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**POSSIBILITIES AND LIMITATIONS OF JAPANESE MIGRATION POLICY
IN THE CONTEXT OF ECONOMIC PARTNERSHIP IN EAST ASIA***

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*The views expressed in the paper do not imply the expression of any opinion on the part of the United Nations Secretariat.

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A INTRODUCTION

This paper aims to explore possibilities and limitations of Japanese migration policy from the standpoint of institutional economic integration in East Asia or ASEAN+3 (namely Japan, Korea and China) and demographic changes too.

Since the middle of 1990s, global competition for the highly skilled, especially that of IT workers and science and technology workers have emerged. The developed countries in North America and Europe have deregulated their immigration regulations for the highly skilled as well as students. In the USA, more than half of the additional demand for the highly skilled in these countries has been filled by those from Asia (Findley 2001, OECD 2004).

In East Asia, with all the recovery from the monetary crisis and from the recession after IT boom, intra-regional differentials of GDP growth and unemployment have been widened. This may have led to growing potential of irregular unskilled labor migration, especially illegal migration and trafficking. It is also important to think about migration policies to strengthen human resources development in this region so as to cope with the global competition for the highly skilled.

Since November 2002, Japan, Korea, China and ASEAN countries have begun with the process for establishing free trade agreement based on WTO agreements or "Economic Partnership Agreement". Japan has been conducting bilateral negotiations with the Philippines, Thailand, Malaysia and Korea. From April 2005, Japan and ASEAN started their negotiation on regional multilateral agreement.

However, most diplomats and officials are interested in "requests and offers" only and they do not seriously consider migration policy from the standpoint of regional economic integration in East Asia. Discussions on reforms of domestic laws and regulations within the Government of Japan have not started until recently.

Now we should ask about possibilities of Japanese migration policy from the standpoint of creating the Economic Partnership Agreements in East Asia.

Therefore, we are going to examine 1) interdependence of the countries and regions in East Asia in terms of temporary migration; 2) the relationship between temporary and permanent migration; 3) composition of international migrants accepted by Japan according to skill and sex; 4) intraregional movement of intra-corporate transferees through the networking of Japanese multinationals. Finally, 5) we would like to talk about possibilities and limitations of Japanese migration policy.

B TEMPORARY LABOR MIGRATION IN EAST ASIA

When we make comparison of In East Asia, there are four different phenomena of temporary labor migration when we symmetrically examine inflow and outflow/ stocks of foreign labor and that of national workers abroad.

First, Japan, Korea, Singapore, Hong Kong China and Taipei China are sending many expatriates or corporate transferees to China and ASEAN for technology transfer mainly through foreign direct investment.

Second, ASEAN countries especially the Philippines, Indonesia, Thailand and Vietnam are sending low skilled (and semi-skilled) labor not only to the Middle East but also to Japan, Korea Singapore, Hong Kong China and Taipei China including house maids, care givers and entertainers.

Third, unskilled labor migration has been growing enormously between neighboring countries of ASEAN, especially between Malaysia and Indonesia as well as Thailand and Myanmar, etc.

Fourth, the presence of China in terms of international migration has been growing rapidly, especially through labor export schemes to neighboring countries including trainees as well as migration of students, who are not workers but are candidates for the highly skilled.

Having observed such phenomena, we will be able to understand that demarcation of sending and receiving countries is not of great importance in the context of regional integration where good, services and capital are moving in every direction within the region.

TABLE 1. INTERNATIONAL LABOR MIGRATION IN EAST ASIA (2003)
(thousand)

	<i>Labor Force</i>	<i>Flow</i>		<i>Stock</i>	
		<i>Inflow of Foreign workers</i>	<i>Outflow of National workers</i>	<i>Foreigners Working Inland</i>	<i>Nationals Working Abroad</i>
Japan	66,666	142(130)	[55]	790(760)	218(197)
Korea	22,916	-	-	373(363)	-
China	760,750	-	770*(650)*	[315]*	-
Hong Kong China	3,500	(83)[84]	-	(237)[235]	[50]
Taipei China	10,076	-	-	304(300)	[120]
Singapore	2,150	-	-	590(590)	(44)
Malaysia	10,240	[259]	-	1163 [880]	[200]
Thailand	35,310	-	(158)[160]	1007*[1028]	[550]
Indonesia	100,316	20(15)	(480)[339]	(33)	2,000
Philippines	35,120	-	868 (892)	(11)	5,000
Vietnam	41,900	473	[32]	(3)	[300]

Source: By the author in reliance upon national data and estimates.

Notes: () stands for 2002. [] stands for a year other than 2003 and 2002. Foreign workers in Japan include irregular residents and exclude foreigners with permanent resident status. Foreign workers in Korea include irregular residents and trainees. The outflow from China means those who are in the official project-tied labor exports. Foreign workers in Malaysia include only unskilled and semi-skilled workers. Foreign workers in Thailand means registered illegal foreign workers.

*indicates estimate based upon data in individual country.

C. TRENDS IN INTERNATIONAL MIGRATION IN JAPAN

1. Relationship between temporary and permanent migration

It has long been said that migration policy in Japan as well as East Asia only relates to temporary migration and not permanent migration. It is true that East Asian countries including Japan are not “immigration countries” in the sense that they do not accept people for the purpose of permanent settlement.

However, those foreigners who are working temporarily are able to apply for permanent resident status. The adjustment of status is becoming an important means for countries which is attracting skilled or highly skilled workers and their families.

In reality, we are able to verify that when temporary migration increases, the permanent residents also increase in Japan or in several regions in the world.

When we look at the number of foreigners in Japan, non-permanent foreign residents increased between 1990 and 1995 while permanent residents did not increase. However, between 1995 and 2000, temporary residents increased and permanent residents increased too. This tendency continues between

2000 and 2003. As foreign residents can apply for permanent resident status after ten years of legal stay (in the case of spouses of Japanese, only five years of legal stay).

When we look at the number of Japanese residing in foreign countries, it is clear that when long-term residents (staying in foreign countries more than three months) increase, the Japanese people as permanent residents in foreign countries increases (table 2)

Then we look at distribution of foreigners in Japan according to their origin. Non-permanent residents of Asian and Latin-American origin occupy the majority of them, while permanent residents are also concentrated to Asia and Latin-American origin.

It is important to note that Japanese people residing in North America occupy the most share and permanent residents also concentrates in North America, while the ratio of permanent residents in total Japanese people in Asia is much lower than in North America (table 3)

In addition, it is important to distinguish permanent residents as “old comers” and those as “new comers” The population of permanent residents as “old comers”(the foreigners, who lost their Japanese nationality after the conclusion of San Francisco Peace Treaty in 1952 between Japan and the allied nations) has been declining because of growing number of naturalization, while the population of permanent resident as “new comers” is growing as more and more of the foreign residents are staying for more than ten years (as spouses of a Japanese: five years).

Therefore, it should not be overlooked that when temporary migration increases, permanent residents also increase in East Asia.

TABLE 2. DEVELOPMENT OF PERMANENT AND NON-PERMANENT RESIDENTS

	<i>Foreign residents in Japan</i>			<i>Japanese Nationals staying abroad</i>		
		<i>Non-Permanent</i>	<i>Permanent</i>		<i>Long-term</i>	<i>permanent</i>
1990	1,075,317	429,879	645,438	620,174	374,044	246,130
1995	1,362,371	736,331	626,040	728,268	460,522	267,746
2000	1,686,444	1,028,839	657,605	811,712	526,685	285,027
2003	1,915,030	1,172,067	742,963	911,062	619,269	291,793

Source: Ministry of Foreign Affairs and Ministry of Justice

TABLE 3. GEOGRAPHICAL DISTRIBUTION OF PERMANENT AND NON-PERMANENT RESIDENTS

	<i>Foreign residents in Japan</i>			<i>Japanese Nationals staying abroad</i>		
		<i>Non-Permanent</i>	<i>Permanent</i>		<i>Long-term</i>	<i>permanent</i>
Total	1,915,030	1,172,067	742,963	911,062	619,269	291,793
Asia	1,422,979	761,960	661,019	206,520	199,122	7,399
Oceania	160,726	15,045	1,031	63,018	35,152	27,866
NorthAm	63,271	53,111	10,160	369,639	240,033	129,606
LatinAm	343,635	281,699	61,936	101,894	10,547	91,347
Europe	57,163	50,302	6,861	158,548	124,553	33,955
Africa*	10,060	8,571	1,489	11,398	9,818	1,580
Other	1,846	1,379	467	44	44	0

Source: Ministry of Foreign Affairs and Ministry of Justice
Note: * includes middle east.

TABLE 4. CHANGING COMPOSITION OF PERMANENT RESIDENTS

	1999	2000	2001	2002	2003
Permanent residents	635,715	657,605	684,852	713,775	742,963
Ordinary permanent residents (new comer)	113,038	145,336	184,071	223,875	267,011
China	37,960	48,809	58,778	70,599	83,321
Brazil	28,766	31,955	34,624	37,121	39,807
N+S Korea	14,884	20,933	26,967	32,796	39,733
Philippines	4,592	9,062	20,277	31,203	41,771
Peru	4,756	7,496	11,059	13,975	17,213
Others	22,080	27,082	32,366	38,181	45,166
Special Permanent Residents (old comer)	522,677	512,269	500,782	489,900	475,952

Source: Ministry of Justice

2. Composition of foreigners according to Skill

In addition to the ban on accepting unskilled workers, the basic policy actively to accept the highly-skilled foreigners has been inaugurated since 1990, which might have been one of the most advanced practices of migration policy at that time. The Government of Japan stressed the importance of mobilizing the highly skilled related to trade in services during the Uruguay Round negotiation on the movement of natural persons and contributed to standard setting of such commitments.

In this chapter, we are going to reexamine the rationale of the basic policy of the Government of Japan and compare the principle and the reality of foreigners in Japan.

In order to clarify the skill composition, we will classify the foreigners into several groups. According to the Immigration Control and Refugee Recognition Act, there are 17 categories of status of residence with the objective of working. We cannot call every foreigner with such status of residence as “highly skilled foreigner”.

Here, we call the foreigners with status of residence “Professor”, “Artist”, “Journalists”, “Investor/Manager”, “Legal/accountant service”, “Medical Service”, “Researcher”, “Instructor”, “Engineer”, “Specialist in Humanities” and “Intra-corporate transferees” as “the highly skilled” and “Entertainer” and “Skilled Labour” as “the foreigners with skill specific to foreigners”.

In addition, the foreigners with “Designated activities (including: Technical Intern, Internship, Working holiday etc.)” should be classified into “semi-skilled foreigners” who may gradually acquire skills through practice.

Besides, foreign students and trainees may be able to earn money for study or training, when they have got the permission for Non-designate activities for 28 hours per week.

The foreigners, who are descendants (first, second and third generation and their spouses) of emigrants from Japan to foreign countries are entitled to get status of residence “Souses of Japanese” or “Long-term resident” and work or study in Japan without limitation. Such kind of treatment of emigrants can be explained by the Government Policy, which has encouraged Japanese nationals to emigrate from Japan to foreign countries in 1950s or before. They are able to come back to Japan, stay or work. Actually, many of them are working for subcontracting company or Worker dispatching undertakings and engaged in simple jobs.

Therefore, foreign students, foreign entertainers and foreigners who are descendants of Japanese can be classified as foreign “unskilled-or low skill labour” (see table 5).

TABLE 5. SKILL COMPOSITION OF FOREIGN WORKERS IN JAPAN (ESTIMATED)

<i>Status of Residence</i>		1990	1995	2000	2002	2003
Mostly Highly Skilled (A)	Professor	1,824	4,149	6,744	7,751	8,037
	Artist	560	230	363	397	386
	Religious Activity	5,476	5,264	4,976	4,858	4,732
	Journalist	382	442	349	351	294
	Investor/ Manager	7,334	4,649	5,694	5,956	6,135
	Legal/accountant Service	76	67	95	111	122
	Medical Service	365	152	95	114	110
	Researcher	975	1,711	2,934	3,369	2,770
	Instructor	7,569	7,155	8,375	9,715	9,390
	Engineer	3,398	9,882	16,531	20,717	20,807
	Specialist in Humanities	14,426	25,070	34,739	44,496	44,943
	Intra-corporate Transferee	1,488	5,901	8,657	10,923	10,605
	Subtotal	43,823	64,672	89,552	108,758	107,831
	Foreigner specific skill (B)	Entertainer	21,138	15,967	53,847	58,359
Skilled Labour		2,972	7,357	11,349	12,522	12,583
Subtotal		24,110	23,324	65,196	70,881	77,225
A + B	Status for working purposes	67,933	87,996	154,748	179,639	185,556
Semi-/Low Skilled(C)	Designated activities (including: Technical Intern, Internship, Working holiday etc.)	3,260	6,558	29,749	46,455	53,503
Low/ Unskilled (D)	Part-time work of students	10,935	32,366	59,435	83,340	98,006
	Worker of Japanese descendant	71,803	193,748	220,458	239,744	230,866
	Overstaying foreigners	106,497	284,744	233,187	232,121	219,428
	Non-designated activities	Unknown	Unknown	Unknown	Unknown	Unknown
	Subtotal	189,255	510,858	513,080	555,205	548,300
A+B+C+D	Total Temporary workers	260,000	600,000	710,000	760,000	790,000
Any skills (E)	Worker with Ordinary Permanent Resident status	—	17,412	39,154	71,090	86,942
A+B+C+D+E	Foreign workers without Special Permanent Residents Status	—	620,000 +α	750,000 +α	830,000 +α	870,000 +α

Source: By the author in reliance upon data fro, Ministry of Health, Labour and Welfare

Note: +α stands for status of residence for the purpose of working.: the sum of the highly skilled and skilled workers

(1) Acceptance of the Highly skilled

Recently, the highly skilled migration has attracted much attention, because it has been exposed to global competition. The number of highly skilled foreigners in Japan amounted to over 100,000 in 2003, while new entries remain around 20,000 per year (table 6)

Holders of the status of residence “Specialist in Humanities” and “Engineer” are main categories of the highly skilled, who should be engaged in activities with high level of knowledge and technology which can be acquired through high education. Intra-corporate transferees are accepted, as senior managers or specialists, when there is foreign direct investment to Japan. Therefore, the number of acceptance also depends upon the volume of foreign direct investment into Japan.

The status of residence “Specialist in Humanities” and “Engineer” may be issued also to foreign students who graduated from universities in Japan. Such adjustment of statuses from foreign students to workers has been enabled already since 1980s. But, the number of foreign students started to increase

drastically from 2000 achieving the national goal of accepting 100,000 foreign students in 2003. The number of students who changed their status from students to working purposes after graduating universities amounted to almost 3,700 per year.

TABLE 6. INFLOW OF FOREIGNERS BY STATUS OF RESIDENCE

<i>Status of Residence</i>	1998	1999	2000	2002	2003	
Diplomat	8,313	8,305	9,408	9,339	9,681	
Official	8,164	9,824	11,767	14,060	13,552	
Working Purposes	Highly Skilled	25,089	22,358	21,997	19,983	21,136
	Foreigner-specific skill (Entertainer)	76,802	85,680	119,957	125,114	134,695
		73,778	82,305	117,839	123,322	133,103
	Sub-total	101,891	108,038	141,954	145,097	155,831
Cultural activities	3,733	3,693	3,210	3,084	3,108	
Temporary visitor	3,402,358	3,677,732	3,910,624	4,302,429	4,259,974	
College student	13,478	14,446	19,503	24,730	25,460	
Pre-college student	14,540	19,426	22,404	25,948	27,362	
Trainee	49,797	47,985	54,049	58,534	64,817	
Dependent	16,134	16,695	17,617	13,888	13,472	
Designated activities	2,979	2,934	4,364	4,890	5,876	
Spouse/Child of Japanese	24,572	26,737	33,167	20,857	23,398	
Spouse/Child of Perm resident	352	341	389	473	581	
Long-term resident	21,501	23,465	40,033	22,905	30,780	
Total	3,667,813	3,959,621	4,256,403	4,646,240	4,633, 892	

Source: Ministry of Justice

The number of foreigners with the status of residence “Legal /accountant service” and “medical service” are so small. For example, medical doctor or nurses should enter Japanese medical colleges or nursing schools and are permitted to work as internship for four years.

(2) Migrants with skills specific to foreigners

Japan has not permitted entries of “skilled workers” in general, with the exception of those who have status of residence “entertainers” and “skilled labor”, whose entry, stay and work were justified by their skills specific to foreigners. The skills specific to foreigners are difficult to obtain from domestic labor market and it is impossible for Japanese to acquire these skills.

The skills specific to foreigners stem mainly from cultural differences between Japan and foreign countries and it is more or less possible to overcome by technological development and diffusion.

Historically speaking, the channel of accepting entertainers has been expanded mainly between Japan and the Philippines since the era of occupation by the allied forces after the World War II.

The entry of entertainers who are working in Japan has been increasing to over 100,000 and the entertainers staying in Japan totaled to 64,000 in 2003. Almost over 60 per cent of them are coming from the Philippines.

(3) Semi-Skilled workers as Technical Intern Trainees

Japan has developed its foreign traineeship programs and opened the ways to trainees to become technical intern trainees who are able to work in Japan for three years in total. This program has started since 1993 and targeted at technology transfer to developing country and based upon the principle of “rotation system”. Trainees should be accepted in principle with the quota of 5 per cent of regular

employees of a company, so as not to damage employment opportunity for Japanese. This channel has been particularly expanding in the 1990s between Japan and China or Indonesia. Now the accepted technical intern trainees amount to over 53,000. This system seems to have been used by many small and medium sized enterprises to supplement declining entries of youth labor especially in sectors like garment and textile, food and drink, and transport machinery since the second half of 1990s (Shiho, 2005) (table 8)

(4) *Unskilled workers: Principle and Reality*

Japan has been closing its labor market in principle to the unskilled foreigners principally because 1) their entries may be damaging labor market of old aged, 2) they may create “double structure” of labor market, hinder improvement of working conditions and changes in industrial structure, 3) they may be easily unemployed during the recession, 4) they may entail more social cost (such as education, medical care, welfare and housing etc.) and 5) bring about “brain waste” and stress for foreigners themselves (MHLW, 2004). It is also important to remember that Japanese foreign direct investment directly created almost 2.6 million jobs in developing countries in Asia (Toyokeizai, 2004).

However, this rationale has not yet been clearly verified yet and it remains an open question. Actually, foreigners of Japanese descendants, especially those who come from Latin American countries, as well as foreign students who should have to earn money for stay and study with permission to non-designated activities etc. has been growing with the tendency of growing irregular but flexible employment opportunities under the deflation since the late 1990s.

Especially, the Japanese Brazilians working in Japan may have reached almost 23,000 and are living in the prefectures like Aichi and Shizuoka, where automobile industry is concentrated and where subcontracting or worker dispatching undertakings get together (table 9).

At the same time, there are foreigners who have been overstaying with the status of residence “temporary stay” etc. and working particularly at unskilled jobs (table 7). Some of them have been staying in Japan since the end of 1980s and have got married with Japanese or have been raising children. The number of those foreigners who get “special permission to stay” by the Ministry of Justice from humanitarian reasons has been remarkably growing for the past several years (table 10).

TABLE 7. ESTIMATED NUMBER OF OVERSTAYING FOREIGNERS BY STATUS OF RESIDENCE

	<i>Jan. 1999</i>	<i>Jan. 2000</i>	<i>Jan 2001</i>	<i>Jan 2002</i>	<i>Jan 2003</i>	<i>Jan 2004</i>
Total	271,048	251,697	232,121	224,067	220,552	219,418
Temporary visitor	206,193	189,847	173,051	163,271	155,498	150,326
Entertainer	13,610	12,552	11,029	11,154	11,770	11,974
Pre-college student	12,931	11,359	10,025	9,953	9,779	9,511
Student	5,914	5,100	4,401	4,442	5,450	6,672
Trainee	3,115	3,055	3,004	3,264	3,409	3,959
Others	29,285	29,784	30,611	31,983	34,646	36,976

Source: Ministry of Justice

TABLE 8. TRAINEES ACCEPTED BY THE SUPPORT OF JITCO ACCORDING TO SECTOR (2003)

<i>Sector</i>	<i>Foreign trainees</i>	<i>Composition among total</i>	<i>Comparison with the last year</i>
Total	43,457 (13,303)	100.0	+9.4
Textile and garment	11,988 (3,682)	27.6	+4.4
Food and drink	6,427 (1,814)	14.8	+10.3
Transport machinery	3,593 (656)	8.3	+15.2
Electric and electronic	2,936 (595)	7.2	+11.5
Construction	2,213 (1,759)	6.4	+16.0
Metal	2,334 (811)	5.4	+19.7
Agriculture	2,768 (811)	5.1	+3.8
Plastic	1,606 (461)	3.7	+43.5
General machinery	1,022 (331)	2.4	+40.4
Steel	1,004 (332)	2.3	+34.8
The others	7,388 (2,051)	17.0	-0.7

Source: JITCO

Note: () stands for the number of enterprises accepting trainees.

TABLE 9. BRAZILIAN NATIONALS AS DESCENDANTS OF JAPANESE ACCORDING TO PREFECTURE (2003)

<i>Top-10 Prefecture</i>	<i>Child/Spouse of Japanese</i>	<i>Long-term residents</i>	<i>Permanent resident</i>	<i>Total</i>
Total	85,482	140,552	41,711	267,745
Aichi	14,032	28,615	13,473	56,120
Shizuoka	11,853	22,166	6,527	40,546
Nagano	6,185	10,429	939	17,553
Mie	5,167	10,169	1,850	17,186
Gifu	4,226	8,919	2,970	16,115
Gunma	4,740	8,593	2,025	15,358
Saitama	5,499	6,712	1,447	13,658
Shiga	3,610	6,516	636	10,762
Ibaraki	4,196	5,674	806	10,676
Tochigi	2,988	4,167	1,361	8,516

Source: Ministry of Justice

TABLE 10. NUMBER OF SPECIAL PERMISSION TO STAY BY THE MINISTER OF JUSTICE

<i>Year</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Number	4,318	6,930	5,306	6,995	10,327
Korea	653	1,337	1,110	1,198	1,671
China	511	789	566	802	1,464
Others	3,154	4,804	3,640	4,955	7,192

Source: Ministry of Justice.

3. Composition of Foreigners according to Sex

When we look at the entry and stay of foreigners according to nationality and sex, almost 80 per cent of those from the Philippines are occupied by female, while 74 per cent of those Thai nationals who stay in Japan are female. This may mean that certain networking exists between Japan and the Philippines or Thailand.

On the contrary, the people from Bangladesh, Iran and India are dominated by men, which are reflecting cultural differences between countries.

4. Intraregional movement of Japanese as corporate transferees

Intra-corporate transfer is the most popular form of the highly skilled migration in East Asia (Iguchi, 2002). Intra-corporate transfer plays an important role within East Asia to realize transfer of technology not only for manufacturing sector but also for service sector.

In 2003, the employment created by Japanese companies in Asia amounts to 2.407 thousand and intra-corporate transferees from Japan is over 25,000. To strengthen intra-regional production and service networks, there has been growing cases of reorganization and rearrangement within East Asia. Foreign direct investment to China has been rapidly growing for the past several years. However, foreign direct investment to NIES and ASEAN has also been maintained (table 11).

TABLE 11. ENTRY (REENTRY) AND STAY OF FOREIGN NATIONALS ACCORDING TO THEIR COUNTRY OF ORIGIN (2003)

		Entry			Stay	
		Female	Ratio(%)		Female	Ratio(%)
Total	5,727,240	2,592,571	45.3	1,915,030	1,031,006	53.8
Asia	3,793,793	1,920,832	50.6	1,422,979	815,401	57.3
Korea	1,621,903	763,557	47.0	613,791	326,750	53.2
China	537,700	266,197	49.5	462,396	266,538	57.6
Hong Kong	163,254	89,104	54.6	-	-	-
Taipei	816,692	455,219	55.7	-	-	-
Singapore	78,215	Unknown	-	2,161	1,342	62.1
Malaysia	67,515	Unknown	-	9,008	3,819	42.3
Thailand	95,018	50,296	52.9	34,825	25,834	74.1
Indonesia	51,160	20,162	39.4	22,862	7,223	31.6
Philippines	209,525	171,786	82.0	185,237	153,862	83.1
Vietnam	20,768	Unknown	-	23,853	12,109	50.8
India	45,450	9,339	20.5	14,234	3,932	27.6
Bangladesh	7,229	Unknown	-	9,707	1,922	19.8
Iran	6,038	Unknown	-	5,621	693	12.3

Source: Ministry of Justice

TABLE 12. EMPLOYEES IN JAPANESE AFFILIATED COMPANIES

	Oct.1999	Oct.2000	Oct. 2001	Oct. 2002	Oct. 2003
Asia Total	1,962,572 (26,560)	2,064,795 (25,461)	2,220,483 (25,455)	2,224,931 (26,231)	2,407,209 (25,395)
Korea	79,365 (478)	79,974 (524)	77,181 (643)	72,437 (871)	68,857 (639)
China Mainland	530,705 (5,612)	566,728 (5,224)	639,100 (5,587)	683,914 (6,678)	830,309 (7,097)
Hong Kong, China	136,526 (3,298)	144,259 (3,077)	109,648 (3,052)	111,344 (3,066)	117,677 (2,736)
Taipei, China	115,435 (2,093)	107,912 (2,040)	111,925 (1,951)	102,756 (1,846)	101,889 (1,779)
Malaysia	212,630 (2,495)	226,431 (2,327)	258,280 (2,268)	229,776 (2,239)	214,241 (1,781)
Thailand	337,034 (4,682)	344,918 (4,451)	381,560 (4,380)	388,357 (4,322)	412,827 (4,650)
Indonesia	230,299 (2,251)	253,474 (2,335)	274,003 (2,191)	268,942 (2,105)	279,849 (2,076)
Singapore	76,634 (3,669)	78,315 (3,530)	83,246 (3,344)	77,508 (3,145)	73,887 (2,799)
Philippines	134,913 (1,261)	147,083 (1,235)	140,400 (1,315)	160,011 (1,231)	160,888 (1,102)
Vietnam	24,687 (329)	34,009 (348)	38,690 (339)	46,465 (359)	59,926 (386)

Source: *Toyokeizai Shinpo Sha*(2005) Note:() stands for Japanese employees dispatched from Japan.

The creation of employment and technology transfer through foreign direct investment plays an important role of substituting labor importation to host countries. Therefore, foreign direct investment has much relevance to functioning of migration policies.

We should be careful that the intra-corporate transferees are costly and they should be combined with business travelers who are sometimes specialists, engineers and managers. The relationship between business travelers and intra-corporate transfer can be complementary or substitutable. Multinationals try to localize managers and engineers in affiliated companies while needs for technology transfer leads to growing number of intra-corporate transferees. It depends on competitive situation of the affiliated company and also on cultural and organizational circumstances.

On this issue, there have been discussions undertaken by researchers (Findley, 1993; Salt, 1996; Iguchi, 1997). The author made econometric analysis characteristics of intra-company transferees in East Asia by using statistics on flows and stocks of intra-corporate transferees in relation to business travelers, according to the regions (table 13).

As explanatory variables, the author chose FDI inflows to the region (based upon statistics by Ministry of Finance), exchange rate (foreign currencies in relation to Yen) , number of employees in affiliated companies abroad, number of transferees already present in the affiliated companies and number of business travelers .

The table gives us information on the recent characteristics of intra-regional movement of intra-corporate transferees in Japanese multinationals. Especially important is the relationship of intra-corporate transferees to the employees in the affiliated companies. Before 1997, as the monetary crisis occurred in Thailand, there was positive correlation between the number of intra-company transferees and that of employees in the affiliated companies in Asia (Iguchi, 1997).

TABLE 13 DETERMINANTS OF CORPORATE TRANSFER AND RELATION TO BUSINESS TRAVELER

	<i>Intra-regional Movement</i>		<i>To Europe</i>		<i>To North America</i>	
	<i>Coefficient</i>	<i>T-value</i>	<i>Coefficient</i>	<i>T-value</i>	<i>Coefficient</i>	<i>T-value</i>
FDI flows	0.03139	0.344	0.03687	5.100***	-198.092	-0.583
Exchange rate	-1.82286	-1.843*	-1.4990	-0.813	-0.05946	-4.494***
Employees in affiliates	-0.005094	-5.830***	0.002806	1.938*	-0.003610	-1.979**
Transferees in affiliates	0.007677	9.631***				
Business travelers	0.973	17.025***	0.009672	6.530***	0.01812	10.912***
Constant	-300.875	-1.663	-1.550	-0.700	-198.092	-0.583
Adjusted R	0.851		0.977		0.989	
D.W	0.946		1.974		1.150	
Sample	100		50		30	

Source: By the author using the pool of Japanese statistics from 1991 to 2000.

Note: See Iguchi (2004).

* is statistically significant with 10 per cent level.

** is 5 per cent level .

*** is 1 per cent level.

Therefore, it can be clearly said that number of intra-company transferees does not always grow in Asia, but they will be reallocated to the other affiliated companies within the same region or to the other regions.

It is also interesting that those intra-company transferees who has good experience in managing local commercial presence in Asia or North America are also dispatched to Europe, where the European Union is about to enlarge itself to additional 10 member countries in Central and East Europe (Iguchi 2000).

The negative correlation between the number of intra-corporate transferees and that of local employees in Europe seemed to have turned to positive relation after 1997.

Another important issue is the factor “exchange rate”. Evaluation of Yen may lead to more intra-company transfer as it is less costly to finance those people. By the way, the cost of intra-company transfer has been three-times as expensive as normal employees in local companies in Japan or Great Britain in the middle of 1990s, however, this ratio seemed to be squeezed in multinationals (Iguchi, 1997).

The relation with foreign direct investment is difficult to interpret. However, this may stem from the characteristics of the statistics. The statistics on foreign direct investment does not always reflect reinvestment of profits earned in affiliated companies abroad. In Asia and North America, reinvestment plays an important role, while foreign direct investment to Europe in recent years shows growing investment flows from outside. This may also explain the contrasting result between regions.

The relation with business travelers is also surprising. In every region, there are complementary relation between intra-corporate transferees and business travelers, while it was not the case until 1995.

In recent years, multinationals establish R&D centers in developing countries in East Asia. In such cases, there will be also intra-corporate transfer between R&D centers within the same region. This Phenomenon is relatively new and this is of great importance to realize competitive regional economic integration in East Asia.

D. MIGRATION POLICY IN JAPAN AND FOR EAST ASIA

1. Limitation of Migration Policy

There were no basic changes in Japanese migration policy for the past 15 years. Many kinds of changes in Immigration and Refugee Recognition Act can be regarded as “fine tunings”. The effects of employment policy for foreigners were still marginal and there were no linkages between local immigration bureau and public employment offices or municipalities. What has been attracting public attention recently is crack-down of foreigners in irregular situation especially overstaying foreigners.

Now, we should ask ourselves: what are limitations of Japanese migration policy which could not adjust itself to the changing domestic and international environment?

First, the basic policy of accepting foreign workers was decided by the Cabinet in 1989. The Government of Japan has been maintaining the basic policy until now that foreigners with knowledge or technology should be accepted actively, while the acceptance of the so-called unskilled workers should be carefully examined.

From the late 1980s to the middle of 1990s, there was the “first debate” in Japan whether Japan should accept “the so-called unskilled workers” with the background of the “bubble economy”. But, this debate did not affect the basic policy of the government of Japan at all.

With the long economic depression and accelerating decline of fertility, there has been the “second debate” since the second half of 1990s, whether Japan should allow “(mass-) immigration” in future.

Even during “the first debate”, the Government had no intention to change the basic policy, while it enlarged the foreign traineeship programs and promoted the employment policy for the foreigners of Japanese descendant.

Now in the process of “the second debate”, the Government has already undertaken pension reform (2000, 2004), promote employment of the old-aged by 65(2004) and reinforced policy measures to curb fertility decline (2004). However, the Government is still reluctant to change the basic policy on foreign workers while it has strengthened criminal sanctions and intensified crack-down of foreigners in irregular situation (2003, 2004). The penal sanction against trafficking was also introduced (2005).

However, the fundamental problem of the Japanese migration policy lies in the fact that there is only “immigration control” policy, and no concept of “integration policy” of foreigners.

The Immigration Control Bureau of Ministry of Justice has been able to manage international migration, when temporary migration has been dominant. Now that foreigners as long-term residents or those with permanent resident status increase and the second generation of foreigners are growing up, it is indispensable for Japan to introduce “integration policy” for foreigners and realize better combination between “immigration policy” and “integration policy”.

By the way, employment policy for foreigners was not effective enough and working condition of foreign unskilled workers especially has been deteriorating since the late 1990s, as deflation continued and irregular employment has been glowing. For example, many foreigners of Japanese descendant are working for subcontracting or dispatching company with the contract only for a few months and their wages are in declining tendency. Their experiences are not reflected in their wages. Most of them are not covered by public pension insurance or public health insurance.

Therefore, it is urgent to realize a new legal framework also by domestic labor laws in combination with bilateral agreement, to guarantee appropriate working conditions and safety net by social insurance.

While the foreign workers are busy in daytime, many of their children do not go to schools and the rate of absence in school reaches as high as 40 per cent. They have anxieties because they cannot get enough ability of Japanese language for passing entrance exams or getting good jobs. There is a phenomenon that crimes of foreign youths who cannot be integrated to the society are increasing. Without encouraging attendance to language courses, their situation cannot be improved.

In municipalities, where many foreigners are living, officials cannot get enough information where foreigners are working or whether they are covered by social insurance. It is irrational that different local administrative organs have different information separately and municipalities are not able to access to them.

It is necessary to create a common data base concerning foreigners as the basic infrastructure for "integration policy" beyond the territories of ministries. In addition, measures of national integration policy should have to be taken at the local level in such fields as language training, educational and occupational guidance, employment policy and social security.

Besides, the negotiation on the movement of persons in the framework of Economic Partnership Agreement is very much limited. In November 2004, Japan and the Philippines reached an agreement on EPA including acceptance of Japan of Filipino nurses and care-givers under the condition that they should pass Japanese national examination and master Japanese language. They may also extend their stay in Japan as qualified nurses and care-givers. Language training should be made totally in Japan as official development assistance. The number of acceptance is not yet stipulated.

Under the context of bilateral negotiation, diplomats are interested in "requests and offers". They are preoccupied by the notion that requests should be answered by offers. They have no capacity to change the basic policy or legislation for just one negotiation partner.

Therefore, *bilateral negotiation has its own limitation*. It is expected that regional multilateral negotiation between ASEAN and Japan may create more constructive outcomes in the field of migration policy.

2. Possibility of Migration Policy

In the section above, we discussed that the limitation of Japanese migration policy is the lack of integration policy. Then what kind of possibilities are there for Japanese migration policy, when it has overcome the limitation?

At the beginning of 21st century, the Japanese migration policy is faced with three major challenges; 1) How does it react to declining fertility and contribute to maintaining competitiveness? 2) What kind of role does it play for regional integration in East Asia? In addition, how is it possible to combat against international terrorism and epidemics without damaging international movement of people?

In Japan, the first and the second questions have been separately discussed by different experts, because experts of demography, public finance and social security are not aware of international politics and they do not think about significance of regional economic integration for the Japanese economy and because experts of international economics and politics have no experiences to discuss about demographic issues like fertility decline. The prescriptions or suggestions by the different groups of experts are sometimes contradictory and misleading.

However, we should think about regional economic integration under the constraints of fertility decline. Without being involved in complicated debates among experts, we should reexamine the relationship between migration policy and fertility decline.

Basically, we have no illusion on migration policy that migration can compensate for distortion of demographic structure as well as absolute population decline. It is too risky and unrealistic if mass migration is accepted in Japan, too (Iguchi, 2004b).

According to the estimate by the author, the decline of labor force in Japan can be around 200,000 to 300,000 persons per year until 2020 and it will be larger than 400,000 by 2030 and even 500,000 by 2040, under the assumption that people are able to work by 70 years old and if there is no problem between child-bearing and occupational career. This estimate shows that fertility decline now may bring about gradual decline in labor force for 20 years and its rapid decline almost 20 years later (table13).

Therefore, it is misleading to say that fertility decline leads to economic stagnation or fertility decline is not a problem at all. These extreme arguments can be seen everywhere, without taking into consideration of time-lags and changing international economic circumstances.

From 2006 to around 2025, rapid decline in fertility does not mean rapid decline in labor force. Nevertheless, the decline in the youth population has already begun since the middle of 1990s and we will be experiencing rapid decline in labor force of the youth. The decline of youth may mean more difficulties in succession of skill and technology and less vitality in research and development field, even if capacity of female and old aged people can be utilized. Therefore, migration policy has great potential for the net twenty years with all gradual decline in labor force.

From 2025 to around 2050, the rapid decline in fertility will be totally reflected in development of labor force. Such decline will be also reflected in level of pension allowances if the contribution should not be raised. It should not be forgotten that such a scenario mean totally unsuccessful policy to curb fertility decline. In such chaotic situation, labor force decline will reach almost 0.4~0.8 per cent and it will not easy to compensate for such loss of labor force by technological development and not be overcome even by expansion of the market as well.

TABLE 14 ESTIMATES OF POPULATION AND LABOR FORCE DECLINE
(in thousand)

	Population estimates 1997			Population Estimates 2002				
	Labor Force (A)	Per Year	Labor Force (B)	Per Year	Labor Force (C)	Per Year		
2000	126,892	66,160	—	66,160	—	126,926	66,160	—
2010	127,623	64,700	-146	61,880	-428	127,473	64,650	249
2020	124,133	59,920	-478	56,680	-480	124,107	60,780	387
2030	117,149	55,930	-399	52,290	-461	117,580	56,530	424
2040	108,964	50,700	-523	46,800	-451	109,338	51,060	548
2050	100,496	45,850	-486	42,500	-430	100,593	45,520	554

Source: Population projections are made by Institute for Population and Social Security Estimates of labor force is made by Economic Planning Agency(Estimates (A) (B)) and by Iguchi (Estimate (C))

Note: Estimates (A)and (B) were based upon population projection in 1997(with Total Fertility Ratio stabilizing at 1.61) . (A) is "standard case" with public pension starting at age 65 and with present level of child care service, while (B) is "effective case" with public pension starting at age 70 and with the level of child care service which may maintain the fertility rate. Estimate (C) is based upon population projection in 2002 (with Total Fertility Ratio stabilizing at 1.39) and with the same assumption of Estimate (B).

Some economists argue that it is not necessary to maintain the size of the Japanese economy and there will be no problem even if the Japanese economy shrinks. The author think this kind of argument is totally unrealistic and risky because shrinking economy with shrinking market in the global economy is not attractive at all. Such country will lose capital, human resource and competitiveness and it will not be able to finance the credit of old-aged pension pay public debts. This might lead to devaluation of currency and Japan cannot maintain its prosperity because its standard of living is much dependent upon importation from the world.

Fortunately, Japan is situated in a very advantageous geographical place, because dynamic East Asian countries are rapidly growing in East Asia. From the demand side, there are no worries for the Japanese economy to shrink (Iguchi, 2004b).

Based upon such consideration, it is desirable and possible for Japan to develop migration policies compatible with regional integration in East Asia. .

The “Human Resource Development and Human Circulation Strategy” which the author has been proposing based on the idea “to develop, circulate and utilize human resources in East Asia for development of Asia itself”(Iguchi, 2004a; Iguchi, 1997).

Asia has long been the source region of the highly skilled to North America and Europe. With the declining fertility, North America and Europe need more human resources from Asia. Now, Asia should be able to develop its human resources within the region, circulate them within the region and encourage Asian people back to Asia too. Concrete measures should be taken in the free trade agreements or economic partnership agreements as follows (Iguchi, 2004c).

- 1) **Harmonizing immigration regulations for corporate transferees** as well as corporate trainees in East Asia, based on commitments on movement of natural persons related to trade in services in the Uruguay Round. Priority of liberalizing movement of persons is necessary for executives, senior managers and specialists.
- 2) **Encouraging intra-regional study abroad** by creating more recognition of study results at Asian universities, introducing “double credit” systems and “East Asian scholarship” as well as deregulation of immigration regulations for students.
- 3) **Enlarging universities and institutions especially for science and technology, encouraging multinational companies to establish R&D centers as well as HRD centers in the region** , so that countries in the region are able to accept more experts from other regions and provide more facilities to educate and train experts within the region.
- 4) **Reinforcing human resources development programs to create more skilled workers** in local industries especially supplying parts and devices for the region and facilitate these people move within the region.
- 5) **Encouraging bilateral labor arrangements** by introducing “framework arrangements” so as to protect working and living conditions of low skilled workers migrating in the region,
- 6) **Monitoring demand and supply of medical and health staffs** who may be migrating within the region to encourage investment in HRD centers for medical and health experts.
- 7) **Facilitating movement of business travelers and researchers** by applying APEC Business Travel Card and enlarging its scope to researchers,
- 8) **Institutionalizing systems to combat human trafficking and cooperation of related authorities** within the region and encouraging technological innovation to prevent international terrorism and unknown epidemics in the region.

In June 2005, the Cabinet Office of the Government of Japan, started to examine migration policy as a whole, in the framework of regulatory reform, to reach a conclusion within two years. There seem to be various possibilities to create new migration policy, which may able to correspond to “East Asian Community” and to decreasing population and increasing permanent or long-term residents.

E. CONCLUDING REMARKS

Since the monetary crisis in 1997, East Asian countries acknowledged the necessity to prevent outbreak of monetary crisis, to realize sustainable growth through technological development as well as expansion of internal market.

Moreover, the reality of economic interdependence in East Asia is far beyond “free trade agreement”. The economic interdependence is promoted not only by foreign direct investment but also by international migration. Institutionally speaking, the migration system in Asia should have to catch up with the new reality.

Looking at the migration policy in Japan, 1) lack of “integration policy” will cause more problems of foreigners in Japan, 2) combination of human resources development and migration policy may be of great importance at different kind of skill levels, 3) facilitating intra-corporate transfer of multinationals is indispensable for Japan to promote technology transfer and regional cooperation.

The “Human Resource Development and Human Circulation Strategy” is one example of combining domestic efforts and international cooperation. It is to achieve better combination of national and regional interests.

By taking these measures, it is expected that Japan would be able to overcome its problems arising from fertility decline and to contribute to the sustainable development of East Asian region.

Lastly, East Asia has several political frictions among countries and regions, irrespective of growing economic interdependence. To realize “East Asian Community”, it is of strategic importance to promote exchange of persons within this region.

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