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# How immigration can boost the Japanese economy by mitigating the effects of population aging



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## Abstract

The economic impact of immigration depends on the characteristics of the host countries. Immigration has had positive results in countries like the USA, Australia, Canada, and the UK. This paper seeks to demonstrate how Japan would also benefit from immigration. The main barrier to implementing inclusive policies in Japan is the longstanding cultural belief, that immigrants are invaders instead of equal who can enjoy the same rights as native-born Japanese. The aging of Japan's population is affecting its labor market where there is more demand than supply, meaning that the overall economy is running below its potential. In order to match demand with supply, Japan needs to contemplate the plausible option of letting in more immigrants to fill up vacancies. If Japan fails to do this, it will see a decline in its output capacity, meaning that it will lose competitiveness and productivity with adverse effects on the economy.

## Key Words:

Zainichi Koreans, total fertility rate, sectoral output, gross national product, skilled immigrant, unskilled immigrant.

## Resumen

El impacto de la inmigración en la economía del país receptor tiene diferentes ramificaciones según las características de estos. La inmigración ha tenido resultados positivos en países como EE. UU., Australia, Canadá y Reino Unido. En este documento trataré de demostrar cómo Japón también se beneficiaría de los inmigrantes, como los países mencionados anteriormente. La principal barrera para implementar políticas inclusivas que permitan integrar a los inmigrantes son las antiguas creencias culturales tradicionales de Japón, las cuales impiden esta integración. El inminente envejecimiento de la población japonesa está afectando su mercado laboral, que en la actualidad presenta más demanda que oferta, lo que significa que la economía en general está operando por debajo de su potencial. Para poder disfrutar un equilibrio de oferta y demanda en el mercado laboral de forma satisfactoria, Japón necesita contemplar la opción de permitir un mayor ingreso de inmigrantes para así poder llenar las vacantes existentes en el mercado laboral. Si Japón falla en esto, va experimentar una recaída en su capacidad de producción, lo cual significaría una pérdida de competitividad y productividad con efectos negativos para la economía.

## Palabras claves

Coreano zainichi, tasa de fertilidad total, producción sectorial, producto nacional bruto, inmigrante calificado, inmigrante no calificado.

## Introduction

Immigration is often considered an effect of weak economic and political performance within countries when a portion of the population decides to emigrate and settle somewhere else with the promise of better quality of life and opportunity. However, such aspirations are not always realized; people undertaking this journey encounter many challenges including language barriers, cultural barriers and sometimes political barriers. The act of migrating from one's home nation entails a commitment to leave behind family and friends as well as cultural habits, among other challenges. According to the United Nations, *International Migration Report (2017)*, economic and political instability is almost always the main reason for migration; roughly 258 million people are currently living in a country different than that of their birth.

Japan's fertility rate of 1.478 children per woman is among the lowest in the world, meaning that the replacement rate is below the mortality rate; as such, in the near future it will have to deal with worker shortages in both the skilled and unskilled sectors. Automation as a source of worker replacement for unskilled jobs remains very ineffective as well for skilled labor requiring more critical thinking. Coping with this shrinking population is a challenge that the Japanese government and society seem determined to tackle. However, the Japanese government does not currently consider immigration a plausible solution; rather, they emphasize the necessity of rising the age of retirement.

Positions towards immigration among the Japanese government and public vary, and the subject occasionally becomes a hot topic of debate. The truth is that keeping Japanese cultural identity intact is a priority for the Japanese government, and accepting immigrants would be feasible only if doing so does not damage Japanese cultural identity. According to *The Washington Post* before implementing new immigration law, the government should first eliminate the existing scheme under which many immigrants are treated poorly, working long hours and in some cases being paid below the legal minimum salary for Japanese workers such cases, which tend to involve migrants from South East Asia under the TITP (Technical Intern Training Program), put Japan in the spotlight as

an undesirable place to immigrate in comparison with other advanced economies which maintain less abusive and discriminatory immigration policies.

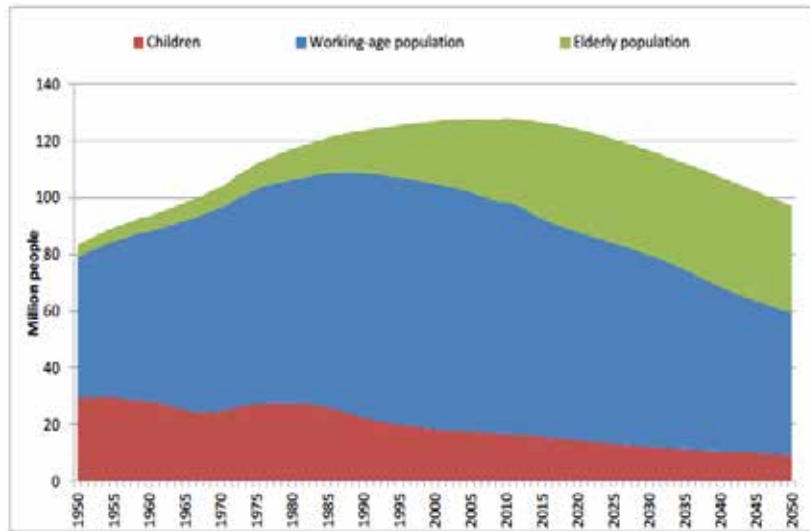
Notwithstanding such attitudes and practices, Japan received waves of immigrants at various moments during its recent history. The first and more predominant of such moments was in the aftermath of its colonial expansions throughout East Asia during the early twentieth century, where many people, specially Chinese and South Koreans, immigrated to the Japanese colonial metropole. The second moment occurred in the 1980s as Japanese Brazilians, and to a lesser extent, Koreans, immigrated to Japan. The former of these tended to be seeking to recover their national identity while the other one were mainly seeking better jobs. Acknowledging the different paths of integration among these ethnic groups and the political struggle these groups have had to go through is important in order to fully understand how Japanese tend to view outsiders and how much the government is willing to create policies that facilitate the process of these groups integrating within Japanese society.

It is worth mentioning that there is collective pressure from nearby South East Asian Countries for Japan to include the free movement of people within its EPA negotiations. Such provision would encourage immigration from the least developed South East Asian countries to Japan and mitigate the worker shortage due to population aging (Ahearn, 2005).

This paper seeks to present how immigrants, both skilled and unskilled, could be beneficial for the Japanese economy in the short and long term, while taking into account the cultural and language barriers posed by the Japanese society. Throughout literature review and data analysis, the paper demonstrates how the aging of the Japanese population since the end of the 20<sup>th</sup> century has negatively impacted the Japanese economy; furthermore, the paper provided evidence of the positive impact that immigration has had in other countries like the USA. The paper opens the door to the further development of arguments in favor of immigration as a feasible solution to the issue of declining domestic birth rates and aging populations.

## **1. Immigration and Economic development. How are they connected?**

From the perspective of the Organization for Economic Cooperation and Development (OECD) immigration has a demographic impact, not only by increasing the size of the population but also by changing the age pyramid of receiving countries". As we can see on the figure bellow, japan's most immediate needs in the short and long term are to mitigate the rapid expansion of the elderly population, almost 33% of the Japanese population today being 60 years old or older. Similarly, 26% are 65 years old or older, and approximately 13% are in their mid-seventies or above. This is why immigrants, who "tend to be more concentrated in the younger and economically active age groups... contribute to reducing dependency ratios" (OECD, 2014). Moreover, as the OECD reports immigrants bring with them new skills and know-how applicable to the host country, supplementing the human capital stock of the host country.

**Figure 1: Japanese population and age structure, 1950-2050**

Source: OECD Historical Population Data and Projections (1950-2050)

Furthermore, according to the OECD, to evaluate whether immigration is beneficial or a burden for the economic development of the host country, one must consider three main aspects or channels through which the actual benefits of immigration may be measured: the labour Market, the public purse and economic growth.

With respect to the first channel, the labor market is the main mechanism through which immigration affects the host country's supply of labour. As the OECD (2012) reports, "over the past ten years, immigrants represented 47% of the increase in the workforce in the United States, and 70% in Europe". Young immigrants are generally much more educated than immigrants nearing retirement. Among the migrants entering OECD countries, including the United States and Europe. Indeed, a 2003 national survey of college graduates in the U.S. shows that immigrants patent twice as much than nationals. On the other side of the spectrum, the inflow of immigrants who filling the gap in unskilled jobs like retail and maintenance have helped maintain a buyant labor market and economic dynamism, thus impacting positively in the productivity of the country. For Japan this could also prove to be beneficial because implementing flexible policies that give incentives to skilled immigrants could facilitate them to conduct research and generating cutting edge technological breakthroughs. They could later use these innovations to create impactful and profitable businesses that could help boost the local economy and make it even more competitive than it is today.

When it comes to the Public purse channel, some estimates indicate that immigrants both skilled and unskilled impact positively on the fiscal revenues of the host country. The proportion of taxes that immigrants inject into the local economy is more than the amount of money they receive in benefits (OECD, 2014).

Finally, with regard to the economic growth channel, international migration has both direct and indirect effects on economic growth. Studies by the OECD and the United Nations agree, that migration expands the workforce; therefore, GDP grows through aggregate demand. Nevertheless, the situation becomes less clear when seeking to, demonstrate immigration's impact on GDP per capita. If the growth rate of per-capita income increases thanks to immigrants, the standard of living of the general population can rise (OECD, 2018). The way immigration affects economic growth also depends on the type of immigrant (skilled or unskilled) and the country of destination. An in-

crease of 50% in net migration generates less than onetenth of a percentage-point in productivity growth (OECD, 2014).

Is a wide diverse variety of studies about the impact of immigration in the host country's productivity, including Aleksynska and Tritah (2015) and Volker Grossmann (2016). This work evidences a positive relationship between immigration and productivity in some specific cases and a negative relationship in others. To address the effect of immigration on the productivity of the host country, we must accordingly consider the different possible channels through which these possible effects take place. "These possible channels include knowledge and technological transfers that can lead to a change in the level of innovation" (OECD, 2018).

Joan Lull, meanwhile, showed that an increase in the immigration rate of 10 percent points reduces average wages by 3.3%. This negative effect, however, is partially compensated by positive effects on participation and employment. The reduction in wages shows that companies are being less productive, thus receiving fewer revenues, which translates into less income and in an imminent need to lower wages in order to keep the business flowing. However, the positive and significant participation of immigrants in the labor force and the transfer of skills and knowhow offset the possible negative effects of immigration.

As Giovanni Peri states, "Immigrants may increase the supply and lower the price of some local non- tradable services, such as housekeeping, gardening, and childcare." This situation, in turn, tends to raise the real income of native-born residents who consume these services at a lower cost, and, at a local level, may act as a positive productivity boost (Peri, 2016).

When immigrants' skills are sufficiently good to match the skills of the native-born population, the economic returns are substantial, taking into account that the native local population and economy will absorb the newly brought skills and adapt them to their factors of production. This situation creates new productive characteristics that will generate higher immigration surplus, more labor surplus, more cost efficient forms of production, more an increase in new cutting-edge technological breakthroughs, this in turn will translate into value-added products raising the local economy's competitiveness (Peri, 2016).

The host country can benefit significantly from the inflow of unskilled immigration. A study conducted by Rachel Harris shows clear evidence that even low-skilled mass immigration may have an indirect positive impact the host country's innovation capacity, using the Mariel Boatlift (the American program to incentivize Cuban migration to the United States, more specially Florida) as a natural experiment. Harris founds that it indirectly caused an increase in the patents granted in Florida (Card, 1990).

Such effects could be attributable to the creation of inventions taking advantage of the access to an ample supply of low-skilled laborer's, able to do housework, child care, and other manual work. This allowed the inventors to have more available time to do more productive activities, which ended up in new innovations and inventions, thus increasing the number of patents granted.





## 2. Population aging and the role of immigration on economic growth in Japan

Population aging has already imposed considerable financial pressures on Japan's social security system, and these pressures are likely to grow at an alarming rate in the years ahead (Ogawa, 2011). This author proposed the following seven feasible policies that Japan could implement in order to counter the aging population: (1) raising fertility and facilitating higher labor force participation of women; (2) better utilization of aged workers and extension of the retirement age; (3) labor-saving technology and more efficient use of young workers; (4) international immigration; (5) direct foreign investment, (6) social security reform and limitation to family support; and (7) effective utilization of the financial wealth of the elderly, which is often referred to as the second demographic dividend.

In the years between 1947 and 1957, the total fertility rate (TFR) declined by more than 50 percent (from 4.54 to 2.04 children per woman). Such a pronounced decline in fertility was unprecedented when compared at a global scale. After this rapid fertility reduction in the 1950s, there have been minor fluctuations around the replacement level until the first oil crisis of 1973. After this period, the TFR started to fall again. In 2005, it plummeted to 1.26, the lowest mark since the postwar period, before rebounding back to 1.37 in 2009. As a consequence of the long-term transformations in both fertility and mortality, the age structure of the Japanese population has shifted to the extent that the proportion of those aged 65 and over increased from 4.9 percent in 1950 to 20.2 percent in 2005, making the oldest population in the world, and in 2010 the corresponding figure was 23.1 percent. The proportion of the oldest-old

persons (aged 75 and over) in the total population was 1.3 percent in 1950, and 11.2 percent in 2010. This demographic trend is expected to continue over the long term (Ogawa, 2011).

As demonstrated by the demographic trends of the 1960s, the population in Japan still had a considerable proportion of its population fit to join the labor force during the rapidly growing industrialization phase of this period. Accordingly, some studies have demonstrated that Japan would have reached such an unprecedented rate of economic growth of about 11 percent per annum for 20 years in a row were it not for the favourable composition of its population pyramid which met the demands of the labor market of the time (Ogawa, 2011). During the 1970s, however, the amount of the first demographic dividend declined gradually with the passage of time. To make the situation worse, an oil crisis in 1973, triggering a series of structural changes in the Japanese economy (Ogawa, 2011).

In the mid-1980s, right after the Plaza Accord of 1985, the Japanese economy was hit by the so called bubble burst, a phenomenon under which there were huge amounts of bad money injected into the economy in the form of loans and bank failures, ending in a bubble burst. It is worth mentioning that the timing of this event coincided with the end of the positive first demographic dividend (Ogawa, 2011). One could infer that as the population aging increased, there was a decrease in productivity, which affected income, and thus consumption; meaning that the economy as a whole lost momentum and made it more susceptible to financial crisis.

Even though Japan's total population started to decline in 2005, its total labor force size started to decline considerably earlier. The male labor force started shrinking in 1997, while the female labor force started to decline in 1998 (Ogawa, N 2011). This demonstrates that Japan's economy had two significant setbacks, first in the 1990s due to recession and, subsequently due to the decrease of the working-age population. These particular phenomena coincide with the stagnation of the Japanese economy, requiring significant retirement and pension reforms and also the contemplation of immigration as a feasible solution to the loss in productivity due to an aging population.

### **3. The economic impact of immigration on Japan's economy between 2000 and 2009**

A simulation seeking to measure the effect of immigration on Japan's economy between 2000 and 2009 estimated that the growth of immigrants during this period grew the Japanese economy by 0.16% (Omura, 2011). In terms of change in welfare, Japan's gains were estimated at USD 5,939,000, dominating the worldwide gain of USD 6,421,000 (Omura, 2011). According to the simulation, output of all sectors in Japan increased. Relatively high growth was observed in the service sectors, as well as PFD (processed food), and XMN (other manufacturers), while low growth occurred in MNG (Mining) TRN (Transport equipment), ELM (Electronic Machinery) (Omura, 2011, p. 10).

Since MNG was identified as a not value added activity, it possessed the lowest share of labor, and as a result, benefitted the least from the increase in labor. The very sluggish performance of the TRN and ELM sectors has to do with their high reliance on exports (Omura, 2011, p. 11). An increase in the relative scarcity of non-labor endowment commodities and their prices causes foreign labor to rise as a consequence (Omura, 2011, p. 10). This has a positive effect on market prices of tradable Japanese commodities as well as in their export prices. This also had a direct effect on the Japanese economy, which would otherwise lose competitiveness (Omura, 2011, p. 10).

Omura also studied the effect of immigration on Japanese economic performance, taking into account capital accumulation as an estimated variable. The author found out that the effect of immigration on the Japanese economy between 2000 and 2009 varied when capital accumulation is introduced in the equation. Omura (2011) concluded that “when measuring sectoral output, higher growth was observed in sectors relying on the domestic market such as service sector without capital accumulation (p.13). On the other hand, he found that “with capital accumulation export-oriented sectors also showed stronger growth and improved the trade balance”. He also claimed, “wages of native Japanese workers were affected negatively without capital accumulation, which were offset and neutralized by adding capital accumulation accordingly” (Omura, 2011).

#### **4. Could Japan become an attractive society for Immigrants?**

The inflow of foreigners in Japan to fill the gap of the aging population should become a state policy initiative and not seen as a last-minute resource. If Japan wants to see immigration as a resourceful alternative to the aging population, it must make foreigners feel welcomed and ease the process of integration and avoid putting hurdles along the way. This is particular the case vis-vis fellow East Asian Countries. As Yeong-Hae Jung puts it, Japan needs to create a system that fosters co-existence with foreigners both with Japanese society and East Asian, in order to abolish racism and solve the problem of the declining population” (Jung, 2014, p. 2). The author also highlights that different types of objectives need to be addressed in order to ensure a shared future for both immigrants and Japanese society. The objectives he identifies are:

- Accepting dual citizenship, and hybrid identities that go beyond the “modern” national identity
- Creating a new concept of citizenship based on residence, again, going beyond the level of nation-states
- Sharing a multicultural system for coexistence within a new east Asian Union, and re-interpreting “our multiple stories.” Thus, going beyond the national “history”.

These objectives focus on re-interpreting Japanese historical ingrained nationalistic pride in order to promote a softer stance regarding immigration, ensuring that Japan gives immigrants equal treatment to the rest of society; this will in turn help make immigration a feasible means of coping with the aging population, such a change would make Japan a more tolerant nation and impact the Japanese economy positively through the previously mentioned channels.

A United Nations report from 2000 raised, alarming numbers about Japan’s demographic decline, and highlighted the need for more serious policies regarding this issue. The report argued that “if Japan hopes to maintain a supply of labor in the area now rapidly shrinking (people between the ages 15 and 64, it will need to accept more than 600,000 migrant workers into the country a year over the next fifty years”. Furthermore, as the United Nations reports estimates Japan will need to accept a total of around 33 million immigrants. The estimation come up even with some more severe numbers when it includes the index of aging , we observe while: 4.8 persons in the labor force supported one senior person aged 65 years old or more in 1995; in 2050 1.7 persons will support one senior person (UN Report, 2014, p. 2).



The Japan Business Federation agreed that immigrants could be attractive for the domestic economy in certain respects, particularly fiscally, arguing that, “to control the national burden such as tax and social security in the future it would be effective to create policies that are positive toward immigrants” (2014, p. 2). The actual actions of both the Japan Business Federation and the Cabinet Office run counter to their positive statements, however, as neither have made efforts to abolish institutional and social discrimination against foreigners (Jung, 2014, p. 3). Some minor activist Japanese groups in favor of immigration have advocated for better treatment of immigrants, however, the diverse composition of the immigrant population makes attempts to end discrimination harder, thus igniting more xenophobia and rejection by Japanese society (Jung, 2014, p. 3). Meanwhile, though the Japanese Cabinet Office has suggested that Japan should accept more foreign workers every year, they also, according to Jung, claim “it is important to accept immigrants who are experts or engineers” (2014, p. 4). One major setback to these initiatives is that worldwide the number of skilled immigrants who would feel attracted to Japanese society may be scarce due to the hostile treatment of many immigrants. Also, the language, and cultural barrier, as well as bureaucratic barriers, make Japan a less appealing country for immigrants. Many immigrants would rather go to Anglo Saxon countries like Canada, Australia, New Zealand, or the United States (Jung, 2014, p. 5).

## 5. Multicultural characteristics in Japan

Japan, as a society, tends to have different approaches towards immigration, depending on the ethnic group they are interacting with. While immigrant groups in Japan come from different backgrounds, some have had a more predominant role in Japanese society. These groups have a historical connection with Japanese society since the aftermath of Japanese imperial rule throughout east Asia. The process of bounding one society with another and of a minority group introducing and maintaining some native customs while adapting to the customs of the majority group is called acculturation (Lee & Olsen, 2015, p. 3).

Acculturation according to Lee, comprises two-dimensions: 1,) the value placed on maintaining unique cultural identities and characteristics, and 2) the value placed on maintaining relationships with other cultural groups. Combining these two dimensions would result in four principle acculturation strategies for cultural group: assimilation, separation, integration, and marginalization (Lee et al., 2015, p. 3).

An assimilated group, according to Lee places importance “on maintaining relationships with another (particularly the dominant) cultural group but little or no importance on maintaining the group’s unique cultural identity or characteristics” (Lee & Olsen 2015, p. 3). This means that groups that follow this strategy have a passive stance regarding integration with society; in other words, a position full of conformity. The separation strategy, on the other hand, implies a great deal of reluctance towards building relationships with other groups and reinforcing unique cultural identity (Lee & Olsen, 2015, p. 4).

The integration strategy, on the other hand, does have a dualistic approach, meaning that groups that follow this path tend to embrace their cultural identity characteristics while at the same time having a friendly and open position towards other groups. As Lee and Olsen phrase it, “a group utilizing integration strategy will maintain many of its defining cultural characteristics but will also adapt certain aspects in order to participate with the other groups in society” (2015, p. 4). Finally, the marginalization strategy refers to when a group seeks to maintain its cultural characteristics and identity at the expense of any relationship with another group (Lee & Olsen, 2015, p. 4).

As Lee and Olsen put it, “Japan as a society utilizes different acculturation strategies for different cultural groups. For example, policies toward Japanese Brazilians (Brazilians of Japanese ethnic descent who have immigrated to Japan) tend to follow exclusion, leaving many of these individuals marginalized, despite the fact that most of them desire integration” (Lee & Olsen, 2015, p. 4).

Zainichi Koreans (Koreans who immigrated to Japan after WWII) are a special group. They have been cruelly denied the right to hold citizenship in Japan and to be active members in the political sphere or even to own a business. This group has been effectively categorized by the Japanese government as second-class citizens. Some have been able to naturalize and integrate to Japanese society and enjoy the benefits of having Japanese citizenship, but remain marginalized and restricted from full citizenship even after many years of residing in Japan. This particular case has been so widely criticized that the United Nations Committee on the Elimination of Racial Discrimination (UN CERD) raised their voice of protest against these cases of discriminatory actions done by the Japanese government. The committee stressed the need for the Japanese government to create more flexible laws that would eliminate all forms of discrimination and would allow this group to fully integrate into Japanese society and stop being treated as second class citizens (Lee & Olsen 2015, p. 8).

The native Japanese have lived as a single ethnic group for nearly 1000 years and it will be a difficult task for them to build friendly relationships with other ethnic groups. There will likely be many who would prefer to deal only with other Japanese people rather than foreigners with different customs and ideas.

To debunk this past remark about Japan’s so-called homogeneous society, one can rely on statistics about the number of foreign nationals living in Japan and estimate how many of these foreign nationals are foreign-born and how many are descendants of mixed race marriages between local Japanese and foreign nationals. According to some studies roughly one in 30 babies born in Japan has at least one parent who is foreign, amounting to 35,000 plus birth a year (Yamamoto, 2012, p. 4).

If we also add the Zainichi Korean Population, those of Chinese descent, and the other minority groups such as the Japanese Brazilian population and the less noticeable but relevant non-Asian foreign population we arrive at roughly 2.4 million immigrants living legally in Japan.

Sakanka recognizes that Japan has to adapt itself to the fast-paced globalization the world is undertaking and accept that having a more flexible, open, and friendly stance regarding immigration can offer solution to the aging population. According to Sakanka, “Japan must recognize that globalization is here to stay and should stake its very survival on accepting people elsewhere in the World as its brethren, and transforming itself into a much more multicultural, diverse society. It would be a large task, but Japan is past the point where easy solutions will do” (Yamamoto, 2012, p. 8).

Even though legislative norms under the Alien Registration Law have been passed in order to counteract the consequences of the strict immigration laws against third party nationals in Japan, these new norms do not go as far as to eliminate the concept of the second class citizens from Japanese society. Full integration is doomed to not progress if conservative politicians maintain their grip on political power. It remains to be seen to what extent Japanese politicians are willing to introduce initiatives that erode prejudice against foreign nationals and adopt immigration policies as flexible as those of Western nations.



## 6. Impact of Immigration on the Japanese Economy

According to Shimasawa and Kazumasa Oguro, “permanent immigration flows of 150,000 will improve the Japanese economy and the welfare of current and future generations. On the other hand, a standalone increase in the consumption tax will not improve long-run welfare. The results indicate that substantially increased inflows of working-age immigrants would alleviate the need for future fiscal reform and also help to dramatically reduce the public pension burden on the working generations.”

Immigration will not only have a positive effect on productivity, but may also have a positive effect on the saving rate ratio. Shiwomasa and Oguro shows that by allowing in a considerable inflow of immigrants between 2011 to 2100 the saving rate of Japan will drastically increase (though only if the government maintains the right fiscal policies to cope with the raising debt).

The GNP (Gross National Product) Will also be affected positively with an annual inflow of 150,000 immigrants to Japan. The authors estimate that these positive outcomes will be visible in 2100 with the proper fiscal reforms in place and with a rise in consumption tax (Shimosawa, & Oguro, 2010, p. 12).

## 7. Conclusions

Japan will face the necessity to rely on foreign labor in order to cope with its aging population. The specific means whereby Japan will adopt a positive stance with regard to this necessity remains unclear. In reality, Japan has maintained strict immigration laws since the imperial years. The bursting of the economic bubble of 1991 coincided with a decline in the Japanese population. This may appear a distinct problems occurring simultaneously, and accordingly Japan concentrated solely on resolving its financial and fiscal hurdles instead of seeing the bigger picture of the aging population as a threat to economic development. In other words, Japan failed to see the world as a solution to its problem and thought that its problems could be solved internally. The Japanese ingrained cultural traits and customs are a burden to integration, as witnessed by the experience of Zainichi Koreans and other immigrant groups. Strict immigration laws also leave many immigrants with a negative impression of Japan and hampers any efforts by Japanese officials to attract new immigrants. As seen in other countries like the United States, the UK, and Australia, immigrants have a positive effect on the economy through different channels. If given the proper incentives, skilled immigrants could come to see Japan as an attractive option to launch new companies and thereby, via state of the art technological breakthroughs, contribute substantially to Japan's short and long term economic development. In order to make this plan feasible, Japan must eliminate laws that impede the free entrepreneurial spirit of immigrants who come full of new ideas and eager to boost the economy. This could also prove to be an effective way for Japan to counter the rising loss of competitiveness and compete with other highly industrialized countries, specially China.

The analysis suggests that unskilled immigration may also be positive for the economic development of Japan through an indirect effect on the productivity of national workers. These workers could reduce unproductive time dedicated to child care, elderly care, or household chores in favor of more productive activities, which later result in significant innovations and inventions of benefit to society as a whole. The EPAs could create synergies to attract skilled or unskilled workers to reduce the shortage of labor and strengthen the cooperation bilaterally under proper, humanistic terms that would not leave one party worse off but rather guarantee that both parties benefit. Through this form of integration, Japan would not only solidify its position as a key player in the international political and economic arena but also send positive signals to the world that it is open for business.

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