

INTRODUCTION



As the twenty-first century dawns, Japan finds itself once again entering uncharted waters. Navigating between tradition and modernity, Japan is weighing whether to jettison a broad range of cherished social and cultural values in order to stay the economic course. Oddly, it is the same international economic system that Japan has learned to negotiate and profit from so masterfully that is demanding that Japan either adapt to the changing requirements of the international political economy or take its place in the second tier of politically—and economically—influential powers.

What will Japan do? Following two decades of nearly uninterrupted economic expansion, Japan was in the grasp of persistent recession and wrenching restructuring for most of the 1990s. These forces are now combining with the social and economic implications of Japan's demographic realities to cut to the heart of Japanese collective identity and to cast doubt on Japan's economic future. The stakes are high. Will the world's second largest economy and its largest *net* exporter¹ engage deeply enough in what the late Joseph Schumpeter called "creative destruction" to maintain its leading global position and enhance its dominant position in Asia? Will this moment, being heralded by some as Japan's "third opening,"² be able to match the dramatic transfor-

¹However, Japan is also the country with the heaviest debt burden among advanced industrial societies.

²Ichiro Ozawa (former president of Japan's largest opposition party in the mid-1990s, the New Frontier Party) points out that the "first opening" occurred in the mid-nineteenth century with the introduction of liberal political and economic values during the

mations of the Meiji Restoration and the post–World War II period and thus replicate their effects on Japanese growth and prosperity? Put somewhat differently, will Japan's social and political institutions prove, once again, equal to managing the challenges such change implies? And finally, will the Japanese social and political fabric tolerate the depth of change this new opening will require?

In this essay we explore primarily one aspect³—albeit an essential one—of the changes necessary for Japan to remain a principal global economic and political player: opening itself to legal and *increasingly permanent* immigration. So far, Japan has resisted a significant opening in these policy fields despite an economy that was, until recently, robust; labor shortages that, in the late 1980s and early 1990s, led to job openings regularly outnumbering job applicants; and, since 1995, a *shrinking* workforce. Indeed, despite current concerns about unemployment, Japan must now begin to educate the public about the proper place for immigrants in its long-term economic and social future. The policy outcome of this effort will have an enormous influence on Japan's long-term economic competitiveness. And if Japan does open itself up to immigrants, the decision will form the basis of a radical metamorphosis of one of the most homogeneous yet economically successful global actors.

Historically, Japan has been a relatively closed society and has used virtually every conceivable means in its policy arsenal to defer either directly or indirectly a decision in favor of a significant loosening in its immigration policies. To this end, Japan has relied

Meiji era, including the establishment of universal education, constitutional democracy, and capitalism. These values were reemphasized during the “second opening”—the period of American occupation after the Second World War—when voting rights were extended to women, landholding laws were reformed, and labor rights began to take hold. The changes that took place during these radical times of change, Ozawa contends, allowed Japan to grow into the power it has become. Now, Ozawa argues, Japan must engage the international community anew and adopt a new receptivity toward ideas and people from other cultures. Failing to do so may condemn Japan to falling behind in the twenty-first century (Ozawa 1996).

³Other changes facing Japan include opening its markets much more widely to foreign products, finishing the much-needed banking reforms it has undertaken in recent years (sometimes haltingly and often incompletely), and pursuing in a meaningful way the economic and labor market reforms it is beginning to make. These and related reforms are threatened by Japan's consensus-seeking policy-making model, which reinforces the bureaucratic inertia that is the enemy of all fundamental change. For these reforms to move forward and take hold, greater and more sustained political leadership will be required.

on three broad strategies with varying degrees of steadfastness and with limited success.

The first strategy has been built around Japan's methodical pursuit of foreign direct investment (FDI). FDI is, first and foremost, an international *economic* strategy—intended to capture both emerging and mature markets and to inoculate producers against the vagaries of import controls. For Japan, however, FDI has also served as a means of “exporting” large numbers of production and assembly jobs, thus providing some relief from labor shortages in Japan. Such investments, especially those focusing in Asia, have also had another—in some ways fortuitous—effect: they have created a large number of jobs in the region, which in turn may have mitigated some of the regional immigration pressures on Japan. Although this appears to be more of an afterthought than a coordinated policy, it has given the Japanese government some leverage in its pursuit of cooperation from other countries in the region in the management of unwanted migration.

The second strategy has involved a limited opening in Japan's immigration system. In 1990, Japan enacted an extensive set of amendments to its 1951 immigration law. These changes broadened admissions categories to include most forms of temporary immigration categories from the U.S. “nonimmigrant” (that is, temporary migrant) classification system. The 1990 changes also allowed persons of Japanese descent living outside of Japan (*Nikkeijin*) to immigrate to Japan, offered additional rights to foreign-born spouses and children of Japanese nationals, and altered and expanded the foreign trainee program (which brings foreigners to Japan for job training).

The limited opening in Japan's immigration system has helped address some of Japan's labor needs while also demonstrating, in a small way, Japan's capacity to adapt to economic imperatives. The broadening of temporary admissions categories has promoted the immigration of skilled foreign workers, helping Japan accrue and benefit from international talent in a variety of fields and keeping the global component of the Japanese economy humming. Furthermore, permitting the entry of certain categories of unskilled workers—namely, *Nikkeijin* and trainees—has added badly needed if grossly inadequate numbers to the workforce. Finally, opening up the immigration system so that it is more reciprocal toward Japan's economic partners fulfills not only an eco-

conomic need but also Japan's obligations under the international trading regime from which it has benefited so handsomely.⁴

The third and final strategy goes to the very heart of the global migration system. A substantial number of foreign workers—estimated at 300,000 to 500,000 for most of the 1990s—have been “allowed” to work without formal authorization in a variety of secondary labor markets and the underground economy. Such workers, most of whom enter legally but violate the terms of their visas, remain in Japan for extended periods. Critics of Japanese immigration policy view the presence of these workers as an unacknowledged concession by the government to those economic sectors squeezed by Japan's opening to the global trading regime. The central government, however, claims to be aggressively committed to rules prohibiting the employment and requiring the identification and removal of such foreigners, and it has repeatedly tightened the legal and regulatory noose in this regard. But the lack of enforcement of these rules raises serious questions about the government's commitment to them (not unlike in the United States and elsewhere).

In total, all three strategies have served as stopgaps; they have failed to address effectively the economic restructuring and labor market issues that make the case for immigration so compelling or to prepare the country for more immigration. It is the contention of these authors that the need for the latter is becoming increasingly harder to ignore. Although the scale and magnitude of migration into Japan are dwarfed when compared with the experience of virtually any other advanced industrial society (see Table 1), both actual and *feared potential* flows of immigrants have raised concerns in many Japanese quarters that foreigners may soon become a permanent fixture in the Japanese economy and society. As a

⁴Consular officers from a variety of advanced industrial societies note that Japanese officials systematically master and then proceed to “game” the immigration systems of their major trading partners. The constant stream of official cable traffic by U.S. consular officials in Japan during the first author's service as a senior U.S. public servant (1988–92) testifies to those officials' frustration with Japan's apparent exploitation of loopholes in the U.S. temporary visa system. Of particular concern has been Japan's successful negotiation of various U.S. entry categories for business visitors, investors (and the essential personnel associated with investment), a variety of temporary workers, and intracompany transferees, among others (classified as B-1, E-1/2, H-1B/H-2B, and L visas, respectively). Conversations of the first author with German, French, and British officials at the time indicated a similar pattern and generated similar expressions of frustration.

TABLE 1.
Foreign or Foreign-Born Population in Selected OECD
Countries, 1997

Country	Thousands*	Percent of Total Population
Japan	1,483	1.2
Spain	610	1.5
Italy	1,241	2.2
United Kingdom	2,066	3.6
Netherlands	678	4.4
Sweden	522	6.0
France	3,597	6.3
Belgium	903	8.9
Germany	7,366	9.0
United States	25,800	9.7
Canada (1996)	4,971	17.4
Switzerland	1,341	19.0
Australia	4,320	23.3

*Numbers for all countries except Australia, Canada, and the United States report the noncitizen population. Figures for Australia, Canada, and the United States represent the entire foreign-born population, including naturalized citizens. Numbers for the European countries do not normally include estimates of the unauthorized population (which is usually 10 to 15 percent of the legal number), nor do they include those among the foreign born who are returning "co-ethnics."

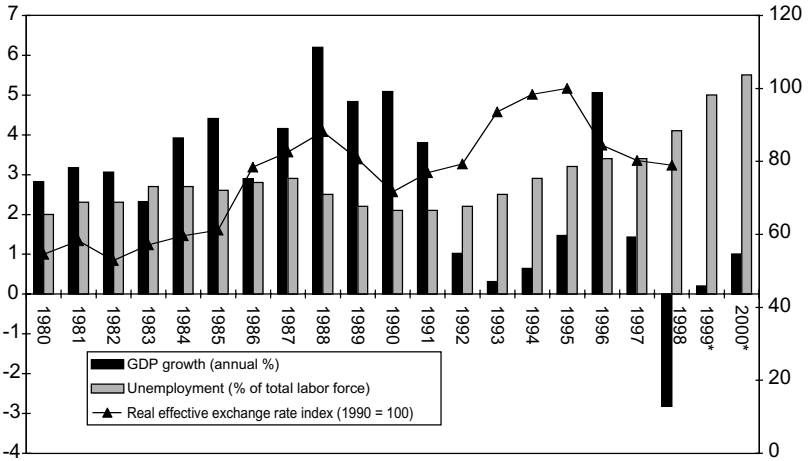
Sources: SOPEMI, *Trends in International Migration*, (Paris: OECD, 1999); Australian Department of Immigration and Multicultural Affairs, *Population Flows: Immigration Aspects* (Canberra: DIMA, January 1999); A. Dianne Schmidley and Campbell Gibson, *Profile of the Foreign-Born Population in the United States: 1997*, U.S. Census Bureau Current Population Report (Washington, D.C.: U.S. Government Printing Office, 1999).

result of these concerns and the relatively high recent levels of unemployment (see Figure 1), Japan finds itself asking where, and particularly how, foreign workers might fit into its long-term economic and social portrait. This question raises issues that begin with Japan's economic competitiveness and end with its cultural identity. It is doubtful that these issues will be resolved without a major reconceptualization of the role of immigration in shaping Japan's future.

It is primarily increased migration from other Asian countries that has brought immigration to the forefront of Japanese policy concerns. As the dominant regional economic superpower,⁵ Japan

⁵China appears poised to challenge this dominance within the next decade.

FIGURE 1.
Japanese Economic Indicators, 1980–2000



*Projected.

Source: Data from 1980–98 from World Bank, World Development Indicators 2000. Data for 1999–2000 from International Monetary Fund, Japan: Staff Report for the 1999 Article IV Consultation, August 1999.

remains sharply attuned to the regional processes that are transforming the Asian economic horizon. Naturally, how these processes might influence Japan is of primary concern. Unresolved political uncertainties on the Korean peninsula remind Japan that its proximity makes it potentially vulnerable to the consequences of the area's political tensions. These include potential refugee movements—a development that Japan, with its significant Korean minority, could not possibly ignore. The issues surrounding Taiwan's slow and dangerous "dance" with mainland China are also rife with uncertainty. And China, with its vast working-age population, its estimated 200 million unemployed and underemployed, and its vast numbers of internal migrants of rural origin (estimated to exceed 80 million), looms as a potential challenge of the first order for both Japan and the region (Wong 2000; Papademetriou forthcoming). Chinese immigrants, most of whom enter Japan by boat, were estimated to account for 43 percent of

illegal entries into Japan in 1997⁶ (Japan Immigration Association [JIA] 1998, 87).

In addition, Japan's continuing attractiveness as a destination for immigrants from the broader region cannot be underestimated. The ongoing battle of the Japanese authorities against clandestine immigration testifies to the fact that, despite the economic slump, Japanese jobs and wages (even the most inferior ones) are an enormous magnet to would-be immigrants. Such immigration dovetails in an unlikely manner with the challenges facing Japan as it struggles to maintain its health and social infrastructure at a time when its population is aging quickly. The Organization for Economic Cooperation and Development (OECD) estimates that Japan's pension expenditures will nearly double between 1995 and 2020, compared with a growth rate only one-quarter as large for the United States. Thus, immigration may be the only sure way for Japan to remain both internationally competitive and domestically "solvent," given its precipitously shrinking workforce.⁷

Ironically, Japan—so long a model for those skeptical of the proposition that immigration is an essential ingredient to the growth and prosperity of receiving nations—must prove those skeptics wrong if it is to safeguard its position in the global economy and continue to offer its citizens the services to which they have become accustomed. But welcoming immigrants will not be an easy task. The grappling match between a sort of Japanese exceptionalism—with its deeply embedded sense of social and cultural uniqueness—and the inescapable demographic and economic imperatives will be fascinating to watch. The outcome

⁶This figure is based on the number of Chinese among the illegal immigrants apprehended by the government, which Japanese authorities assume is roughly proportionate to the percentage of Chinese among total illegal entries.

⁷Interestingly, the long-term fear of population decline and its potential impact on various parts of society and the economy coexists with short-term population pressures. Part of Japan's reluctance to accept immigrants results from the popular perception that Japan is already bursting at the seams with its own people. Despite significant changes in the structure of the population, Japan still remains a densely populated country, with roughly 336 people per square kilometer on an island not quite as large as California. (By comparison, the United States has roughly 30 people per square kilometer, Germany almost 235, and India 330.) The most important point, however, is that although most Japanese would welcome less crowded conditions, the form that this will take if the status quo continues—lots of old people with progressively fewer young workers whose taxes must pay for needed public services—is simply unviable.

depends on the degree to which Japan is prepared to shed the shrouds of insularity and xenophobia that have defined its relationships with foreigners—and how it chooses to accomplish this. Given its less-than-welcoming historical record, it is unlikely that Japan will grant non-Japanese broad naturalization and citizenship rights during the next decade or so. A more open question is whether, when, and under what circumstances it might grant them full social and labor rights, and even permanent residency rights.

Equally interesting is whether Japan will develop its own immigration path that somehow navigates successfully through what many Japanese policy makers and analysts consider the “mistakes” of other industrialized countries. Foremost among these mistakes is thought to be Europe’s failure to manage its “guest worker” programs of the 1960s and 1970s in a manner that could have *prevented* guest workers from turning into permanent residents. This perceived European failure (as well as the social and cultural turmoil in the United States, which many Japanese attribute to U.S. immigration policies) is interpreted by most Japanese opinion leaders as having had adverse social, cultural, and even economic consequences for the receiving societies. Considering the prevalence of these views, the question becomes whether Japan will be able to devise a different way of using immigrant labor—yet one that is consistent with the evolving code of conduct among advanced industrial democracies.

The next decade will reveal the course Japan will follow, giving it the opportunity to demonstrate whether there is indeed another way to manage immigration in a society that finds itself in the grasp of relentless demographic transformation. Barring any unforeseen upswing in the willingness of the Japanese to reproduce themselves,⁸ and assuming that Japan wants to offer its elderly the services they need while remaining a global leader, the question of how Japan will choose to conduct its immigration business is likely to be answered sooner rather than later.

⁸Even if such an upswing were to occur immediately, the labor market effects would not be felt until sometime in the mid-2020s. In the interim, Japan would be compelled to turn to the immigration choices discussed here.