

Asia Strategy on International Migration

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Abstract

Japan needs to develop a strategy for planning and realizing economic integration suitable for Asia. Such a strategy should cover not only liberalization of trade in goods and services and investment but also management of international migration. When developing the strategy, it is important to recognize that since the turn of the century, the leadership of globalization is shifting from developed countries to emerging countries.

Therefore, this paper conducted theoretical and empirical studies on the following five subjects: 1) Replacement of international migration from Asia to the Western world by international migration within Asia, 2) Acceleration of international migration within Asia due to the widening of the labor supply-demand mismatch that comes amid the fertility decline and the rising ratio of people receiving higher education in Asian countries, 3) Difficulty of managing migration of low-skilled workers and family migration due to the huge economic inequality within Asia, 4) A lack of an environment which allows second- and third-generation immigrants to make active contributions to Japanese society, and 5) Underdevelopment of personnel management in Japanese companies that should utilize diverse personnel to enhance corporate dynamism.

Japan's failure to involve itself in Asia's growth is attributable to its lack of a strategy for managing international migration on an Asia-wide basis. Furthermore, when the government executes its growth strategy, it is essential to establish a comprehensive migration policy toward foreign nationals in Japan that consists of immigration policy and integration policy as two pillars.

Keywords: regional economic integration, trade in services, international migration, personnel with advanced skills, brain drain, foreign students, middle skills, supply-demand mismatch in the labor market, generation effect, multicultural coexistence, immigration policy, integration policy, circular migration

JEL Classification: F15, F22, F66, I23, J24, J61, M16, O15

I. Introduction

Late July in 2013, Japan finally joined the negotiation on Trans-Pacific Partnership Agreement (TPP), while 16 countries (Japan, Korea, China, India, Australia, New Zealand and ASEAN countries) have already started negotiations on Regional Comprehensive

Economic Partnership (RCEP). In addition, the negotiations on the Japan-China-Korea Free Trade Agreement (JCK-FTA) are also in motion, although political frictions and security concerns among these three countries has blocked its progress.

However, the Government of Japan still lacks in strategic concepts to realize economic integration which is suitable for realities in Asia. If such a strategy exists, it should contain not only liberalization of goods and services or foreign direct investment, but also international migration.

We should pay attention to the phenomenon that migrants of Asian origin have started to return to Asian emerging economies, while Japanese policies are not sufficient to cope with this new trend of migration. As employment opportunities do not show substantial increase in North America and West Europe, migrants of Asian origin often expect to have a better career in Asia, where sustainable economic development is expected, although the current income level is relatively low.

In Asia, the decline of fertility and expansion of higher education take place simultaneously. While the aim of American or European universities to establish branch campuses in Asian countries is mainly to assure international students to their main campuses, the networking of such universities in Asia are also expected to facilitate the return of such students to Asia. However, it is discouraging that none of the top-level universities in North America or West Europe have any plans to establish a branch campus in Japan. Furthermore, neither reforms of Japanese universities or the development of human resource management in Japanese companies provide international students of Asian origin with attractive opportunities of education or employment in the future.

Looking back to the Asian financial crisis in 1998, initiatives to create institutional economic integration in East Asia have been accelerated. The Government of Japan changed its course of trade policy, which had long been focused on multilateral negotiations based upon GATT or WTO agreements. Beginning with the conclusion of the Economic Partnership Agreement with Singapore, the Government of Japan has launched bilateral negotiations on Economic Partnership Agreements with Southeast Asian countries.

While the Government of Japan is basically reluctant to expand the scope of accepting migrants, it has been met with strong requests by the Philippines or Indonesia to accept foreign nurses or care workers. In the course of negotiation, the Ministry of Health, Labour and Welfare had to admit limited acceptance of such foreigners, so as not to banish the whole negotiation. As a result, the aim and the scheme of accepting nurses or care workers has been far from getting a high reputation, because the offers of the Government of Japan remained minimum for achieving agreements.

Prime Minister Shinzo Abe decided to join the negotiation on TPP after the summit talks with US President Barack Obama. Main focal points of the negotiation are 1) abolition of tariffs covering more than 90% of commodities, 2) strengthening intellectual property rights, as well as 3) harmonization of standards. Therefore, movement of natural persons is not a focal point of TPP negotiation, as was the case in EPA negotiations.

However, it may reveal just a lack of initiative, when the Government of Japan is happy

with no requests from trading partners of TPP negotiations about the acceptance of foreign workers. The observation that leadership of globalization in this century is changing from developed economies to emerging economies, seems to be lacking in the Japanese strategy for economic integration in the Asia Pacific region.

Therefore, the objective of this article is to encourage strategy on international migration by theoretically and empirically discussing what is happening in this region.

First, we will explore whether the movement of talent from Asia to North America or Europe is actually substituted by their intraregional movements. Furthermore, we discuss whether the reverse-brain drain policy has become successful.

Second, we will be discussing the issue of increasing migrant workers together with changes in the labor markets with the background of fertility decline and expansion of higher education. Namely, we will touch upon where mismatches between demand and supply of labor exist and how much intraregional migration is encouraged, so as to reduce such mismatches in Asian countries.

Third, we will examine what kind of policy measures have been taken to cope with low skilled labor migration with the existence of large intraregional economic gaps, because there exists a wide range of rural areas and urban informal sectors as well as less developed areas, where disputes between races and terrorist attacks often take place.

Fourth, we will examine how Japan will continue to be a “receiving country” of migrants by observing data on international migration around Japan especially within Asia. In particular, the role of international students from Asian emerging economies should be examined according to inflow, outflow and stock of migrants in Japan since the beginning of the 21st century. In addition, brain drain or technology drain from Japanese companies to emerging economies as well as high turnover of Asian talent from Japanese affiliated companies in Asian economies should be explored and the factors behind it should be discussed in order to formulate countermeasures.

By the way, there were net outflows of foreigners from Japan as a result of impacts caused by the world economic crisis in September 2008 or those caused by the Great East Japan Earthquake in March 2011. However, the total number of foreign inhabitants did not substantially change, but the number of permanent residents has been in increasing tendency.

Fifth, we will examine the areas with an increasing number of foreign workers and inhabitants as well as the present stage of migration policy in Japan. Attention should be made to the economic strategy of the government which emphasizes acceptance of the highly skilled through deregulation of immigration control. Such foreigners do not increase when they tend to flow out after a short term of stay in Japan.

Positive long-term effects of highly skilled migrants would be expected, when the second generation of foreigners are highly educated and successful in Japanese society. In realizing such effects, it seems necessary to establish institutional infrastructure for learning the Japanese language and for creating a policy package of national and local measures in order to integrate multicultural and multilingual inhabitants to local community.

Even if there are a diverse range of people, it would be impossible to reinvigorate

activities and to enhance competitiveness of local societies or enterprises without integration policy at local society or without diversity management of personnel policy in enterprises. On the contrary, mutual communication among people will be poor and friction because of different value systems might increase. The consequence might be serious confrontation and antagonism between migrants and natives. Therefore, when people talk about the social cost of accepting migrants, investments to reduce costs and to increase benefit should be clearly distinguished.

Finally, after summarizing the results of analysis and discussions, we will examine possibilities of adding future prospects of regional economic integration in Asia including schemes of international migration to the strategy of reinvigorating the Japanese economy. In particular, we will try to make policy recommendations to establish institutional infrastructure for comprehensive migration policy based upon close cooperation between municipalities and national government as well as to promote drastic reforms of human resource development systems at enterprises and educational institutions.

II. Roles of International Migration in the Context of Economic Integration in Asia

Japan does not seem to be capable of utilizing growth dynamism in the East Asian region, which continues to grow rapidly.

Although located within the rapidly growing East Asian economy, Japan is not able to capture the growth dynamism. It has something to do with the long-standing deflation of more than 17 years. In addition, we should not overlook that Japan did not have any coherent Asia strategy on human resources and international migration in this region.

The economic effects of a free trade area or customs union are not determined just by the reduction of tariffs. Especially important is the accumulation of human talent, who understand different cultures and institutions as well as attitudes of consumers in the countries within the integrated region, because they will be able to overcome differences within the integrated region.

Nevertheless, international migration will not be a critical issue of negotiations in the JCK-FTA or TPP. This fact is as a matter of course, when the negotiations are limited totally within the scope of the WTO Agreement from 1995. The General Agreement on Trade in Services in the Agreement Establishing WTO mentions movement of natural persons necessary for providing services as subject to market access and national treatment. Although there are still a variety of interpretations of the text, the advanced economies regard the movement of workers *per se* is not a part of trade in services according to the WTO Agreement (Iguchi, 1997).

Basically, economic integration, such as free trade zones and customs unions, do not assume free movement of production factors, especially capital and labor. Free factor movement is presumed in more advanced economic integration, namely in common market (Balassa, 1961).

However, this does not mean that international migration is meaningless in Economic Partnership Agreements or free trade agreements. For example, in the North American Free Trade Agreement concluded by the US, Canada and Mexico in 1994, there are measures to facilitate cross-border movement of specialist occupations. From this moment, the argument that negotiation partners can boycott negotiations on the movement of natural persons, which is not regarded as necessary for providing services because of the WTO Agreement, does not hold true.

In the case of Japan, Economic Partnership Agreements with Southeast Asian countries contain such clauses as “horizontal measures” on the movement of natural persons in addition to the clauses on foreign direct investment since the conclusion of Economic Partnership Agreements with Singapore. In such agreements, movement of natural persons are not limited to trade in services. These clauses are not commitments obligated by the WTO Agreement. However, movement of natural persons, such as executives, senior managers and specialists, as well as short-term business travelers, is mutually beneficial for both trading partners. Therefore, the Government of Japan did not refuse negotiations on the movement of natural persons for such reasons as they are not necessary for trade in services under the WTO Agreements.

It may be more constructive to seek for greater perception which may lead to new rules on the movement of natural persons, which is necessitated by economic integration in East Asia.

Actually, the Government of Japan has been too sensitive towards requests made by developing countries in return for reduction of tariffs in these countries in the process of trade negotiation. As mentioned earlier, the Ministry of Health, Labour and Welfare has reluctantly made the decision to accept foreign nurses and care workers so as not to collapse the whole trade agreement. However, such a mindset, regarding movement of natural persons as taboo, keeps the Government of Japan taking passive attitudes towards trade negotiation, which makes it difficult to realize the international migration necessary for the effective functioning of the regional economic integration.

III. The Rise of Emerging Economies with Active Intraregional Mobility and Return Migration

The fact that the developed economies are receiving areas of Asian talent is basically unchanged before and after the world economic crisis. Several Asian countries have taken a “reverse-brain-drain” strategy to encourage Asian talent in North America and Europe to return home for more than a decade. But, they have been unsuccessful (Iguchi, 2006).

Until recently, such trends have been changing gradually with the rapid economic development of Asian emerging economies. Nowadays, there are forecasts that North America and Europe can no longer remain net immigration areas of talent (OECD, 2012).

At the same time, another important change going on in Asia: Fertility decline. In Asia, areas with a total fertility rate lower than the level for sustaining a population for the long

term are extending from large cities together with economic development.

Fertility decline often accompanies an increase of human capital investment per child, while it affects demographic development in emerging economies. As a result, there are expectations that Asia might become a new innovation center of the world in the future. In reality, we cannot be so optimistic.

At present, quality of university education in Asian countries is not always guaranteed. In addition, the development of the modern service sector is not enough, while the manufacturing sector has been rapidly developing. In consequence, employability in labor markets does not improve. Under such circumstances, there is a tendency for Asian students to study abroad at Western universities (OECD, 2012; British Council, 2004).

In addition, employment growth in North America or Europe is not expected as a result of financial or debt crises and economic stagnation. High unemployment has been persistent in developed countries.

Therefore, a growing number of international students from Asia to North America or Europe tend to return home, while the middle class in emerging economies are expanding and economic and employment growth is expected.

However, for the moment, returning international students to Asia are not as large as the increasing amount of international students going abroad from Asia. For example, in China, the number of foreign students returning home is steadily increasing, while more Chinese students are leaving the country (Figure 1). Because the population of youngsters will be reaching a peak sooner or later, there is also a possibility that students leaving China will start to decrease.

In addition, the population of youngsters going into higher education gives rise to another problem of the expanding mismatches between supply and demand in the labor market for the “middle skills.” This phenomenon is already becoming popular in North America, Europe, Japan, Korea and Chinese Taipei. High school graduates, who visit vocational training schools normally for two or three years after graduation, are substantially declining (Kocnan T., Finegold D. and Osterman P., 2012; Iguchi, 2011a; Iguchi, 2001).

Looking around Asian countries, the speed of declining fertility rates are very much differentiated. To fill the mismatch of demand and supply in the labor markets, needs for international mobility will be rising.

It is also important to point out that there remain great intraregional economic gaps in Asia, where private undertakings trying to get high profits from intermediating international migration are very active. Evil conduct of such undertakings are detected in cases where low-skilled workers are obliged to pay high guarantees before departure, wages where intermediary exploitation happens or migrant workers are bound to work in indecent working conditions.

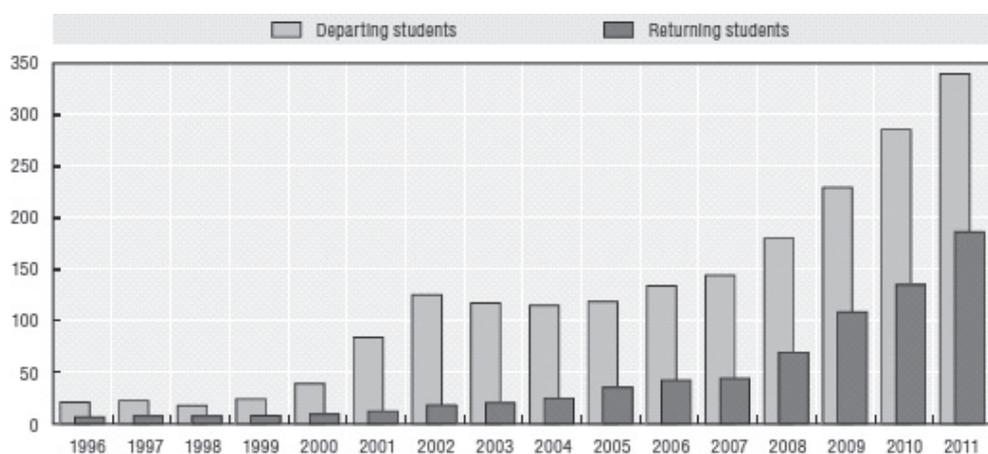
Therefore, emerging economies in Asia tend to conclude bilateral Memorandums of Understanding (MOUs) with each other, which are linked with domestic legislations so that they can better manage low-skilled labor migration. As a result of active intraregional migration, the foreign population¹ in East Asia tends to increase in the long term (Table 1). It

¹ The definition of foreign population by the U.N. Population Division is a person of foreign

is important to note that foreign workers and unemployed national workers coexist reflecting the mismatches between demand and supply in the labor market (Table 2).

In many countries in East Asia, where low skilled foreign workers are admitted to work in their labor markets, they establish numerical quotas or employment rate ceilings for foreigners as well as incorporate a rotation principle, which enables the number of foreign workers to increase or decrease according to demand and supply conditions in the labor market. By this way, it is expected that the employment of their own nationals has high priority, while the mismatches of demand and supply in the labor market should be relaxed. It is not desirable to make such a question, of whether foreign workers should be admitted or not, because this kind of question may accelerate prejudice against foreign workers and they might be automatically damaging the labor market situation.

Graphic 1: The number of Chinese students going abroad to study and their rate of return

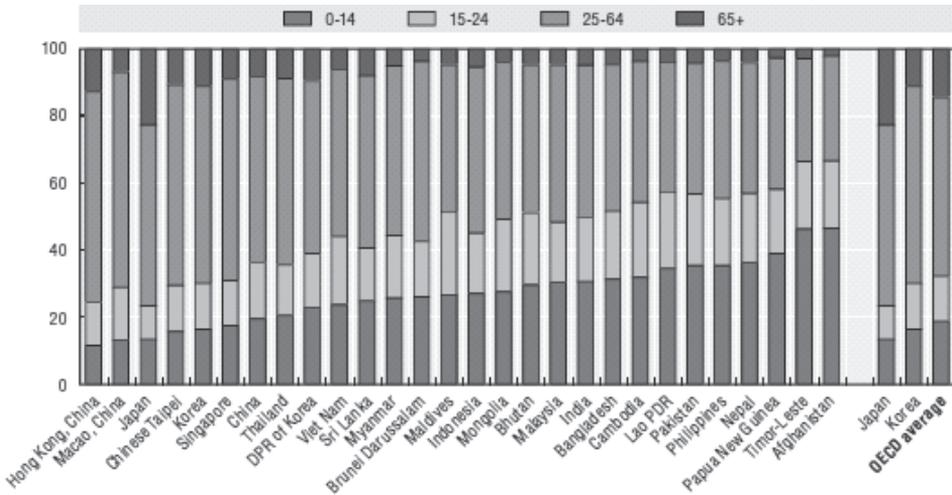


Source: National Statistical Yearbook of China.

StatLink  <http://dx.doi.org/10.1787/888932615935>

Source: OECD (2012)

Graphic 2: Population according to age groups in Asian countries



Source: UNESA, World Population Policies 2010.

StatLink <http://dx.doi.org/10.1787/888932615821>

Table 1: Development of foreign population in Asia

(unit: thousand persons)

	2000	2005	2010	Classification
Japan	1,686	1,999	2,176	receiving country
Korea	535	551	568	receiving country
China	508	590	686	sending country
Hong Kong China	2,669	2,721	2,742	receiving region
Singapore	1,352	1,494	1,967	receiving country
Malaysia	1,554	2,029	2,359	receiving country
Thailand	792	982	1,157	receiving and sending
Indonesia	123	136	292	sending country
Philippines	435	375	323	sending country
Viet Nam	69	55	56	sending country
Myanmar	89	93	98	sending country
India	6,411	5,887	5,436	sending country
Bangladesh	1,085	1,032	988	sending country
Sri Lanka	340	366	395	sending country
Pakistan	4,243	3,554	4,234	sending country

Source: By the author based upon the United Nations Population Division (2010),

Table 2: Number of foreign workers and unemployed workers in East Asian countries
(2010)
-An evidence of labor market mismatches-

(unit thousand %)

Country or region		Foreign workers	Ratio of foreign workers in labor force	Rate of unemployment in labor force	
Singapore	Total	1,157	36.0	890	2.80%
	Manufacturing	166	44.6		
	Construction	190	60.5		
	Service	313	21.6		
	domestic work	196	94.1		
Malaysia	Total	1,941	16.7	396	3.30%
	Manufacturing	671	20.9		
	Construction	301	39.5		
	agriculture/mining	500	35.9		
	Service	227	3.6		
Hong Kong	domestic work	275	7.5	250	3.40%
Taipei China	Total	404	3.8	577	5.22%
	Manufacturing	198	6.7		
	Construction	4	0.5		
	agriculture/fishery	8	1.5		
	care / social service	193	47.0		
Thailand	manufacturing	1,333	3.5	402	1.10%
	construction	223	10.5		
	agriculture/forestry	360	2.1		
	domestic work	130	31.7		
Korea	Total	507	2.1	920	3.70%
Japan	Total estimate 1)	940	1.6	3,340	5.10%
	Total Pop Census 2)	759	1.5		
	Total MHLW 3)	694	1.1		

Note: 1) Estimated by the author. Excluding special permanent residents. Including overstaying foreigners. 2) Population Census. Including special permanent residents. 3) According to the Reporting System by the Ministry of Health, Labour and Welfare, in October 2010. Excluding special permanent residents.

Source: By the author in reliance upon official statistics of governments in addition to ADB *Key Indicators* (2012) and OECD *Migration Outlook* (2012).

Among those Asian countries sending workers abroad (Table 3), workers' remittances are so large that household income and consumption can be sustained. From Japan, annual remittances of foreign workers to Asian countries except Korea amount to 600 billion yen (Table 4). In this sense, it is international migration that is an indispensable element for

regional economic integration.

Table 3: Migrant workers abroad from Asian countries

unit: thousand persons

Sending country	2005	2006	2007	2008	2009	2010	Rate of females	Ratio of Intra-regional movement
Bangladesh	253	382	833	875	475	391	7.1	11.5
China	343	351	372	427	395	411	—	—
India	549	677	809	849	610	641	—	3.2
Indonesia	—	680	697	545	632	576	64.3	59.0
Nepal	—	205	249	220	294	355	2.9	31.4
Pakistan	142	183	287	432	404	365	—	1.0
Philippines	740	788	811	974	1,092	1,124	54.3	23.6
Sri Lanka	231	202	218	250	247	266	49.1	5.8
Thailand	143	161	162	162	148	144	17.8	60.5
Viet Nam	71	79	85	87	73	86	—	62.9

Source: made by the author in reliance upon OECD (2012)

Table 4: Workers' remittances according to home and host countries

unit: million US Dollars

		Remittance sending countries and regions					
Receiving countries	Country or region	Asia except Japan and Korea	Gulf countries	Japan	Korea	OECD except Japan and Korea	Other
	Asia except Japan/Korea	39,579	39,182	5,938	1,912	82,752	4,334
	Gulf countries	6	10	1	0	157	96
	Japan	135	0	0	30	1,443	298
	Korea	7	0	785	0	1,863	81
	OECD except Japan/Korea	766	141	376	89	111,439	12,766
	Other countries	40	8,433	1,296	1	88,999	33,482

Source: Made by the author in reliance upon OECD (2012)

IV. Changing Inflow and Outflow of Foreigners in Japan

IV-1. In- and Outflow of Foreign Nationals and their Determinants

Massive employment adjustments were launched in the manufacturing sector due to the world economic crisis in 2008. The effects of complex disasters caused by the Great East Japan Earthquake in 2011 also had unprecedented effects on international migration in Japan.

While the natural increase of the Japanese population had turned negative from 2005, net inflow of both the Japanese and foreign population compensated for the decrease before 2008. But, the net outflows of the foreign population have gradually expanded after the crises (Table 5).

Table5 Development of population in Japan

(Unit: thousand · %)

	Total Population			Japanese Population			Foreign Population		
	Population on Oct. 1	Change	Rate of Change	Population on Oct. 1	Change	Rate of Change	Population on Oct. 1	Change	Rate of Change
2005	127769	-19	-0.01	126205	-61	-0.05	1564	42	2.7
2006	127901	133	0.10	126286	81	0.06	1615	51	3.2
2007	128033	132	0.10	126347	62	0.05	1686	71	4.2
2008	128081	51	0.04	126340	-81	-0.01	1741	55	3.2
2009	128032	-52	-0.04	126343	4	0.00	1689	-52	-3.0
2010	128057	26	0.02	126382	38	0.03	1675	-14	-0.9
2011	127799	-259	-0.20	126180	-202	-0.06	1619	-56	-3.5
2012	127,515	-284	-0.22	125957	-223	-0.18	1558	-61	-3.7

Source: By the author in reliance upon population Bureau of Statistics, Ministry of Internal Affairs and Telecommunication

In this century, there has been remarkable growth in the emerging economies of Asia. On the contrary, there have been vicious cycles of more stagnant productivity and more serious deflation since the late 1990s as a result of price competition (Fukao, 2012).

More recently, demand and supply mismatches in the local labor markets has intensified. Outflow of the labor force or population from local areas has been high, while *de facto* regional economic integration is going forward and production fragmentation within this region further develops. It should also be noted that human resources, Japanese or foreign, tend to leave Japan while Asian economies are rapidly growing (Table 6).

Table 6 Balance of in and outmigration in Japan

Environment	Factor	Direction	Reasons of inflows or outflows	Examples
<u>Deflation</u> in Japan vs. <u>Inflation</u> in the world Growth in <u>emerging economies</u> vs. Stagnation in <u>advanced economies</u> <u>Exchange rate fluctuation</u>	-Strong pressures to <u>reduce total labor costs</u> by enterprises - <u>delayed reform of employment systems</u> to <u>meet with high turnover</u> or to <u>develop human capital</u>	Inflow (Coming from abroad)	<u>Mismatches in the local labor markets</u> as a result of the declining and aging population (supply) and changing business models of companies because of globalization (demand)	Net Inflow of <u>Technical Interns</u> , <u>Japanese-Asians (New-Nikkeijin)</u> , and <u>hiring of foreign students graduated from universities</u>
		Outflow (Going abroad)	<u>Slow selection or evaluation for regular employees</u> and <u>increasing unstable employment</u>	Net outflow of Japanese <u>Brazilians</u> etc. (<u>Nikkeijin</u>), and <u>resignation of foreign graduates in a short period</u> <u>Japanese engineers finding jobs abroad</u>

Source: Made by the author

In order to restore the growth potential of Japan, it seems to be of great significance for Japan to participate in negotiations on the JCK-FTA and TPP because it is important to enter the growing market abroad, to utilize production fragmentation and to avoid excessive off-shoring, while the domestic market might be shrinking because of deflation.

To take full advantage of such agreements, it is crucial for Japan to establish a strategy to increase merits and reduce demerits. However, for example, in the agricultural sector, there are strong pressures against liberalization of trade. In addition, security concerns as well as political frictions with the background of history problems are growing between Japan and China or Korea.

Under such circumstances, there has been substantial delay of promoting trade negotiations. Nevertheless, in late July 2013, Japan could finally participate in the TPP negotiations.

Looking at the macro-economic policy development, after the drastic monetary easing had begun by the Bank of Japan in April 2013, the extremely appreciated exchange rate of the yen has gradually experienced realignment in the foreign exchange market. This has led to the rapid improvement of profitability of many large Japanese companies. In addition, consumer spending also tends to recover with expectation for a consumption tax hike in April 2014. As a result, the real GDP growth rate of Japan in 2013 has improved significantly. However, under the weakening yen, cost of raw materials and energy has been rising. As a result, consumer prices may stop falling sooner or later.

However, short-term realignment of the exchange rate does not necessarily affect the location choice of Japanese enterprises shifting towards neighboring Asian economies. Domestic capital investment in Japan does not recover especially in the electronic industry, which experienced a remarkable loss of profits. Even worse, there are possibilities that

production and employment adjustments proceed. This often means that the competitiveness of local industries will be lost further. Fears of industrial delocalization and depopulation have been spreading.

Since the pre-crisis period, production fragmentation as well as networking in Asia has been gradually expanding and deepening. Namely, the increasing trend in foreign direct investment and trade has been accompanied by diversified international migration.

Based on an international comparison of the in- and outflow of migrants, regional economic integration can be really effective by realizing the diversity in movement of natural persons: namely, a combination of tourists, business travelers, trainees, international students, qualified workers including professionals, specialists and engineers, senior managers and executives (Sato and Iguchi, 2011).

In addition, an increasing number of municipalities acknowledge that reinvigoration of the local economy and society cannot be achieved without foreign residents. More than 10 years have passed since municipalities have become a new driving force of reforming immigration policy at the national level and for promoting the coexistence of natives and foreign nationals at the local level.

It should be noted that since the global economic crisis, employment in the financial sector as well as manufacturing decreased and the influx of foreigners into Japan also declined significantly. In addition, after the Great East Japan Earthquake, a large amount of foreign residents left Japan in 2011. In spite of such outflows, the foreign population of Japan has been maintained at the level of almost 2 million, and are sustaining the local economy and society.

In the future, it is necessary to make efforts to expand and strengthen relationships with emerging economies and the global economy. It is of greater importance to attract motivated foreigners who may coexist together with Japanese nationals.

IV-2. Relationship between Employment of Foreigners and that of Nationals

In total, the number of foreigners residing in Japan had increased by more than 50% in 10 years before the world economic crisis in 2008. Because of complex disasters, such as from the result of the Great East Japan Earthquake in March 2011, it declined to 2.04 million (1.6% of the total population) at the end of 2012. It is noteworthy that the number of permanent residents has reached 1 million for the first time.

Among foreigners working in Japan, those who have a status of residence for working purposes amounted to 340,000, including 200,000 who are professionals, engineers or specialists, as well as 140,000 technical intern trainees. In addition, those foreigners who are of Japanese descent and are able to work amounts to 195,000 and those foreigners who have acquired permanent resident status amounts to 163,000. There are international students who are working part-time (the limit is 28 hours per week according to the Immigration and Refugee Recognition Law) because they need to earn money for college fees and living expenses.

Furthermore, there are overstaying foreigners, who are estimated to be 67,000 (in addition, those who entered the country illegally amount to 20,000), and part-time job workers such as foreign students.

In summary, there were nearly 900,000 foreign workers estimated to be working in 2011 (Iguchi, 2012, See Annex Table).

According to the reporting system on foreigners' employment based on Article 28 of the Employment Countermeasures Law, 670,000 foreign workers have been reported to be working in October 2012 (Ministry of Health, Labour and Welfare, 2013)². This notification does not cover all of the foreign workers because it had not been compulsory for employers to give notifications to the Public Employment Service Office before the amended laws were taken into force in October 2007.

Both of the two above mentioned numbers of foreign workers do not include Special Permanent Residents, whose ancestors had had Japanese nationality, which was replaced by foreign nationality at the time, when Japan recovered its independence by the San Francisco Peace Treaty in 1952.

Recently, the situation surrounding foreign workers in Japan has been deteriorating under the deflation at the macro-economic level together with the reduction of labor costs at the enterprise level. When human capital investment in enterprises is reduced too much, it might result in the deterioration of employment conditions and increasing outflow of human resources from Japan.

Basically, the foreign population that flowed into Japan has a strong relationship with demographic changes in the Japanese population. It has been verified several times by using local data of the Population Census in Japan. In particular, it can be said that 1) in areas with many Japanese Latin-Americans or ex-emigrants and their descendants that the employment rate of elderly women is high, and 2) technical intern trainees are concentrated in areas with a low ratio of the young population out of the total population. Both of the above mentioned relations are statistically significant (Table 7) (Shiho, 2012).

² The number of foreign workers according to the reporting system tends to increase with more acknowledgement on this system by enterprises. At present, it does not indicate the real number of foreign workers (except Special Permanent Residents and overstaying foreigners).

Annex Table Development of foreign workers (excluding special permanent residents) since 1990: Estimates reflecting amendment of laws in 2010

	1990	1995	2000	2005	2008	2009	2010	2011
Status of residence for the purpose of working	67,983	125,726	154,748	193,785	211,535	212,896	307,235 (207,227)	342,266 (200,015)
Highly skilled	43,823	64,672	89,552	193,785	172,600	172,900	167,838	162,255
foreign workers with foreigner's specific skills	24,110	23,324	65,196	36,994	38,894	39,996	43,823	38,016
Designated activities	3,260	6,558	29,749	104,488	121,863	130,636	24,110	22,751 (103,567)
students working in non-designated activities	10,935	32,366	59,435	104,671	99,485	106,588	3,260	104,340
Foreigners of Japanese descent	71,803	193,748	220,458	241,325	229,569	202,101	178,031	163,795
Overstaying Foreigner	106,497	284,744	233,187	149,785	113,072	91,778	78,488	67,055
Non-designated activities	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
Working with permanent residence status	—	17,412	39,154	143,184	160,212	173,696	183,990	194,849
Total number of foreign workers without special permanent residents status	260,000	620,000	750,000	930,000	930,000+ α	920,000+ α	940,000+ α (860,000+ α)	900,000+ α (840,000+ α)
Registered foreigners	1,075,317	1,362,371	1,686,444	2,159,973	2,217,426	2,186,121	2,134,151	2,078,504

Source: By the author

Table 7 Correlation between nationals and foreigners

	Ratio of Youths in employment from 15 to 24 years old	Labor Participation Rate of 50 years old and older	Employment Rate of 50 years old and older	Labor Participation Rate of Female of 25 Years old and older	Employment Rate of Female of 25 Years old and older
Foreign Population	0.203	0.528***	0.731***	0.128	0.486***
Special Permanent Residents	0.294**	-0.099	0.288**	-0.347***	-0.037
Japanese Brazilians	-0.010	0.661***	0.554***	0.445***	0.562***
Foreigner with Technology and Knowledge	0.241	0.114	0.505***	-0.209	0.184
Technical Intern Trainees	-0.369***	0.234	0.020	0.366**	0.247*

Source: Shiho (2011) in reliance on Population Census

Note: *** means significant at 1% level, ** means significant at 5% level

* means significant at 10% level

These relationships imply that the inflow of foreign workers are mitigating the mismatch

of demand and supply in the local labor market in two different meanings.

First, young people tend to move to urban areas as a result of the rising advancement rate to universities together with declining fertility. Securing successors of local industries especially in the production process, for example textile or food processing and agriculture, has become extremely difficult. Furthermore, wages and working conditions are relatively poor in these areas. Therefore, reliance upon technical intern trainees, who cannot change their workplace during the technical internship even if the working conditions are lower than in other sectors, has been growing.

Second, even in the field of export industries such as the electronic machinery industry and automobile industry, the number of young people entering the workforce is gradually declining. Higher labor participation of women and the elderly cannot reduce mismatches in the local labor markets. Wage levels are relatively high in these areas of the manufacturing industry. Actually, many Japanese Brazilians seek for higher remuneration in these sectors, because they have the right to choose jobs.

However, from around 2006, large companies with production sites overseas started to take advantage of the Technical Intern Traineeship Program because they can assure a workforce for three years without a high turnover and transfer technology through on-the-job skill formation to overseas industrial sites.

The wave of production adjustments due to the world economic crisis, which broke out in September 2008, led to a significant reduction of the labor force, such as for Japanese Brazilians.

Even in the second half of 2013, the trend of net outflow of Japanese Brazilians continues, while the number of technical intern trainees tends to recover.

As a background inflow of several kinds of foreign labor, there have been mismatches of demand and supply in the local labor markets for “middle skilled” staff, which could be acquired through two or three years training and schooling after graduating from high school. However, as the advancement rate to universities rises, it is becoming increasingly difficult to educate and train “middle skilled” staff.

Another reason for such difficulties is the cost of education and training for “middle skilled” staff. Some examples are automobile maintenance technicians, aircraft maintenance staff, general electricians, specialists of civil engineering, etc. The training at private vocational schools are not subsidized by the government at all. As a result, the fees at vocational schools are as expensive as those at private universities.

Actually, Japanese Brazilians cannot develop their skills at the workplace or at training facilities to meet growing needs due to the mismatches in the local labor markets (Iguchi, 2011)³. According to a statistical survey by the Alliance of Cities with High Density of Foreign Citizens (2012), less than 20% of Japanese Brazilian workers are working as skilled full-time workers that have gained relatively stable employment at their company (Alliance

³ Typical occupations whose vocational schools have higher vacancies are: air mechanics, auto mechanics, electricians, surveyors, and childcare workers, etc. (Iguchi, 2011). In addition, there are occupations in which qualification holders are of older age; for example, truck drivers or bus drivers.

of Cities with High Density of Foreign Citizens, 2012).

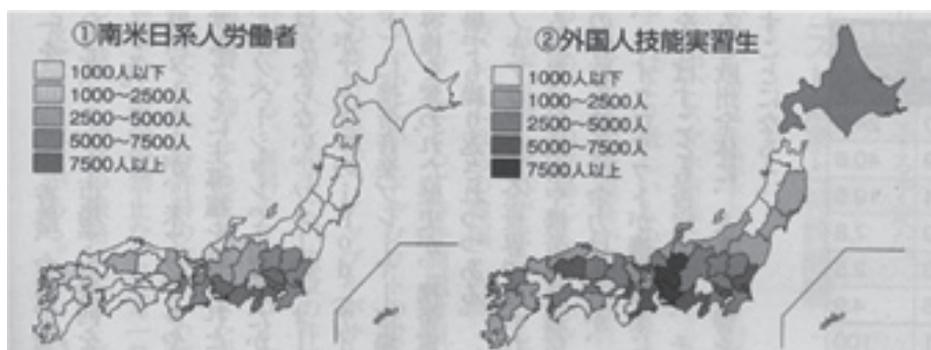
In contrast, technical intern trainees mitigate such mismatches of demand and supply in the local labor markets at only the lower tiers of “middle-skill” occupations.

Comparing the geographical distribution of Japanese Brazilian workers with the right to choose jobs and technical intern trainees who have to work in a certain enterprise, different characteristics of mismatches can be visually distinguished (Figure 3).

In addition, social and institutional infrastructures at the local level for foreign workers and their families are still incomplete. The survey by the Alliance on 900 foreigners from Latin American countries in August 2012 showed that 1) more than 50% of them have stayed in Japan for more than 10 years while only 16% of them could read Japanese newspapers, 2) only 40% of them could speak Japanese, which reflected in the regular employment ratio and household income levels, 3) 90% of them wanted to stay at their present address, and 4) looking at those who were covered by social insurance, only 60% had health insurance, a little less than 50% had employment insurance and only 30% had pension insurance (Alliance of Cities with High Density of Foreign Citizens, 2012).

As a result of the case study, in the process of reemployment of foreign workers, wages were reduced by about 20% on average for those who had been laid off since the world economic crisis (Moriya, 2011).

Figure 3 Geographical distribution of Foreign Workers of Japanese descent ① and Technical Intern Trainees ②



Source: By the author in reliance upon statistics by Ministry of Health, Labor and Welfare (2010)

The relationship between productivity and foreign workers reflects labor mobility and industrial accumulation. On the one hand, Brazilian workers tend to change to seek higher wages, which can be paid by companies that are accumulated geographically.

On the other hand, for technical intern trainees, the workplace is fixed and they have to return to their home countries in the framework of the “rotation system.” Traditionally, low-wage or low-productivity has gathered such trainees (Iguchi, 2009, 2010).

In addition, those companies which have experienced employing foreign workers with expertise have three times as high a probability of hiring Japanese graduate students or high school dropouts as companies without such experiences. It should be noted that the employment of low-skilled foreign workers does not have the effect to hire such youngsters (Iguchi, 2012).

IV-3. Relationship of International Students and the Net Outflow of Personnel

Similar to what is happening between emerging economies in Asia and the advanced economies in North America and Europe, there are increasing tendencies of highly educated Asian people returning to Asia. Such movement might be compensated by the increasing inflow of international students to developed countries including Japan. In addition, Asian students in Japan are going to outflow abroad after graduating from university in Japan, without staying in Japan for a long period of time. Using statistical data, this phenomenon can be demonstrated recently. In the case of Japan, we are going to combine foreign resident statistics and immigration statistics.⁴

First, about the status of residence “Specialist in Humanities and International Business,” we try to make observations on this status in relationship with the trends of outbound travelers and in- and outbound trends of other immigrants over the past one decade. It should be noted that the movement of people who took a job in Japan by changing their status of residence from “Student”, ” compensate for the outflow of the highly skilled.

For the past 10 years, foreigners who work under the status of residence “Specialist in Humanities and International Business” in Japan, aside from the effects generated by the world economic crisis of September 2008 and the Great East Japan Earthquake of March 2011, have recorded net outflows of around 2,000 people every year.

However, it should not be overlooked that in this century, the number of those international students, mainly in China, who tended to work after graduating from university by changing their status of residence has reached 5,000 per year. As a result, registered foreign residents of Japan with the status of “Humanities and International Business” has continued to increase irrespective of continuous net outflows (Table 8).

⁴ The number of entries minus departures plus status changes do not correspond with the change in registered foreigners, because the number of entries and departures includes the number of people who got reentry permits, while the number of registered foreigners remains unchanged when reentry permits are issued.

Table8 Flow, stock and status change of Foreigners with "Humanities and International Business" in Japan (2002-12)

	Entry(A)	Departure(B)	Net Inflow (A)-(B)	Status Change	Registered foreigner
2002	101,178	102,196	-1,018	727	40,861
2003	98,312	99,287	-975	1,949	44,496
2004	112,828	114,705	-1,877	2,378	44,493
2005	126,137	126,931	-794	3,417	47,682
2006	132,843	134,103	-1,260	4,159	57,323
2007	142,643	145,134	-2,491	5,938	61,763
2008	144,478	147,211	-2,733	7,304	67,291
2009	145,217	147,498	-2,281	7,863	69,395
2010	147,215	149,643	-2,428	6,677	68,467
2011	159,786	164,805	-5,019	5,422	51,687
2012	152,834	157,153	-4,319	-	69,728

Source: Made by the author in reliance upon data by Ministry of Justice

In the case of those with status of residence “Investment and Management,” movement was very similar to “Humanity and International Business.” However, the number is much smaller because foreign direct investment to Japan remains at a low level. However, under such circumstances, in- and outflow of “Investment and Management” was picking up from around 2005, while there is positive net outflow that amounts to several hundred per year. There are also foreigners who changed their status of residence from “College Student” to “Investor and Business Manager” in recent years. These graduates have a wish to create new businesses and they can contribute to innovation in the business. They are compensating for the net outflow of “Investor and Business Manager.”

It is also noteworthy that foreigners with the status of residence “Investment and Business Manager” are mobile and repeatedly leave and return to Japan.

The basic population register in Japan does not reflect the absence of such people when they leave with a reentry permit. Regardless of the impact of the world economic crisis and the Great East Japan Earthquake, fortunately, the stock of “Investor and Business Manager” has been in increasing tendency (Table 9).

Table 9 Flow, stock and status change of Foreigners with "Investor and Business Manager " in Japan (2002-12)

Year	Inflow(A)	Outflow(B)	Net Inflow (A)-(B)	Status Change	Registered foreigner
2002	36,420	36,679	-259	39	5,906
2003	34,693	35,108	-415	38	5,956
2004	39,432	39,992	-560	53	6,135
2005	43,936	43,929	7	28	6,396
2006	41,686	41,875	-189	36	7,342
2007	43,264	43,281	-17	61	7,916
2008	43,140	43,236	-96	128	8,895
2009	41,910	42,043	-133	128	9,840
2010	45,327	45,612	-285	275	10,908
2011	48,774	49,466	-692	291	11,778
2012	48,457	49,004	-547	-	12,609

Source: Made by the author in reliance upon data by Ministry of Justice

With regard to the status of residence "Engineer," the trends of inflow reflects the effect of IT workers based upon mutual recognition of qualifications related to IT engineers. From this century, the acceptance of "Engineers" have been significantly increasing, reflecting the fact that the entry of IT professionals from India have become particularly active.

"Specialist in Humanities and International Business" and "Investor and Business Manager" are similar. Through many years, the net positive outflow has been recorded.

But the number of registered foreign residents with the status of residence "Engineer" was on the rise. In reality, IT professionals who no longer have jobs in Japan will return to India while maintaining the right of reentry. In recent years, the IT professionals from India are sometimes single dispatched workers. When there are no jobs in Japan, they get reentry permits and leave Japan. They are prepared to come back when they get jobs.

In addition, the changing of status of residence from "College Student" to "Engineer," in recent years, appears to be somewhat sluggish. There is a problem of low treatment of engineers in Japan compared to managers. In particular, for securing human resources of IT workers, improving social status and treatment of software engineers in particular is of great importance (Table 10).

Table 10 Flow, stock and status change of Foreigners with "Investor and Business Manager " in Japan (2002-12)

Year	Inflow(A)	Outflow(B)	Net Inflow (A)-(B)	Status Change	Registered Foreigner
2002	40,446	40,700	-254	727	19,439
2003	39,013	39,502	-489	849	20,717
2004	47,836	47,459	377	1,233	20,807
2005	56,127	54,118	2,009	1,200	23,210
2006	66,929	64,476	2,453	1,720	35,135
2007	81,121	77,509	3,612	2,314	44,684
2008	87,214	86,093	1,121	2,414	53,373
2009	82,514	85,560	-3,046	2,154	50,493
2010	78,494	80,862	-2,368	1,390	46,592
2011	87,557	90,830	-3,273	1,670	39,227
2012	78,921	80,735	-2,114	-	42,287

Source: Made by the author in reliance upon data by Ministry of Justice

In terms as above, from the observation of immigration statistics in Japan of this century, there is a trend of net outflows of highly skilled workers. In addition, there are effects from the world economic crisis and the Great East Japan Earthquake.

Ironically speaking, increasing acceptance of foreign students has made it invisible that there has been a trend of net outflows of highly skilled workers in Japan. People may believe that the policy to actively accept the highly skilled is successful, but the stock of the highly skilled has been maintained by the status changes from "College Students." It is important to acknowledge that there are factors that tend to make the net outflow of the highly skilled positive.

In addition, Japanese companies like to hire highly skilled foreign workers, only when they speak Japanese and are well accustomed to Japanese society after graduating from a Japanese university. An important fact is that almost 40% of foreign students, after being hired by Japanese companies, tend to quit their jobs or leave Japan in three to four years, although the sample is small in number within the same university (Morita 2012).

The turnover rate of highly skilled foreigners does not seem to be extraordinarily high. However, we cannot talk about the optimism of accepting the highly skilled in Japan.

The Government of Japan is promoting policies in their growth strategy to accept the highly skilled. In particular, within the framework of immigration control policy, new incentives for the highly skilled (point system) have been established since May 2012. The measures are based on the guidelines of the Ministry of Justice, which consists of three categories of highly skilled workers: "Academic research field," "Advanced professional and technical field" and "Management and management field." If a foreigner gets 70 or more points, they can get the status of residence "Designated Activity."

In addition, the Ministry of Justice is going to improve while looking at the implementation of this scheme. According to a recent survey, the point system itself is not well known by enterprises and the current assessment by the companies is still low (JILPT, 2013).

In addition, under the coalition government of the Liberal Democratic Party and Komei Party, the Council on Rebuilding of Education discusses university reforms and the development of “global talent.”

Furthermore, in order to promote the hiring of international students, the Ministry of Health, Labour and Welfare continues to strengthen the Employment Service Center for Foreigners and publishes case studies on hiring the highly skilled at the local and enterprise levels (Ministry of Health, Labour and Welfare, 2012).

However, these measures are not adequate enough to meet the changing realities of international migration of the highly skilled who are returning from developed economies to rapidly growing emerging economies in Asia. They neither take into consideration the expanding intraregional movements aside from movements from Asia to developed economies.

What is most problematic is that many Japanese companies are not able to take such personnel policies as to meet the needs of highly skilled foreigners. Only those foreigners who have gotten accustomed to the Japanese ways of thinking and behavior are able to continue working for a long time in Japan. In fact, the net outflow of highly skilled foreigners from Japan tends to be positive.

Without reconstructing personnel policy to utilize a diverse range of human resources including foreigners, females and the disabled, we cannot but become pessimistic about the future of Japanese companies expanding their networks to the markets in the Asia-Pacific region.

In any case, it is clear that Japan should fully utilize domestic as well as foreign talent in the labor markets which are becoming more and more dependent upon each other under the regional economic integration. Under such circumstances, enterprises should change their course to take new strategies on personnel policy. Therefore, we will examine structural problems underlying brain drains from Japanese companies.

V. Structural Problems related to Net Outflow of Talent from Japanese Companies

In the labor market, labor turnover was much higher at the early stages of industrialization than today. Since the era of high economic growth, large Japanese companies have been based primarily on the long-term employment and ability-based wage system.

Although this system has undergone several changes, it has basically been maintained even when Japanese companies make direct investments overseas. Namely, the Japanese employment system primarily assumes a labor market with low mobility and it did not make efforts to cope with high turnover or brain drains overseas irrespective of the nationalities of its personnel.

American and European companies, as well as Asian companies which are experiencing high growth, are taking measures to select and retain high-potential staff under the

circumstances of labor markets with high mobility (Iguchi, 2012).⁵

However, Japanese companies with such an employment system cannot take such radical measures even under the circumstances of labor markets with high mobility, such as in Thailand or Southeast Asian countries and in China. In Japanese companies, even high-potential personnel should have to follow slow promotion and it has become difficult for them to maintain the motivations of high-potential personnel in Asia.

But, we can foresee that people in developing Asia will prefer employment stability to fast selection and promotion in 15 to 20 years. It depends upon the development of a social security system such as an old-age pension system, which might become sustainable and mature. We cannot foresee that the tendency of giving priority to growing remuneration for a short period of time will change the tendency to aiming at long-term employment stability within 10 years.

These days, the problem of the technology drain from Japan to newly emerging economies by Japanese engineers changing from Japanese companies to other Asian companies has attracted attention. However, such a phenomenon is not new.

At that time, there were already Japanese engineers who played an active role in Korean companies after resigning from Japanese companies in the sectors of semi-conductor processing technology and designing integrated circuits at the beginning of 1990 (Iguchi, 2012).

It has been said that these movements had taken place not only from Japan to Korea or from Japan to China, but also from established industries to emerging industries. For example, the movement of engineers or specialists from the “basic telecom industry” or “added-value telecom industry (Internet-type ICT industry)” was very active (Iguchi, 2012).

In other words, Japanese engineers have moved overseas not just after retirement age, but they changed jobs overseas by utilizing measures of Japanese enterprises such as “early retirement” and “personnel reduction.” Therefore, these problems should not be limited to those after retirement age. It is necessary to learn from counter-measures against technology drain by companies in advanced countries. Japanese companies should take additional measures before it is too late.

Traditionally, it has been thought that international movement of talent takes place from developing economies to developed economies, which would produce positive gains for developed economies. In developing economies with a small population, there is proof that negative influence may be exerted by “brain drain” in the short term.

However, if globalization of economies progresses and if catching up by newly emerging economies to advanced economies develops much faster, the situation will drastically change. Measures to effectively prevent technology drain in advanced economies are not always effective in developing economies.

In the Uruguay Round which concluded in 1994, the agreement on TRIPS was different from previous intensions of developed economies to prevent technology drain to developing

⁵ Those who are selected as employees with high potential are very limited. Therefore, it is important to motivate the majority of employees who are not selected, to make devices and efforts.

economies and it was not effective enough.

Two effects are distinguishable from economic theories on international migration of talent at the individual level and at the national level.

First, international migration of talent from developed economies to developing economies has an effect of human capital investment at the individual level (Borjas, 2008).

Second, if students from developing economies study abroad in developed economies and if they find jobs after graduating from universities and remain in these economies, technology transfer to developing countries does not take place. But if developing economies are catching up with developed economies and if it becomes attractive for them to go back and set up companies, the return migration may increase. It would produce a technology-transfer effect to developing economies (Iguchi, 1997).

Basically, movement of the highly skilled assumes freedom of going abroad. There are only a few countries in the world to limit departure from one country to another.

Protectionism to restrict international migration of the highly skilled may hinder human capital investment, which is not considered as beneficial both for developed and developing economies in the long run.

In reality, even if the highly skilled move to developed economies from developing economies, it does not lead to brain drain or stagnation of economic development in developing economies. Rather, international migration of the highly skilled has the character of human capital investment. Because industry and employment adequate for the highly skilled are existent only in developed economies, such movement may benefit developed economies. But if they continue to be educated and trained in developed economies, they can become a power to support their home countries. Newly emerging countries, such as India, considers overseas Indians as a bank of human capital overseas. It will be an important strategy for India on how to utilize overseas Indians for development of India (Khadria, 1996).

Although the Government of China has given strong incentives to Chinese students who received a government scholarship to go back to China, Chinese students who are studying in the United States at private expense are increasing in number. Only a little more than 10% of all Chinese students overseas go back to China.

Moreover, the “reverse brain drain” policy has been developing in the Southeast Asian countries, who have accepted returnees favorably and encouraged them to make contributions to their mother countries. However, these measures have not been successful until recently (Iguchi, 2006).

However, if the leading role of globalization shifts to emerging economies from developed economies, emerging economies which are blessed with rapid economic growth and job opportunities will have the powers of gathering the highly skilled. Japan has to recognize that it is insufficient to take such measures as taken by Asian emerging economies in attracting and retaining the highly skilled.

By amendment of Immigration and Nationality Law, the United States prescribed the non-immigrants status, namely the HI-b visa, and immigrants for purposes of employment.

These measures attracted many IT workers from Asia to work and stay in the US in the 1990s and facilitated those who acquired university degrees in the US to work and stay there. Companies, which intend to retain the highly skilled, devote much energy to time-consuming applications for green cards. Also in Europe, governments have changed their course to accept foreign students and to admit them to work when they have acquired university degrees in Europe, which has caused severe competition for the highly skilled.

In East Asia, Korea, Singapore, etc., have strengthened incentives to accept the highly skilled. Also in Japan, the point system was introduced in May 2012, as mentioned earlier. The immigration control system to favor highly skilled foreigners in Japan has many weak points. Japan has not started to conclude social security agreements with foreign countries until recently and is dependent upon measures taken by municipalities to create infrastructures for medical services for foreigners and for education for foreign children.

The point system in Japan is not as competitive in comparison, not only with emerging economies in East Asia but also with the United States, Australia, etc. Although it has extended the range of activity admitted by the status of residence, admitting accompaniment of domestic workers and enabling them to get permanent resident status within 5 years instead of 10 years (JILPT, 2010). Basically, it is just a measure of immigration control administration and it is too optimistic to think that net inflow of the highly skilled might increase.

VI. Reforming Migration Policy in Japan

VI-1. Necessity of Migration Policy Reform and its Present Stage

Successfulness of migration policy cannot be judged by the results of a single year. The role of the first generation migrants as well as the achievements and potential of the second and third generation migrants should be taken into consideration in evaluating migration policies. The different effects of migration caused by changes in generation can be called “generation effects.” However, “generation effects” are outside the scope of policy discussions in Japan, while it is already a matter of course when discussing migration policies in North America and Europe (Borjas G., 2008; European Commission, 2005).

In Japan, it seems that many people are not interested in “generation effects” of migrants. As a consequence, the Government of Japan does not acknowledge the necessity to strengthen migration policy from the standpoint of “generation effects.”

From the viewpoint of international comparison, the situation in Japan during the first decade of the 21st century looks very similar to those in several European countries in the middle of the 1980s, when we discuss the acceptance of “multiculturalism,” “social integration” of the second generation migrants and their descendants as well as “cultural frictions” within a nation.

At the beginning of the 1990s, the relationship between immigration policy and integration policy was not consistent. Furthermore, it was the responsibility of migrants to acquire linguistic ability in a host country and not the responsibility of the host country. As the

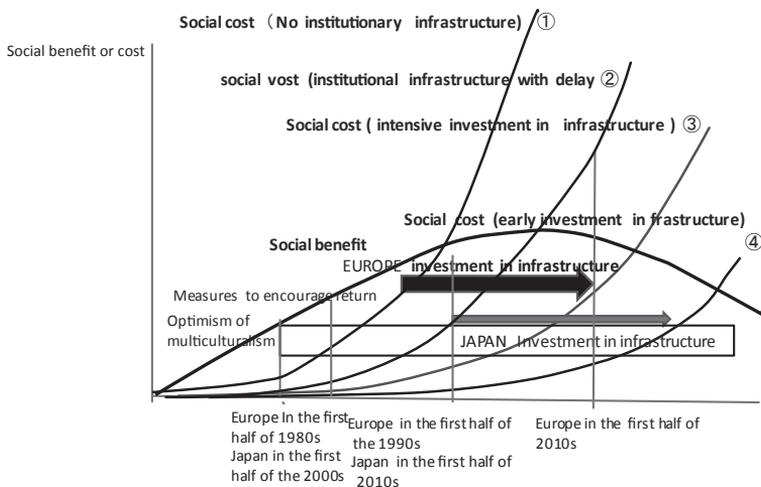
background of such ways of thinking, there existed strong optimism on “multiculturalism” without proactive policies to meet growing frictions and problems. People thought that a number of different cultures without the ability to communicate with each other could coexist in the same local area, and thought of that as “multiculturalism,” but it was not possible.

After the expiration of such policies as to encourage migrant workers to return home when the economy was in crisis, it is expected that the net inflow of migrants from neighboring countries might increase without improvement of former policy measures to cope with them, while there is a strong tendency for remaining migrants to stay longer and to settle permanently.

Under such circumstances, Japan will be faced with the same problems which European countries experienced in the 1990s, without having any perspectives on “generation effects” which will gradually materialize (Iguchi, 2011, 2012).

Therefore, it is important to make investments in institutional infrastructure for “integration policy.” When starting with investments in institutional infrastructure earlier, increase of social costs of accepting migrants will be delayed (Figure 4).

Figure 4 Social benefit and cost of migrants in relation to integration policy



Source: By the author Note: EU member states ①→②→③
 JAPAN ①→②(→④)

In Europe, namely, cultural frictions together with the immigrants’ population as well as unemployment of second-generation migrants have become more serious. In addition, acceptance of asylum seekers has become a great burden for municipalities in each country. As a consequence, in public opinion polls in many countries, migration has become one of the most serious concerns.

However, it was not until from 1998 to 2006 that political actions to fundamentally reform “integration policy” had been taken in many European countries. Since then, in order to prevent increasing social costs of accepting migrants, language training and orientation courses have become compulsory for high-priority migrants or these courses have been

offered as the rights of migrants progressively from one country to another. Until then, such integration measures have been conducted mainly at the local level or by non-profit organizations and municipalities. Nowadays, institutional infrastructure for “integration policy” is basically established and primarily financed by central governments within the European Union (German Ministry of Interior, 2008).

Such investment in institutional infrastructure started while rising social costs have been gradually eliminated in Europe from ① to ② and then to ③. In such a way, it enables the countries of acceptance to enjoy the longer stages, where social benefit of migration overwhelms social costs of migration. It is noticeable that investment in institutional infrastructure does not mean enormous expenditures by governments because such infrastructures have already been functioning and sustained by many volunteers at the local level.

In Japan, the present stage in the 21st century is still similar to the stage of European countries in the late 1980s. However, with growing permanent residents and an increasing number of foreign youngsters as second generation migrants after the middle of the 2010s, Japan will be meeting with the circumstances corresponding to Europe at the beginning of the 1990s.

Based upon such considerations, it is necessary for Japan to introduce the reformed version of “integration policy,” namely the institutionalization of language training and orientation courses as well as information systems to assure rights and encourage duties for migrants, before it becomes too late to reduce the social costs of migration.

Such investment in institutional infrastructure may shift the social cost curve from ① to ② and even to ④, if it can be launched intensively. This shift means that multicultural coexistence or increasing diversity in the society may become a factor reinvigorating Japan rather than a factor to augment social costs through social frictions and crimes or marginalization of migrants at the bottom of the society.

Now is the time to launch the “investment” in institutional infrastructure, which should not be regarded as a “social cost” of accepting migrants.

VI-2. Alliance of Cities with High Density of Foreign Citizens and “Multicultural Coexistence”

In 2001, Alliance of Cities with High Density of Foreign Citizens⁶ with 13 municipalities was established with the initiative of Hamamatsu City. The city alliance made requests to launch several urgent and basic reforms of foreigners policy in the Hamamatsu Declaration

⁶ The original name in Japanese is “Gaikokujin Shuju Toshi Kaigi.” It is better to use the term “alliance” in English because it is not an “ad hoc,” “meeting” or periodical “council,” but a continuous collaboration of cities at their own will. In addition, it is better to avoid the term “concentration” because of its psychological association with “ghetto” or “segregation.” These are the reasons why the author uses the name in English: “Alliance of Cities with High Density of Foreign Citizens” instead of the direct translation from Japanese: “Council of Municipalities with Concentration of Foreign Inhabitants.”

and policy recommendations.

The declaration stressed that the gaps between the legal system at the national level and actual situation at the local level have been widening as a result of structural changes in the economic and labor market situations since the 1990s. Reality is that rights of foreigners are not protected and obligations of foreigners cannot be accomplished. However, relevant ministries and agencies do not acknowledge the reality.

By the way, the Alliance consists of 27 municipalities headed by Nagahama City in Shiga Prefecture from April 2014 to March 2015.

The basic requests by the Alliance together with new requests for reforming migration policy can be summarized below (Iguchi, 2009, 2012).

First, reforms should be made in the system of foreigners registration. For a long time, the government could not exactly grasp the places where a foreigner resides and works, and municipalities are not able to offer or provide foreign inhabitants with necessary and suitable service and assistances.

With the amendment of the Employment Countermeasures Law in 2007 and the amendments of Immigration Control and Refugees Recognition Act and the Basic Residents' Register –Act in 2009, there has been great progress. However, this system does not systematically function yet.

Second, reforms should be made in the system of labor protection. There is a trend that foreign workers work in atypical employment by labor dispatching undertakings and subcontracting companies. Such employment is often outside the scope of employment protection or social insurance.

Together with a functioning reporting system on foreigners' employment since 2010, all foreign workers should be covered by social and employment insurances and protected by seamless safety nets together with activation measures for reemployment.

Third, effective measures are necessary to meet with non-attendance of foreign pupils at schools and with their drop-outs from schools. There have been local initiatives for Japanese language lessons before entering public schools and continuous support during their school life. Assurance of teaching staff with more stable employment status for children with foreign origin is very crucial.

Together with support to, recognition of and cooperation with foreign schools in Japan, all foreign children should be able to enjoy opportunities for education. The final destination might be to achieve compulsory education not only for Japanese children but also for foreign children.

The Alliance of Cities with High Density of Foreign Citizens has set the target of realizing a “multicultural coexistence society” through mutual understanding and respect on culture and values of Japanese and foreign citizens on the basis of guaranteeing rights and encouraging fulfillment of duties for orderly civil life. Therefore, the Alliance made the above mentioned requests for reforming policies.

While Hamamatsu City had used the term “local coexistence” in 2001. Toyota City replaced this term with “multicultural coexistence society” in the Toyota Declaration in 2004.

To avoid a misunderstanding, it should be stressed that the term “multicultural coexistence (society)” was not a term imported from Canada or Australia, but was a grassroots term reflecting realities at the local level. This was used in Kawasaki City, Kanagawa Prefecture, at the beginning of the 1990s with the background of growing diversities of foreign nationals.

In 1995, this term was also used as the name of activities by civic societies as well as in public projects in Kobe City, Hyogo Prefecture, which was hit hardest by the Great Hanshin-Awaji Earthquake. The term implies collaboration by Japanese and foreign nationals in order to support the reconstruction of the disaster-stricken area.

From the year 2004, the Alliance of Cities with High Density of Foreign Citizens started to use this term with the same definition as “local coexistence,” explicitly referring to “guaranteeing rights and encouraging fulfillment of duties for orderly civil life.”

In the definition by the Alliance, the “multicultural coexistence (society)” lays stress on the necessity to create relationships between foreigners and the receiving society supported by reciprocal efforts, which has some common ideas with the “integration policy” in the European Union (European Commission, 2005).

But the definition of “multicultural coexistence,” used by the Ministry of Internal Affairs and Communications in 2006, does not imply any meaning of a “reciprocal” relationship between foreigners and the receiving societies (Ministry of Internal Affairs and Communications, 2006). As a result, the meaning of “multicultural coexistence” has become more ambiguous after the Ministry of Internal Affairs and Communications adopted this term.

Actually, many municipalities have started to call the policy measures targeting foreign nationals the “Multicultural Coexistence Policy” after the Ministry of Internal Affairs and Communications used this one.

In the “Tokyo Conference” by the Alliance of Cities with High Density of Foreign Citizens in 2010, the Alliance made the fourth request for reforming migration policy to the Ministries concerned (Alliance of Cities with High Density of Foreign Citizens, 2010).

The fourth request means that opportunities for getting Japanese language training, which is necessary for living, working and studying, should be guaranteed to foreigners expected to reside for a certain duration or longer in Japan, so that the social exclusion of foreigners because of a lack in linguistic ability can be eliminated. For this aim, it is urgently necessary for organizations concerned to jointly establish a consortium to bring their knowhow together, in order to establish standards in teaching the practical areas of the Japanese language to foreigners that are living, working and studying as well as for those that are judging the linguistic ability of individual foreigners.

There has been evidence of empirical surveys which have shown that lacking linguistic ability significantly affects the employment, income and social life of foreigners in Japan. Therefore, there exists clear limitations for foreigners themselves or for local governments to make efforts to improve this situation as they have been doing.

In the meantime, the Alliance has made another strong request to the former administration by the Democratic Party in November 2009 that a “Foreigners Policy Agency” should be

established by reorganizing ministries and agencies concerned. According to this request, the new government agency should not just bundle existing policy measures by the ministries and agencies concerned.

As an example of proposals, it should have two main pillars: 1) immigration policy and 2) integration policy, which also comprise the policy measures for refugee recognition and settlement. The agency should be responsible for measures and budgets of language training and orientation courses for foreigners, in cooperation with the all the municipalities on the basis of a new law. At the same time, a comprehensive foreigners policy should be planned by the agency in cooperation with local governments, legislation related to multiple ministries and other agencies should be promoted and the consistency of migration policy measures should be controlled. Therefore, the new agency should have strong competences in planning, enforcing and controlling the policy. It should also build strong capacities by hiring and training specialists of migration policies together with personnel transferred from local governments and NGOs (Iguchi, 2012).

VI-3. Reforming Migration Policy -Still Underway-

The government has discussed reforms of foreign workers policy in summer 2006 with initiatives of the Cabinet Office.

In March 2009, the bills to amend the Immigration Control and Refugee Recognition Act and Basic Residents' Register Act as well as to abolish the Aliens' Registration Act were submitted to the Diet. These bills have passed the Lower House after some revisions. It was almost at the end of the legislation period before the general election, when the revised bills passed the Upper House in July 2009.

The bills also included some clauses to amend the Technical Intern Traineeship Program, which took effect in July 2010. The other part of the bills took effect in July 2012.

The amendment of the laws was, in a sense, very epoch-making because it also abolished the Aliens' Registration Law enacted in 1952, whose objective was just to control foreigners, mainly Koreans, who had lost Japanese nationality at the time of the independence of Japan after World War II. This law was no more adequate for the present situation of Japan and globalization of international migration.

At the same time, there were two different concepts for the amendment of the Immigration Control and Refugees Recognition Act and the related laws within the Cabinet Office (Iguchi, 2009).

The first concept was proposed by the "Ministerial Conference on Measures to Combat against Crimes," which was aimed at strengthening anti-terrorist measures at that time. Under the ministerial conference, there existed the "Working Group for Controlling Residence of Foreigners" whose members were directors of relevant divisions of the ministries and agencies. The Immigration Control Bureau of the Ministry of Justice drafted a vision of the "Intelligence Center" and insisted on the necessity for collection of information on foreigners uniquely by the Ministry of Justice. Besides, the ministry also explained that local governments

might get some information from the ministry.

It seemed far from reality that the Immigration Control Bureau of the Ministry of Justice alone is able to collect all information on foreigners residing in Japan because there were only about 80 local offices of the Immigration Bureau. Nevertheless, there were no objections in the “Working Group for Controlling Residence of Foreigners,” maybe because directors from ministries other than the Ministry of Justice had no strong intention to reject the proposal, if the Ministry of Justice wanted to.

The second concept was proposed by the Council for the Promotion of Regulatory Reform (its successor: the Council for Regulatory Reform). There was the Taskforce for International Economy, which was reorganized as the Taskforce on Overseas Talent under the Council of Regulatory Reform.

The taskforce has not only gathered many requests for regulatory reform from economic circles, especially from the Employers’ Federation and associations, but also from local governments including the Alliance of Cities with High Density of Foreign Citizens. It has pointed out, for the first time, the direction of regulatory reform of migration policy as a whole. In addition to the immigration control policy, the council has announced that the multicultural existence policy (foreigners policy at the local level) should be the second pillar of the migration policy.

This new concept for migration policy reform was written in the preface of the third proposal by the council. From such a reason, the concept itself was not in the text of the Cabinet decision on “The Three Year Plan on Regulatory Reform and Opening of the Markets,” while individual measures for reform was included in the text.

In any case, the Cabinet decision has bound the ministries and agencies concerned to promote individual measures for regulatory reform, with clear prescription of the actions that should be taken and their deadlines. Especially important was the amendment of the Employment Countermeasures Law of the Ministry of Health, Labour and Welfare and the other amendment of the Immigration Control and Refugees Recognition Act and that of the Basic Inhabitants Registration Law.

According to the Cabinet decision, the data on employment of foreigners should be collected by the Public Employment Service Office (PESO), as employers are obliged to report the beginning and end of the employment contract with foreigners to PESO. The data from the PESO is collected by the Ministry of Health, Labour and Welfare and then transferred to the Immigration Bureau of the Ministry of Justice. In addition, the data on the residence of foreign nationals are collected by municipalities, as foreigners are obliged to show their “resident card” to the city office for registration.

The bill to amend the Employment Countermeasures Law has been proposed by the Ministry of Health, Labour and Welfare and it was already approved by the Diet in October 2006 and put into force after one year.

The bill for amendment of the Immigration Control and Refugees Recognition Act and that of the Basic Resident Register Act were drafted jointly by the Ministry of Justice and the Ministry of Internal Affairs and Communications. They were submitted to the Diet and finally

approved in July 2009. They took effect partially in July 2010 and totally in July 2012.

Through this legislation, data on foreign inhabitants was digitalized and made accessible online by designated authorities through the Basic Residents' Register Network. In addition, data on the entry and departure of foreigners at the border can be smoothly provided from the Ministry of Justice to municipalities through the Local Government Wide Area Network (LGSWAN). This system should be utilized continuously for guaranteeing the rights and fulfillment of duties of foreign inhabitants, even when they change the address of where they live or where they work.

The amended Immigration Control and Refugee Recognition Act does not function without linkages with the Basic Residents' Register Act (Ministry of Internal Affairs and Communications) or the Employment Countermeasures Law (Ministry of Health, Labour and Welfare). It should be a great lesson for creating a comprehensive migration policy in the future.

By the way, services and allowances related to basic human rights, which have been provided by local governments, are still available to overstaying foreigners who were registered in the former Alien's Register, even when they are not registered in the present Basic Inhabitants Register because the new register is applicable for foreigners with legal status only.

To attend to this problem, Article 23 of the Annex to the Basic Residents' Register Act was added to remind the authorities to take certain measures in the future after consultation by both the ruling and opposition parties in the Lower House. In any case, the new law has produced a very contradictory situation for municipalities that even though they have acknowledged the presence of overstaying foreigners in the area and are providing services and allowances to such inhabitants, they cannot register such foreigners in the new register because they are not in compliance with the Immigration Control and Refugees Registration Act. Therefore, there remain difficult tasks for the government and local government to find a legal solution for overstaying foreigners who are actually residing in such areas. Otherwise, these people will go underground and their basic human rights cannot be protected.

Furthermore, Article 28 of the Employment Countermeasures Law is accompanied by some anxieties that discriminatory cases might happen. Special Permanent Residents, many of them the descendants of Koreans who lost Japanese nationality in 1952, should have to verify their status by presenting a Special Permanent Resident Card so that they are not perceived as foreigners whose employment should be reported to the Public Employment Service Office.

For the moment, the Immigration Bureau publishes the guidelines for examining conditions to be filled by foreigners, before changing or extending status of residence according to Articles 20 or 21 of the Immigration Control and Refugee Recognition Act. These conditions include verification of national and local tax payment as well as verification of sickness insurance. However, even when foreigners cannot make any verification of sickness insurance, the Immigration Bureau gives leaflets on social insurance to applicants, but it does not take any other effective steps to make them join. This procedure is so ineffective

that there remain tasks for improvement.

Now that names of foreigners are indicated on the resident card and in the Basic Residents' Register by alphabet together with a common name, when they use such names written in Chinese characters, it is expected that different databases of the government can identify the same foreigner by his or her name, birthday as well as nationality, etc. However, Social Insurance and Employment Insurance schemes have long used Japanese *katakana* characters in their database. It would take time to effectively identify the same foreigners and encourage them to join the social insurance schemes, when they are found uninsured by such schemes.

The amendment of the laws in 2009 enabled foreigners to be integrated into the Basic Residents' Register. Information accessible through the register for local governments is still limited. In order for local governments to make access to information such as birth place; entry, stay, and departure in the past; employment and working conditions; and information necessary for protecting the rights of foreign children, etc., should be made accessible online by responsible authorities within local governments. It is necessary to prevent social problems from happening in the future.

From this viewpoint, the establishment of institutional infrastructures for multicultural coexistence has just started with the amendments of relevant laws and regulations. It is not possible to improve actual conditions of foreigners without a strong will to utilize the data system to guarantee rights and encourage fulfillment of duties of foreign inhabitants, even though the laws were amended. Rather, the new system might augment tasks and costs for collecting information if people do not have the intention to utilize them.

In the near future, it is necessary to guarantee opportunities for foreign adults and children in the local area to learn the Japanese language and to provide them with orientation courses on basic facts about Japan as well as rights and duties of foreign citizens and children. Together with this basis, effective safety nets should be established for all inhabitants including foreigners at the local level.

In order to establish safety nets, it is indispensable to create a legal basis for municipalities and Public Employment Service Offices to jointly establish an organization with common information to support people at the local level.

At the same time, it is necessary 1) to reexamine the relationships between unemployment benefits, job-seekers allowances and social assistance, 2) to create occupational training courses with language support for foreign trainees, and 3) to strengthen measures promoting stable employment so that they can enjoy income security.

It was a very significant step by the Ministry of Health, Labour and Welfare to implement language courses for promoting employment for foreigners of Japanese descent in the framework of emergency employment measures since the outbreak of the world economic crisis. However, it was a pity that the "one-stop service for foreigners' employment" undertaken jointly by PESO and the municipalities was not equipped with the necessary functions and that they could not but come to an end gradually.

In the meantime, there have been trials undertaken by PESO and municipalities to establish a common office based upon agreement between them within the framework of

“Action Program for Shifting Functions of National Government to Local Governments.” Using this framework, there have been several experiments at the local level to jointly promote employment guidance, occupational training, assurance of accommodation, prevention for health risks, legal support for reducing multiple debts, support for language training, support for the education of children and assurance of a minimum standard of living. In the future, central and local governments should be able to establish a joint office at the local level based upon laws and regulations, so as to facilitate its governance, management and information sharing (Iguchi and Hasegawa, 2010).

By the way, there are positive and negative evaluations on the measures to support Japanese Brazilians to return, by paying allowances for traveling costs under the condition that they cannot come to Japan again with the same status of residence as before. There were almost 20,000 Japanese Brazilians who received these allowances and returned to Brazil. In April 2012, three years had passed since this measure was taken. But the ban to come back to Japan for a second time was not waived, as the government predicted. There emerged some disputes at the local court between Japanese Brazilians and the Government of Japan.

In September 2013, the Government of Japan had finally waived the ban for those Japanese Brazilians who concluded employment contracts in Japan at least for one year.

It is not a solution of the problems to encourage Japanese Brazilians to go back home or to waive the ban to come to Japan again. What is more important is to strengthen support to establish stable employment and life for such foreigners and their families in Japan.

In any case, it was a fact that employment policy for foreign workers had made progress during the time of economic crisis. What is problematic is that these emergency measures were not based upon specific laws and regulations but solely upon the annual or supplementary budget of the government. It is strange that these measures have been implemented without explicit legal basis. Once the government changes its macroeconomic policy from expansion to consolidation, there is a risk of automatically reducing budgets for employment policy for foreigners or a risk of finalizing some measures of employment policy for foreigners.

Therefore, such emergency measures should be based upon a provisional legal basis for the time being and should get permanent legal basis, if such measures are necessary and effective for the future.

Before the amendment of the laws in 2007 and 2009, the Council of Regulatory Reform had convinced the Ministry of Justice and strongly asked the Ministry of Health, Labour and Welfare as well as the Ministry of Internal Affairs and Communications for cooperation. Such negotiations were time-consuming and very difficult to achieve.

As there has been no government agency or ministry which would take leadership for comprehensive migration policy, the Council of Regulatory Reform had to replace such a role in promoting reform until 2009.

However, it is not yet clear whether the Council of Regulatory Reform under the Abe Administration from 2012 will be able to take initiatives for comprehensive reforms, while there are several ad hoc agendas for regulatory reform to encourage the acceptance of the highly skilled, international students or health care workers, and to reduce bottlenecks of

labor supply emerging from reconstruction in the disaster-stricken areas after the Great East Japan Earthquake.

Finally, it is noteworthy to discuss reforms of the Technical Intern Traineeship Program and its evolution in the future. The foreign traineeship had been expanded by the channel through organization of small and medium-sized companies in August 1990. The Technical Intern Traineeship Program has been in operation since 1993 based upon the recommendation by the Provisional Council for Administrative Reform. The objective was allegedly transferring technology and skill to developing countries through human resources development especially by small and medium sized companies. The Japan International Training Cooperation Organization (JITCO) has become a key organization to manage and facilitate the operation of the program. However, with the tendency of a growing number of trainees and the expansion of industrial sectors, it has become impossible for JITCO alone to prevent abuse of the programs and overstaying or runaway trainees through inspection and guidance.

From July 2010, labor laws were totally applied to trainees with on-the-job training and the new status of residence “Technical Intern” was established according to the amendment of the Immigration Control and Refugee Recognition Act in July 2009.

In addition, there were several important improvements of the scheme; 1) more responsibility on organizations accepting trainees, 2) strengthening of a “hotline” for technical intern trainees in the face of bad conduct by employers, and 3) a new obligation to have “initial training” by a qualified lecturer on the rights and the duties of trainees (JITCO, 2012).

Although these measures were taken, they seem to be too late, because bad conduct by employers and cases of human rights infringement have been attracting attention. Without such measures, the Technical Intern Traineeship Program could not have survived in the face of critical public opinions.

Nevertheless, it is very significant for Japan to reform the Technical Intern Traineeship Program and to continue accumulating experiences and knowhow in managing low skilled labor migration. It is also important to work out a common regional scheme in the future based upon intraregional cooperation in order to protect low skilled migrants and to better manage low skilled migration.

VII. Conclusion - Recommendations for Economic Integration with International Migration

In this article, we tried to demonstrate important changes in international migration under the condition that emerging economies, instead of developed economies, are taking initiatives of globalization.

The main changes we discussed were the following: 1) international migration from Asia to North America or Europe is gradually replaced by return migration and it is also substituted by intraregional migration in Asia, 2) with the background of a rising advancement rate to universities and decreasing fertility rate, mismatches between demand and supply in the

labor markets within the region may be expanding, 3) as the intraregional economic gaps are still very large, managing international migration of low-skilled workers as well as family migration and migration of refugees is a very challenging task, 4) it is important to create an environment where foreigners', irrespective of whether they are the highly skilled or not, second and third generations in Japan are able to enjoy high-quality education and to be active and even innovative in business and in society, and 5) it is urgently important for Japanese companies to develop new strategies for assuring Asian talent by reforming employment management in consideration of different labor market structures between Japan and Asian countries.

Moreover, it is important to note that there is a growing tendency of Asian talent to return from North America or Europe to their home countries in Asia, where high economic and employment growth is expected. It is the case not only between North America and Asia but also between Japan and the rest of the Asia.

At the same time, we can observe that there is an increasing tendency for Asian students to go abroad with the background of fertility decline and higher advancement ratio in Asian countries.

What is very important is that growing net outflow from developed countries to emerging economies in Asia are often invisible, because an increasing amount of international students from Asia are coming to North America, Europe and Japan. At the same time, the tendency of Asian talent to return to Asia is strong and it would become more evident in the near future.

Successful economic integration is based upon diverse international migration. From this viewpoint, the strategy to be taken by Japan is not limited to promote institutional economic integration like TPP, RCEP or JCK-FTA, but to facilitate and manage international migration in the Asian Pacific region.

One important role is to accept Asian talent returning from North America and Europe. Another important role is to become an important core for the circulation of Asian talent within this region.

When Japan plays such roles, international migration can be linked with the deepening and expansion of regional economic integration in the Asian Pacific region with support by human resource development policy.

To make the above mentioned model function, it is expected to take the following measures from long-term views.

First, high ranking Japanese universities should create strong collaborations with some of the excellent universities in the United States, such as the "Ivy League" universities or the "semi-Ivy League" universities, to establish joint-campuses in Japan.

In the new joint college, the so-called Harvard Rule should apply so that students have to pay fees equivalent to 10% of their parents' income. Naturally, there should be effective funding policies to maintain a high-quality college education.

In accordance with graduates with high aspirations and strong competence, a labor market for such talent should be constructed in Japan together with the reforms of personnel

management which will be proposed later.

In Southeast Asian countries, American universities have already established Asian campuses. One of the most important examples is the joint college of Yale University and Singapore National University in Singapore.

In contrast, such a project to establish a joint-campus in Japan with American universities has yet to become a reality. With the tradition and spirit of Ivy League universities, Asian vitality and wisdom should be amalgamated in such projects.

It will be strong pressure for the other Japanese universities to accelerate university reforms. It may also contribute to enhancing the quality of university education in Asia as a whole.

Second, second and third generation migrants should be able to have greater opportunities in Japan, in the sense that they enjoy the same conditions as international students and that they can get as good employment opportunities as foreign talent in Japan and the world, when they make the effort.

For a long time, foreigners policy in Japan has been paying attention only to short term effects of migration. As a result, there have only been few opportunities for the second and third generation migrants to be encouraged or supported by the government. By the way, Japan has no effective legislation against discrimination by nationality or race, as it is the case in the United States and the European Union.

This situation has not fundamentally changed yet. The Government of Japan is still reluctant to conduct active policies to utilize the potential of a migrant's children, who have high potential in the globalizing economy and society. A migrant's children here include refugees' children as well.

Enlarging the quota for high schools and universities, giving the same status as international students at the entrance to college as well as in the job market, and evaluating the language ability of their mother tongue at the universities is also necessary.

In fact, giving greater opportunities to the second and third generation migrants makes Japan more attractive to highly skilled foreigners. At present, the majority of the highly skilled foreigners do not think that Japan is an adequate place to receive a high education for raising their children.

It is also serious that even if the inflow of highly skilled foreigners increases, many of them leave Japan in a short period of time and that they do not want to stay in Japan with their family.

As discussed in this article, the "generation effect" of migration is of greater importance in constructing migration policy. Success of migration policy is strongly based upon the outcome of whether second and third generation migrants can climb up the ladder in the economy or society.

Third, it is urgently necessary for Japan to undertake reforms of foreigners policy and construct comprehensive migration policy, which should consist of two pillars, namely

immigration policy and integration policy.

Since the beginning of the 1990s, Japan has been learning much from the lessons in the developed countries, especially in Europe as a member of SOPEM (Continuous Reporting System on Migration) in the OECD.

Comprehensive migration policy is not just a bundle of policies taken by ministries and agencies. What is important is the linkage and consistency between immigration policy and integration policy. In addition, the comprehensive policy should bridge policies at the local level, at the national level and at the international (regional) level. Furthermore, it should cover short-term labor migration, but also family migration, permanent migration, refugee recognition and acceptance and migration related to institutional economic integration.

In implementing such policy, a new government agency such as the National Agency for Migration Policy should be established.

In order to realize this reform, the measures of language training and orientation courses should be institutionalized at the national level, while they should be implemented in close cooperation with municipalities and NGOs at the local level. This is the new policy area which should be intensively developed.

Starting from the present legal system, the objective of the Immigration Control and Refugees Recognition Act, namely “adequate control of immigration and emigration,” should be supplemented by the second objective: “guaranteeing rights and assuring duties of foreign residents” according to the author’s view.

In line with the new objective of the Act, rights and duties of foreigners in relation to their status of residence should be explicitly and clearly prescribed after Articles 20, 12 and 22 of the Immigration Control and Refugee Recognition Act.

Irrespective of the amended Basic Inhabitants Register, municipalities cannot make access to enough data which enables them to take adequate measures for foreign citizens. In making further reform, it is necessary to improve the immigration information system as well as to enable municipalities to make access to immigration information.

Fourth, introduction of “hybrid” personnel management would be necessary for Japanese enterprises to reform human resources management for foreign talent by retaining such talent and to make the most of their potential.

Namely, in addition to long-term employment practices in large Japanese enterprises, it is becoming indispensable to introduce a “fast track” for selected employees with high potential who are expected to move up the company at a faster pace. In order to make reforms of personnel management in Japanese companies, it is also very supportive to invite more foreign companies to invest in Japan. Then Japanese students will be able to have new choices of career development under the “hybrid” personnel management system.

Fifth, it is urgent for Japanese companies to improve wages and working conditions as well as career development for engineers, who tend to leave Japanese companies with the request of foreign companies in emerging economies.

This problem is also very structural, because engineers in Japanese companies have less opportunities to get higher remuneration than managerial staff. In fact, the average salaries of Japanese engineers are sometimes lower than those in American and European companies.

As a consequence, there have been many cases where Japanese engineers leave Japanese companies to get better positions in companies of emerging economies, even though they have been working for Japanese companies for a long time.

It is very important to reform working conditions of technical staff because it might prevent “brain drain” or “technology drain.” It is especially necessary to make improvements in the field of software, which would be more and more necessary for industrial development, while overtime work there is widespread and salaries are not always high in Japan.

Sixth, policy measures are necessary to reduce growing mismatches between demand and supply of the labor market especially in “middle skill” jobs in developed countries and emerging economies as well.

In many cases, high school graduates want to go to universities rather than to take skill training for two or three years. Scholarships by employers and subsidies from the government are necessary for training nationals as well as foreigners. The training fees should be also subsidized, because in private vocational schools fees are too high for trainees.

Because of the rising advancement rate of nationals to universities, public policy to encourage training is necessary not only for nationals but also for foreigners.

Once foreigners are qualified, they should be able to get a status of residence. In Japan, they can get status of residence “Engineer,” under the condition that they have 10 years of experience. The condition of experience should be abolished as soon as possible. In the course of acquiring skills, Japanese language proficiency is also guaranteed.

The area of middle skills should not be regarded as “unskilled jobs.” In the case of Japan, typical middle-skill jobs include auto mechanics, aircraft mechanics, electro mechanics, data processing specialists, surveyors, and hair dressers. Such skilled people are indispensable for city life.

There are stereotyped arguments that say the acceptance of foreigners who have “middle skills” are dangerous for the employment opportunities of nationals. These arguments do not recognize the difference between “unskilled labor⁷” and “middle skill workers.”

However, middle skill labor needs high expenditure for human capital investment in Japan and it is totally different from unskilled jobs without the need for high expenditure.

In acquiring “middle skills,” people need at least two or three years of schooling with language training and to pass an authorized examination in Japan. The expenditures for

⁷ Developed countries including Japan are faced with increasing inactive people who depend upon social assistances after experiencing long-term unemployment and growing mismatches of demand and supply in the labor market. So as to activate these inactive persons and encourage a return to the labor market, a labor market of unskilled workers is necessary and important because those inactive people have lost skills or have no experience. For this reason, the labor markets of “unskilled labor (‘simple labor’ in the exact sense)” should not be opened to workers outside Japan.

human capital investment, namely payments of school fees and living costs during the schooling, are not easy to finance. Therefore, not many foreigners of middle skill flow into Japan.

Demonstrations against the acceptance of foreigners, who should be trained as “middle skill” workers because of “negative” effects on Japanese nationals, might have bad effects on reinvigorating industrial sectors and occupations, where the workforce is aging fast.

Seventh, within the Asia Pacific region, it is necessary to facilitate the movement of executives, senior managers and high specialists working for companies. Their business travels can be facilitated without raising the risk of abusing such a system. In addition, there should be initiatives taken so that professionals who acquire qualifications in Japan are able to be recognized for such professional skills in the Asia Pacific region.

Then, foreigners who have a professional qualification in Japan will be able to work in Japan as well as in their home countries when their qualification is acknowledged.

In promoting such strategies, “circular migration” can be realized within the Asia Pacific region so that conflicts of interests over “brain drain” or “brain gain” between host and home countries can be adjusted. In addition, migrants with professional skills will be mobile in this region and have greater opportunities for their own career formation. For economic integration of this region, circular migration will contribute to improvement of mismatches between demand and supply in the labor markets within the region as a whole. These are the reasons to promote “circular migration” (Iguchi, 2009).

The Association of Southeast Asian Nations (ASEAN) is targeting the foundation of the “ASEAN-Community” in 2015, which also contains intraregional free movement of skilled labor (ASEAN, 2007; Mitsui Global Strategic Studies Institute, 2011).

Japan should respect and actively support this political will of ASEAN, especially through facilitation and expansion of qualified people between ASEAN and Japan and by promoting innovation as well as enhancing productivity.

As has been proposed, Japan should create an alliance with ASEAN, while Japan should also make stronger ties of collaboration with China, Korea and India. In this process, what is important is that Japan will be able to attract Asian talent returning from North America and Europe and then promote intraregional migration together with human capital development. This strategy will make institutional economic integration more effective and beneficial.

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