Welcome

to the inaugural lecture

Risk and opportunity – Japan confronting uncertain futures

by

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Introduction and moderation

by

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Welcoming words

by

His Excellency
Dr. Hans Carl von Werthern

Ambassador of the Federal Republic of Germany to Japan
Welcoming words

by

Dr. Harald Rosenbach

Executive Director
Max Weber Foundation, Bonn
Inaugural lecture

Risk and opportunity – Japan confronting uncertain futures

Franz Waldenberger
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Risk and opportunity – Japan confronting uncertain futures

Five main messages

• I am very grateful to be here.

• Japan is a great place to be and a fascinating object of research for the social sciences and humanities.

• The DIJ is uniquely positioned to conduct research on Japan.

• Our new research program addresses fundamental challenges that Japan and other societies face.

• To achieve our goals, we will need your support and collaboration.
Risk and opportunity –
Japan confronting uncertain futures

Japan is a great place to be ...
What makes Japan a fascinating object of research for the social sciences and humanities?

• Japan is confronting many of the vital challenges modern societies are facing.

• In the case of Japan these challenges often evolved faster and appear to be more severe.
What makes Japan a fascinating object of research for the social sciences and humanities?

The case of demographic change

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>1980</td>
<td>9%</td>
<td>16%</td>
</tr>
<tr>
<td>2010</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>2040</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>2060</td>
<td>40%</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Population in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>Japan: 93,4 Germany: 73,0</td>
</tr>
<tr>
<td>1980</td>
<td>Japan: 117,1 Germany: 78,4</td>
</tr>
<tr>
<td>2010</td>
<td>Japan: 128,1 Germany: 81,8</td>
</tr>
<tr>
<td>2040</td>
<td>Japan: 107,3 Germany: 75,3</td>
</tr>
<tr>
<td>2060</td>
<td>Japan: 86,7 Germany: 67,4</td>
</tr>
</tbody>
</table>

National Institute of Population and Social Security Research; Bundesinstitut für Bevölkerungsforschung
Major social, political and economic challenges

• a rapidly aging and now also declining population,
• growing income inequalities and rising share of relative poor,
• a forced re-orientation in its energy policy,
• political tensions with close neighbours,
• a macro-economic environment characterised by long-term deflation, record high fiscal debt and an “aggressive” monetary policy,
• global competition and accelerating technological change.
Why is the DIJ uniquely positioned to conduct research on Japan?

- We are in Japan, but we bring in an outside perspective.
- We combine research from a wide range of disciplines.
- We thus provide a “natural” platform for comparative and interdisciplinary research.
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Why is the DIJ is uniquely positioned to conduct research on Japan?

The team

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Challenges imply risks and opportunities

• How does Japan control the risks and exploit the opportunities inherent in the challenges it faces?

• The answers are not only of relevance for Japan!
Economy – unexploited opportunities

- Japan, up to the 1990s a major driving force of structural change in the global is being driven by newly developing economies.
- How can Japan maintain its vitality? Its productivity and welfare?
- Japan needs to fully leverage its productive potential on a global scale.
Economy – unexploited opportunities

Japan’s productive potential (1) - TECHNOLOGY

R&D expenditures to GDP ratio, 2012

3.4% – Rank 5 behind Korea, Israel, Finland and Sweden among 34 OECD countries

Germany 3.0%,

OECD total 2.4%

Share in Triade Patent Family application, 2012

- Japan 31%
- US 30%
- Korea 4%
- Germany 11%
- France 4%
- UK 3%
- Rest 17%

OECD, Main Science and Technology Indicators, 2014
Economy – unexploited opportunities

Japan’s productive potential (2) – HIGHLY SKILLED LABOUR

| Share of persons with tertiary education in the age group 25 to 64 years, 2012 | Numeracy proficiency and literacy proficiency among 16 to 65 year old |
| Japan second (47%) behind Canada (51%) among 35 OECD countries. | Japan came clear first in both categories among 20 OECD countries. |

OECD, Factbook, 2014

OECD, Skills Outlook 2013
Risk and opportunity –
Japan confronting uncertain futures

Economy – unexploited opportunities

Japan’s productive potential (3) – ABUNDANT FINANCIAL CAPITAL

Equity ratio of corporations 1955 to 2012

Record high liquidity
Short term assets surpassed short term liability by factor 1.35 end of 2012.

Ministry of Finance, Corporate Financial Statements Statistic
Economy – unexploited opportunities

Japan still lacking behind in productivity per hour

Japan productivity per hour 2013 in current prices and current PPP 41.1$ (OECD total 47.1$)

Rank 20 among 34 OECD countries.

OECD Productivity Statistics
Economy – unexploited opportunities

Japan has not been able to leverage its potential on a global scale.

**Share in world export declined from 8% to 4%**

- China (+ HK)
- US
- Ger
- Japan

JETRO and UNCTAD Statistics

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Economy – unexploited opportunities

Japan has not been able to leverage its potential on a global scale.

Share in global outward FDI stock declined from 9% to 4%

JETRO and UNCTAD Statistics
## Economy – unexploited opportunities

### Why? Plenty of possible explanations

<table>
<thead>
<tr>
<th>Productivity barriers</th>
<th>Globalization barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regulation? High bureaucracy costs</td>
<td>• Culture: Strong preference for harmony</td>
</tr>
<tr>
<td>• Lack of labour mobility among firms?</td>
<td>• Mind sets: Need or opportunity not understood</td>
</tr>
<tr>
<td>• Work organization?</td>
<td>• Structural barriers (industry level): Dominance of SME</td>
</tr>
<tr>
<td>• Focus on detail</td>
<td>• Structural barriers (firm level): Internal labour markets</td>
</tr>
<tr>
<td>• Focus on processes instead of outcomes</td>
<td>• Time consuming consensus oriented decision processes?</td>
</tr>
<tr>
<td>• Consensus oriented decision processes?</td>
<td>• Lack of leadership</td>
</tr>
<tr>
<td>• Lack of leaders, entrepreneurs?</td>
<td></td>
</tr>
<tr>
<td>• Lack of globalization</td>
<td></td>
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</tbody>
</table>
Economy – unexploited opportunities

Why? Plenty of possible explanations

Research design necessarily
- comparative – across companies, industries, countries
- multi-disciplinary – economics, law, business, psychology, ...
- multi-method – secondary statistics, surveys, case studies, ...
Similar themes and approaches

Energy – how to exploit Japan’s rich natural energy resources?

Agriculture – here also Japan has many opportunities.
General challenge of reform processes

How to negotiate the risks and opportunities of the various stakeholders involved?
A wide range of possible topics

- **genuine risk-research fields** like the study of *individual risk attitudes, private and social insurance, corporate risk management and entrepreneurship*

- **general topics** such as *productivity and welfare, energy policy, health and food safety, employment and international relations*

- **far-reaching transformation processes** like *globalization and demographic change, rising social inequalities or the erosion of traditional social structures*
A wide range of approaches

- Concepts and theoretical approaches rooted in different disciplines of the social sciences and humanities
- Wide range of methods from large-scale surveys, in-depth interviews, case studies, ethnographies, to text and discourse analyses or laboratory experiments
- Interdisciplinary discussions of findings gained through different discipline-based research methodologies
- Comparative studies through international collaborations
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Beyond answering how Japan controls the risks and opportunities inherent in the challenges it confronts

• New insights into important aspects of Japanese culture, society, economy, and politics.

• The multi- and interdisciplinary approaches and comparative analyses can provide new grounds for theory building and …

• advance our general understanding of the nature and implications of risks and opportunities in an increasingly complex and dynamic world.
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To achieve our goals we will need YOUR support and collaboration!

In general

- Exchanging ideas
- Information about activities

Academic collaboration

- Mutual visiting - guest researcher program
- Joint events (workshops, conferences)
- Joint research projects

But also by other means

- Financial support
- Access “to the field”
- Outreach
Vielen Dank für Ihre Aufmerksamkeit!

Thank you for your attention!