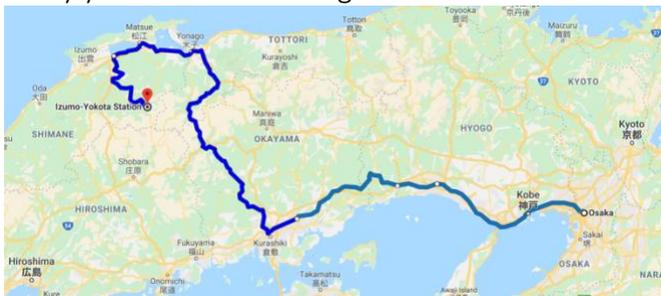


## Japan 2020, uncharted territory

Imagine, a trip that starts in a large, well-known & crowded city and that ends six hours later in unknown territory: a landscape that differs completely from the one you know, thinly populated and with hardly any *gaijin*.

You have left the busy world by bullet train and changed for an outdated limited-express train running via Japan's jeans capital [Kurashiki](#) and then passing towns with names new for you such as Niimi, Neu and Shinji. Here you step into a [single-car train](#) and pass stations such as Hataya, Kisuki and you finally end up in Izumo-Yokota station. In these six hours you have travelled through empty space, over bridges, in and out of tunnels, in lush woods and across stunning landscapes, man-made hills, along old rice paddies, including that of [San'nouji](#) (which is ranked in the top 100 of terraced rice fields in Japan); you notice the effort it takes for the diesel train that serves the Kisuki-line to climb and descend the hills. And when you finally step off the train at your destination you see that the wooden station built in 1934 is modelled after Japan's oldest shrine, the Izumo Taisha with its famous [shimenawa](#) (sacred straw rope) where it is said that all the thousands of deities throughout Japan gather once every year to hold meetings.



A voyage to this area is 'visiting the past' and 'back to the future' at the same time, since what you will see at Yokota (it is part of the municipality Okuizumo, but let's name it here 'Yokota') - and for that matter in Shimane Prefecture (and other areas in Japan countryside) - will provide a glimpse of what Japan

experiences now and what we in the Netherlands might experience in let's say 20 – 40 years: a rapidly declining population, overcrowded cities, a deserted countryside and unacclaimed-for lots - and it all will make you question the existing socio-economic models.

The reason why I went to Yokota was to watch a spectacular project *Issho-ni / Tomo-ni* by Dutch artist Jikke van Loon who decided to return the two Japanese [temple guardians](#) or *Ni'Ozo* that are on permanent display in the Amsterdam Rijksmuseum. For more than 700 years these two wooden sculptures were part of the extensive and important Iwayaji temple complex in Yokota in Shimane-prefecture and were sold 12 years ago to the Rijksmuseum. How *Issho-ni / Tomo-ni* developed is not the subject of this short text and is better to be understood by reading Jikke's [website](#).

Staying in an area in Japan as remote as Shimane was an eye-opener for me, a frequent Japan-visitor for decades, who hardly knows what is at stake outside Tokyo, Kyoto or the industrial areas such as Nagoya and Hamamatsu. In order to try understanding what is happening in 'the other part of Japan', you have to leave behind the familiar board rooms and your meeting places in Tokyo and Osaka and go to such a remote area in the country. So, let me take you on an unusual journey to a part of Japan where few of you have been, and let's try to link the past, present and future of an area that is exemplary for Japan's countryside.



First some facts, figures, and fiction. Shimane Prefecture is the second-most western prefecture in Honshu and borders the Sea of Japan. In size the prefecture is 1/6<sup>th</sup> of that of the Netherlands, but with 670.000 inhabitants it counts 1/25<sup>th</sup> of the population in the Netherlands; in Japanese statistics: 0.5% of the Japanese live in Shimane on 2% of its area. After adjacent Tottori, Shimane is the least populous prefecture and with Tottori it was the last area where Starbucks established a

coffeeshop.

Nowadays you could call Shimane Japan's backwater, but history shows it was very different. In 2009, a team of archaeologists announced that they discovered in Shimane's second largest town Izumo City the oldest stone tools ever found in Japan. The 20 tools dated back to an estimated 120,000 years, about 80,000 years earlier than previous estimates of when the first humans arrived in the Japanese archipelago, and most probably 'Japan' began from here. The [Kojiki](#), the oldest Japanese chronicle of myths, songs, genealogies, oral traditions and with semi-historical accounts concerning the origin of the Japanese archipelago, the kami (or gods) and the origin of the Japanese imperial line was composed in 711-712; it describes Izumo as a place from where the gods ruled over the Japanese islands. "Shinkoku is the sacred name of Japan - Shinkoku, the Country of the Gods; and of all Shinkoku the most holy ground is the land of Izumo," wrote one of the first foreign writers after Japan's opening in 1854, Lafcadio Hearn, in his book 'Glimpses of Unfamiliar Japan.'

[Izumo Taisha](#), also known as *Izumo Oyashiro*, is said to be the oldest shrine in Japan having existed on its present site for 1,500 years. As I mentioned above, the thousands or even millions of Japanese deities gather every year in November at the shrine to confer. I could not resist thinking about Mount Olympus in Greece, home of the Greek gods, with the same human traits as their Japanese colleagues.

The area that is now Shimane used to be a rich part of Japan, thanks to its favorable geographical features, for agriculture, fishery, and trade with the Korean Peninsula. And: the Izumo region was rich in mineral resources such as iron and silver. The iron sand in the region, in particular at Izumo-Yokota, was used from ancient times to



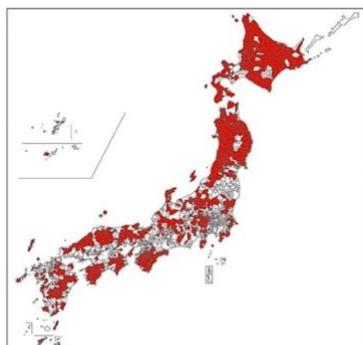
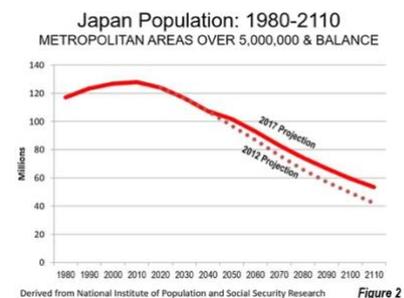
forge a superb type of steel known as *tamahagane*, the basis for the Japanese sword or *katana* and 80% of all Japanese swords are made from steel ([tatara](#)) from Yokota. A Japanese sword has almost divine powers and this also contributes to Shimane's reputation as an area of myths. In 1860 the population of Yokota and surrounding villages was more than 30,000 since about 25,000 workers and their families were engaged in the *tatara* industry at that time. Now no more than 12,000 people live there and the number of employees engaged in social welfare and long-term care services has increased substantially.

The [Iwami Ginzan](#) silver mine, often indicated on old Dutch maps of Japan, was said to have produced one-third of the world's silver production at its peak period in the early part of the 17<sup>th</sup> century; part of that high-quality silver was exported through Deshima. Shimane has more connections with the Dutch: [Nishi Amane](#) from Shimane's town Tsuwano was a

philosopher during the Meiji period who helped introduce Western philosophy into mainstream Japanese education. Following the ‘opening’ of the country in the 1850’s, Nishi and his colleague Tsuda Mamichi, were the first Japanese sent in 1863 to study abroad ... in Leiden. For two years they were tutored by Prof. Simon Vissering - one of the leading Dutch economists of the nineteenth century. Following their return home, their work as government officials and intellectuals played a key role in the introduction of the European social sciences, jurisprudence, and international law to Japan, thereby exerting a decisive influence on the establishment of the modern Japanese state and the redefinition of the international and cultural order in East Asia. And: a fine collection of old Dutch books on western medicine, Rangaku, is to be seen in Shimane Prefectural Library. Thus, even in a remote corner of Japan as Shimane Prefecture, the 420-year old links between Japan and the Netherlands are tangible.

But, but ... despite Shimane’s deities across the land, in the shrines and temples hidden deep in the forests and despite the region being the cradle of Japanese culture, facts on the ground are pretty grim and are textbook for Japan’s countryside: an empty, partly uninhabited region, a greying population, jobs that are vanishing and land that is not used and is even often unclaimed for. The country of the Gods is left to the Gods alone. I meet with Mr. Minami in Yokota, who tells me that manufacturing and production jobs like farming are disappearing rapidly. He shows me the small rice paddies in front of his house. “Can you imagine what the new EU-Japan Economic Partnership Agreement or a free-trade agreement with the United States will mean for this region? We used to be self-sufficient when it came to food, we grew rice, but how can we compete with the large rice producers from Europe or the USA with our small lots? With all the forests around us we had an abundant wood production. Nowadays we import wood and today a tree trades for no more than the price of a *daikon* (a Japanese radish.) Worse: we have no more jobs to keep young people here.”

Apart from the urban areas, almost all the countryside in Japan is emptying – and even the major urban areas (Kanto, Kansai and Tokai / Nagoya) that have about 2/3 of the total population of Japan are expected to shrink. Japan’s population peaked in 2010 with 128 million inhabitants and now counts 126 million. By 2040 Japan’s population is expected to be approximately 100 million and extrapolating: in 2110 there will be 53 million Japanese left.



Hiroya Masuda published his book ‘Local Extinctions’ and his detailed report of population changes showed that 896 cities, towns and villages throughout Japan were facing extinction by 2040 (picture: localities shown in red are predicted to become extinct by 2040.) The municipality that I visited in Shimane, Okuizumo, will disappear. Also research by the National Institute for Population and Social Security Research / IPSS comes up with similar conclusions.

I know that many countries are coping with declining birth rates, but perhaps more than in other countries, the results of this shrinkage in Japan are clearly visible. [Brendan Barrett](#) of Melbourne based RMIT University recently visited Tsuwano in Shimane Prefecture and Tokushima Prefecture in Shikoku. “Only when you travel to rural Japan do the impacts of population decline become apparent. Last year, I spent time in these two rural prefectures. I visited the small town of Tsuwano in Shimane Prefecture. According to Masuda’s projections, Tsuwano will experience a 75% drop in the number of young women and its population will more than halve to 3,451 in 2040 (down from 7,500 today). In October, I visited Tokushima Prefecture in Shikoku, where the picture is very similar for most towns and villages. In both locations, I came across many abandoned farms and houses.”

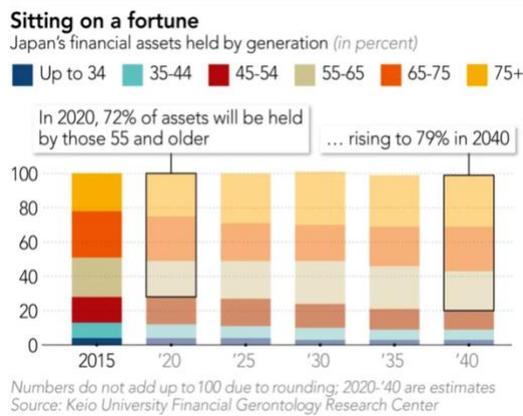
The Japan Times reported that by 2040 land in Japan with unclear ownership is projected to a total of 7.2 million hectares and would cost JPY 6 trillion or EUR 50 billion (the Netherlands measures 4.1 million hectares.)

Then there is the phenomenon of ‘akiya’ or deserted houses. According to the Ministry of Internal Affairs and Communications in 2013, over 8 million out of 60.6 million homes in Japan were considered to be *akiya*, or vacant, making that no less than one in seven houses are abandoned. Recent findings (2019) show that the number of *akiya* in Japan has risen to exceed 10 million. By 2033, it is estimated that 30 percent of all homes will be vacant or abandoned. One reason why you see so many deserted houses in Japan’s countryside are taxes: fixed asset taxes on empty lots are six times higher, so it makes sense not to demolish old houses or farmsteads. The *akiya*, mostly wooden homes that are a few decades old, are less likely to withstand typhoons, fires and earthquakes. This means that any clean-up of damaged empty properties falls on the community. Many rural areas try to lure younger people from the big cities to have their second home and have made their own *akiya*-bank websites or created subpages for abandoned homes on the market on the municipalities’ official sites (mostly in Japanese only.)



On December 24, 2019 Japan’s health ministry announced that Japanese births totaled 864,000 in 2019, a decline of nearly 6% from the year before and the lowest number since the government began collecting data in 1899. Point of concern is that the government expected that only in 2022 the number of births would drop below 900,000, so the decrease is bigger than anticipated. In an effort to respond, the Abe government has tried to make it easier for women to both work and have children. Japan is also doing more to encourage immigration. But even the modest measures taken so far have proved controversial in a country that treasures its cultural homogeneity. “Japan is on the brink of crossing a long-feared demographic line where the indigenous population will be shrinking at the rate of one person every minute, according to a new government forecast”, reported the Financial Times three days later.

What is not decreasing is the number of elderly people. 28.4% of Japan's population is older than 65 years, in the countryside this figure is remarkably higher: in Shimane it is nearly 33%. In Japan 'aged' often relates to 'well-off'. Japan's personal financial assets are estimated at USD 17 trillion and when you link the two equations, you see that by far the biggest part of this USD 17 trillion is owned by elderly people. That creates another challenge: the Financial Services Agency predicts that by 2030 USD no less than USD 2 trillion in personal financial assets, or over 10% of the nation's total, will be in the hands of people with dementia. Financial fraud targeting the elderly has become so widespread that banks are increasingly nervous in dealing with older clients. For some executives at several major financial institutions the risk to their reputations and the cost and complexity of preventing problems far outweighs the value of elderly customers to the bottom line.

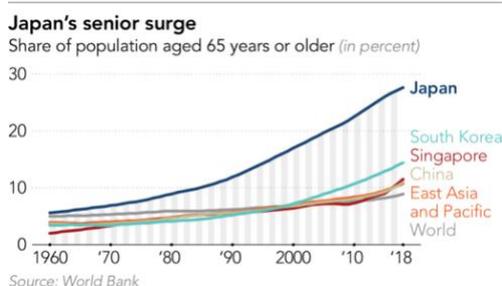


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“Aging Japan: banks turn to technology to tackle looming demographic crisis”, headed the Nikkei in its January 1, 2020 paper. “A population that is both shrinking and aging - particularly in rural areas - has led to dwindling demand for bank loans, mortgages and brokerage services. The Bank of Japan's attempts to keep growth rates up through accommodative monetary policy has depressed margins. This has been particularly acute for regional banks, whose interest income is falling faster than they can cut costs, according to Moody's Investors Service.” Some regional banks come up with different earning models, like the Kyoto Shinkin Bank that offers its aged clients custom-fit programs, including courses in flower arranging, knitting and storytelling. As many as 70% of the bank's customers are 65 or older, and the bank has invested in making its branches and staff welcoming for senior clients. All of the reception desk counters have been lowered so that customers can sit for their consultations, and all 1,700 of its managers and clerks are expected to go through extensive training programs to familiarize them with signs of dementia. “We want to be the platform for people's journey across their life, including childbirth, home and car purchase, planning for your children and planning for your legacy,” said Toshiyuki Masuda, the bank's chairman. “Our rivals compete in cheap interest rates. We don't engage in price wars. We focus on creating value with customers because we believe people will ultimately choose a bank that serves them best in the long term.”

Some areas are trying to reverse the depopulation-trend by spending more money on child-rearing support. As a result, in Shimane Prefecture the number of children has increased in nine of some 20 municipalities.

From a macro-perspective: Japan's population is ageing faster than its neighbors -



which changes the balance of economies in East-Asia. A shrinking population and as a result: a smaller economy will make Japan's debt burden even harder to manage. At about 237%, the government's debt-to-GDP ratio is the highest in the world. As this debt is mainly held by Japanese banks and Japanese individuals the debt-per-capita is growing considerably; the cost of servicing Japan's public

debt already uses up half of the state's tax revenues (however, as a silver lining: Japan's enormous public debt is partly balanced by the huge financial assets of Japanese companies: corporate Japan has never been richer.)

A rapidly decreasing population and an emptying countryside are a trigger for new business models. In 2013 the book 'Satoyama Capitalism' was published. [Satoyama](#) (里山) is based on the Japanese words for village (*sato*) and mountain (*yama*) - and point of departure is that similar landscapes have sustained millions of people for thousands of years. *Satoyama* promotes circulation of resources, money and goodwill within a community through cashless exchanges such as self-sufficiency in water resources, food and fuel, bartering and paying it forward. Or, according to Kosuke Motani, chief senior economist at the Japan Research Institute, Ltd. at a recent seminar in Tokyo: "The bottom line of *satoyama* capitalism is to have sustainability through the cycle and reproduction of nature. Rural municipalities across Japan should capitalize on their natural resources to pursue sustainable lifestyles via adopting alternative ideas complementary to conventional capitalism and make active efforts to bring in young urbanites to rejuvenate their communities". *Satoyama* which is presented as a global effort, is led by the Japanese Ministry of the Environment and the United Nations University Institute of Advanced Studies and is promoted by the Japan Times. Have a look at this [presentation and video](#).



It is easy to downgrade this *Satoyama* project as a fantasy, a new 'Garden of Eden' or a '21<sup>st</sup> century Shangri-La', but you can also ask yourself: what can you do as a country with a rapidly decreasing and greying population and lots of vacant areas on the one hand and plentiful arable land and abundant nature such as woods, rivers, seas on the other hand? Yes, immigration should offer a – limited – solution. And yes: better conditions for women to raise children should be promoted (according to the OECD, the ratio to GDP of social expenditure for families, including early child care and education or family allowance was a mere 1.3% in 2013 in Japan, much lower than in Germany (2.2%), France (2.9%) and Sweden (3.6 %). However, it will take literally ages to see the results of these measures. So why not simply try to live with the reality that Japan might have 50 million inhabitants by 2110 (which is, by the way, about the same number of Japanese as in 1910.) The key question is of course: is Japan able to maintain its high-level and sophisticated society? The good news is that Japanese companies are earning substantial money from their overseas subsidiaries. And yes, Japanese companies are betting on automation and robotization to cope with a lack of people, but will that be enough? Frankly, I have no idea.

In Shimane I meet with Akiko, a well-educated woman who gave up a good job in Tokyo to work at a farm in Yokota, under a program sponsored by the Japanese government to attract young people to work in farming. Akiko wants to learn about organic rice farming, and only in Yokota did she understand that the traditional Japan is very different from what is happening in the big urban areas. "Yes, it is sometimes disappointingly conventional here", she says, "but I learn a lot and maybe I end up as an organic farmer in this part of Japan. Why not?"

Over the last years, in different places in rural Japan I frequently met with young people who wanted to ‘escape’ from the frenzied world of targets, performance driven work and the race-to-the-bottom mentality in the big cities. Is this a trend in Japan? All over the world there are people who look to change their lives, but my gut feeling tells me that the tectonic changes in population in Japan are a bigger catalyst for change than elsewhere. And the sheer size of Japan offers different opportunities than in smaller - and more crowded - countries.

Simon Kuznets, who won the Nobel prize in economics in 1971 for his work on economic growth stated that, from an economic perspective there are four types of countries in the world: developed countries, undeveloped countries, there is Argentina and then there is ... Japan. He might have written this in a different timeframe, but Japan has proven its resilience when it has its back to the wall – and sometimes its course is rather unconventional. So how will it cope with the prospect of an indigenous population of 53 mln in 90 years, a decrease of over 50%? There is no lack of scenarios like [this](#) published by Japan’s Ministry of Land, Infrastructure, Transport & Tourism, MLIT. And, if worse comes to worse, what will happen if [a major earthquake](#) will hit an urban or industrial area as the Kanto (greater Tokyo), combined with these demographic changes?

If I were allowed to make a prediction, I would bet on the emerging of a fundamentally new balance between Japan’s major urban regions and the very countryside, like Shimane. The government is already promoting a U-Turn for city-workers with rural roots – or a [I-Turn](#) for born urbanites. Visiting Shimane teaches us that Japan is also in the remote areas an affluent society indeed: the infrastructure is in place and well-maintained, healthcare systems and education are well-functioning, people have ample financial resources – and in terms of space, there is the potential of food self-sufficiency, provided that legislation will allow land re-parceling. And, Japan being a country of communities (where even large corporations create a strong community-sense for their employees), a U- or I-Turn to the countryside might even be an antidote to the growing “[super-solo](#)” mindset in urban regions.



My advise to you all for 2020 would be: jump on the train and embark for a visit to the Japan than you do not know, whether this is Shimane Prefecture, Akita-ken, Tottori, or any other place that are [favorite](#) to Tokyo residents. Even if it sounds like ‘back to the future’ or ‘fast forward to the past’, because what is happening in Japan right now will also happen in countries as the Netherlands, albeit with a delay of 20 – 40 years.

Radboud Molijn, January 2020