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JAPAN PERSPECTIVES

No. 7

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Japan Perspectives

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Japan Perspectives

Recent Articles from the Tokyo Foundation Website

No. 7, December 2013

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November 6, 2013

Why Myanmar Matters

Ensuring the Future of the Liberal International Order in East Asia

Tsuneo Watanabe

Myanmar has become a new frontier for cooperation among Japan, the United States, and Europe under President Thein Sein's initiative for democratization and market reform. Senior Fellow Tsuneo Watanabe notes that Myanmar's trajectory will have an impact on the future regional order, testing whether Chinese aspirations for national rejuvenation can coexist with the interests of neighboring countries and the larger international community. The Japanese government has demonstrated new thinking, recently collaborating with a domestic NGO to facilitate the process of ethnic reconciliation in the country.

The global policy community sees East Asia as a prosperous and stable region, an engine of economic growth, and the locus of business opportunities. The region's development began with Japan's "economic miracle" of the 1960s and 1970s, which was followed by rapid growth in South Korea, Taiwan, Hong Kong, and Singapore in the 1980s, China in the 1990s, and India in the 2000s. Members of the Association of Southeast Asian Nations (ASEAN), such as Indonesia, Malaysia, and the Philippines, have also recently been growing steadily. The latest business "frontier" in Southeast Asia—for developed economies like Japan, the United States, and the European Union—is Myanmar under President Thein Sein's initiative for democratization and market reform.

An interesting aspect of the current Myanmar boom among businesses in developed economies is Myanmar's own decision to wean itself from an exclusive diplomatic and economic relationship with China. The closed, military government is now taking steps toward becoming a more open and democratic society and economy. Analysts view these moves as part of President Thein Sein's strategic calculation to maintain an appropriate distance with China, which had

Tsuneo Watanabe Senior Fellow and Director of Foreign and Security Policy Research, Tokyo Foundation.

virtually monopolized economic relations with Myanmar over the past 20 years.

Naturally, the Myanmar case has attracted the interest of Western observers because it offers hints regarding the shape of the future liberal international order in the light of the structural power shift in Southeast Asia, prompted by China's rise. The Obama administration's initiatives to engage positively with Myanmar are part of its "rebalancing" policy toward the Asia-Pacific, which emphasizes its relations with Southeast Asia, as a region where US administrations had not spent much political capital following the retreat from the Vietnam War.

In the face of the Asian financial crisis of 1997, which dealt a body blow to most Southeast Asian economies, Washington's commitment was regarded as minimal, while Japan's New Miyazawa Initiative provided huge financial support. This was a case in which Japan-US coordination broke down. The US commitment to addressing disputes in the South China Sea was also minimal in 1995, when China built structures on Mischief Reef, over which the Philippines also claims sovereignty. The United States now appears ready to seriously address issues pertaining to the future governance and order of Southeast Asia, where participants are worried about the consequences of China's rising economic and political influence. Myanmar is definitely a case offering a glimpse of the future shape of the regional order, where the forces of China's rise and US rebalancing interact.

Dreams and Anxieties

New Chinese President Xi Jinping has vowed to achieve the "Chinese Dream" of great rejuvenation of the Chinese nation. This is a vague slogan with many connotations, and has invited myriad interpretations. Xi himself ascribes four meanings to the slogan: a strong China, a civilized China, a harmonious China, and a beautiful China. He has also vowed to achieve the "two 100s": a moderately well-off society by 2020—the 100th anniversary of the Chinese Communist Party—and a fully developed nation by 2049—the 100th anniversary of the People's Republic. Although the slogan does not contain any aggressive elements, countries embroiled in territorial disputes with China in the South China Sea are worried that they may be trampled upon as China forges ahead toward its dream.

For example, Vietnamese scholar Nguyen Hung Son points out that China's neighbors are wondering whether Xi's "Chinese Dream" can really coexist

with their own.[1] China has grown very assertive in territorial disputes with its neighbors in the South China Sea. In addition, China does not respect many international rules, such as the United Nations Convention on the Law of the Sea (UNCLOS) and the Declaration of Conduct (DOC) over the South China Sea, although China is formally committed to them. Nguyen states that China pursued a moderate and cooperative approach to these issues in the past, but that its attitude has changed as a result, he believes, of the relative decline of US strength and Japanese economic power.

Japan, too, shares such worries, owing to tensions over the Senkaku/ Diaoyu Islands in the East China Sea, as does the United States and the European Union. Chinese assertiveness is a concern not just for the regional order but for international rule- making in the East Asian region, where the West has extensive business and economic interests.

In this context, the Obama administration's rebalance toward Asia is resisted by China and warmly welcomed by its worried neighbors. At the same time, Japan and other US allies and friends are aware of the United States' limited financial resources and political capital, and they grew concerned when Washington began seriously contemplating intervening militarily in Syria to oppose the Bashar al-Assad regime's use of chemical weapons. However, it would not be constructive for East Asian nations to restlessly fret over the fluctuating balance of power between the United States and China. It is not the US goal to antagonize China through containment or encirclement, nor would that be in the interest of Japan or the EU. On the other hand, US power is still regarded as an effective tool in inducing China to be a more cooperative player in regional rule-making and in hedging against China's arbitrary exercise of power against asymmetrically smaller neighbors.

It is the imperative of the international community—particularly the EU and Japan—to work with the United States to create a stable Southeast Asian environment where all actors, from small to large, respect common rules and enjoy the fruits of peace and prosperity. The EU has an advantage in dealing with China since it does not have a territorial dispute or direct conflict with China while being an influential economic and trading partner. By working with countries sharing vital interests, Japan, too, needs to proactively support the shaping of the regional order.

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[1] Nguyen Hung Son, "Can the Chinese Dream Coexist with Other Dreams?: Views from Vietnam" (in Japanese), in *Gaiko* (Diplomacy) published by the Ministry of Foreign Affairs of Japan, July 2013, pp. 36–37.

Japan's New Approach to Assistance for ASEAN

For Japan, stability in the South China Sea and the ASEAN region is critically important for its own security and prosperity. Japan is still heavily dependent on the sea lane from the Gulf region through the Strait of Malacca and the South China Sea to the East China Sea for imports of energy resources critical to its economic survival.

In the past, Japan's vital interests were protected by the US military presence. Although this fact has not changed, Japan has gradually begun to cooperate more fully with US and regional efforts to stabilize the Southeast Asian region, which can be a choke point in the energy flow to Japan and where countries share Japan's interests in tempering China's territorial aggressiveness.

Japan plans to provide capacity building to Southeast Asian countries suffering from a wide maritime capability gap with China, which has rapidly increased the number of patrol ships, surveillance vessels and aircraft, submarines, and fifth generation jet fighters. Japan has been providing official development assistance to ASEAN countries throughout the post–World War II period. This was regarded as a form of war reparations for Japan's military aggression in the 1930s and 1940s.

Recently, Japan has found a new rationale for its assistance to ASEAN nations: to help them reduce the economic and military gap with China—a country to which Japan has also provided substantial economic assistance in the past.

During the Japan-ASEAN Summit Meeting in November 2011, then Prime Minister Yoshihiko Noda pledged $25 billion to promote projects for enhancing ASEAN connectivity. In the Japan- Mekong Summit in April 2012, Japan offered $7.4 billion over three years to help five Mekong states build up their infrastructure.

The Japan Self-Defense Forces (SDF) have actively participated in joint military exercises for humanitarian assistance and disaster relief in Southeast Asia, including the US-Thai Cobra Gold joint/combined exercises since 2005. In July 2011, Japan joined, for the first time, the joint maritime military exercise with US and Australian forces in the South China Sea off the coast of Brunei. And in spring 2012, the SDF joined the US-Philippine joint military exercises called Balikatan.

In addition, Japan is helping to directly strengthen regional maritime security capabilities by providing patrol vessels to Southeast Asian countries. In December 2011, the Noda administration eased Japan's self-imposed re-

strictions on weapons exports. Japan is still committed to not exporting weapons to other countries, although exceptions have been made in the past for Japan's alliance partner, the United States. Now, exceptions are being made in cases that contribute to peace and advance international cooperation.

Japan is planning to provide the Philippines with patrol vessels for its coast guard and maritime communication systems using its official development assistance (ODA) budget in the coming years. Contributing to ASEAN's capacity building in such a manner is a new approach for Japan.

Japan's mainstream assistance to ASEAN has traditionally been for economic development, and this is a policy that has the support of all political parties. However, assistance for capacity building in the security arena was quite controversial among liberal opposition parties. Now aware of the tough reality faced by Southeast Asian nations in dealing with an assertive military giant, public opinion has gradually changed. Many scholars have begun to address this new frontier, calling on Japan to offer direct assistance to enhance developing countries' security capacity, although Japan still avoids transferring combat weapons.

Importantly, Japan's new approach is coordinated with US policy in Asia. At the two-plus-two meeting in April 2012, Japanese and US foreign and defense ministers agreed on joint cooperation to assist other Asian countries' security efforts. The agreement is as follows:

> The Ministries confirmed the great importance of working together to promote peace, stability, and prosperity in the Asia-Pacific region, and enhancing effective, efficient, and creative cooperation. In this context, the US government plans to continue to help allies and partners in the region to build their capacity with training and exercises. The government of Japan, for its part, plans to take various measures to promote safety in the region, including strategic use of official development assistance, for example through providing coastal states with patrol boats.[2]

Although China may be irritated by such cooperation, it is an important step toward creating a stable regional balance by enhancing the security capacity of the region's states. The EU has a part to play in such efforts as well, as

[2] Secretary of State Hillary Clinton, Secretary of Defense Leon Panetta, Minister for Foreign Affairs Koichiro Gemba, and Minister of Defense Naoki Tanaka, Joint Statement of the Security Consultative Committee, April 27, 2012.

many EU countries are experienced in providing capacity building assistance to Middle Eastern and African nations.

The Challenge of Myanmar

The situation in Myanmar is an omen of developments that could influence regional rule making over the long term. Its political and economic structures are far from stable, however, and there is no guarantee that the process of democratization advanced by President Thein Sein will not be reversed.

The lower house of Parliament in the capital of Naypyidaw, Myanmar. (©Htoo Tay Zar)

The initial challenge will be whether Myanmar can amend its constitution, under which the military is granted 25 percent of all parliamentary seats and three important ministers—the internal minister, border management minister, and defense minister—are appointed by the supreme commander of the national military. Since a constitutional amendment requires the approval of a 75 percent-plus-one-seat majority in both houses of parliament, it remains a high hurdle. Opposition leader Aung San Suu Kyi is now cooperating with the Thein Sein government in seeking an amendment. One litmus test will be how steadily democratization proceeds in the next election, scheduled for late 2015. A critical task for the international community regarding Myanmar will be to share its notions about and technical knowledge of establishing a healthy civil-

ian-military relationship through the process of democratization and economic development.

The second challenge will be to address the ethnic conflict from which Myanmar is still suffering, even after 25 ethnic groups signed a ceasefire agreement with the military government in 2007. The Karen and Shan (Myanmar National Democratic Alliance Army) continue to fight the central government in the east of the country. Small, armed ethnic Rohingya groups are active in the west. Ethnic conflicts are a grave matter that could derail Myanmar's economic and democratic development. Economic assistance, combined with reconciliation support, from the international community will be a critical facilitator.

In this area, Japan has demonstrated new thinking. To facilitate the reconciliation process, the government is collaborating with an NGO that has been assisting ethnic minorities in Myanmar for decades. The Nippon Foundation—one of the largest nonprofit, philanthropic organizations in Japan (which also helped establish the Tokyo Foundation)—has been providing food and medical assistance to ethnic minorities since 1976. In February 2013, the Japanese government appointed Nippon Foundation Chairman Yohei Sasakawa as special representative to help achieve ethnic reconciliation in Myanmar. Sasakawa was the sole observer at the first official peace talks between the Myanmar government and the United Nationalities Federal Council—an alliance of 11 ethnic militias—held in Thailand in February 2013. That the chairman of a Japanese NGO would be granted government status to facilitate such a reconciliation process is a new development. This shows that collaboration between the Japanese government and NGOs in the international arena has been growing in areas such as in advancing disarmament, demobilization, and reintegration (DDR) activities in Afghanistan and Africa, and Japan's civil society can henceforth be expected to make further contributions to expanding the role of civil society throughout East Asia.

Myanmar faces enormous challenges, however, and addressing them is beyond the task of any one NGO or foreign government. Sasakawa has stressed the critical importance of the international community's continued economic support for Myanmar's ethnic minorities, many of whom are suffering from extreme poverty. This can play a key role in the domestic reconciliation process and abet the country's democratic development.[3] Such a role may be identified

[3] Interview with Yohei Sasakawa, "Toward Reconciliation with Minorities and Ending Poverty: Issues in the Current Democratization Process in Myanmar" (in Japanese),

as a common mission for the civil societies of Japan, the United States, and Europe.

Japan-US-EU Trilateral Cooperation

The international community's role in helping Myanmar meet the challenges of reconciliation, democratization, and economic development must be considered wisely. One dilemma would be an excessive emphasis on business development in urban areas, as this could widen the gap between the rich, urban majority and the poor, rural minority. In this context, the international community's continued assistance to rural, minority areas is of critical importance. Formulating a common strategy and enhancing coordination among Japan, the United States, and the EU in their assistance would be a symbolic model case in supporting the steady economic and peaceful development of Myanmar and other ASEAN countries. Such trilateral cooperation, moreover, would not conflict with China's rise in the region, as long as all actors share the common goal of a stable and prosperous East Asian region. The process itself may contribute to creating a rule- based and liberal international order throughout East Asia.

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Gaiko (Diplomacy), published by the Ministry of Foreign Affairs of Japan, July 2013, pp. 51–56.

October 17, 2013

China and the Trans-Pacific Partnership

Paul J. Saunders

Parties to the negotiations on the TPP should not ignore China's concerns that the TPP and other major international trade agreements represent attempts to economically "contain" China's rise. Aiming for inclusive, rather than exclusive trade pacts, argues Paul Saunders, would make not only economic sense but political and strategic sense, too.

Notwithstanding President Barack Obama's decision to remain in Washington to manage ongoing budget and debt talks with Congress, the Asia-Pacific Economic Cooperation summit in Bali appears to have produced modest progress toward the Trans-Pacific Partnership trade agreement. Success with TPP would be a major accomplishment for the United States, Japan, and other participating countries and could produce substantial economic and strategic benefits.

Nevertheless, its participants should also take care to avoid potentially counterproductive unintended consequences, particularly in their relations with China.

Group photo of APEC leaders with their spouses. (© APEC 2013)

China's new President Xi Jinping had an opportunity to shine in Mr. Obama's absence and by all accounts he did. Press reports from the summit describe other APEC leaders jockeying for opportunities to interact with Xi—as well as a unique and massive media center to promote Beijing's role and perspectives. As a result, many de-

Paul J. Saunders Project Member, Tokyo Foundation's Contemporary American Studies Project; Executive Director, Center for the National Interest (Washington, DC).

scribed the event as a diplomatic victory for China's leaders, and perhaps it was.

But whatever warm glow Mr. Xi may have felt in his hotel suite following the final day's events is likely tempered by growing anxiety about the TPP's progress. Although it is the world's second largest economy and recently became the number one trading nation, China could face significantly greater competition from TPP members if the agreement is realized. TPP participants make up over 40% of world trade, while China is responsible for about 10% of global merchandise trade and around 5% of the international market in services.

Worse from China's perspective, TPP is not the only major international trade agreement currently under negotiation. The United States is simultaneously pursuing the Transatlantic Trade and Investment Partnership with the European Union—and the EU represents approximately 19% of world trade. If both TPP and TTIP are successful, America would be at the center of a global free trade system accounting for 60% of international trade, without even considering Washington's other existing trade pacts, most notably with South Korea and Mexico.

Setting aside America's current political dysfunction, the success of these two agreements could reinvigorate both the US economy (and, of course, those of the others involved) and Washington's international leadership. It would also demonstrate compellingly Washington's power to attract partners, despite its occasional mistakes—a power that China still lacks.

Maintaining Openness

Creating TPP and TTIP at the same time could well look like—from China's perspective—a form of economic containment, particularly because commentators in Asia, Europe, and the United States are all describing the agreements as not only economically important but strategically necessary in managing China's rise. As a result, if the two trade agreements are not handled carefully, they could contribute to a dangerous backlash in China that might undermine their strategic benefits.

From a historical perspective, major powers that feel increasingly isolated have generally looked for new allies and partners to strengthen their political, economic, or military position. With this in mind, China is likely to seek partners outside TPP and TTIP—and looks like it is already doing so. This is most evident in Beijing's increasingly active efforts to cultivate Moscow and its expanding engagement in Central Asia and the Middle East.

At the same time, the United States is disengaging in Central Asia—as the war in Afghanistan winds down—and appears likely to reduce its energy imports from the Middle East, a key component of the US role there. A new Silk Road linking the Middle East, Central Asia, and China—an idea that currently seems to have wide support from not only these nations but also the United States and Europe—could promote this kind of integration, especially if Moscow and others successfully develop the Eurasian Economic Community.

The critical question for the major economies participating in all of these ventures is whether they will be inclusive or exclusive. Inclusive new groups that lower barriers and expand trade could energize the global economy, forming large and important building blocks for worldwide trade liberalization. Conversely, however, exclusive and competitive groups could lead to growing trade tensions while giving away the potential benefits of wider and deeper economic integration. That path would likely heighten political tensions as well—and the consequences could be costly for all.

With all of this in mind, it is quite important for the United States, Japan, and others discussing the TPP to ensure that any eventual agreement is clearly open to new members, including China. This not only makes economic sense—by expanding the boundaries of freer trade and prosperity—but political and strategic sense too.

Eventually bringing China into the TPP could require one of the most complex and difficult trade negotiations in history—not to mention challenging work in Beijing to meet the agreement's appropriately high standards—but would be well worth it. Until then, leaders in the United States and other parties to the talks should more clearly state this goal and look for ways to take small steps toward it.

November 21, 2013

Japan's Agriculture and the TPP

Yutaka Harada

Japanese agriculture is in a dire state, and misguided agricultural policies are partly to blame, states Senior Fellow Yutaka Harada. He sees promise, though, in that some sectors have demonstrated potential for growth even under such circumstances. Japan's participation in the TPP should benefit many farming households, inasmuch as their income is reliant on a healthy economy as a whole.

Introduction*

Many Japanese industries are perceived to be strong, active, and competitive in the global market, but agriculture is usually considered an exception. For years, the farm sector has sought protection from international competition, subsidies, and favorable government treatment, and it has been largely successful in getting them until now. In spite of these privileges, Japanese agriculture is in a perilous state, and most farmers oppose any movements toward free trade.

Japan has free trade agreements (FTAs) and economic partnership agreements (EPAs) with many countries, but their ratios of trade liberalization are low—around 85% or 86%—with the unliberalized items basically being agricultural products.[1]

Japan decided to join the negotiations for the Trans-Pacific Partnership (TPP) in March 2013 and has been participating in the talks since July 2013. For the TPP, the United States and other member countries are believed to be seeking liberalization ratios of 96% or higher.[2]

The Japanese government is believed to be interested in protecting rice,

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* This manuscript was prepared for the Chicago Council on Global Affairs conference on "Frontiers of Economic Integration," in Chicago, Illinois, on October 29–30, 2013.

[1] See Harada and the Tokyo Foundation (2013), p.18, Chart 2.

[2] Liberalization rates of FTAs between the United States and other countries are higher than 96%. See Harada and the Tokyo Foundation (2013), p.18, Chart 2.

wheat, beef and pork, milk products, and sugar, but if it protects them all, the liberalization ratio will only be around 90%.[3] This would mean that the goal of the TPP—to achieve high-level trade liberalization—will not be realized.

The Japanese government is now reportedly trying to persuade powerful agriculture lobbies to accept liberalization in exchange for new subsidies. The main lobbies, the Japan Agricultural Cooperatives, actively opposed joining the TPP negotiations until March 2013 and are now trying to reduce the liberalization ratio and to get more subsidies by arguing that Japanese agriculture has been seriously damaged and that Japan's food self-sufficiency rate has drastically declined.

This paper will examine whether the arguments advanced by the agricultural lobbies are legitimate or not. I will first explain the dire state of Japanese agriculture. Second, I will illustrate that even under such circumstances there are some areas with potential for growth. Third, I will show how Japan's agricultural policies have hindered the sector's development. Fourth, I will propose alternative policies that should better promote its development. Fifth, I will explain that Japanese farming households already depend on sectors of the economy other than agriculture and that their income will not stabilize even if agriculture is protected; it will thus be important that the Japanese economy as a whole prospers. Finally, I will offer a conclusion.

The State of Japanese Agriculture

The annual value added in Japan's agriculture sector is 4.6 trillion yen (about 46 billion dollars). Agricultural imports are 5.8 trillion yen, sales total 8.2 trillion yen,[4] and the agricultural budget (which can be thought of farm subsidies) is 2.2 trillion yen.[5] Domestic prices of agricultural products are 1.516 times

[3] The number of tariff items for rice, wheat, beef and pork, milk products, and sugar (including starch) are, respectively, 58, 109, 100, 188, and 131, or a total of 586 items. In addition, Japan has not liberalized fishery products and plywood (248 items) and footwear and leather products (95 items), bringing the total to 929. The total number of tariff items would be about 9,000, giving a liberalization rate of about 90%. See "TPP jiyukaritsu 90% cho" (TPP Liberalization Rate to Be 90% or Higher)," *Nihon Keizai Shimbun*, October 4, 2013.

[4] Figures in this section for 2011 and 2012 are from the "Basic Statistics" page of the MAFF website (http://www.maff.go.jp/j/tokei/sihyo/index.html) unless otherwise stated.

[5] MAFF, "Norinsuisan Yosan no Kosshi, Heisei 24 Nendo" (Outline of the MAFF Budget FY 2012), http://www.maff.go.jp/j/budget/2013/pdf/00_01_kettei.pdf.

higher than the international average, according to the OECD,[6] which can be likened to 51.6% tariff protection.

At a glance, the situation seems absurd. Agricultural consumption in Japan is 10.4 trillion yen (4.6 trillion yen in domestic production + 5.8 trillion yen in imports). Domestic farmers thus meet only 44% of total consumption, despite receiving 2.2 trillion yen in subsidies and benefitting from 51.6% tariff protection. The domestic value added would be only 3.0 trillion yen (4.6 trillion yen / 1.516), moreover, if calculated using international prices. Subtracting the 2.2 trillion yen in subsidies from this amount would then leave only 0.8 trillion yen in real value added by domestic producers—equivalent to just 0.17% of Japan's 470 trillion yen GDP.

Table 1 Family Farms by Sales (1000 Farms)

Family Farms	Total	～¥ 1Million	1～3¥ million	3～5¥ million	5～7¥ million	7～10¥ million	10～30¥ million	30¥ million
Total	1,503.9	878.2	304.9	95.3	53.9	54.5	90.9	26.1
Single Product Farms (Sales share of a primary product is more than 80%)	1,090.6	658.1	223.9	64.5	33.7	33.2	58.0	19.2
in which Rice	716.3	546.1	129.1	21.6	8.4	4.4	6.5	0.2
Upland Field Crops 1)	47.0	21.3	12.1	4.4	2.2	2.7	3.7	0.6
Open field vegetables	79.3	28.8	21.0	8.2	4.8	5.0	9.7	1.8
Facility vegetables	46.7	3.2	8.5	7.2	5.3	7.4	13.6	1.5
Fruits	119.8	43.4	37.1	16.0	8.2	7.7	7.0	0.4
Milk Cow	15.7	0.2	0.4	0.2	0.4	0.9	6.2	7.4
Beef	24.4	5.5	8.0	2.5	1.6	1.5	2.8	2.5
Others 2)	41.6	9.6	7.7	4.4	2.8	3.6	8.5	5.0
Combined Product Farms (Sales share of a primary product is less than 80%)	284.3	91.2	81.0	30.8	20.2	21.3	32.9	6.9
Farm without sales	128.9	128.9	–	–	–	–	–	–

Source: MAFF, "Nougyou Kouzou Doutai Chousa (Survey on Structure and Movement of Agriculture)," 2012.
Note: Less than 1 million includes no sales.
1) Wheat, Millet, Potatoes, Beans, Industrial Crops
2) Flower, Other Field products, Pork, Poultry, and Other Stockbreeding

The plight of domestic agriculture can also be seen when we look at individual farming families. According to the Ministry of Agriculture, Forestry and Fisheries, the farming population in Japan is 2.53 million, and there are 1.50 million farms, but their agricultural sales are only 500,000 yen (approximately 5,000 dollars) on average. And as shown in Table 1, among the 1.50 million farms, 878,000 claim sales of less than 1 million yen per year; the average household income in Japan, incidentally, is 5.48 million yen.[7]

[6] OECD, Producer Support Estimate by Country, http://stats.oecd.org/Index.aspx?DataSetCode=MON20123_1.
[7] Ministry of Health, Labor, and Welfare, "Kokumin Seikatu Kiso Chosa" (Basic Survey

The number of family-owned farms ringing up annual sales of more than 7 million yen is just 171,500 (the sum of the three right-hand figures in the first row of Table 1). Since Japan's average household income is 5.48 million yen, sales of 7 million yen may not be a lot, but it is a level at which a family can afford to be engaged in farming on a full-time basis. This means that there are only 171,500 full-time farming households, and the rest are farming only on a part-time basis.

The average age of farmers is 65.8 years old, and the ratio of 65-and-over workers to the total agricultural population is 61.8%. Fields and rice paddies that have been abandoned and are no longer cultivated total 400,000 hectares (Japan's arable land is 4.5 million hectares), while another 1,100,000 hectares lie unused owing to the government's *gentan* policy of reducing rice cultivation acreage. Japanese agriculture is in a state of collapse. One is led to conclude that Japan's agriculture and agricultural policies are extremely inefficient and peculiar.

Potential for Growth

Despite these dire conditions, there are some areas with potential for growth in Japanese agriculture. Figure 1 shows the shares of sales by scale of farm. In the case of broilers (chicken), farms with sales of more than 10 million yen (100,000 dollars) accounted for 98% of total sales. Similarly, the shares claimed by farms with sales of more than 10 million yen were 97% or higher for eggs, pork, and milk cows.

By contrast, the shares were 39%, 51%, and 63%, respectively, for fruits, rice, and vegetables. Relatively low shares were also seen for beef, wheat, flowers, beans, and potatoes.

The figures suggest that large farms were dominant for those agricultural products—like broilers, eggs, pork, and milk cows—that lend themselves to large-scale production. There is less economy of scale for fruits, vegetables, and flowers, and the means of working around such disadvantages—such as using foreign workers or hiring workers only during the harvest season—are currently unavailable. There are considerable potential economies of scale for rice, wheat, beans, and potatoes, but such potential is not realized at present.

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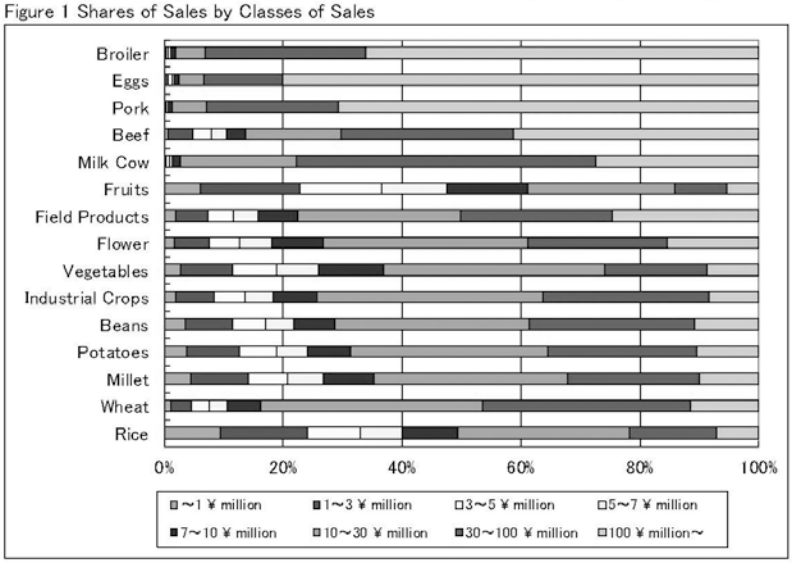
on National Life), 2012.

Figure 1 Shares of Sales by Classes of Sales



Source: MAFF, "*Nouringyou Sensasu* (Census on Agriculture and Forestry) 2010," "Farm III Statistics on Sales of Agricultural Products by Sales Class."
Notes: Sales between 3 and 5 ¥ million is assumed to be 4 ¥ million. Sales in the class are calculated by 4 million times number of farms in the sales class. More than 600 ¥ million is assumed to be 600 ¥ million.
Wheat includes barley, rye and oats. Field Products means Other Field Products

Wrong Policies

Why has Japanese agriculture been unable to develop? One possible culprit is government policy that has discouraged farmers from taking advantage of economies of scale.

For example, agricultural cooperatives sell seeds, seedlings, pesticides, and fertilizers in small sizes and lots, provide financing for agricultural machines, and purchase the harvested products. In short, it is thanks to Japan's agricultural policy and the availability of such services that farming can be performed on a part-time basis.

Additionally, pooling a number of lots to achieve economies of scale and decrease production costs is difficult because farmers are reluctant to lend their land. This has to do with the fact that Japanese farmland, if certain conditions are met, can be converted to other uses. Once converted, houses, supermarkets, and infrastructure—such as roads, railroads, and public facilities—may be built on the farmland, pushing up land prices tenfold or more. Another reason for the reluctance is that tenant rights are strongly protected in Japan.

MAFF has sought to concentrate farmland by providing subsidies to land owners, but enticing them to lend, when they might get a much higher price by

converting the land for other uses, would require too much money. Such a policy would also be problematic from the viewpoint of ensuring equity between land owners and people without land.

Instead of providing subsidies, MAFF should increase the landholding tax. The real estate tax on farmland is currently very cheap, practically zero. This prompts landowners to hold on to their farmland even if they do not farm, waiting for market values to rise before selling it. If the real estate tax is raised at the same time that tenant rights are weakened, lending would become a more attractive option, and landowners might become more willing to lend.

MAFF should also stop its *gentan* policy of reducing the acreage under rice cultivation. Farmland concentration would be hindered if farmers have to reduce their acreage. It is contradictory for MAFF to argue that agriculture must be protected to increase the food self-sufficiency rate while at the same time guiding domestic production lower with its acreage reduction policy.

If the real estate tax on farmland is raised, tenant rights are weakened, and the policy of reducing acreage under cultivation is abolished, there is no question that farmland would become more concentrated. As mentioned above, there are only 171,500 farmers in Japan who sell more than 7 million yen of agricultural produce each year. With total farmland in Japan being 4.5 million hectares, the size of the average farm is about 26 hectares.

This is less than one-sixth the US average of 160 hectares. Large-scale farming is not always suitable for vegetables and flowers, while poultry, pork, and beef production is not land-intensive. This suggests that rice fields would be slightly larger than average, probably in excess of 30 hectares.

According to MAFF, the cost of rice production is 22,185 yen per 60 kilograms for farms between 0.5 and 1 hectare, but 13,086 yen when farms are between 3 and 5 hectares, 11,848 yen for 10 hectare farms, and 11,080 yen for farms of 15 hectares or more.[8] The price of imported high-quality rice produced in California has been estimated to be 9,631 yen per 60 kilograms by Professor Shoichi Ito of Kyushu University.[9] The price differential is thus no longer a crucial issue.

Many Japanese argue that crop production in Japan has a disadvantage compared to such countries as the United States, Canada, and Australia, where land is more abundant, but the important thing is not the area of arable land

[8] MAFF, "Nosanbutsu Seisanhi Tokei (Statistics of Agricultural Production Costs)," 2011.

[9] Quoted from Yamashita (2013), p. 236.

but the area of arable land per farmer. The area per farmer will increase if the number of farmers decreases. The area is 160 hectares in the United States now, but it was 60 hectares in 1930[10]—including ranches, where a few cowboys could manage huge areas of land. The increase in the area per farmer is the result of children and grandchildren moving to the cities.

In the case of Japan, the government has tried to keep farmers from moving to the cities and to have them continue farming for political reasons. Japan's leftist parties are very weak now, but they once presented a formidable opposition force, with the chance that they might take power in the 1970s and early 1980s; indeed, they did take power in several large cities in the 1970s. Rural areas are the power base for the Liberal Democratic Party of Japan, and they tried to keep farmers in those areas and to continue farming, even if the farms were on a small scale.

What Can Be Done?

In order to correct the shortcomings of Japan's agricultural policy, it is important to have an understanding of MAFF's distorted system of protection for agricultural products. Tariff rates for flowers are zero, those for vegetables range from 3% to 9%, and those for fruits are between 10% and 20%. By contrast, tariffs are extremely high for konjak (devil's tongue) potatoes, rice, tapioca starch, butter, sugar, wheat, potato starch, and skimmed milk, being 1700%, 778%, 583%, 360%, 328%, 252%, 234%, and 218%, respectively. Between the two extremes are processed tomatoes, beef, and oranges, which, respectively, are 20%, 38.5%, and 20% (40% during the seasons when *mikan*, or Japanese tangerines, are harvested). The tariff rate for pork is 4.3% when the import price is under the break-even price of 393 yen per kilogram, while the difference between the import price and break-even price becomes the tariff rate when the import price is higher than the break-even price. As you can easily imagine, many importers falsely claim import prices that are higher than the break-even price, and some of them are caught by custom tax offices.

Why should the tariff rate for konjak—which has very few or no calories—be higher than that for high-calorie potato starch? From a food self-sufficiency viewpoint, these rates make little sense.

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[10] US Census Bureau, "Statistical Abstract of the United States, Bicentennial Edition," various years.

Table 2 GDP by Economic Activities and Agricultural Outputs

		2007	2008	2009	2010	2011
GDP by Economic Activities		5,129,752	5,012,093	4,711,387	4,823,844	4,706,232
in which	Agriculture	48,342	47,432	45,224	47,693	46,025
	Forestry	1,707	1,674	1,467	1,519	1,592
	Fishery	8,495	7,890	7,711	7,345	6,880
Agricultural Outputs		8,259	8,466	8,190	8,121	8,246
in which	Cultivated Agriculture	5,720	5,820	5,590	5,513	5,639
in which	Rice	1,790	1,901	1,795	1,552	1,850
	Wheat	73	75	65	47	37
	Beans	64	78	69	62	57
	Potatoes	192	203	207	207	205
	Vegetables	2,089	2,111	2,085	2,249	2,134
	Fruits	756	741	698	750	743
	Flowers	405	366	351	351	338
	Industrial Crops	261	265	243	214	198
in which	Stockbreeding	2,479	2,585	2,547	2,553	2,551
in which	Beef	485	459	482	464	463
	Milk	636	660	703	675	658
	Pork	523	579	512	529	536
	Poultry	676	744	709	735	753

Sources: Cabinet Office, "National Accounts," MAFF, "Seisan Nougyou Shotoku Toukei (Statistics on Production and Agricultural Income."

Additionally, many unprotected agricultural sectors have been growing while heavily protected ones have not. As shown in Table 2, sales of vegetables, fruits, and flowers are 2.1 trillion yen, 0.7 trillion yen, and 0.3 trillion yen, respectively. Sales of rice, wheat, and potatoes, meanwhile, are only 1.8 trillion yen, 0.04 trillion yen, and 0.06 trillion yen, with sales in unprotected sectors now being larger than in protected ones. Unprotected sectors are those that can stand on their own feet, increase sales, and make profits, while the protected sectors have been losing sales and continue to depend on protection from the government.

What this suggests is that Japanese agricultural policy has not been working well. MAFF spends a lot of money on agriculture, but the sector has not been growing; independent farmers who do not rely on this chaotic agricultural policy, though, have increased their sales and lowered costs. Some operate large farms, while others, by developing high-quality products, have managed to increase sales despite their small lots. It is individual initiative that is driving the growth of Japanese agriculture, so perhaps the government should stop intervening. Joining the TPP is the first step to eradicating this irrational agricultural policy.

There is a lot of political pressure to change the present policy, but the gov-

ernment can still use the income support system for individual farmers to ease the pressure. Many argue that this system of subsidies to small farms only delays the concentration of arable land, but a large portion of the subsidies goes to big farms. In rice production, for instance, 67% of the subsidies go to farms with annual sales of more than 5 million yen. For almost all other products, 80% are earmarked for relatively large farms. Still, some might criticize that the remaining 20% of the budget going to small farms hinders the expansion of economies of scale, but considering that the MAFF budget has generally been spent so ineffectively, this is a very small amount.

Government finances are very constrained right now, but agriculture in Japan is a small industry. The value of Japan's agricultural production is only 4.6 trillion yen, with unprotected sectors accounting for approximately 60% of total sales. This means that production in the noncompetitive sector is 40% of the 4.6 trillion yen, or 1.8 trillion yen. Even if the prices of these noncompetitive products decline by half after the TPP comes into effect, the government can still afford to make up the 0.9 trillion yen shortfall in farmers' revenues with fresh subsidies.

Additionally, while lower prices for agricultural products represent a loss for farmers, they would be a gain for consumers, so Japan as whole would lose nothing. But some would still argue that the government has no money for additional subsidies. I believe that the government can easily squeeze 0.9 trillion yen from its 100 trillion yen annual budget, but there may be a better way to finance such subsidies.

The consumption tax is scheduled to be raised from the present 5% to 8% in April 2014 and to 10% in October 2015. It has been argued that higher taxes should be exempted for daily necessities like food, but if Japan joins the TPP and liberalizes agricultural products, food prices can be expected to decrease, and so there would be no reason to exempt the hike for foodstuffs. Some argue that the consumption tax on food should be exempted for low-income families, but these same people seem strangely unconcerned about having to pay higher food prices to protect farmers.

If an exemption is made for foodstuffs, this would mean a 19% reduction in consumption tax revenues.[11] A 1-percentage-point increase in the consumption tax has been calculated to produce revenues of 2.5% of GDP, that is, about 2.5 trillion yen. Thus, a 2-point hike generates 5 trillion yen; since 19% of 5 trillion yen is 0.95 trillion yen, the government can secure the needed revenues for

[11] Harada and the Tokyo Foundation (2013), pp. 127–30.

subsidies to affected farmers with a 2% hike in the consumption tax by simply avoiding an exemption on foods.

Farm Sector Depends on Japan's Overall Prosperity

MAFF statistics show that there are 1.50 million family-operated farms, but they sell only an average of 500,000 yen's worth of agricultural products each year, as I mentioned. Farmers in the Edo period may have led self-sufficient lifestyles, but farmers cannot live on such incomes in modern times. They need to sell their produce to purchase products for modern life. (Actually, commercial agriculture is said to have flourished even in the Edo period.)

MAFF's estimates of farmers' incomes by size of field are summarized in Table 3. The ministry surveyed 1,603 agricultural households about their agricultural and subsidiary incomes and pension revenues. It selected relatively large farms for its sample because it wanted to know the situation of larger farms. Family-operated farms measuring more than 5 hectares account for only 5.5% of the total,[12] but they made up 44.7% of the MAFF sample; in short, the sample is not an accurate reflection of the overall situation, leading to an overestimation of agricultural income, but this is the only available survey of agricultural household incomes.

Table 3 Agricultural Income and Side Job Income (¥ 1000)

By total area of cultivated paddy field	Number of farms in Sample	Agricultural Income	Side Job Income	Pension Revenue	Total Income
Simple Average	1,603	505	1,871	2,084	4,461
～ 0.5 ha	83	△101	1,865	2,512	4,222
0.5 ～ 1.0	149	19	2,205	2,146	4,226
1.0 ～ 2.0	235	490	1,833	2,054	4,334
2.0 ～ 3.0	174	1,063	1,978	1,425	4,381
3.0 ～ 5.0	245	2,002	2,036	1,281	5,263
5.0 ～ 7.0	166	2,920	1,533	975	5,278
7.0 ～ 10.0	135	4,712	1,277	1,044	6,713
10.0 ～ 15.0	154	6,358	1,197	647	7,957
15.0 ～ 20.0	79	9,934	1,322	341	11,567
20 ha ～	183	13,434	1,619	625	15,196

Source: MAFF, "*Nougyou Keiei Toukei Chousa* (Agriculture Management Statistics) 2011."

[12] MAFF's "Nogyo Kozo Dotai Chosa" (Survey on the Structure and Dynamics of Agriculture), 2013. Sum of Hokkaido and other prefectures in "Keiei Kochi Menseki Kibobetsu Noka Su" (Number of Agricultural Families by Size of Cultivated Field).

The table shows that the average agricultural income of Japanese farms is only 0.5 million yen per year. "Agricultural income" means sales minus costs. Half a million yen is only about 5,000 dollars. Obviously, this is not enough to live on in modern-day Japan, even if it is overestimated. Then, how do they live? The table shows that the average income from side jobs is 1.9 million yen and average pension revenue is 2.1 million yen. Total income, including from agriculture, is 4.5 million yen. This is how they survive.

The average age of Japanese farmers is 65.9 years old, as I mentioned above, so they are more often than not pensioners.

For small farms, the share of pension benefits to total income is quite large. The average pension income for households with farms measuring less than half a hectare is 2.5 million yen, and their agricultural income is minus 0.1 million yen. So, one might say that small farmers are basically pensioners who cultivate their land as a hobby.

The figures suggest that for the average farmer, the most important consideration in making a living is to secure a steady income from a side job and to receive pension benefits. Getting a stable side job will become easier if the Japanese economy is growing, and for this, Japan's best option would be to open its doors wider to the global market and to seek further trade liberalization.

And what are the most important considerations in receiving pension benefits? Since benefits are paid from the contributions of the working-age population, then it follows that Japan needs to be prosperous with many job opportunities. For this, too, Japan should seek liberalized global trade. In short, Japan needs the TPP to ensure its own prosperity.

Large farms seeking to expand will not be hurt by the TPP, so the trade pact might be effective in rectifying just those aspects of Japan's agricultural policy that have plagued the country to date.

Inasmuch as the lives of agricultural households also depend on a prosperous Japanese economy as a whole, it is not enough to limit imports of certain products if one is serious about protecting the country's farmers.

Conclusion

In this paper, I have tried to show that Japanese agriculture is in a perilous state. Despite this, a small number of farms have become big producers claiming a major share of total production. If the government does not hinder their activities, agricultural productivity could rise, and Japanese agriculture can be competitive. In fact, around 60% of the farm sector is already internationally

competitive. Misguided agricultural policies have been in place for years aimed at preventing the number of agricultural families from declining, and I have made a number of proposals that could improve the situation. Finally, I noted that the financial stability of many farming households depends on Japan's overall prosperity. In short, Japan needs the TPP to ensure its own prosperity.

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November 8, 2013

Raising the Consumption Tax Rate

Shigeki Morinobu

The "three arrows" in the Abenomics program of economic expansion are helping lift Japan out of decades of paralyzing deflation. In recently announcing that he would go ahead with a scheduled consumption tax hike in April 2014, Prime Minister Abe also outlined a ¥5 trillion package of measures designed to mitigate the negative impact of higher taxes. While lauding the unpopular decision to raise the consumption tax, Senior Fellow Shigeki Morinobu believes the fiscal stimulus package is a waste of fiscal resources that could jeopardize the administration's target of "halving the annual deficit by fiscal 2015." The following article is reprinted with permission from Chuo Online.

1. The decision to raise the consumption tax rate should be appreciated

On October 1, Prime Minister Abe officially made a cabinet decision to raise the consumption tax rate to 8% in April next year.

The Japanese economy is emerging from the prolonged deflation, partly due to the effects of the "Three Arrows" consisting of the "bold monetary policy" of the Bank of Japan, the "flexible fiscal policy" and the "growth strategy to stimulate private investment." On the other hand, the fiscal situation remains to be the worst among the developed countries, with the primary balance in a deficit of 6.4% of GDP and an outstanding public debt of 190% of GDP in FY2012. If the confidence of the market in fiscal sustainability becomes shaken, it could have a huge impact on the economy and on people's lives through the rise of interest rates and the like.

As for reform of the social security system, moreover, it has been pointed out that fiscal resources need to be directed toward enhancing policies in order to assist the child rearing of the working generations.

I would frankly give a high appraisal for officially deciding to raise the consumption tax rate with this timing from the viewpoint of fiscal consolidation and enhancement of social security.

Shigeki Morinobu Senior Fellow, Tokyo Foundation; Professor, Chuo University.

2. Generous economic stimulus measures will leave problems

At the same time as the decision to increase the consumption tax, economic policy measures totaling ¥5 trillion were decided—comprising tax credit for capital investment, measures for low-income earners, additional spending on public investment, and the like—in order to mitigate the negative impact on the economy due to the rise of the consumption tax rate. The increased revenue from the consumption tax will be about ¥8 trillion. Although it is only for one year, the increased expenditure of ¥5 trillion has given an impression that the Abe administration is placing low priority on fiscal consolidation. Regarding its contents as well, a lot of problems exist for the use of fiscal resources as the measures include additional public investment of about ¥2 trillion under the guise of building national resilience and the Olympic Games. We should be careful about formulating a budget with the approach of "deciding the total amount at first," which could incur moral hazard as we have seen in diversion of the budget for reconstruction from the earthquake disaster to other uses. We should not forget its origin that discussions on the rise of the consumption tax rate started as part of the Comprehensive Reform of the Social Security and Tax Systems.

Since such waste of fiscal resources could jeopardize the attainment of the Abe Administration's fiscal target of "halving the primary balance deficit by FY2015"—which is also an international commitment—it will be strictly watched by the market going forward.

3. Reduced tax rates should not be introduced

The biggest issue of the consumption tax after its rise is whether to introduce a reduced tax rate for food. The agreement among the ruling parties states that, "we aim to introduce it at the time of raising the consumption tax rate to 10%," scheduled to be decided by the end of this December.

The biggest issue for introducing a reduced tax rate is how to cover the accompanying revenue loss. If a reduced tax rate of 5% is introduced for food, it will result in the revenue loss equivalent to the revenue from about 1% consumption tax rate, as food accounts for around 20% of total expenditures. Those who advocate for introducing a reduced tax rate must show as well how they intend to secure fiscal resources of ¥2.5 trillion, equivalent to the revenue from the 1% consumption tax rate. Assertion of a reduced tax rate without alternative revenue is merely an empty, impractical theory.

Second, a reduced tax rate will benefit high-income earners more, and therefore, it will not contribute to measures for low-income earners or resolving regressivity. As high-income earners spend more on food, a reduced tax rate will not be a measure for low-income earners, but rather a preferential treatment for the rich after all.

Last, we should bear in mind that European countries with reduced tax rates are facing serious problems due to the emergence of business models which did not exist when they introduced VAT in the 1960s. The issue is the distinction between eat-in service (for the standard tax rate) and take-out food (for reduced tax rates). They are distinguished by the temperature in the U.K., while by the number of items in Canada—we cannot say either is working. It will depend on future discussions as to how we will distinguish them in Japan, but it will certainly increase the burdens on consumers, businesses, and tax authorities in the end. Although changes in the reduced tax rates are advocated in EU, it will be politically difficult to reduce or abolish them once they are introduced.

Japan, which is witnessing such cases, should avoid introducing reduced tax rates at the 10% consumption tax rate, leaving aside cases where the tax rate exceeds 10%. Measures for low-income earners can be implemented efficiently with a simple tax refundable tax credit which has been introduced in Canada. For the Canadian type tax credit, please refer to the following essay (in Japanese): http://www.tkfd.or.jp/research/project/news.php?id=963

4. The next step is reduction of the corporate tax

The issue for the whole tax system will be the reduction of the corporate tax. While abolishing the increased tax for reconstruction ahead of the schedule will be discussed at the same time, the special corporation tax for reconstruction is originating from the thinking that Japanese people as a whole should share the burden of necessary reconstruction from the earthquake disaster; and therefore, it is based on different logic, which will not directly lead to invigoration of the Japanese economy through reduction of corporate tax burdens. It should be fully discussed because we also have the issue of the balance with excess burdens on the income tax and the local inhabitant taxes.

Even after abolishing the special corporation tax for reconstruction ahead of schedule, the effective tax rate of the Japanese corporate tax will be several percentage points higher than it is in other countries. This is undoubtedly one of the reasons for the hollowing-out of the Japanese economy, including local

areas, and we can expect a significant impact if the effective corporate tax rate is reduced. In that case, it would be important to create a route through which the benefits of corporate tax reduction could flow into households. We cannot say that corporate CEOs have been managing effectively. After reducing the corporate tax, they are expected to improve corporate governance and raise productivity, and then use the gain for increases in employees' income and dividends.

With the limited resources for reducing tax rates, it is important to implement a fundamental corporate tax reform, including review of special taxation measures, review of the tax base of local taxes such as the fixed assets tax, and reinforced taxation on loss-making corporations and religious corporations.

The benefits of economic growth by Abenomics should be delivered widely to the nation (as increased tax revenue) and Japanese people (as increased income); the government and companies should not fail to work toward that end.

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December 2, 2013

Structural Shift in Japan-China Relations

Katsuyuki Yakushiji

Prickly relations between Tokyo and Beijing are nothing new, but the current squabble over the Senkaku Islands makes the previous two decades look like a honeymoon. Katsuyuki Yakushiji discusses the underlying structural changes that have turned the tiny Senkakus into a powder keg.

Relations between Japan and China have hit a new low. The countries' top leaders do not even exchange smiles or handshakes at international conferences, let alone lay plans for state visits. Diplomats are denied contact with major government figures in the host country except at ceremonial occasions. Senior Japanese officials euphemistically call it a "strategy of endurance."

Although the immediate cause of this diplomatic dysfunction is the dispute over the Senkaku Islands in the East China Sea, the underlying source of tension is much deeper and more difficult to address.

Nostalgic for the Nineties

Of course, this is not the first spat between Tokyo and Beijing in recent history. In the 1990s, President Jiang Zemin—whose uncle died fighting the Japanese during World War II—missed no opportunity to bring up Japan's wartime aggression. He routinely complained that the Japanese government had never offered a proper apology, and Tokyo countered each time that it had already done so. Despite these simmering tensions, though, diplomatic relations continued to move forward.

Indeed, the two governments were able to build on progress made at the bilateral level to embark on such multilateral frameworks as the Japan–China–

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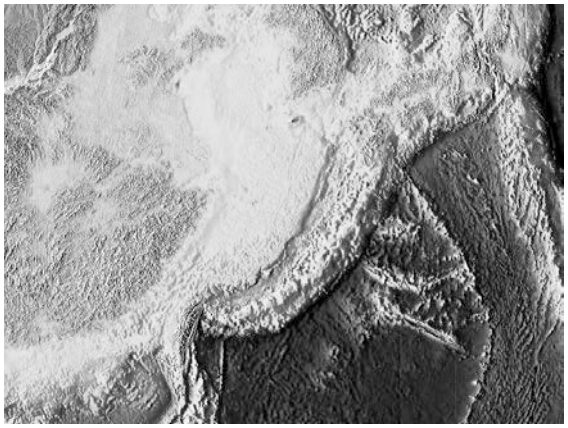
South Korea trilateral summit, first held in 1999 at the initiative of Prime Minister Keizo Obuchi. This meeting, held almost annually for the next decade, provided an opportunity to deliberate North Korea's nuclear program and other key issues affecting the Northeast Asian region as a whole.

Progress slowed dramatically during the administration of Prime Minister Jun'ichiro Koizumi. The issue then was the prime minister's annual visit to Yasukuni Shrine beginning in 2001, the year he took office. The Chinese government strongly protested the visits on the grounds that, by paying his respects at a shrine that enshrines class A war criminals, the prime minister was, in effect, condoning the militaristic and expansionist policies of the past. During Koizumi's five years in office, state visits between the two countries came to a halt. Even so, both governments managed to take advantage of APEC meetings and other multilateral frameworks to maintain some form of bilateral dialogue at the top, and trilateral talks between Japan, China, and South Korea were never completely suspended.



One of the first things Prime Minister Shinzo Abe did upon succeeding Koizumi in 2006 was to visit China. Abe and President Hu Jintao issued a joint statement calling for efforts to build a "mutually beneficial relationship based on common strategic interests," and relations improved almost overnight. Abe left office after barely a year, as did the next two prime ministers, Yasuo Fukuda and Taro Aso. But despite the rapid turnover in Japan's top leadership, the two countries continued to make diplomatic progress, including an agreement for joint development of gas reserves in the East China Sea. Two major factors account for this upturn. First, Japan's top leaders refrained from visiting Yasukuni Shrine. Second, the hardline Jiang Zemin was replaced by Hu Jintao, a proponent of stronger relations with Japan.

Stormy Waters

Sometime after the Democratic Party of Japan unseated the Liberal Democratic Party in 2009, things took a decided turn for the worse. Tensions began to rise

sharply in September 2010, after a Chinese trawler deliberately rammed a Japanese Coast Guard patrol vessel in the East China Sea near the disputed Senkaku Islands. Japanese authorities arrested and detained the ship's captain on charges of obstructing officers on duty, and Beijing reacted furiously, denouncing the arrest and suspending all high-level exchanges with Japan.

When Japan continued to hold the ship's captain, China retaliated by blocking exports of rare earth metals to Japan and detaining four Japanese corporate employees who were visiting China on business. Eventually Japanese officials decided to release the captain without indictment and send him home, but by then Beijing's rabid response—mobilizing the state apparatus at all levels and applying pressure in sectors unrelated to the issue at hand—had already caused consternation around the world.

Then, after a brief lull, came the series of events that have brought relations to their current deplorable state. In September 2012, the cabinet of Yoshihiko Noda decided to purchase three of the Senkaku Islands. The government moved to nationalize them after learning that Tokyo Governor Shintaro Ishihara, an outspoken hawk on China policy, was planning to purchase the disputed islands, incorporate them into Tokyo Metropolis, and build wharves and lighthouses on them, regardless of the consequences for Japan-China relations. Noda met personally with the governor to confirm whether these were indeed Ishihara's intentions, after which the central government went ahead with the decision to nationalize the islands in order to avert a worst-case scenario.

Noda explained that the purpose of the purchase was to ensure the "peaceful and stable management of the islands" over the long term. But Beijing erupted in indignation, calling such a unilateral move "illegal and invalid." Since then, China Coast Guard vessels have been dispatched to the islands on an almost daily basis, often making incursions into Japan's territorial waters. Japan, meanwhile, has a fleet of Coast Guard vessels on hand to patrol the waters on an ongoing basis. As Japanese and Chinese coast guard ships face off, both countries' naval vessels are keeping close watch from outside the disputed area.

Chinese aircraft have been encroaching on Japanese airspace more frequently, causing Japan to scramble its jet fighters in response. In short, Japan and China are locked in a tense standoff over a group of tiny, uninhabited islands in the East China Sea.

In late November 2013, moreover, China unilaterally announced an air defense identification zone over broad areas of the East China Sea, including the Senkaku Islands. Needless to say, this ADIZ overlaps that already established

by Japan, and it also intrudes into a South Korean–claimed ADIZ. China maintains that planes flying into this airspace must comply with Chinese orders and inform authorities of its flight plan, warning that any aircraft failing to follow such rules will face emergency defense measures taken by the military. Tokyo, Washington, and Seoul have all voiced serious concern over Beijing's action as unnecessarily heightening tensions in the region.

While the squabble has all the appearance of a typical territorial dispute, China's first attempt to claim the Senkaku Islands dates back only to the early 1970s—when a UN survey revealed the strong likelihood of oil reserves in the vicinity. Before then, China never disputed Japan's sovereignty over the islands. The Senkakus have remained under Japan's control during this time, and the Japanese government maintains that there is no territorial dispute.

Why, then, have the islands suddenly turned into such a bone of contention? Even allowing for the volatility of Beijing's relationship with Tokyo over the past two decades, it seems clear from the intensity of the current conflict that the dynamic of the Japan-China relationship has fundamentally changed.

Historical Issues and the Murayama Statement

Until the 1990s, the periodic escalation of tensions between Japan and China almost invariably revolved around historical issues. Every so often, politicians from the LDP's hawkish, nationalistic wing, including top party officers and cabinet ministers, would come out with remarks that sought to justify Japanese aggression against China in the 1930s, claiming, for instance, that Japan was forced to invade China in self-defense or that Japanese expansion in East Asia and the Pacific liberated the region's nations from Western imperialism. Each of these outbursts was followed by an indignant backlash from China and a temporary deterioration in bilateral ties.

However, the Japanese government has long since made its position clear. On August 15, 1995, Prime Minister Tomiichi Murayama issued a statement, with the unanimous approval of the cabinet, that leaves no doubt as to Tokyo's official stance on the issue of Japan's imperialist and wartime aggression. The statement "On the Occasion of the 50th Anniversary of the War's End," also known as the Murayama statement, reads in part as follows:

> During a certain period in the not too distant past, Japan, following a mistaken national policy, advanced along the road to war, only to ensnare the Japanese people in a fateful crisis, and, through its colonial rule and ag-

> gression, caused tremendous damage and suffering to the people of many countries, particularly to those of Asian nations. In the hope that no such mistake be made in the future, I regard, in a spirit of humility, these irrefutable facts of history, and express here once again my feelings of deep remorse and state my heartfelt apology. Allow me also to express my feelings of profound mourning for all victims, both at home and abroad, of that history.

In this statement, the Japanese government explicitly acknowledges and apologizes for the aggression of the past. Moreover, subsequent cabinets have continued to honor this statement, reaffirming its substance and often quoting it verbatim.

Changing Dynamic

However, much has changed since 1995. At the time of the Murayama statement, Japan was still the world's second largest economic power, and its security environment was relatively stable thanks in large part to the Japan-US alliance. Confident in its superiority, Japan could afford to be tolerant and magnanimous, and the public was largely immune to the appeal of narrow-minded nationalism.

After the start of the new millennium, however, the bilateral power balance gradually shifted. Japan's economy remained mired in the protracted slump ushered in by the collapse of the economic bubble, while China's economy grew by leaps and bounds as the "Reform and Opening up" policies bore fruit. In 2010, China finally overtook Japan in gross domestic product to become the world's second-largest economy.

A similar shift has occurred on the security front. Owing largely to fiscal constraints, the Japanese defense budget has remained virtually unchanged since the 1990s at about 5 trillion yen. Meanwhile, China's defense budget has quadrupled over the past decade to 16 trillion yen (2012), as Beijing has pursued a policy of rapid military expansion and modernization.

The heady mix of high-paced economic growth and military modernization has boosted China's self-image as a major power. Its behavior toward its neighbors—not only around the Senkaku Islands but also in disputed areas of the South China Sea—has become high-handed, producing growing friction. In Japan, resentment of China's imperious approach to international relations is compounded by its having been overtaken as the preeminent regional power. The result has been a marked rise in anti-Chinese nationalist sentiment. A

hawkish, hard-line stance toward China has become more prominent, while calls for bilateral friendship and cooperation have become subdued.

This trend was vividly apparent in the results of a public opinion survey on foreign relations conducted in October 2012 by the Cabinet Office. In that year's survey, only 18.0% of respondents indicated that they felt friendly toward China, while 80.6% answered that they did not. Asked about their perceptions of the Japan-China relationship, a mere 4.8% characterized it as good, while 92.8% said that it was not good. It cannot be entirely coincidental that Shinzo Abe, a noted hawk, was elected president of the LDP in September that same year and went on to become prime minister following the LDP's landslide in the December 2012 election.

The agenda that Abe has sought to advance since taking office a second time would probably, in previous years, have been have rejected by more moderate forces in his own party. Abe has outlined the need to amend the Constitution, or at least to change the government's constitutional interpretation to permit participation in collective self-defense. A new National Defense Program Guidelines are being drafted with a view to beefing up Japan's defenses around the Senkakus and other remote islands. And he is laying the groundwork to establish a Japanese version of the National Security Council. At some level, each of these initiatives is aimed at China. And today, owing to the strained bilateral relations and widespread anti-Chinese sentiment in Japan, Abe has the entire LDP behind him.

The US Factor

But China and Japan are not the only parties involved here. The United States is also a crucial part of the picture. Japan cannot hope to face down China except as a partner in the Japan-US alliance. Yet Washington is working actively to build a stable relationship with Beijing.

The three-way Japan-China-US relationship cannot be reduced simply to the Japan-US alliance versus China. The United States does not want to turn China into an enemy; it wants to incorporate the country into a US-led international order. This is the strategy underlying Washington's haste to conclude negotiations for a Trans-Pacific Partnership and its strong insistence on freedom of navigation and respect for international law in the South China Sea. It goes without saying that Japan is a key component of that strategy.

China, however, is not content to become part of a US-led international order. Instead, it is doing its utmost to expand its own sphere of influence. As a

consequence, competition is heating up as China challenges the US hegemony in the region. The rising tension between China and Japan must be understood in this context.

As the foregoing suggests, the reason relations between Japan and China have become so dysfunctional and difficult to repair is that the source of tension is much larger and deeper than the immediate cause. This also means is that, until the establishment of a new regional order that acknowledges China as a major power—a process that is sure to take some time—any improvement in Japan-China ties is bound to be fleeting.

October 1, 2013

The Myth of China's Financial Time Bomb

Takashi Sekiyama

The role of China's "shadow banking" sector in financing extravagant local development projects has led financial pundits to warn of a Chinese financial meltdown with global repercussions. Research Fellow Takashi Sekiyama puts the issue into perspective, even while sounding a more measured warning regarding the need to control moral hazard.

In recent months China's financial system has become the focus of much hand wringing around the world. Of particular concern is the flow of high-interest credit from the so-called shadow-banking sector to the provinces, where it is funding ambitious construction projects deemed unlikely to pay off. The worry is that, as China's economic growth slows and these development schemes start to go bad, the entire financial system will collapse, potentially triggering another global financial crisis.[1]

Certainly the Chinese economy is losing steam. The 7.6% growth recorded in the first half (January–June) of this year was below expectations. When interbank lending rates skyrocketed in June, some observers were quick to declare that the prophesied financial Armageddon was at hand.[2]

Since then, however, China's interbank lending rates have settled down. In the real economy, employment has bottomed out, and there are signs of a recovery on the horizon.

Are the fears of a Chinese financial crisis justified? Is shadow banking as serious a threat to China and the world economy as some have suggested? Below, I will attempt to show that the anxiety has largely been misplaced.

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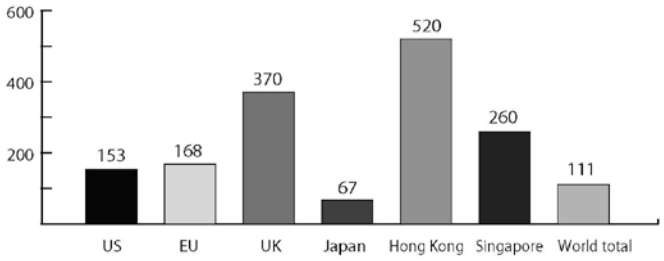
[1] See, for example, Sara Hsu, "China Engineers a Credit Crisis to Deleverage Shadow Banking," *East Asia Forum*, July 15, 2013, http://www.eastasiaforum.org/2013/07/15/china-engineers-a-credit-crisis-to-deleverage-shadow-banking/.

[2] See, for example, Shen Hong, "China Cash Squeeze Gets Tighter," Wall Street Journal Online, June 20, 2013, http://online.wsj.com/article/SB10001424127887324577904578556873653324066.html.

China's Shadow Banking Sector in Perspective

The term "shadow banking" is apt to conjure up some kind of financial underworld whose very existence poses a fundamental problem. But this somewhat sinister term merely denotes any form of credit intermediation falling outside the realm of traditional bank deposits and loans. The fact is that activity of this sort plays a major role in financial systems around the world.

Figure 1. Scale of Shadow Banking System as Percentage of GDP (2011)



Sources: Financial Stability Board (BIS) and JP Morgan.

Figure 2. Estimates of China's Shadow Banking System (Year-End 2012)

Source of Estimate	Assets (RMB)	% of GDP	Notes
JP Morgan	36 trillion	69	Not adjusted to eliminate double counting of WMPs,* trusts, etc.
Goldman Sachs China	24 trillion	45	Total borrowings
Deutsche Bank	21 trillion	40	Total borrowings; adjusted to eliminate double counting of WMPs,* trusts, etc.
Credit Suisse	23 trillion	44	Adjusted to eliminate double counting of WMPs,* trusts, etc.

*Bank-issued wealth-management products.

Notes:

1. "Shadow banking" in China encompasses every channel of credit extension outside of traditional bank lending, including wealth-management products (WMPs) issued by commercial banks, trust products, investment products offered by brokerage firms, leases, trust loans, private loans, and so forth.

2. Since some of the proceeds from banks' WMPs are funneled into trusts and financial products offered by brokerage firms, adjustments are required to avoid double counting when estimating the total size of the market.

Even so, has China's shadow banking system grown too large for the economy's good? The answer appears to be no. To be sure, the scale of China's shadow banking sector is difficult to gauge with any precision, and this lack of certainty is one of the factors that has bred anxiety among some market watchers. But estimates published by major global financial firms range between 40% and about 70% of GDP (see Figure 2), and even if we consider the high end, 70% of GDP would put China roughly on a par with Japan, whose shadow banking sector is quite modest by international standards (see Figure 1).

Core Strength in China's Banking Sector

Still, some are concerned about the risk to China's financial system from the flow of capital into the ambitious, often-unprofitable development schemes of "local government financing vehicles," companies created by local governments to carry out costly projects. If these LGFVs began defaulting in large numbers, might not the entire banking system collapse?

When a local development project fails, someone has to cover the loss, be it the investors whose money financed the project, the banks that channeled the funds into the project (directly or indirectly), or the local government that is the de facto borrower. The reason China's financial risk is minimal at this point is that the big banks and the government have more than adequate capacity between them to cover such losses.

Bank of China building in central Hong Kong. (©Slices of Light)

China's commercial banks are among the world's strongest. The average capital adequacy ratio for China's 17 major banks is 12.9%, a level that would allow them to absorb a huge amount of bad debt and still remain on a sound financial footing. According to the results of a banking sector stress test carried

out by the People's Bank of China, even if 30% of outstanding wealth-management products failed, and the major banks absorbed the entire loss, their capital adequacy ratio would fall only 3 percentage points on average; all 17 would maintain a ratio of 8% or better.[3] This means that even with a significant rash of defaults, resolution should be possible without wiping out investors or triggering a credit crunch that could deal a blow to the financial system as a whole.

Figure 3. Source of Funds for Debt Repayment by LGFVs

	Amount Repaid (RMB)	% of Total
Local government treasury	120.6 trillion	33.3
New debt	73.9 trillion	20.4
Subtotal	194.5 trillion	53.7
Total from all sources	361.0 trillion	100

Source: National Audit Office, People's Republic of China.

Figure 4. Estimates of Local Government Debt in China

Source of Estimate	Total Debt (RMB)	% of GDP
Fitch Rating	12.9 trillion	25
Xiang Huaicheng, former minister of finance	20.0 trillion	39
Dong Dasheng, deputy auditor general	15–18 trillion	35
Orient Securities	11.4 trillion	22
Haitong Securities	13.0 trillion	25

The spike in China's interbank lending rates this past June was treated by some as a dire omen prefiguring the imminent collapse of the shadow banking

[3] People's Bank of China, "China Financial Stability Report 2013," http://www.pbc.gov.cn/publish/english/959/2013/20130813151434349656712/20130813151434349656712_.html

system and the real estate bubble. In fact, it was a transient phenomenon that occurred when some small and medium-sized banks that were using interbank loans for repurchase agreements experienced a liquidity crunch just as demand for cash was peaking as a result of seasonal factors. It had nothing to do with the risks of shadow banking; indeed, China's interbank lending rates have been stable ever since.

Deep Pockets in the Public Sector

It is true that many of the development projects undertaken by LGFVs are money-losing ventures. Although the LGFVs are supposed to repay their debt from profits accruing from land transfers and post-development business operations, a recent survey by China's National Audit Office revealed that less than half of the funds for debt repayment come from project profits. One-third come from government allocations, and another 20% come from new borrowing, as seen in Figure 3. This has raised concerns that China's local governments are facing imminent bankruptcy as debts begin to mature.

Here too, the risk has been drastically overstated. The National Audit Office is still in the process of gauging the full extent of local government debt, but even the highest estimates put it at no more than about 40% of GPD, including borrowing by LGFVs (see Figure 4). And with China's national debt at only 23% of GDP, even if every LGFV project currently underway were to go bust, local and central government debt combined would still amount to just over 60% of GDP. This is scarcely an unsustainable level of debt given that the Chinese economy—downturn notwithstanding—is expected to grow at an annual rate of 7%, fast enough to double in scale every 10 years. Under these conditions, central—and potentially local government—bond issues could easily cover the costs of resolution.[4] (Japan, by contrast, has amassed public debt amounting to more than 200% of GDP even while remaining mired in slow economic growth.)

The Real Problem with China's Shadow Banking Sector

Thus far, there has not been a single instance of Chinese investors taking a net

[4] At present, China does not allow local governments to issue bonds as a rule. LGFVs developed as a way to circumvent the prohibition against such borrowing by local governments.

loss on wealth management products or trust products. In my view, however, this points to the real danger associated with shadow banking in China: moral hazard.

There is a widespread belief among Chinese investors that any investment in a quasi-governmental entity or a product issued by a state-run bank is covered by a tacit guarantee, even though such investment products are not insured. China's investors are confident that the government and big banks together will cover any loss of principal—which is precisely why funds have continued to flow into WMPs and similar investment products, even as observers around the world have sounded the alarm over their risks. Confident that the big banks or the government will come to the rescue in a pinch, people feel free to invest in such financial products without worrying about the inherent risks—the very definition of moral hazard.

As we have seen the risks posed by the shadow banking system and local government debt are still quite manageable. That said, however, if nothing were done to address the moral hazard, money from Chinese investors would keep pouring into risky and ill-conceived projects. And in such a case, the crisis some have been forecasting prematurely would not take very long to materialize.

This is precisely why China's financial authorities have been tightening regulations of the shadow banking sector since late last year. Henceforth, some LGFV loans will doubtless be allowed to default, and the banks, local governments, and individual investors involved will all be obliged to take a loss.

For the reasons I have explained, the disposal of bad debt is unlikely to precipitate anything resembling an economic meltdown. But the repercussions will doubtless be felt inside and outside of China in the form of falling stock prices and a further slowdown in economic growth as the local development frenzy loses steam. While this is a genuine risk for which we need to be prepared, there is probably no need for panic.

December 9, 2013

China's Remarkable Renewable Energy Advances

Kunio Takami

While environment-related news from China today tends to focus on the country's polluted air and water, great strides are also being made in the use of renewable energy. Kunio Takami, who heads a Japanese nonprofit that has been involved in reforestation activities in China for over two decades, reports on the surprising advances being made to power China's industry with wind and solar energy.

As executive director of the NPO Midori no Chikyu Nettowaku (Green Earth Network, GEN), I have been involved in reforestation activities in the city of Datong in China's Shanxi Province since 1992, and I now spend more than three months out of the year in the city. Our earliest projects were in Hunyuan County some 70 kilometers southeast of Datong, which took more than four hours to reach by bus until the middle of the 1990s.

A Barren Wasteland

One of the most difficult places to pass was near the township of Dangliuzhuang, especially following the summer rains. Although the roads were paved, a lack of funding and technical expertise meant that many had little more than a layer of blacktop. When it rained, groundwater would erode the soft soil, and given the steady stream of overloaded coal trailers that travelled on these roads, it did not take long for the blacktop to be torn to pieces. So often, the bus we were riding in would get stuck in the mud, and we would all have to get out and push.

This was the lowest part of the Datong basin, and since there is no river to carry off the rainfall, the water usually just sits there until it evaporates. This leaves behind carbonate salts of calcium, potassium, sodium, and magnesium, and the ground surface turns white as it dries. Needless to say, salt damage is

Kunio Takami *Executive Director, Green Earth Network.*

widespread. At first glance, it might seem that this flat expanse of land, where water is plentiful, would be rich and fertile. But with alkaline levels about pH 9, there are no crops that will grow here.

The Japan International Cooperation Agency once provided assistance for an agricultural experiment to improve the soil quality here, but I do not know what became of it. There was also a project to replace roadside poplar trees with willows, which are much more salt hardy, but even the willows refused to take root.

Route S203 is a main artery in Shanxi Province, connecting Datong with points south. This route was finally paved with steel-reinforced concrete in the late 1990s, after which our travel time from Datong to Hunyuan was shortened to just over two hours.

The "Coal Capital" of China

Datong has long been called the "coal capital" of China and until recently was the largest coal-producing center in the country. Economic growth in recent years has been accompanied by the construction of small- and medium-sized power plants throughout China, but prior to that, the Datong No. 1 Power Plant produced all electricity supplied to Datong itself and the Datong No.2 Power Plant produced electricity for Beijing and Tianjin.

The No. 2 Power Plant was initially completed in 1988 with a capacity of 1.2 million kilowatts and produced 7 billion kilowatt hours annually. The facilities were dramatically expanded thereafter, and by 2009 they had a capacity of 3.72 kilowatts and produced 20 billion kilowatt hours annually.

On my earliest visits to Datong, I never went anywhere without my video recorder, since everything I saw or heard was so new and unusual. One day in autumn 1992, as I was shooting images of the No. 2 Power Plant, a man came up to me and said: "All the electricity goes to Beijing. All we get in Datong is the pollution."

Well, here is a man with something interesting to say, I thought, and asked him to speak to the camera.

What he said instead was, "We, the citizens of Datong, are honored to be able to contribute to the welfare of our nation."

In those days, the air pollution in Datong was hellacious. Wherever you went, it smelled of smoke, your eyes watered, and your throat became sore. In the winter, when the temperature on the ground was lower than in the air, this thermal inversion would trap the smoke just above ground level. Sometimes I

would go to neighboring villages, and when I returned to Datong, it looked like the city was capped with a black dome of air pollution.

Coal at the time was used for fuel in every home in Datong for both cooking and heating. Presumably, the No. 2 Power Plant had at least a smoke treatment system of some sort, but the city nonetheless became a symbol of China's air pollution problems, no doubt contributing significantly to the mixed feelings Datong residents have toward Beijing.

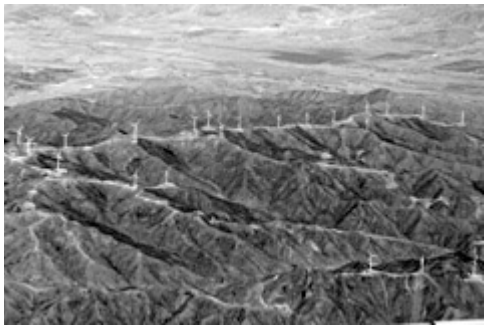
This past winter, news reports of extreme air pollution levels in cities around China alarmed many Japanese residents, who feared that the pollutants would eventually reach Japan's shores. An outbreak of avian flu in China at the same time further added to the impression that everything undesirable came from China.

The truth of the matter, though, is that air quality in Datong has improved dramatically over the past several years. Perhaps the single biggest factor has been that the fueled burned in Datong has switched from coal to natural gas. Many also credit Datong's sister-city, Omuta in Fukuoka, Japan, for its cooperation in addressing environmental issues. Looking over my most recent photos of Datong following my return to Japan, I was surprised to see how blue the sky appeared. That said, the pollution in other major cities of Shanxi appears to be growing worse.

Hills Lined with Wind Turbines

Datong lies in northern Shanxi Province, near the Great Wall of China stretching atop the range of mountains bordering Inner Mongolia. One of the peaks in this range is the 2,144-meter-high Cailiang Mountain; GEN has been implementing several reforestation projects in the foothills south of the peak, including the experimental "Magpie Forest."

From this forest, wind turbines began being spotted along the ridges of the foothills near Cailiang from around 2012. The number of visible turbines varied from place to place, and I had no idea how many had actually been built. In the spring of 2013, on a flight from Datong to Beijing, I counted no fewer than 30 turbines. But as soon as we passed over that group, another cluster of turbines came into view.



There is an old saying that the wind in Datong blows but "once a year"—starting in the spring and lasting continuously until winter. What is more, it blows in the same direction—the northwest—so Datong is an ideal location for wind turbines. Given this region's long history with coal-fired power plants, though, I had never imagined that wind power would take hold.

But things change. The city of Datong comprises four districts and seven counties, many of which are bounded by mountains. And starting around 2010, they began building wind turbines on nearly any and every hill they could find. It was around this same time that China zoomed past the United States as the world's largest producer of wind power, and I suspect that they did it by building wind turbines all around the country.

Rarely are there villages or farmhouses among these mountains, meaning that low-frequency wind turbine noise and other problematic side effects are not an issue there. The other side of the coin is that there are few existing roads available for construction and maintenance. But obviously, the China of today can find a way to overcome such hurdles and get things done.

Megawatt Solar Power

In 2012, with the opening of a new highway stretching from Datong to Lingqiu, travel time to Hunyuan was cut to less than an hour. Lingqiu, which took at least seven hours 20 years ago, was now a two-hour drive away.

In March 2013, I drove down Route S203 for the first time in years, and just as I reached the area where the salt damage is worst, I noticed that the fields to the east were shining. Stopping the car, I grabbed my camera and ran to see what it was. Sure enough, it was a field full of solar panels.

Reading a placard, I learned that this was the first part of a multiple-phase plan; for now, the facility covered 56.6 hectare and would produce 20 megawatts, or annual production of 26.78 million kilowatt hours. The project was being undertaken by GCL-Poly Energy Holdings at an investment of 220 million yuan. Once phase one of this project is operational, it would result in annual savings equivalent to 8,100 tons of coal and cut emissions of carbon dioxide by 22,108 tons, sulfur oxides by 168.4 tons, and nitrogen oxides by 57.1 tons. Given that the land is worthless for agricul-

ture and too soft to support the structures necessary for an industrial complex, it is ideally suited as a solar power station, especially if you consider that it gets little rainfall, and the sunlight is quite strong.

GCL-Poly has close ties with the military and is also active in trade and real estate. From its headquarters in Hong Kong, the company markets its solar panels not just in China but also in Vietnam and Singapore. How, though, did a panel manufacture become involved in the construction of a solar power station?

Apparently it hopes to build a polycrystalline silicon plant on the premises using power generated by the solar power station and then using the silicon produced there to build more solar panels, ultimately developing what it calls a "self-sustaining industrial model."

Plans have been drawn up through phase five, and now with Taiwan's Foxconn Technology Group joining the project, the Datong solar plant could be producing 500 megawatts or more, which would make it the world's largest solar power station.

In August 2013, Datong hosted Solar Decathlon China. This international competition was launched by the US Department of Energy and has been held five times at locales in the United States and Europe; this was the first time the event was held in Asia. Perhaps the time has come for this once smoke-infested inland city of Datong to emerge as China's leader in renewable energy.

September 26, 2013

China's Struggle for Civil Society

A New Perspective on Social Development

Junko Oikawa

Although the Chinese government continues to resist democratic reforms, many civic groups are pushing the boundaries of citizen involvement. Junko Oikawa explores the significance of these developments for Chinese society and Japan-China relations.

China is changing rapidly at the societal level, and one crucial barometer of change is the relationship between civil society and the country's one-party authoritarian government. In the face of unprecedented social and economic diversity, the government is struggling to reconcile competing interests. China today faces a host of mounting problems, from rising discontent of over evictions and seizure of land to problems relating to pollution, labor abuses, food safety, and ethnic unrest in the "autonomous" regions. With protests and dissident movements proliferating around the nation, maintaining social stability is clearly the number one challenge facing China's leadership.

Despite the control that the government and the Communist Party of China continue to exert over society, increasing attention has focused on voluntary action by citizens and civic groups to advance individual rights or the welfare of the greater community. In the following I would like to explore the development of civil society in China, including the recent clampdown by authorities, as a lens through which Japan can gain new insights into Chinese society.

The Rise of Gongmin Shehui

Political scientist Yu Keping, deputy director of the CPC's Central Compilation and Translation Bureau, has written extensively on civil society. As Yu explains it, the concept of civil society implies both "involvement by citizens in public issues" and "limitation of state power by the citizens." Civil society is a sort of "community" located somewhere between the government and private

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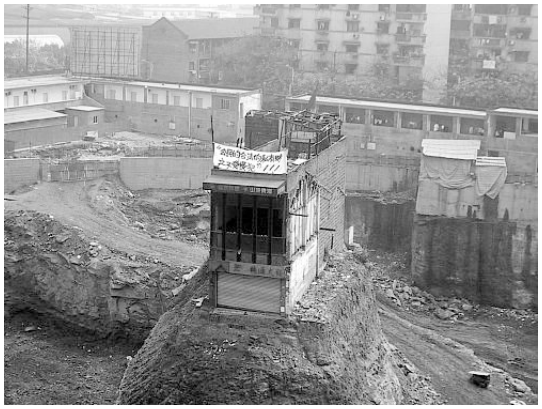
sectors and formed independently by citizens who awaken to their legal rights and join together to defend such rights.

Interest in volunteerism and other forms of community involvement rose rapidly in the wake of the Great Sichuan Earthquake of 2008 and the Beijing Olympics, held later that year. Although major obstacles still confront anyone seeking to establish or maintain a public interest organization truly independent of government or party control, the role of nongovernmental and other public-interest groups in Chinese society expanded rapidly. The Internet contributed substantially to this trend by diversifying the channels for public discourse. As of June 2013, China had an estimated 600 million Internet users—more than 44% of its population. With citizens' consciousness of social issues and modes of engagement evolving rapidly, many discovered ingenious new uses for the Internet as an organizing tool. Growing civic and taxpayer awareness erupted in a variety of civil rights (*weiquan*) campaigns, as citizens began to take ownership of issues requiring action. This phenomenon awoke keen interest in the concept of "civil society" (*gongmin shehui*), among academics and journalists.



The owners of this "nail house" refused to obey an eviction order, thwarting plans for a shopping mall. (© Zhou Shuguang)

Meanwhile, however, the rapid proliferation of organized movements began to alarm the government. In January 2011, officials responded by banning the use of the term *gongmin shehui* in the media (although *gonggong shehui*, or "public society," has frequently popped up in its stead). More recently *gongmin shehui* appeared among seven topics of instruction banned from university classrooms under a policy directive issued in May 2013. Like "universal values" and "freedom of the press" (also among the banned topics), the Chinese leadership has come to view "civil society" as a loaded term with politically sensitive implications.

Xu Zhiyong and the New Citizens' Movement

But banning the word has not stopped private citizens from making forays into

this new frontier. One of the most noteworthy experiments is the New Citizens' Movement, led by Xu Zhiyong.

Born in 1973, Xu Zhiyong first rose to prominence in connection with the death of Sun Zhigang in 2003. Sun Zhigang was a young man from rural Hebei who had found employment in the city of Guangzhou. On March 17, 2003, Sun was picked up by police and detained for failing to produce proper identification. Shortly afterwards, he was beaten to death at a detention center. The incident ignited a firestorm of criticism online, together with a challenge from legal scholars, who questioned the constitutionality of a longstanding regulation authorizing police to detain and repatriate undocumented migrant workers in the cities. In an epoch-making victory for citizens' action in China, the government bowed to the combined pressure of public indignation and critical media coverage and repealed the regulation. Xu Zhiyong was one of the three legal scholars whose open letter to the National People's Congress Standing Committee was said to have been instrumental in getting the regulation repealed.

In the wake of this triumph, Xu and his colleagues set up Gongmeng, or the Open Constitution Initiative—an NGO dedicated to the use of legal and judicial means to protect the civil rights of socially disadvantaged persons. Xu also held the position of lecturer at the Beijing University of Post and Telecommunications until recently, but he was barred from teaching in 2009, when authorities decided to crack down on Gongmeng. At that time Xu was arrested and detained on charges of tax evasion, although he was released after about a month.

Xu's next major project was the creation of the New Citizens' Movement, dedicated to the development of a "just and happy civil society" "ruled by democracy and law," with "freedom, righteousness, love" as the new national spirit.[1] The group has lobbied for equal educational opportunities and an end to discriminatory enforcement of the household registration (*hukou*) system. In recent months, some members have even taken to the streets, calling on public officials to disclose their assets. One of the most interesting features of the movement is its strategy of urging supporters all around China to hold simultaneous dinners once a month to discuss social problems facing their communities. The emphasis on convivial dinner parties, as opposed to confrontational demonstrations or rallies, struck a chord with the public and captured media attention as a promising new model of civic involvement.

Activities of this sort are clearly sanctioned by Article 35 of the Constitution

[1] http://xuzhiyong.org/2013/07/29/1315.htm.

of the People's Republic of China, which states that "citizens of the People's Republic of China enjoy freedom of speech, of the press, of assembly, of association, of procession, and of demonstration." But in a state where the will of the party trumps the rule of law, social campaigns and citizens' groups are constantly subject to police surveillance and interference. On April 12 this year, Xu Zhiyong was detained once again as he was preparing to attend a symposium marking the tenth anniversary of Sun Zhigang's death. He was then placed under house arrest without due process before being formally charged on July 16 with disrupting public order. According to human rights observers, at least 15 other activists connected with the New Citizens' Movement were detained during roughly the same period.

Supporters responded with a petition protesting Xu's arrest. Launched by some of China's most prominent voices for democratic reform—including renowned economist Mao Yushi, who has persistently lobbied for political reform, and veteran journalist Xiao Shu, a longtime human rights advocate—the petition collected signatures from more than 2,000 supporters inside and outside of China by the end of July. Email solicitations and supporter websites and blogs have played an important role in rallying support and gathering signatures. But the updates and informational materials posted on these websites highlight the grim realities confronting the New Citizens' Movement.

Popular support for the New Citizens' Movement is mixed at best. Some activists have criticized the movement's nonaggressive approach to building a civil society as naïvely unrealistic, given the situation in China today. Be that as it may, the recent string of arrests and detentions epitomizes the unfolding struggle between private citizens and government authorities over the development of civil society in China. While the powers that be may pay lip service to the rule of law and constitutional government, their treatment of citizens who actually try to exercise their civil rights bespeaks a very different reality.

Paths to Responsive Government

Some time ago I had an opportunity to talk to Xiao Shu about his hopes for social activism in China. He explained his belief that the path to democracy lies not in pro-democracy protests like the 1989 Tiananmen Square demonstrations or the Arab Spring but in focused efforts to resolve specific social problems. Xiao also stressed the importance of profiting from the experience of citizens' movements in Japan. He spoke fervently of his determination to learn more about the roles played by Japanese citizens' groups and media organs in focus-

ing attention on such problems as industrial pollution and contaminated blood products.

Of course, a simple comparison between Japan and China may be misleading, given the differences between our countries' political and social systems. While Japanese civil society may appear highly developed from the perspective of Chinese activists facing harsh government repression, Japan, too, has many problems that remain unaddressed. Still, the basic questions facing Chinese activists today are universal issues, applicable to any society regardless of country, era, or political system: Can changes in people's beliefs and behavior have a real impact on their country's laws and systems? What forms of pressure should citizens bring to bear on their government to advance civil rights in various arenas? And can the power of the private sector be harnessed to build a healthy, reciprocal relationship between the government and the people? From this perspective, it seems to me that a closer examination of *gongmin shehui* in China can also raise important questions about the state of civil society in Japan.

As readers will have gathered from the emphasis of this article, my focus is on the role of private citizens in the formation of civil society. I believe that we can gain a better appreciation of the changes gradually overtaking Chinese society by shifting our focus from the party and the government to emerging trends in the civic sector. I am also hopeful that, at a time of deeply troubled relations between Tokyo and Beijing, approaching bilateral tiles from the perspective of civil society may open the door to deeper mutual understanding and new possibilities for cooperation.

November 1, 2013

Dispatches from Ghana

(2) "We Are Not Here to Be Popular"

Junko Tashiro

In November 2012, Junko Tashiro traveled to Ghana under an Acumen Global Fellowship to help launch a social venture aimed at empowering smallholding rice farmers. In her second report, Tashiro describes the nearly overwhelming challenges she faced on her arrival and the life-changing experiences by which she learned to surmount them.

I awoke to the unfamiliar sight of a blank, white concrete ceiling. I ached all over and could barely move; my body felt like lead. My head throbbed, and my mind was in a fog. As I lowered my gaze, I noticed the IV tubing taped to my arm. Beyond my feet, I could see an open window with a green screen. There was no curtain, nor any hint of a breeze coming through it. Outside, it was dazzlingly bright; inside, the air was stifling. The smell of rubbing alcohol filled the small hospital room.

On the last Sunday in November, just 10 days after arriving in Ghana as an Acumen Global Fellow, I had been taken to the local hospital in the town of Sogakope, my post for the next nine months. It was a public hospital and fairly large for rural Ghana. But because it was the weekend, not a single doctor was on duty.

A nurse walked in. "Oh, you're awake," she said. "I'm afraid the doctors aren't here today, so we can't really examine you or provide treatment. But I'm going to give you an emergency injection of quinine[1] before it's too late, in case

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[1] Despite its sometimes serious side effects, quinine is still frequently used to treat severe falciparum malaria, which is common in Ghana and other parts of West Africa. Severe falciparum malaria is a particularly lethal form of malaria that can worsen rapidly if not promptly diagnosed and treated.

you have malaria." The nurse quickly produced a syringe, and I watched the glinting needle approach. Without thinking, I pushed her hand away.

The following morning I was transported to a modern clinic in Accra, where a blood test revealed that I was suffering not from malaria but from some unexplained systemic inflammation. The doctor assured me I would recover with a week of treatment and bed rest.

It was a miserable way to start my assignment. The more my colleagues worried over me, the more embarrassed I felt. This is what it means to feel like crawling into a hole, I thought.

Overwhelmed

A week and a half earlier, I had arrived at the GADCO Farm office in Sogakope at the end of a two-hour taxi ride from Accra. The tiny office was at the top of a staircase tacked onto a large warehouse filled with bags of agrichemicals and fertilizer. Feeling a bit nervous, I knocked on the door, but the noise emanating from the workshop set up in one corner of the warehouse made it difficult to hear. I pushed the door open to see several staff glance up from their work, then immediately go back to what they were doing. They had no idea who I was, nor did they seem very interested.


The GADCO farm warehouse.

"Hi, how are you doing, everyone," I began. "I'm Junko, and I'm going to be working as a member of the GADCO team starting today. I've been sent here to launch the Copa Connect program to promote collaboration with smallholders. I look forward to working with you all!"

A few of them returned my greeting or raised their hands a bit awkwardly. It was soon apparent that no one really knew who I was or what I was doing there. The main reason was probably that GADCO's senior executives overseas—the people to whom I reported—did not have a chance to formally inform the local team of my arrival.

The whole concept of sourcing from smallholders was foreign to the local, nucleus farm operations team, and Copa Connect meant nothing at all to them, as the program was completely new and I was the sole team member. Apart from that, the all-male staff was probably confused by the idea of a non-local

woman suddenly entering their midst in the capacity of a senior manager. Long after I had introduced myself, some of them remained under the impression that I was either an outside consultant or someone sent from Human Resources, or possibly a short-term intern dispatched by a GADCO investor.

I felt it was important to integrate myself into the local team, but I also felt pressured to get down to work as quickly as possible and prove myself through deliverables. This was not a case of pressure from my supervisors overseas; I simply felt that the best way to win the local team's trust while building the support I would need to launch the new program successfully was to start accomplishing my mandate.

The naked truth, though, was that I knew next to nothing about the ins and outs of rice cultivation and the circumstances of smallholders in Ghana, not to mention GADCO's nucleus farm operations and team dynamics. Moreover, I was struggling to adjust to the Ghanaian climate and establish my own living and working environment in Sogakope, where there was so little access to the goods and services that I had taken for granted all my life. And yet, it was obvious that nothing would happen unless I got to work visiting farms, talking to people, and gathering information.

That said, none of this could be done without help from the local team. I hesitated to ask for their support, as almost everyone was already extremely busy, working seven days a week (there are no weekends off for farmers!). My compunctions grew by the day until I was agonizing over every question or request, however small.

Visitors to Sogakope are welcomed by Tigo, one of Ghana's three major cell phone carriers and the operator of the country's biggest mobile money system.

As the stress mounted, I found it more and more difficult to cope with my surroundings. The office was so cramped that if seven or eight people showed up, there was no more space. Each time the electricity went off, the temperature inside the ferroconcrete building soared, making it hard to think straight or work efficiently. Occasionally I saw colleagues collapsed at their desks. One of the biggest challenges for me was the lack of sanitary facilities. As there was no running water in the office, one was obliged to do one's business on the ground outside the warehouse. For privacy, there were three panels of corrugated metal, about neck high, that left one's back exposed to

view. Overcoming my embarrassment, I brought this problem up with my supervisors overseas and some local team members. They all urged me to permit myself more flexibility in my work routine and do whatever I needed to do so I would be able to work effectively; after all, the mission was the most important thing. Noting that other team members also came and went, and that it was not the sort of work that demanded my presence in the office each day, I resolved after the first week to appear at the office only when I had a particular reason to go in. Preoccupied with getting things done, I put efficiency ahead of other important priorities.

Friction and Courageous Conversations

During week two, I spent two or three days conducting a field study in a distant village accompanied by another GADCO manager. Returning to the company compound on Friday evening, I walked into the kitchen and was confronted by one of my colleagues. "Hey, why didn't you tell me you were going to the field today? You should have asked for my company since you're new here." After pausing for a few seconds, he added, "Has it ever occurred to you that as you try to make your own situation better, you might be making everyone else's worse? I have to put up with a lot, too, you know. Why should you get special treatment?"

Women threshing rice at the village where I conducted a field study soon after arriving in Ghana. A woman told me that she and the others went out in the field before sunrise and worked until sundown, when they returned home to cook and do housework. Lacking access to threshing machines, farmers have to remove the chaff by pounding, which damages or destroys many of the rice kernels, drastically eroding the value of the harvest.

Those words stung. I went back to my bungalow and curled up on my bed in a blanket, oblivious to the oppressive heat. My colleague's words echoed in my mind, though I inwardly protested that that had never been my intention.

When I awoke the next morning, my face was burning, my body was shivering, and the ceiling was spinning above me. I was stricken with nausea and abdominal cramps and I could not function normally. The next day I was taken to the hospital. I had wanted so much to get off to a flying start—just like a sprinter at the starting blocks in a crouching position. But I lost my balance and

fell hard. Perhaps I simply did not have enough "muscle". Or then again, perhaps I had pushed myself too hard too fast, approaching it as a sprint instead of a marathon. In any case, here I was in a hospital bed, with so much left to do.

During the week or so that I spent convalescing in Accra, I immersed myself in reports and studies to learn more about rice cultivation and Ghana's rice industry. I also began reviewing the preliminary data I had gathered during my first field study and figuring out how the Copa Connect concept would function in practice. As soon as I was well enough to go out on my own, I hailed a taxi and began calling on nonprofits and other Accra-based organizations that had knowledge to share about smallholder sourcing programs. Most important of all, however, was the time I spent reconsidering my approach to interpersonal relations and resolving to make a fresh start.

I thought back to the Adaptive Leadership retreat I had attended during the second week of the Acumen Global Fellows fall training in New York. One of the key takeaways had been the importance of empathy. Adaptive leadership, we learned, involves putting yourself in other people's shoes—understanding the circumstances and values underlying their attitudes and considering what those people stand to lose by interacting with you and agreeing to a shift in course or change in environment. With all of that in mind, you need to identify common long-term goals and hold "courageous conversations" regarding the means of achieving them together. In retrospect, these seem like obvious prerequisites for building sound relationships with anyone. But after analyzing the clash with my new colleague in that context, I came away with a new resolve to empathize more and understand others better, even while keeping my own emotions in check.

(In the end, that colleague later made an invaluable contribution to the implementation of the pilot as a key member of the Copa Connect team, spending several months working with me to improve the lives of smallholders in Ghana.)

Navigating Conflicts

This is not to suggest that the rest of my mission was free from friction. In fact, as in any process of substantive change, conflicting interests and values collided repeatedly. At various times I found myself at odds with my colleagues, the partner organizations and investors supporting the program, and senior government officials with vastly greater knowledge, experience, and influence—and sometimes even with the very farmers for whom the program was conceived. These conflicts also often played themselves out as internal struggles

within me. In time I learned to focus on communicating and sharing my mission and goals with others by consciously entering into the process of "courageous conversation," as we had been taught to do in New York.

One of the most frustrating obstacles I encountered while working in Ghana—and one I encountered a great deal—was the issue of "entitlement," or entrenched privileges. In Ghanaian society it is hard to accomplish anything at all without an official title and its associated privileges. Actions that encroach on people's vested interests will not be regarded in a positive light, even if the goal is correcting existing inequities. If an initiative in some domain bears fruit, the person whose title appears to give him jurisdiction over that domain insists on taking all the credit. The higher up the hierarchy one goes within a given community or organization, or within the academic community or society as a whole, the more conspicuous this trend becomes.

This happened when I was working to implement a pilot program with the cooperation of some small, independent farmers enlisted in one of the local irrigation schemes sponsored by the government. From the beginning, the manager who had been put in charge of this irrigation scheme was intent on securing his own interests by controlling the farmers' access to Copa Connect. He insisted that the farmers enlisted in his scheme had no need of a program like Copa Connect because they already had sufficient resources and services—though in fact, we knew from previous interviews with the farmers that the scheme he managed was performing very poorly owing to major problems with water-supply management and market access, and that it was particularly remiss in providing services and assistance to farmers.

The scheme manager claimed that the farmers were under his jurisdiction, and that even if any of them did want to participate, the final decision lay with him. If Copa Connect wanted to deal directly with the farmers, we would first need to submit a contract for his approval. I tried repeatedly to establish a meaningful dialogue with this scheme manager, but he seemed incapable of getting beyond his own interests.

Ghanaian society is extremely hierarchical, far more so even than Japan's. It places a high premium on seniority and has a pronounced tendency toward authority. With this in mind, I decided to see if we could get the negotiations

moving by talking to the scheme manager's superiors and bringing their influence to bear. Once we had their backing, the scheme manager quickly changed his tune, and the program began to move forward. While appearing to cooperate on the surface, he would sometimes still resist our initiatives. The scheme manager's support was a prerequisite to the program's success, but I began to feel that continued negotiations with him would get us nowhere. I wondered if we might not be better off focusing on another irrigation scheme for our pilot; if we could showcase its success, then this scheme manager might abandon his irrational resistance. But to give up on this particular irrigation scheme for the time being would have meant letting down the farmers with whom we had already met—and abandoning my own conviction that it was the farmers' right to choose, not the scheme manager's.

I also came into conflict with one GADCO manager who was unable to keep his ego from interfering with the pilot launch. This manager was over 10 years older than me and a major figure in his native village, for which he was acting as our liaison. Out of his eagerness to recruit as many participants as possible, he often made promises to the farmers off the top of his head and informed them of "decisions" that we had yet even to discuss. This consequently led to confusion and later undermined the farmers' trust in our company. He was also full of ideas about spin-off projects but for that very reason had a tendency to neglect his assigned job. Occasionally he even failed to show up for a planning meeting or a field visit because he was off following up on some side issue that had snagged his attention. As project leader, I spoke with him on several occasions about aligning with the goals of Copa Connect, work priorities, the dos and don'ts, and other matters related to liaising with the community, but nothing ever changed, and my frustration mounted.

Apparently, the frustration was mutual. One weekend, unable to contain his resentment, he ranted at me over the phone for 45 minutes. His basic complaints were that I, a newcomer, had refused to listen to him despite the fact that he, with his extensive experience and knowledge, knew all the answers, and as a result the entire project was headed in the wrong direction; that I was stealing his job; and that I was trying to claim all the credit. His anger continued to build, peaking around harvest time, when he spewed forth his vitriol in front of the farmers who were busy harvesting and shipping their yields, going so far as to try to stop the truck that I was riding.

This might have been a perfect occasion for initiating a "courageous conversation." But in the end, I was only able to do little more than just express my anger and regret honestly and collide with him head-on. I might have

lacked patience, but I also felt strongly that his priorities were misplaced, and that the importance and urgency of our work simply did not permit us to waste time and labor on people's individual egos.

Not Here to Be Popular

I had always been eager to demonstrate my values on the ground and never imagined that delivering on that professional aspiration—or merely executing in the field what I previously considered simple tasks—would subject me to so much friction. Often I felt as if I were walking into the wind's eye all alone toward some impossibly remote goal. At such times, it was the support of the other nine Global Fellows that helped keep me going. While the location and content of their projects varied, they had come face to face with similar problems and struggled with the same feelings, and their words of advice and encouragement were invaluable to me.

One of the most important words of wisdom I received came from Natalie, another Global Fellow. She had been assigned to the town of Gulu in northern Uganda, which is recovering from more than two decades of civil war, and was supervising an office staff of 35, as well as 50 buyers, in a program to source organic produce from 40,000 smallholders in the region. She was struggling to improve the efficiency of the supply chain and institute systems to improve communication and teamwork so as to achieve her goal of improving the lives of small farmers by growing a key social enterprise in a community scarred by war—and in that process she was meeting with friction from many directions. But as she reminded me, "We're not here to be popular."

Meeting up with the nine other 2013 Acumen Global Fellows, as well as Global Fellows Manager John McKinley and Global Fellows Associate Andrea Atehortua, at the mid-year meeting in Kenya, April 2013.

Much of the time, we will feel alone and embattled. But when we remind ourselves of why we are here, we can see where our priorities should lie. However alone we may feel, however strong the opposing current may feel, and however often we may stumble, we need to get back up again and keep going.

These lessons are best summed up by the Acumen Manifesto:

It starts by standing with the poor, listening to voices unheard, and recognizing potential where others see despair.

It demands investing as a means, not an end, daring to go where markets have failed and aid has fallen short. It makes capital work for us, not control us.

It thrives on moral imagination: the humility to see the world as it is, and the audacity to imagine the world as it could be. It's having the ambition to learn at the edge, the wisdom to admit failure, and the courage to start again.

It requires patience and kindness, resilience and grit: a hard-edged hope. It's leadership that rejects complacency, breaks through bureaucracy, and challenges corruption. Doing what's right, not what's easy.

Acumen: it's the radical idea of creating hope in a cynical world. Changing the way the world tackles poverty and building a world based on dignity.

October 22, 2013

From Promise to Reality

Kisumu Leadership and Development Conference

Mari Suzuki

Last August civic leaders and public officials from Kisumu County, one of the semi-autonomous entities established under Kenya's new democratic constitution, gathered to learn what they can do to build a government that works for the people. Mari Suzuki, the Tokyo Foundation's director for leadership development, offers a first-hand report on this seminal conference, organized by former Sylff fellow Otieno Aluoka with the support of the Foundation's recently overhauled Sylff Leadership Initiatives program.

Kenya today is in the midst of a historic transition, the most important change the nation has experienced since achieving independence from Britain 1963. In 2010, Kenya adopted a new constitution centered on democracy and devolution of power. In 2013, the nation's newly established semi-autonomous counties held their first-ever elections to select representatives to the national legislature under the new constitution.

For such democratic institutions to function as they were intended, however, it is vital that voters and officials understand the principles of the new system and their role within it. This was the aim of the Kisumu Leadership and Development Conference, held on August 26–27 with funding from the Tokyo Foundation's Sylff Leadership Initiatives support program, administered in conjunction with the Ryoichi Sasakawa Young Leaders Fellowship Fund. The following is a report on the background and outcomes of the conference, which I attended as a representative of the Tokyo Foundation.

Sylff and the Kisumu Initiative

Sylff is a fellowship program established by the Nippon Foundation and administered by the Tokyo Foundation with the aim of "nurturing future leaders

Mari Suzuki Director, Leadership Development, Tokyo Foundation

who will contribute to the common good of humanity, transcending the confines of nationality, religion, and ethnicity, even while respecting differences in culture and values." Since its establishment in 1987, Sylff has grown into a fellowship program encompassing 69 institutions of higher education in 44 countries, benefiting more than 15,000 students.

One key feature of Sylff is that it follows through with fellowship recipients even after graduation. The Tokyo Foundation's Sylff support programs provide ongoing assistance designed to help former Sylff fellows grow into effective leaders who can make a positive contribution to their own societies at the local or national level. One such program is Sylff Leadership Initiatives (SLI), which supports various social action projects initiated by current or former Sylff fellows. The Kisumu Leadership and Development Conference was the first project selected for an SLI award since the program was relaunched in modified form in February this year.

The Kisumu conference was organized at the initiative of Otieno Aluoka, a 1999 Sylff fellow at the University of Nairobi in Kenya. Since graduating, Aluoka has worked as a governance consultant to international organizations and foreign governments in Nairobi. At the same time, he has been deeply involved in community action in his native Kisumu, to the west of Nairobi. The networks Aluoka built in both regions helped make the Kisumu leadership conference possible.

Kenya's new constitution is a groundbreaking charter that seeks a wholesale reform of the political process. The aim is to move the nation from a system oriented toward preserving a balance of power among Kenya's 40-odd ethnic groups to one focused on long-term problem solving via democratic processes. Yet the majority of Kenyans continue to vote along strictly ethnic lines. Aluoka realized that Kenyans had to begin casting their votes on the basis of the candidates' policies, rather than their ethnicity, if democracy was to function properly in Kenya. And for this to happen, elected politicians had to begin rewarding their constituents in undeveloped areas by representing their interests at the national level and working on their behalf to promote development.

Sugarcane is transported to a mill for processing.

Village women walk with baskets balanced on their heads.

With this in mind, Aluoka decided that the best way to contribute to the development of Kenyan democracy was to organize a conference of county-level politicians (all of whom are new on the job), local officials, and community leaders to enhance their understanding of the new constitution, and the role of local leaders within the new system. It was the first such conference ever held in Kisumu—located far from the capital in Nairobi—where democratic reforms have been slow to take hold.

Historical and Political Context

To better appreciate the significance of the Kisumu conference, we should take a moment to establish its historical and political context. The chronology below lists the major historical milestones leading up to the promulgation of Kenya's new constitution.

Brief Political Chronology

1963 Kenya gains independence from Great Britain; early constitution provides for multi-party parliamentary system and elected provincial assemblies.

1966 Kenya become de facto one-party state; provincial assemblies abolished.

1982 After attempted coup d'état, National Assembly officially declares Kenya a one-party state. Country is divided into eight provinces under provincial commissioners, who are appointed by the president.

1991 Constitution revised to permit multi-party elections and limit presidents to two terms.

2002 President Daniel arap Moi steps down after 24 years in office; movement for constitutional reform picks up steam.

2007 Presidential election held under new election law. In post-election violence, some 1,500 Kenyans are killed and tens of thousands are forced to flee their homes.

2010 New constitution enacted with the aim of preventing further violence, devolving political power to local districts, protecting the rights of minorities, and solving long-term problems.

Government under the New Constitution

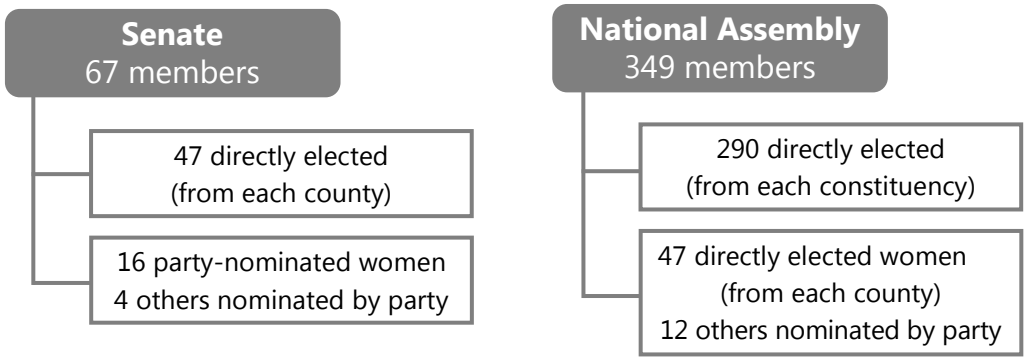
Previously, Kenya was divided into eight provinces, which were under the direct control of the central government. The new constitution (specifically, Article 11) provides for the devolution of power to the local level. It divides the country into 47 counties, each of which has a locally elected governor and deputy governor. (Governors are typically male, while deputy governors are most often female.) Elections and lawmaking are governed by the rules of multiparty parliamentary democracy. The constitution also features special provisions designed to guarantee that marginalized groups, such as women, disabled persons, and youth, have representation at the local and national levels.

Kenya's 47 counties are each divided into anywhere from 2 to 12 constituencies, depending on their population, and each constituency is further divided into 5 wards. Each ward elects a representative to serve on the county assembly, which works with the governor to govern the county. In addition to ward representatives, each county assembly has six nominated members chosen to represent marginalized groups. Members are also selected as necessary to ensure that neither male nor female members control more than two-thirds of the seats in any given county assembly.

At the national level, Kenya has a bicameral Parliament made up of the Senate and the National Assembly. The Senate consists of 67 members. Of these, 47 are elected from each county by direct ballot. In addition, 20 seats are reserved for marginalized groups: 16 for women, 2 for youth, and 2 for the disabled. These are filled by party nomination according to each party's share of the vote.

The National Assembly consists of 349 members. Of these, 290 are elected by popular vote, one from each constituency. Another 47 seats are filled by women elected from each county. Finally, 12 members are selected by party nomination to represent the disabled and other marginalized groups.

Figure 1. Kenya's Bicameral Parliament



The legislators elected from counties and constituencies around the country gather for parliamentary sessions in Nairobi, where they represent the interests of their respective districts while participating in important decisions regarding budget allocations. Kenya's least developed counties are entitled to allocations from an "equalization fund" amounting to 0.5% of state revenues, but only on request. How much a county receives hinges largely on the efforts of its representatives in Parliament.

Kisumu and the Leadership Conference

Kisumu County is located in western Kenya, far from the nation's capital. (To the southwest, in neighboring Siaya County, lies the village of Nyang'oma Kogelo, birthplace of Barack Obama senior.) The city of Kisumu, on the shores of Lake Victoria, has historically functioned as a major center of East African commerce. Because of its location along Africa's largest lake, the area is ideally situated for fishing and fish processing, but the central government has long controlled key concessions on the lake, and economic development has left many of the inhabitants behind. Fishing, sugarcane farming, and rice farming are the county's principal industries. Kisumu

has long been riven by a fierce political rivalry between the Luo and Kikuyu peoples, and these ethnic tensions erupted into deadly violence following the controversial outcome of the December 2007 presidential election.

Kisumu Leadership and Development Conference was held on August 26 and 27 at a community complex in Chemelil ward in Muhoroni, one of Kisumu County's seven constituencies. The conference drew more than 150 participants, including members of the Kisumu County Assembly, various community leaders from each constituency (including representatives from the farming and fishing industries, business, nonprofit and civic organizations, research entities, the legal profession, the teaching profession, women's groups, and so forth), and members of the Kisumu County Executive Committee, as well as a number of legal experts and civil rights experts from Nairobi. The region's ethnic plurality was also on display at the conference: Along with the Luo, who make up the majority of the district's population, the Kikuyu, Kalenjin, Nandi, and other ethnic groups were well represented.

The plenary sessions featured talks by scholars, members of the Kisumu County Executive Committee, a National Assembly member (from neighboring Siaya County to ensure neutrality), and others regarding the principles of the new constitution and the political and administrative systems it established. Each of the speakers fielded numerous questions from the audience. In breakout sessions devoted to healthcare, education, transportation, water, and law and order, participants discussed the issues facing Kisumu and what must be done to resolve them.

By the end of the two-day conference, the groundwork had been laid for future meetings by citizens interested in formulating concrete proposals in each area and submitting them to the county government. Equally significant was the bonds newly forged among the county's civic and economic leaders, many of whom met for the first time. Participants from diverse sectors pledged to work together to make the new constitution's promise a reality.

A number of the conference participants provided positive feedback regarding the event and its significance. The following is a sampling.

Teresa Okiyo, a research officer at the Kenya Agricultural Research Institute, noted that very little information had reached Kisumu regarding the new constitution and the process of devolution, and she praised the conference for helping participants see what they needed to do to make their voices heard in government. (Okiyo has studied paddy farming in Yamagata Prefecture under a Japan International Cooperation Agency training program.)

Dr. Rose Kisia, Kisumu County Executive Committee member in charge of

commerce, tourism and heritage, called the conference an important first step that had made Kisumu a model for other counties to follow.

Legal Resources Foundation Trust director Janet Munywoki, who arrived early in the morning on the first flight out of Nairobi, noted that she had traveled to Kisumu at her own expense, convinced of the importance of such a ground-breaking conference. She stressed the need to hold similar gatherings throughout Kenya.

Significance and Impact

Returning to Nairobi after the conference, I had the opportunity to speak with John Smith-Sreen, director of democracy, rights, and governance for USAID (US Agency for International Development) in Kenya. Noting that the new constitution had been 10 years in the making, Smith-Sreen stressed the importance of the next three to five years in laying the groundwork for a functioning democracy.

Political instability, corruption, and inefficiency have long stunted Kenya's growth and development. Fair democratic elections and the devolution of power to the counties are critical to the nation's future economic growth. This is why American, British, Canadian, European, and UN agencies are actively involved in supporting Kenya's reforms. USAID has placed special emphasis on promoting effective coordination between the state and the counties. But another key task is to ensure that civil-society organizations are informed about the new constitution and to encourage their political participation at the local level.

By promoting public understanding of devolution and helping to forge linkages between the county government and the local citizens, the Kisumu leadership conference has made an important contribution to the local community and Kenyan society as a whole. It is a contribution made all the more significant by the fact that it occurred when it was most needed. In this period of sweeping change for Kenya's government, society, and economy, the nation has scant resources to spare for such consciousness-raising efforts. This is why Otieno Aluoka's initiative was such an effective use of SLI funds.

A Role Model for Young Leaders

Otieno Aluoka, who successfully organized the Kisumu leadership conference using a Sylff Leadership Initiatives grant from the Tokyo Foundation, has an

Otieno Aluoka at the Kisumu leadership conference.

excellent understanding of the Sylff mission to "nurture future leaders who will contribute to the common good of humankind." Aluoka has been actively involved in the Sylff network for 14 years, ever since receiving a fellowship at the University of Nairobi. In March 2008, in the wake of the violence precipitated by the December 2007 election, Aluoka submitted an article titled "Kenya's Post-Election Violence" to the Sylff website, in which he argued eloquently for the need for stronger legal and judicial institutions to create a just society in Kenya.

An anthropology major at the time he received his fellowship, Aluoka put his education to good use, subsequently devoting himself to law studies at the University of Nairobi. More important, he has used the fruits of these academic labors not merely to lift himself up but to build a better society. This is precisely the outcome envisioned by the Sylff program, and it is this impulse that SLI and other Sylff support programs were designed to encourage. Listening to the lively and passionate discussion among participants at the Kisumu conference—described by Aluoka as the starting point for the devolution of power in Kisumu County—I was struck by how closely his initiative dovetailed with the purpose of the Foundation's Sylff support programs. This was truly money well spent.

By supporting the activities of Sylff fellows after they go out into society, SLI complements the fellowship program in an important way, defining Sylff's long-term aims and expectations and encouraging concrete social action. As the program continues, the success stories of people like Otieno Aluoka will provide inspiration for other Sylff fellows and contribute further to leadership development around the world.

Leadership development is a long-term undertaking. But the young leaders that the Sylff program has nurtured over the years have continued to grow, and last August I was able to watch as one of those leaders made an important and timely contribution to his nation's development during a period of political and social transformation. I am hopeful that Otieno Aluoka's example will

serve as a stimulus and encouragement to young leaders in Kenya and around the world.

Postscript

Following the conference, Otieno Aluoka compiled a list of proposals based on the discussions held at the conference and submitted them to the Kisumu County Executive Committee on September 9, with the cooperation of Chemelil ward representative Joseph Osano, who has pledged to push for their adoption. Issues and ideas raised at the conference received coverage in three of Kenya's national newspapers, and they are already beginning to influence policy makers at various levels.

November 12, 2013

National Policy in the Local Context

Exploring the Influence of "Guest" Workers in Fernie, British Columbia

Laurie Trautman

How do national immigration policies influence local communities? Laurie Trautman, a geographer who received a Sylff fellowship from the University of Oregon in 2012, explores how "guest" workers in rural resort economies in the United States and Canada are reshaping local labor markets and community dynamics. In the summer of 2013 she conducted fieldwork in British Columbia, Canada, using a Sylff Research Abroad award, and here she highlights some of her preliminary findings.

The importation of foreign labor is becoming an increasingly common strategy used by advanced industrial economies to maintain global competitiveness. While guest worker programs are designed to import foreign workers on a temporary basis, such policies have a lasting impact on local economies and communities. Despite these impacts, the bulk of literature on immigration has largely overlooked guest workers, who are perceived as having little long-term influence in the communities in which they work.

While guest worker provisions have been a major source of conflict in the United States since World War II, recent Canadian immigration policies have made a decisive shift away from an emphasis on multiculturalism towards a strategic focus on meeting temporary labor needs. As these changes are occurring, they are producing fundamentally different results that have yet to be extensively examined and compared. Yet, as comprehensive immigration reform is pending in both the US Congress and Canadian Parliament, it is essential that the changing nature of immigration policy—and guest worker programs in particular—is systematically and thoroughly analyzed in a cross-national context.

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This article explores the influence of guest worker policy on both the local labor market and community interaction in the Canadian resort town of Fernie, British Columbia. Based on qualitative interviews conducted during the summer of 2013, this project aims to provide a better understanding of this understudied, yet increasingly controversial, element of immigration policy.

This research is part of a broader dissertation project that links national policy discourse and community experience to understand how guest worker policies are evolving in different national contexts in the United States and Canada—a critical issue given current debates over immigration reform in North America.

At the national level, this project analyzes narratives in the United States and Canada over nation, race, and labor, as reflected in federal legislation since 1990. At the local level, qualitative and in-depth research in two case-study "receiving" communities (Fernie, British Columbia, and Sun Valley, Idaho) shed light on how these national dynamics intersect with local economies, leading to a new understanding of the influence of guest workers on local labor markets and social interaction.

Case Study of Fernie, BC

The town of Fernie is located in the Elk Valley of southeast British Columbia and has a population of roughly 6,000 and an economy highly dependent on amenity-based tourism. With a high cost of living, small population base, and seasonal fluctuations in labor demand mirroring the tourist season, Fernie is unable to meet its labor needs locally. In the past several decades, Fernie's reliance on importing labor from abroad has continued to increase.

Fernie Art Depot.

At the same time, the cost of living in Fernie has skyrocketed alongside second home ownership, which has also created an increased demand for low-wage, low-skilled service-sector jobs. The result is an extremely tight labor market for low-wage labor in a rural location with a high cost of living, which has pushed many local businesses to develop retention strategies ranging from a free ski pass to medical benefits. However, for particular positions, some

businesses have gone beyond established channels of recruitment and turned to the Temporary Foreign Worker Program (TFWP) to meet their labor needs.

During my research time in Fernie, I conducted 44 interviews and two focus groups with employers, employees, community members, and government officials in order to assess how the presence of temporary foreign workers (TFWs) is shaping the local labor market and community dynamics. I was also involved in participant observation and analyzed local media publications to determine how these dynamics were represented both spatially and socially.

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I found that, while most employers relied on workers coming with a working holiday visa (primarily from Australia and New Zealand), a small handful of employers are turning to the Temporary Foreign Worker Program as the tourist season is extending to include both winter and summer seasons. Up until just a few years ago, most employers were able to meet their labor needs during the peak winter season with young workers coming for the ski season with a working holiday visa, who would then leave in spring, when most businesses either go on vacation or reduce hours. With the demand for labor beginning to switch from a peak season in the winter to more year round needs, employers are searching for a more stable and longer term labor force which, ironically, they are able to find through the TFWP.

Unlike the working holiday visa, which does not tie workers to specific employers, workers coming on the TFWP need to establish employment prior to obtaining a visa, and thus solidify a relationship with an employer who essentially sponsors them. Upon arrival, they are in a committed relationship with their employer. In Fernie, TFWs are occupying specific positions in the labor market that have become increasingly difficult for employers to fill—namely housekeepers, chefs, and fast food workers. At this time, several fast food restaurants and cleaning companies are employing TFWs from the Philippines, establishing a division of labor along both national and racial lines.

Preliminary Findings

As part of my broader dissertation project, I am analyzing 20 years of national policy discourse in both the United States and Canada. A recurrent theme in

both Parliament and Congress is the exploitation and victimization of guest workers, who are often described as being "unfree labor."

This sentiment is echoed in academic literature, much of which highlights a fear that as Canadians increasingly rely on workers with temporary status who have few avenues to permanent residency, "a US-style underclass defined by precarious status and labour market vulnerability" may be emerging (Goldring et al, 2009: 257).

A preliminary analysis of my findings illustrates that TFWs in Fernie are not victimized by their status, nor do they lack agency, which complicates the overriding sentiments evident in both political discourse and academic literature. In fact, they are able to negotiate the immigration system through the relationship with their employers to remain in Canada beyond the original duration and purpose of their visa. In some instances, TFWs obtain residency and move into higher paying positions. This is surprising, as technically speaking, there is no path to residency for low-skilled TFWs.

Help wanted.

I also found that workers coming on a working holiday visa will utilize the TFWP as a strategy to remain in Canada after their visas expire. Thus, while the TFWP is constructed as a national policy aimed at addressing temporary and acute labor market shortages, in Fernie it is actually a strategy used by both employers and foreign workers to achieve stability and long term employment relationships. For employers, it fills a chronic labor shortage, and for employees it is often a path to longer-term residency. Both of these outcomes are almost the polar opposite of the stated purpose of the policy.

Despite the agency on the part of TFWs, there remains a real materiality to the different categories of TFWs and "international visitors" on a working holiday visa (WHV), which is evident at the local level. TFWs in Fernie are increasingly Filipino, while those on a WHV are almost exclusively young, white, and middle class. Those on a WHV have both social and labor market mobility, as they are able to change employers and come to Fernie with enough disposable income to enjoy the amenities. Above all else, they are not visibly different from the local population.

On the contrary, the geographic and labor market mobility of Filipinos coming as TFWs is extremely limited both by their employment in low-wage positions, their commitment to their sponsoring employer, and perhaps by their obvious position as "minorities" in this small, rural mountain town. This quote from one interviewee highlights this lack of mobility:

"People say that there's this big Filipino community that's growing, but I don't really see it, it's not out there, you don't see them walking around, hanging out at the bars and coffee shops, so I don't know. They might be serving you a coffee when you drive through Tim Horton's, but that's about it."

The preliminary findings from this case study will be compared with research in Sun Valley in the United States, in order to assess how guest worker policies are influencing both labor markets and community dynamics in different national contexts. The final stage of this dissertation project will analyze national policy discourse in the United States and Canada since 1990, comparing how "guest worker" policy is constructed within the context of broader immigration objectives.

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Responses to Anti-Semitism in Pre–World War II South Africa

Myra Ann Houser

Myra Ann Houser is a specialist in African history who received a Sylff fellowship from Howard University in 2012. She conducted research in South Africa using a Sylff Research Abroad (SRA) grant from May to July 2013, collecting archive materials on anti-fascist activities during the twentieth century. Here, she describes the Jewish community's perceptions of the growing anti-Semitism movement in pre–World War II South Africa.

Prior to the mid-twentieth century, South Africa was regarded as one of the most Jewish societies in the world. For about a century after 1820, it experienced a high degree of religious freedom, and the prevalence of white settlers in the region made it an attractive place for Jews searching for new homes. It possessed a high population of Jewish individuals, mostly of East European descent, who had emigrated, in most cases, to avoid anti-Semitism and persecution in Europe.

University of the Western Cape.

Within the Union of South Africa, particularly following the Second South African War, however, politics between English- and Dutch-descended white South Africans created divisions and distinctions within society as they jostled to gain political control, and the country's large Jewish population often became the targets of hostilities. Manifestations of growing anti-Semitism include the 1937 mandate by rightist South Africans that the "Jewish problem" be solved and boycotts of Jewish businesses.

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Such hostilities increased during the 1930s and 1940s, as South Africa's radical right became ever more tightly bound to and admiring of European fascist regimes. Nationalists in conservative "brotherhood" organizations, such as the Ossewabrandwag and Broederbond, discovered that individuals sharing their ideals—such as Adolf Hitler and Benito Mussolini—had risen to positions of power. The nationalists became ever more admiring of them and made pilgrimages to Europe in order to hear speeches by and meet with those whom they idolized.

There is evidence that some Jews viewed South Africa as a proverbial city on a hill prior to their repression during World War II. In a 1936 letter to Interior Minister J.H. Hofmeyer, the secretary of the South African Jewish Board of Deputies cited the country's history of religious tolerance:

> South Africa has a proud past of having liberally treated those who have been compelled for reasons of religious or racial persecution to leave their native land, and seek a new country imbued with a spirit of justice. A great many South Africans proudly claim descent from the Huguenots, who were themselves refugees in a situation similar to those arriving from Germany[1].

A follow-up letter to Prime Minister J.B.M. Hertzog later that year indicated that South African Jews had voiced numerous complaints regarding their harsh treatment by both teasing civilians and the political authorities, who subjected them to increased bureaucratic harassment as nationalism increased within government and officials placed increasing immigration restrictions[2]. Though the letter mentions no specifics in terms of what it calls "harsh treatment," it does allude to growing discontent among the country's Semitic population and states that many who had come to this new land in search of calm and to avoid persecution now found themselves being harassed by both neighbors and state authorities. This presumably would have increased by 1938, when South African officials were following the policies of the Europeans they admired in enacting stringent anti-immigrant laws and severely limiting the

[1] "South African Jewish Deputies Board Secretary to J.H. Hofmeyer, June 2, 1936," British Jewish Board of Deputies Papers, Reel 66, United States Holocaust Memorial Museum, Washington, DC.
[2] "South African Jewish Deputies Board Secretary to J.B.M. Hertzog, October 13, 1936," British Jewish Board of Deputies Papers, Reel 66, United States Holocaust Memorial Museum, Washington, DC.

number of Jews coming in to the country[3]. As the Broderbond and Ossewabrandwag became increasingly enamored with fascist governments, their anti-Semitic propaganda also grew.

A government reply to the first letter mentions "anti-Jewish activities" during "the past two years" and assures SAJDB that it is monitoring the situation. It did not, however, provide further context for the situation[4]. These gaps can be filled in using family papers, interviews, and memoirs. These deeply personal documents chronicle the micro-aggressions that South Africa's Jews experienced during this period, and several place the incidents—such as boycott campaigns and efforts at spreading libel against Jewish community leaders—within the larger context of international fascism. A number of documents directly compare the situation in South Africa to Holocaust-era or pre-Holocaust-era Europe.

South African troop debris in the Namib Desert from World War II.

Joan Marshall's 2005 memoir Darling Mutti shares a slightly different perspective of Jewish immigrant life in South Africa. Marshall's parents had come to the country in 1936 and received work papers. They became active in their large social circle, and their main experiences with anti-Semitism were during their earlier years, when they lived in Germany. They also corresponded regularly with family members in Germany and were well aware of developments in that country, but they did not refer very much to anti-Semitism in their South African lives[5].

Much like the Marshalls, the Rahlyn Mann family benefitted from privileges of material comfort and social connections in white South Africa. Mann, the only Free State woman to be deployed to Europe as a postwar social worker, told an interviewer that she did not experience any overt anti-Semitism as a child. She did, however, experience a sense of being different from her peers. Mann was one of few Jewish students in her primary school and the only one in high school. She thus left school early on

[3] Joan Marshall, ed., *Darling Mutti* (Jacana Media, 2005), 23.
[4] "Minister of External Affairs to Secretary of the South African Board of Jewish Deputies, August 19, 1936," British Board of Jewish Deputies Papers, Reel 66, United States Holocaust Memorial Museum, Washington, DC.
[5] Marshall, 1–23.

Fridays to prepare for Sabbath, in contrast to most of her peers, who remained in class for the duration of the week. Mann also told her biographer that she fought hard for Hebrew to be included as a matric subject, not taking for granted that her peers and educators would find it as interesting or important as she did. Mann eventually said that she chose to enlist in the Red Cross as a South African citizen rather than as a Jew, placing her pride of country ahead of her feelings of awkwardness[6].

Milton Tobias, on the other hand, felt more subjected to anti-Semitism than Mann did. He recalls that, prior to Germany's Nazification and its growing ties with South Africa's radical right, he "hardly ever" experienced negative feelings. Following the outbreak of World War II, however, he said that anti-Semitism was "all around," manifesting itself through micro-aggressive slurs and taunts, as well as through government policies that were unfriendly toward the nation's Jewish population. After going to war as a Union soldier in the Royal Air Force, Tobias returned to South Africa thinking about his Lithuanian grandfather and great-grandfather in the light of the concentration camps he had seen. He recalls thinking of the similarity between their situation and his, which though not as dire as that of people living inside the camps, was nonetheless marked by discomfort and oppression[7].

Anti-Semitism in South Africa did not begin with World War II. Taffy Adler has traced it to at least the beginning of the twentieth century, when Jewish workers began migrating to the country and its mines as industrialization increasingly brought together people from different races and backgrounds[8]. According to Adler, many white collar workers who left Europe due to physical threats or verbal taunts found themselves among the working class in South Africa. Jewish workers in the country were thus subjected to both the micro-aggressions and class-based policies that they sought to leave behind. The harassment became more pronounced as World War II approached, and a rightist movement arose that claimed paradoxically to be "anti-immigrant" and "anti-native" (or, less paradoxically, pro-Afrikaner).

My dissertation has evolved to incorporate the subsequent oppression of

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[6] Rahlyn Mann, interviewed by Barbara Linz, Sydney, Australia, April 16, 1996, USC Shoah Foundation Collection, United States Holocaust Memorial Museum, DVD.

[7] Milton Tobias, interviewed by Padigail Meskin. Durban, South Africa, December 1, 1995, USC Shoah Foundation Collection, United States Holocaust Memorial Museum, DVD.

[8] Taffy Adler, "Lithuania's Diaspora: The Johannesburg Jewish Workers' Club, 1928–1948," *Journal of Southern African Studies*, 1979, 6.1, pp. 70–92.

socialism as well, as I believe—based on my long-standing interest in World War II—it is important to examine the interactions between these early twentieth-century developments. During the 1930s and 1940s, a number of Jewish individuals—having become aware of the marginalization occurring in South Africa's racist structure—began lobbying for change. This would continue, as orthodox Jews began turning to radicalism during the apartheid era. It is imperative, therefore, to understand this period as being pivotal in the country's history and protest tradition, and I will attempt a further examination of this topic as part of my dissertation and, I hope, during my scholarly career.

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Armed State-Response to Internal Ethnic Conflict in Sri Lanka

Sreya Maitra Roychoudhury

Sreya Maitra Roychoudhury, a Sylff fellow at Jadavpur University in India, conducted research in Sri Lanka using a Sylff Research Abroad (SRA) award. The purpose of her research was to observe the realities in Sri Lanka and deepen her insights into the "securitization" of two armed states–India and Sri Lanka–which is the central theme of her dissertation. Her report below makes clear that the purpose of her research was fulfilled and that the visit to Sri Lanka has become an important asset in writing her dissertation.

I arrived in Colombo, Sri Lanka, on November 1, 2012, for a field trip essential for my doctoral dissertation, which examines the historical causes and the implications of armed state responses to select internal ethnic conflict situations in India and Sri Lanka and critically analyses their efficacy.

The University of Colombo, which hosted Sreya during her field research.

I have been fortunate to receive mentoring and support at Jadavpur University, India, where I also had the opportunity to apply and be selected for a Sylff Research Abroad award from the Tokyo Foundation at a very opportune moment of my PhD research. This was not only because my nascent ideas on state approaches to insurgency very much demanded the filling in of ground-level realities but also because Sri Lanka is currently at a very critical juncture of its political history.

National security and socio-political stability can be significantly undermined by violent internal conflict or insurgency in any country. While authori-

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Sreya Maitra Roychoudhury Sylff fellow, 2007 (SRA recipient, 2012), Jadavpur University, whose dissertation examines the "securitization" of two armed states: India and Sri Lanka.

tarian regimes unilaterally use their military to combat such challenges, modern democracies have historically sanctioned the deployment of armed forces on a short-term basis only by declaring them as "emergencies." Within the purview of international relations, the latter approach has been delineated by the "securitization theory" à la the constructivist paradigm founded by the Copenhagen school.

India and Sri Lanka have labored to establish consolidated democracies in South Asia, never experiencing any spell of total military rule or a civil-military regime, unlike some of their neighbors. Multi-ethnic democracies are expected to handle internal conflicts with the structural norms and practices of a democratic order. India and Sri Lanka have behaved exceptionally and tackled these by active securitization through much of the post-independence period.

Existing literature does not highlight the reasons for the continuance of conflict zones, and there is hardly any comparative empirical work on the subject. Moreover, insecurities and rebellions persist in most cases, like in India's Northeast, Jammu and Kashmir, and, until 2009, in Sri Lanka. Additionally, due to India and Sri Lanka's geographic contiguity and ethnic overlap, the impact of Sri Lanka's internal conflict has been deeply left by India.

The deployment of the Indian Peace Keeping Force in 1987 and its subsequent failures, together with the cross-border operations of the Liberation Tigers of Tamil Eelam and the assassination of Indian Prime Minister Rajiv Gandhi in 1991, have created mistrust, inducing excessive caution in bilateral interactions.

During my month-long stay and extensive interaction with the intelligentsia, activists, and local population in Colombo, I came across a society that has suffered deep scars in its socio-political and economic fabric due to the prolonged war of the state against an ethnic community. However, it was also stated by many quite unequivocally that any challenge to the sovereignty of the state—democratic or authoritarian—must be legitimately resisted with the sanction of force and the armed machinery of the government. Detailed studies and opinions have revealed that the unyielding stance of the leaders of the separatist group precluded any scope for meaningful, peaceful reconciliation.

In the present situation, Sri Lanka has transcended war but not the conflict situation, as underlying grievances of the Tamil community continue to simmer. While ground-level opinions, observations, and reports substantiate the argument that the heavy-handed securitization approach of the state has combated militancy and terrorism with unprecedented success, it is quite clear that

it also has further fragmented the already linguistically divided society, alienating the minority Tamils and establishing a "Sinhala state."

The field trip was significant in enabling me to collect primary data to corroborate the historical-sociological approach I had chosen for my study to gain an in-depth, comprehensive understanding of a seemingly terrorist-political problem in Sri Lanka. The instrumental role played by the monopoly of the Sinhala language in consolidating ethnic fissures is a much observed phenomenon in Sri Lanka's history and politics.

The field trip rendered an unmediated exposition into the incremental unfolding of this phenomenon by the ruling political leaders through the turbulent decades (especially the late 1950s, 1960s, and 1970s) and the subsequent, almost obvious deepening of the majority-minority ethnic divide, the virulent manifestation of which was the Tamil demand for secession and autonomy espoused by violent outfits like the LTTE.

The sole documentation of much of the parliamentary debates and official proceedings under the presidency (since 1976) in Sinhala and the conspicuous absence of their translation in English and Tamil languages at the National Archives of Colombo was, to my mind, a significant indicator of the calculated steps taken by the ruling elite to use "language hegemony" in asserting Sri Lanka as a Sinhala state, thereby fuelling the ongoing ethnic politics of the times.

Moreover, the informal and formal interactions at the local level rendered it quite evident that even in postwar Sri Lanka, the most sympathetic Sinhala vis-à-vis the Tamil autonomy movement would not voice any explicit statement against the present process of increasing the geographic isolation of the Tamils in the northern and eastern provinces and the conscious effort to maintain the presidency's direct control over them by abstaining from establishing functional Provincial Councils.

At the National Archives of Colombo.

To my mind, the potential for renewed conflict between communities cannot be ruled out, much less so because of a strong Tamil diaspora that continually foments a sense of marginalization. Any meaningful resolution of the internal conflict situation thus requires fundamental changes in the constitution to include greater accountability of the president, the devolution

of power to Tamil representatives at the local level, and the rebuilding of a sense of trust between the ethnic communities that have been brutally eroded and lost in the ravages of the war and the unilateral, authoritarian style of governance.

While the operational political systems of India and Sri Lanka differ (parliamentary versus presidential system), they could actively engage through common multilateral forums like the South Asian Association for Regional Cooperation (SAARC) to articulate state responses beyond securitization measures that can be implemented to resolve their respective insurgencies on a sustainable basis.

Even though Sri Lanka is a consolidated, democratic nation in South Asia, my field trip rendered stark the realities and nuances of administrative functioning that transpires in a presidential system, as compared to the parliamentary model of India. Divergences in the operational political realities of Sri Lanka, issues in the functions of the constitution, and aspirations of the people were rendered clear only in the course of my studies at the local level. Other interesting and related facets of society like education, community development, and the changing role of the military in postwar Sri Lanka also became vivid, providing a comprehensive overview.

Being an endowed fellow, the credibility of my research was instantly recognized by the interviewees and interested researchers and students.

My research is focused on providing a systematic explanation for the war that prevailed, prescribe ways to avoid the military option on a prolonged basis, and guarantee basic human rights and security to citizens. The insights I gained on the Tamil separatist movement in Sri Lanka also helped me to build a comparative study of armed approaches to insurgency in two democracies, keeping in mind the differences in their operational dynamics.

I also seek to explore possible state responses beyond the military option that can be implemented by the democratic, multi-ethnic countries of India and Sri Lanka to resolve their respective insurgency issues on a sustainable basis. This would hopefully enhance bilateral ties and move regional peace keeping initiatives in South Asia a step forward.

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