rising to 55 per cent of those in single-parent families. "Japan doesn't really have a system intended to eliminate poverty," says Mr Karakama, "just a system of public assistance for subsistence".

State pensions pay full benefits only to those with contributions going back 40 years, so while salaried workers do well, many who were self-employed or worked irregularly get less than USD1,000 a month. From that they must pay rent and healthcare costs plus some of the world's highest food and utility bills.

The only plausible answer is means testing so wealthy pensioners pay for themselves. Such pensioners, however, are Japan's dominant voting bloc.

Seeking a dream, Indonesian family finds nightmare in Raqqa

By Sarah El Deeb

The 17-year-old Indonesian girl made a persuasive case to her family: Lured by what she had read online, she told her parents, sisters, aunts, uncles and cousins they should all move to Syria to join the Islamic State group.

Each of her two dozen relatives found something in it for them. Free education and health care for the girls. Paying outstanding debts for her father and uncle. Finding work for the youngest men.

And the biggest bonus: a chance to live in what was depicted as an ideal Islamic society on the ascent.

It didn't take long before their dreams were crushed and their hopes for a better life destroyed as each of those promised benefits failed to materialize. Instead, the family was faced with a society where single women were expected to be married off to IS fighters, injustice and brutality prevailed, and a battle raged in which all able-bodied men were compelled to report to the frontline.

In an interview with The Associated Press, Nurshardina Khai-radhanian, now 19, recalled her family's fateful decision to immigrate to the IS stronghold of Raqqa two years ago — and how, only months later, their bid to escape began.

During that time the family endured separation, her grandmother died and an uncle was killed in an airstrike.

"IS shared only the good things on the internet," said the young woman, who goes by her nickname, Nur.

She now lives with her mother, two sisters, three aunts, two female cousins and their three young sons in Ain Issa, a camp for the displaced run by the Kurdish forces fighting to expel IS from Raqqa. Her father and four surviving male cousins are in detention north of there. While the men are being interrogated by the Kurdish forces for possible links to IS, the women wait in a tent in the searing heat, hoping for the family to be reunited and return to their home in Jakarta.

Nur's family is among thousands from Asia, Europe, Africa, North America and the Middle East who chased the dream of a new Islamic society advertised by IS in slickly produced propaganda videos, online blogs and other social media. By the time they got there, the group's brutal campaign of beheadings, kidnappings and enslaving women was well underway.

For Nur and her sister, such



An Indonesian family who escaped from the Islamic State group in Raqqa gather inside their tent at a Syrian refugee camp

images were part of a hate campaign against the nascent Islamic caliphate or simply justified punishment for crimes committed there. "I was afraid to see that. I first thought it was another group ... who hates IS," Nur said.

Nur recalled calling her family together just months after the extremists' declared their "caliphate" on territory seized in Syria and Iraq in the summer of 2014.

Nur's family is among thousands who chased the dream of a new Islamic society advertised by IS

Making her pitch, she recounted the benefits laid out on the IS blogs: her 21-year-old sister could continue her computer education for free. Her 32-year-old divorced cousin, Difansa Rachmani, could get free health care for herself and her three children, one of whom was autistic. Her uncle could get out from under the debt he incurred trying to save a struggling auto mechanic business in Jakarta — and could even open a new one in Raqqa, where mechanics were in high demand to build car

bombs, the extremists' signature weapon.

For Nur, the Islamic State seemed to be the perfect place to pursue her desire to study Islam and train to be a health practitioner.

"It is a good place to live in peace and justice and, God willing, after hijrah, we will go to paradise," she recalled thinking, using the Islamic term for migration from the land of persecution to the land of Islam. "I wanted to invite all my family. ... We went to be together forever, in life and afterlife."

The family sold their house, cars and gold jewelry, collecting \$38,000 for the journey to Turkey and then on to Syria.

But once in Turkey, the first quarrels began, over how or even whether to sneak into Syria. Seven relatives decided to head out on their own and were detained by the Turkish authorities while trying to cross the border illegally. They were deported back to Indonesia where, the family says, they remain under surveillance because the rest of their relatives had lived in IS territories.

The saga of family separation had only just begun, however.

After arriving in Islamic State group territory in August 2015, the family was divided again: the men were ordered to take Islamic education classes, and ended up jailed for months because they refused military training and service. After their release, they lived

in hiding to avoid forced recruitment or new jail sentences. The women and girls were sent to an all-female dormitory.

Nur was shocked by life in the IS-run dormitory. The women bickered, gossiped, stole from each other and sometimes even fought with knives, she said. Her name and those of her 21-year-sister and divorced cousin were put on a list of available brides circulated to IS fighters, who would propose marriage without even meeting them.

They act like God. They make their own laws. They are very far from Islam.

NUR

"It is crazy! We don't know who they are. We don't know their background. They want to marry and marry," she said.

"IS wants only three things: women, power and money," she and her cousin, Rachmani, said in unison.

"They act like God," Nur added. "They make their own laws. ...

They are very far from Islam."

In a separate, monitored, interview with the AP at a security center run by Kurdish forces in Kobani, north of Raqqa, where he and the other male family members were being questioned for possible IS ties, her 18-year-old cousin said that living under the extremists was like living in "prison."

"We (didn't) want to go to Syria to fight," he said, speaking on condition of anonymity for fear of retribution from IS or trouble with the Kurdish authorities or those back home in Indonesia. "We just wanted to live in an Islamic state. But it is not an Islamic state. It is unjust, and Muslims are fighting Muslims."

IS officials ignored Nur's persistent queries about continuing her education in Raqqa. And because they refused to enroll in military service, the men never got the jobs they had been promised. When the battle for Raqqa intensified in June, IS militants set up checkpoints around the city, searching for fighters and came looking for the men.

Rachmani did get free surgery for a chronic neck ailment and her son got attention for his autism and was finally able to walk. Soon after the family's arrival, she was sent to the then-IS stronghold of Mosul in Iraq for the surgery.

"I left my country for my stupid selfish reason. I wanted the free facilities," Rachmani said. "Thank God I got my free (surgery) but after that all lies."

The family searched for months for a way to escape, a risky endeavor in the tightly controlled IS territory.

When the Kurdish-led campaign to retake Raqqa from IS intensified in June, the family finally saw their opportunity. At great personal risk, Nur used a computer in a public internet cafe to search for "enemies of IS," despite the danger posed by frequent raids carried out by IS there. She contacted activists and eventually found smugglers, who, for \$4,000, got the family across the front line and into Kurdish-controlled territory. They turned themselves in to Kurdish forces on June 10.

An Indonesian Foreign Ministry official said authorities have known for several months about the presence of Indonesian nationals, including Nur's family, in the Ain Issa camp and were investigating their condition.

"However, they have been two years living in the IS area, so the risk assessment of them is required and we have been facing obstacles to reach them as they are in an area not controlled by any official government, either Iraq or Syria," said Lalu Muhammad Iqbal, the ministry's director of Indonesian citizen protection.

"I am very regretful. I was very stupid and very naive. I blame myself," Nur said of the family's plight. "May God accept my repentance because you know [...] it is not like a holiday to go to Turkey. It is a dangerous, dangerous trip." AP

Study: Just going outdoors could become deadly in South Asia



By Katy Daigle

VENTURING outdoors may become deadly across wide swaths of India, Pakistan and Bangladesh by the end of the century as climate change drives heat and humidity to new extremes, according to a new study.

These conditions could affect up to a third of the people living throughout the Indo-Gangetic Plain unless the global community ramps up efforts to rein in climate-warming carbon emissions. Today, that vast region is home to

some 1.5 billion people.

"The most intense hazard from extreme future heat waves is concentrated around the densely populated agricultural regions of the Ganges and Indus river basins," wrote the authors of the study, led by former MIT research scientist Eun-Soon Im, now an assistant professor at the Hong Kong University of Science and Technology.

While most climate studies have been based on temperature projections alone, this one — published Wednesday in the journal *Science Advances* — also considers humi-

idity as well as the body's ability to cool down in response.

Those three factors together make up what is called a "wet-bulb temperature," which is the air temperature taken when a wet cloth is wrapped around the thermometer. It is always lower than the dry-bulb temperature — how much so depends on the humidity. It can help estimate how easy it is for water to evaporate.

It can also offer a gauge for when climate change might become dangerous.

Scientists say humans can survi-

ve a wet-bulb temperature of up to about 35 degrees Celsius, beyond which the human body has difficulty sweating to cool down, or sweat doesn't evaporate, leading to heat stroke and ultimately death within just a few hours — even in shaded, ventilated conditions.

So far, wet bulb temperatures have rarely exceeded 31 C, a level that is already considered extremely hazardous.

"It is hard to imagine conditions that are too hot for people to survive for a more than a few minutes, but that is exactly what is being discussed in this paper," said Stanford University climate scientist Chris Field, who was not involved in the study. "And of course, the danger threshold for punishing heat and humidity is lower for people who are ill or elderly."

Most of those at risk in India, Pakistan and Bangladesh are poor farmworkers or outdoor construction laborers. They are unlikely to have air conditioners — up to 25 percent in of India's population still has no access to electricity. In some areas that have been deforested for industry or agriculture, they may not even have very much shade.

"What we see in this study is a convergence of intense weather projections and acute vulnerability," co-author and MIT environmental engineering professor El-fatih A.B. Eltahir said.

For the study, the researchers carried out computer simulations using global atmospheric circulation models under two scenarios — one in which the world comes close to meeting its goal of curbing emissions to limit Earth's average temperature rise to 2 degrees C above pre-industrial levels, and one if it continues emitting at current levels.

Both scenarios play out dangerously for South Asia. But with no limit on global warming, about 30 percent of the region could see dangerous wet bulb temperatures above 31 degrees C on a regular basis within just a few decades. That's nearly half a billion people by today's population levels, though the full scale could change as the population grows. Meanwhile, 4 percent of the population — or 60 million in today's population — would face deadly highs at or above 35 degrees C by 2100.

But if the world can limit global warming, that risk exposure declines drastically. About 2 percent of the population would face average wet bulb temperatures of 31 degrees C or higher.

"This is an avoidable, preventable problem," Eltahir said. "There is a significant difference between these two scenarios, which people need to understand."

Experts say countries must work toward meeting the Paris agreement goals to limit average global warming to 2 degrees C, especially since the world has already warmed by 1 degree C. That average will play out differently across the planet, and South Asia is expected to be hit harder than other regions. **AP**

ASK THE VET

by Dr Ruan Du Toit Bester



ABNORMAL LIVER FUNCTION IN DOGS

YOUR dog's liver and pancreas work together to make the digestion process run smoothly and efficiently. The liver stores essential Vitamins A,D,E and K and it produces bile, which is crucial to the breakdown of fats. The pancreas plays an important role in controlling blood sugar by secreting insulin and glucagons, two very important hormones. The pancreas also produces pancreatic juices. These juices contain digestive enzymes that help breakdown food. If the dog liver and pancreas malfunction, a number of conditions can develop. Below are some signs to look out for to keep your pet's liver and pancreas healthy.

Abnormal liver function is both one of the most crucial conditions to your pet's health and also one of the most difficult to recognise for an owner. The liver is one of the single most important organs in the body; it is responsible for storing different types of vitamins and for producing bile and other substances that help to process fats and other cells in the body. Without proper liver function,

your pet will decline in health. Liver disease is one of the more common causes of death amongst older pets, although it can affect dogs at any age.

Detecting abnormal liver function

The best way to prepare for and detect abnormal liver function is to have your pet's liver routinely examined by your vet. Because the liver is difficult to access directly, the way that a veterinarian tests the liver functionality is by taking a small blood sample and running a series of tests. This set of tests is not entirely inexpensive, and it may be prohibitively expensive for some pet owners. However, if you can have your pet's liver function tested with blood work, it's a good idea to test it approximately once per year, particularly after the age of about 5 years in most dogs.

Otherwise, it's a good idea to always be on the lookout for signs of the liver damage and liver disease. Liver damage is difficult to pinpoint and recognise because it is associated with a wide variety of different

symptoms. There are also many different ways in which abnormal liver function can be caused (i.e. diseases of different types, diet, genetics, and more). Some of the more common symptoms associated with abnormal liver function in dogs include:

- Vomiting and diarrhea
- Seizures
- Lethargy
- Changes in attitude or behavior
- Increased thirst
- Distended abdomen
- Jaundice (yellowing around the eyes, face and other parts of the skin)

Of all of these different symptoms, jaundice is the only one that is distinctly associated with liver function problems.

Diagnosing and treating liver function problems

At the first sign of any of these symptoms, it's a good idea to have your veterinarian take a look at your pet. He'll need to conduct a series of tests in order to figure out exactly what is causing the problem; in many cases, it may be a mild disease or other condition that presents symptoms that are similar to those of abnormal liver function. Between a physical examination, analysis of the symptoms, and a series of blood and urine



tests, your veterinarian will be able to determine whether your pet's liver function is causing his health issues. Antioxidants are a great dietary supplement for dogs with poor liver function. In the case of serious problems of the liver, your vet may prescribe any number of different drugs and supplements to help remedy the problem. Consult with your vet for more information.

Hope this info helps
Till next week
Dr Ruan

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