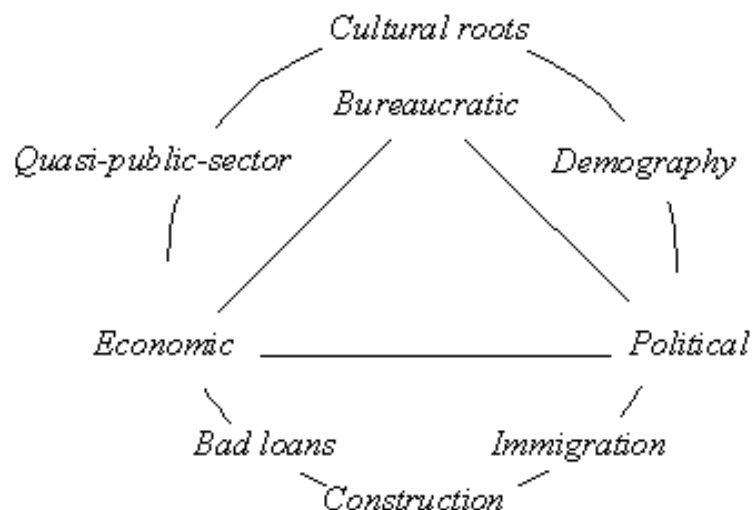


Solutions to the social, political and economic crisis facing Japan nowadays.

by *Felipe Passolas Cobo*

Before to look for a solution to the crisis facing Japan nowadays we have to define the problems which are related with the crisis. I think the Japanese crisis is the sum of two kind of problems: the financial crisis coming from the business and banking sector and the social problems that all developed countries find sooner or later.

To understand the solutions for this crisis or these problems we have to look carefully at the difficulties we have to confront, due to the special country we are dealing with. Some people argue that the main obstacle for taking advantage over the Japanese crisis is the iron-triangle. The economic, political and bureaucratic activities are in each vertex of the triangle. But I think that this iron-triangle must be study enclosed as a circle. The vicious-circle we find every time we get deep in the Japanese financial system.



The concepts enclosed in the vicious-circle are only some examples about all different matters we have to consider studying the Japanese crisis.

We cannot find only one solution. Because there is not only one problem. There is a group of them related each one with the others. The following solutions would be better when applied at the same time, in order to obtain a positive result.

- **Working force; immigration**

It is well known that Japan will need a huge working force in factories in the next 5 years. A lot of working papers such as (The white book of industry and commerce – Tsusho Hakusho 2003) talk about it. Like in many developed countries the national people do not want to work in such kind of hard positions. Positions such as construction workers or jobs in factories with, Korean, Chinese or South Americans communities would be willing to hold in Japan. Six millions of foreign workers in Japan: it is a crazy figure to think about. That is the working force which Japanese's factories need in the next few years. Anyway, that means that the immigration department should study a new regulation law Which could make the access to Japan easier for foreigner workers, but the access to Japan but holding the harmony that already exist in the country. Being carefully due that most of the time the foreigners are tolerated more than welcome.

The immigrants not only could resolve the need of workers in factories, (we need factories as motor of the economy) they could help with the demographic problem too. We know that the demographic pyramid in Japan is the inverse that should be. It could be one solution to the pension problem that the inverse pyramid implicates. Japan does not need to offer motivation to come to Japan because the economic situation of the countries where these labour force are coming make easier for them to take the decision to work abroad looking for a better life. Therefore I recommend reducing the immigration measures to control and adapt the foreign population in Japan.

- **Foreign workers and the Japan's traditional management practices**

Japan is a very difficult country, although this is one of the reasons that it is a wonderful country, a lot of nations that would like to trade with Japan are scared about it. Those difficulties are a mixture of its way of thinking and its deep traditional roots in many aspects of the Japanese way of life, including business of course. We are not saying that to get a solution Japanese people have to change their main, of course not. But they should do an effort to get friends abroad and try to make easier Japan for foreigners. To be an isolated country is a situation that the history says to us it is not a good solution.

I understand that due the economic and political situation in Asia is not easy to have good relations with the Japanese's neighbouring countries. Enhancing international relations and thinking about the chance of new international trade agreement with a small group of countries would be a beginning.

- **The banking mess**

The most difficult solution and the most important to solve it is the banking crisis. In this matter we find most of the problems of the Japanese economy. The over control of the politicians, the influences of biggest companies, the nationalism, etc... These are the point that makes the banking sector the huge problem of the Japanese economy.

Due to all mentioned before, we are not going to find a solution for all sectors to be satisfied. This is something really clear when we read all critics about Takenaka Plan. But I think that the basic idea of this plan is right though I will include something else.

Before to include new ideas in the Takenaka's plan I would like to say I do not believe the Tax system is the best way to cut unpaid loans. Because the Tax system is not really well working in Japan and the Japanese's debt it is now around 130% of the Gross Domestic Product. So, we should not think about use the tax system as a resource, we have to be sure to be able to recover the national debt. We have to use indirect measurements to reduce these loans. The main role here is played by the main banks. We are not happy to reduce their reserves to reduce unpaid loans due to most of them will be unable to work abroad if the have to reduce their levels of reserves to pay the loans. For example for this reason, the Japanese banks will never agree with Mr. Takenaka, because the influence of the biggest banks in the political life, we must to involucrate them to take solutions which they are happy to accomplish.

As well as the main idea of reducing the unpaid loans I consider very important to stop the gigantic concrete un-useful constructions. To stop the massive waste of money in these project and re-use those funds to solve other problems. Stop the bad loans to cover past bad loans: This is a practice that must be stopped in Japan.

When I talk before about get new friends abroad, I mean look moreover America when Japan thinks about business. The world and America are in crisis too. For that the Japanese exportations to America are not to receive good benefits for that. But if Japan starts more business outside of the American's hand, the Japanese economy could reduce the exportation risk, making business with other countries.

If I talk about getting more friends I have to talk about reducing the level of nationalism in business. Of course I understand the Japanese's love for theirs own country. But at the same time I had understand that Japan cannot fight alone with the crisis. Japan has to open the door enough to get the money in without loosing the control of their companies. I think it is easy to fix different kind of international agreement in accordance to this.

One important point I would like to mention is the role of the politicians and bureaucrats. They have to understand that one of the most important thinks in Business and Economy are the market forces. The interventionism it is only useful and profitability in a few cases. Manipulating too much the market forces or the supply and demand is only a waste of time and it would make the problem more complicated.

After all of this we can summarise some points if Japan wants to get the chance to recover:

- Some public companies should become private. Such as some construction and housing companies.
- Let more foreigner companies' trade inside Japan in order to get more international competition. Particularly in the banking sector that is one of the weakest sectors in Japan.
- The inefficient companies must be let them alone. If there are in bankrupt the government should not save them.