

Japan – the aftermath of the Olympics

The Tokyo Olympics went ahead after a prolonged period of uncertainty, but at the end the flame was lit and the athletes arrived in Japan. Despite the difficulties associated with the pandemic in relation to organizational planning, logistics and the economic uncertainty that surrounded the games, both the Olympics and the Paralympics were well executed and deemed successful. The drawback of not being able to have live spectators at most events, naturally altered the setting of the contest. Nevertheless, the games were well accomplished and Japan had notable success in several sports. The public support for the games that was waning after the postponement in 2020, continued to falter, but as Japanese athletes won medals public support increased.

Going through with the Tokyo 2020 Olympics turned out to be one of the most challenging endeavors in Olympic history. The combination of the ongoing pandemic and its repercussions on the practical planning, slow vaccination roll out, the economic framework and effects on the budget, carried strong implications. On the one hand there is an economic fallout, but in the other hand there is also a political fallout.

On the basis of the postponement of the Olympics, additional costs were accumulating for the organization. In this respect, the Tokyo 2020 Olympics will most likely be the most expensive Olympic event in history, amounting to an estimated USD 15,4 billion. In addition, decisions to not allow foreign or domestic spectators meant that ticket sales were almost non-existent, no tourists meant that hotels and restaurants were left empty and the setting for sponsor contracts would be different. All in all, the economic aftermath is ongoing and exactly how the costs – direct and indirect – will be covered and spread across different stakeholders remain to be seen. Naturally, the positive impact that the Tokyo 2020 would have had on the economy in general and boosting Japan's revival as a sustainable green economy did not materialize as expected. In the long run, the implications of the Tokyo 2020 will extend to the wider setting of future events, where the questions of who and how risks will be handled for organizers will be evident.

The aftermath of the Olympics has also brought political change. After just one year as the Prime Minister of Japan, Suga, announced that he will be stepping down in connection with the LDP presidential election on the 29 of September. There are a number of potential underlying reasons behind this decision. First, the decreasing support from the electorate in the wake of the Olympics and the poor handling of the COVID19 crisis, seem to have taken its political toll. Second, the slow vaccine program and the planning for a post pandemic economic revival, seem also to have affected the political standing. Third, the structural problems in the health sector were obvious when the public hospitals got overwhelmed with COVID19 patients while a contemplative calm prevailed at the private hospitals.

Up until recently, Suga seemed to be determined to face the electorate at the polls later in the fall, as the leader of LDP, but when internal support also showed to be faltering, the decision was made to step down and pave the way for the election of a new leader of LDP, going into the election to the House of Representatives or the lower house of the Japanese Diet.

The outstanding question now is whether Japan will enter a new period of rapidly changing Prime Ministers, as has been the case before. For the opposition the fall of the Suga administration can hardly be seen as positive, as they cannot field a candidate that is trustworthy enough in the eyes of the electorate. As for now, a line-up of contenders has been taking shape in the race for the LDP presidency, and the party now seems to have several aspects to consider in electing a new leader, who is ready to face the electorate at the polls later in the fall. Not only will the party leadership election be about candidates and their different political agendas, but it is also about a generational shift. Another striking feature of the election is that for the first time since the foundation of LDP in 1955, two female contenders are part of the race. The candidates are: Fumio Kishida, Taro Kono, and Sanae Takaichi and Seiko Noda. As for now Taro Kono, Japan's Administrative Reform Minister, seem to be the favourite to succeed Suga as leader of LDP, but judging from the history of factional complexities of the LDP, the outcome is far from obvious. The markets and political leaders are looking on closely in order to determine the future stability of the new Japanese political setting.

Irrespective of who will succeed Suga as the President of LDP and eventually as the Prime Minister of Japan, a number of issues will immediately be of concern for the new cabinet. Firstly, the goal stated by the current government of having a carbon neutral Japan by 2050 seems to be bold but not uncomplicated. The Japanese industry share the will to align with the Sustainability Development Goals (SDGs), but there are also voices raising concerns about how this strategy will be reached and what the potential consequences for the Japanese economy will be. One of the most important issues is to secure a stable energy supply and how to achieve an energy mix, where renewable energy resources play a larger part. This development ties into the future of nuclear power in Japan and what role it will play in the future energy mix. The challenge for an incoming administration will be to get the private and public stakeholders to work in tandem to sustain and build future competitive advantages for the Japanese industry. This will also involve developing new industrial sectors with a minimum environmental footprint.

Secondly, coming up with a short- and long-term plan of taking on the post COVID19 economic revival plan in combination with successfully executing the vaccination program, will be of utmost political importance. There are signs of a recovery for the Japanese economy, and not losing momentum is vital. However, monetary policy is already very expansionary and there are limits to further stimulus.

Third, the government needs to continue taking the lead on digitalization of the Japanese society and economy. This is an area that has shown tremendous potentials for improvement during the pandemic, and for which the Suga government set up a vision. In a post COVID19 economy, digitalization is likely to play an even bigger role and the market for digital services needs to be developed. Furthermore, the ageing IT infrastructure at companies and authorities needs to be upgraded or completely replaced.

Finally, the role of Japan as a frontrunner and upholder of a rules-based world order in trade, investment and security will be important. The potential of the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA) with the EU creates a promising framework for pushing the agenda on connectivity, digitalization, sustainability and security.

All in all, the repercussions and consequences of the postponed Tokyo 2020 Olympics have proven to be much broader than first anticipated.

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