



Japan's response to COVID-19

20 March 2020

Executive Summary

- The first case of COVID-19 in Japan was reported in January and cases have been increasing gradually since. The total number reported as of 19 March was 924, with 29 deaths (excluding the 672 cases and seven deaths on the *Diamond Princess* cruise ship).
- Certain restrictions are in place, but Japan has not instituted a near-complete shutdown to the extent most European countries or the United States have, and some sense of normalcy seems to be returning.
- The government's expert panel released new guidelines on 19 March, recommending the cautious loosening of some restrictions and giving local governments more power to decide on future restrictions, reflecting differences in severity of outbreak over the country.
- An emergency economic package was announced on 10 March to cushion the economic impact of the virus and support impacted businesses, introducing fiscal measures worth approximately 430 billion yen and low-interest loans to small and medium-sized businesses totalling 1.6 trillion yen.
- The Abe Administration initially came under criticism for its handling of the crisis, particularly in the case of the *Diamond Princess* and some of the early measures enacted to prevent the spread of the virus in country, but the criticism seems to have abated and public support for the government has bounced back.
- The key concerns for the government now are mitigating the significant impact the outbreak has had on Japan's economy, and taking the necessary measures for the Tokyo 2020 Olympics to go ahead as scheduled. The government is now working on the content of a new emergency package to help the economy, planned to be launched in April. It is expected to be at least as big as the package launched in the wake of the 2009 crisis, if not bigger. Postponing or cancelling the Olympics would result in the economic loss of billions of yen and will also have political implications for Prime Minister Abe and the ruling Liberal Democratic Party. It could also potentially lead the Prime Minister to call a snap election.

The timeline of Japanese government's response

The first reported case of COVID-19 came in early January, when a Chinese resident who had returned to Japan from a trip to Wuhan tested positive during a hospital stay for pneumonia. The first reported case of transmission within Japan came on 28 January, when a tour bus driver in Nara Prefecture tested positive after driving a tour group from Wuhan. Since then, cases have been gradually increasing daily, though at a much slower rate than the exponential rate seen in most other countries.

On 13 February, the Japanese government announced a 15.3 billion-yen economic package to tackle the spread of the virus. Measures announced included strengthening border controls to minimise the spread of the virus, funding for the development of vaccines and virus test kits, and support for returnees from Wuhan. The government also announced 500 billion yen of low-interest loans for small and medium-sized businesses impacted by the virus.

On 25 February, over a month since COVID-19 was first detected in Japan, the Japanese Cabinet Office announced the release of its official plan for responding to the COVID-19 pandemic. Acknowledging that “there have been domestic cases where the route of transmission was not clear and clusters of group infection appeared in certain regions,” the plan intended to control the existing transmission of the disease within Japan. The plan called for postponing large scale events throughout Japan and for businesses to allow telecommuting. In areas where the virus was known to be spreading, citizens were asked to reduce the amount of time they spend outside. The Ministry of Health, Labour, and Welfare’s Expert Meeting (“Expert Meeting”) on the virus declared that the next two weeks would be the critical moment for determining whether Japan would face widespread infection or not.

On 27 February, Prime Minister Shinzo Abe unexpectedly announced that all schools would be closing until early April to prevent the spread of the virus. This announcement caused widespread confusion. Subsequently, the government clarified that the announcement was a “request” and that whether to close schools was up to local governments. Most schools in Japan did close and remain closed, though some municipalities kept school buildings open for children whose parents could not look after them.

On 9 March, the Expert Meeting reconvened to assess the progress of the epidemic during the two-week “critical moment.” The following conclusions were reached:

- The situation in Japan was not moving toward an explosive spread of infections and appeared to be steady;
- The number of cases was expected to continue to grow “for some time”, with some temporary increases and decreases;
- The number of deaths in Japan was not increasing significantly, which indicated that even with limited medical resources, doctors in Japan are able to detect patients who may develop severe symptoms and are providing proper care, indicating high quality of their medical service;
- Even if domestic transmission was contained at the moment, a second wave could come at any time;
- Given the ongoing worldwide outbreak, cases of infections brought from abroad were expected to continue.

The Expert Meeting also called for continued social distancing measures.

On 10 March, the government announced a second emergency package to cushion the economic impact of the virus and to support impacted businesses, tripling the amount of low-interest loans to small and medium-sized businesses from 500 billion yen to 1.6 trillion yen, and introducing fiscal measures worth of approximately 430 billion yen. The measures announced included: subsidies for working parents who had to miss work to care for their children; small emergency loans to individuals facing income decline due to the virus; subsidies for self-employed; interest-free loans for small and mid-sized businesses whose sales declined, respectively, at least 15% and 20%; liquidity support for businesses in the tourism industry.

On 13 March, the National Diet, at the urging of the Prime Minister, passed a bill allowing the Cabinet to declare a national emergency over the coronavirus pandemic. The national emergency would give local governments broad powers to restrict movement and close facilities. The legislation will be valid for two years. In a press conference the next day, Abe stated that it was not yet necessary to declare such an emergency and that the 2020 Tokyo Olympics would continue as planned in July.

On 16 March, the Bank of Japan expanded its equity-buying program, doubling its purchasing target to 12 trillion yen, effectively pushing the interest-rate environment in Japan even further into the negative range.

On 18 March, Prime Minister Abe announced further measures to curb the spread of the virus and to support struggling households.

To prevent increase of cases of infection brought from overseas, Prime Minister announced the following border control measures:

- Banning visitors traveling from parts of Italy, Spain and Switzerland, as well as visitors from Iceland, from entering Japan, effective midnight of 19 March;
- Requiring visitors from 38 countries (including European countries in the Schengen zone, Iran, and Egypt) to go into quarantine for 14 days and to avoid using public transportation, effective from 21 March until the end of April;
- Suspending visas, as well as visa exemptions, issued to visitors from the above 38 countries.

To support households struggling as a result of the outbreak, Prime Minister Abe announced that the government will simplify procedures for deferral of tax and social insurance payments and implement measures for tax exemptions. He also requested that local governments delay collection of local taxes. The government will also introduce a grace period for those struggling to pay their utility bills due to the impact of the virus.

On 19 March the government's expert panel concluded that the governments recommendations so far have had some effect as Japan, unlike other countries, have been able to contain number of infections and most critically fatalities from the outbreak. They maintained, however, that it is possible the situation could lead to a nationwide pandemic and urged everyone to continuously exercise caution.

As the situation varies from prefecture to prefecture, the panel also recommended to shift responsibility for recommendations to prefectural governments and allowing for re-starting of lower risk gatherings in areas less affected while keeping a more cautious approach in more severely affected areas such as Tokyo, Osaka, Hyogo, and Hokkaido.

The panel, finally, also opened up for the organisation of events if they were deemed "essential" and the hosts takes measures to ensure good circulation, avoidance of excessive crowding during, before, and after the event while minimising interaction by participants.

The case of the Diamond Princess

Japan's most serious COVID-19 incident involved the *Diamond Princess*, a cruise ship registered in the UK, owned and operated by Princess Cruises, a cruise line owned by a British-American cruise line operator, Carnival Corporation & plc. The virus

was confirmed to have spread within the *Diamond Princess* during a round-trip cruise which had departed from Yokohama on 20 January.

After an 80-year-old passenger from Hong Kong disembarked in Hong Kong on 25 January and tested positive for COVID-19 on 1 February, the ship delayed its scheduled 4 February departure from Yokohama to allow Japanese authorities to screen and test passengers and crew still on board. On 4 February, the authorities announced positive test results of COVID-19 for ten passengers, the cancellation of the cruise, and that the ship was entering quarantine. A total of 3,700 passengers and crew were quarantined by the Japanese Ministry of Health, Labour and Welfare (MHLW) for what was expected to be a 14-day period, off the Port of Yokohama. By 18 February, the number of COVID-19 cases had reached over 500.

Kentaro Iwata, an infectious diseases expert at Kobe University who visited the ship, strongly criticised the management of the situation in public videos. He said that there was no zoning between contaminated areas and virus-free areas, numerous lapses in infection control measures, and no professional in charge of infection prevention. Japanese officials denied the accusations, but pictures uploaded to Twitter by vice minister of health Gaku Hashimoto, although immediately deleted, confirmed many of the claims.

A day later, Yoshihiro Takayama, a doctor working on the *Diamond Princess*, pointed out what he described as errors in Iwata's description of the situation in a Facebook post that went viral. The Facebook post did not debunk any of the key claims that Iwata made, but to avoid conflict, Iwata removed the videos.

By 27 February, at least 150 of the crew members had tested positive for the virus. Japan's National Institute of Infectious Diseases claimed that it believed most of the transmission had occurred before the quarantine began, but criticism of the measures continued, with the government eventually changing arguments to claim that they were not primarily responsible for anything that happened on the British-flagged ship, and that Princess Cruises were the responsible party that had to ensure safety measures.

By 1 March, all passengers and crew members had disembarked from the ship. As of 15 March, there have been 672 confirmed cases from the ship and seven deaths.

Mitigating economic impact of the outbreak

The economic impact of the outbreak on Japan has been significant. Japan's tourism industry, which had become one of the engines for the country's economy and a top

priority for the Abe government, has ground to a halt. Supply chains of Japanese corporations have been disrupted due to the shutdown of China's factories. Similarly, imports from China have also dropped significantly.

Yasutoshi Nishimura, Minister of Economic Affairs and newly-appointed minister in charge of COVID-19 countermeasures, has stated that the economic impact will be similar or even larger than that of the financial crisis of 2009.

In addition to the emergency package announced on 10 March, the government is now working on measures to mitigate medium- and long-term economic impacts of the outbreak. Prime Minister Abe has repeatedly stated that "everything possible will be done" to counter the economic downturn. At the meeting with lawmakers of the ruling Liberal Democratic Party (LDP) on 18 March, he stated that the government will ensure a quick rebound of the economy when the current crisis is over.

The government is planning to launch a new economic stimulus package in April to mitigate the economic impact of the outbreak. Intense discussions are now ongoing within the government on the policies and measures to include in the package.

For example, many young LDP Diet Members are proposing to reduce Japan's consumption tax to 5% (the tax was just recently raised from 8% to 10% in October 2019). While Prime Minister Abe is not a strong supporter of the idea, he has stated that he will carefully examine all proposals.

Expectations are that the new package will be at least of the magnitude of the fiscal stimulus package issued by the Japanese government following the financial crisis of 2009, if not larger. The 2009 package was 15 trillion yen (approximately \$150 billion). If the new package is larger, it would become the largest stimulus package in the history of Japan.

In a press conference on 18 March, Abe announced that the government is also forming an expert panel to discuss measures to mitigate the economic impact of the outbreak. The panel will include key ministers, Bank of Japan Governor Haruhiko Kuroda, and corporate executives and economists. The discussions of the panel will form the basis of the April package.

Key for timing of the package will be the passage of the ordinary budget for the 2020 fiscal year, starting 1 April, which passed of House of Representatives on 28 February and is currently being deliberated in the House of Councillors. The opposition parties have called for the expansion of the ordinary budget in response

to the coronavirus, but the ruling parties have insisted on first having the ordinary budget pass, before drafting the expected extraordinary budget.

Testing for COVID-19 in Japan

Japan adopted a testing strategy different from most other countries with outbreaks, testing only a very small percentage of the population (around 900 people a day) and implementing strict requirements to receive a test. According to the MHLW's figures, as of 10 March, Japan had conducted 14,901 tests in total, equivalent to 76 people per million (lower than all other G7 countries except the United States).

The official requirements for testing are:

- If an individual has a fever for more than four days along with symptoms suggesting pneumonia;
- If an individual has returned from an area with confirmed COVID-19 cases; or
- If an individual has come into close contact with an infected person.

However, there are reports of patients who have had high fever for weeks being refused testing, and that even healthcare professionals who treated COVID-19 patients being refused testing, as treating a patient while wearing a mask is not considered "close contact".

The MHLW views testing for anyone without severe symptoms (except patients) as an "epidemiological study" rather than as a medical intervention and seems less concerned than other countries about early detection of clusters.

According to the Ministry, because there is no treatment for the virus, early detection will not lead to early treatment, and rather than testing, anyone with mild symptoms should self-quarantine and not risk burdening the healthcare system. The MHLW also restricted private institutions from testing for fear of damaging epidemiological data.

On 6 March, in response to criticism both domestically and internationally towards this protocol, the government made more tests eligible for health insurance, but the number of patients tested has not significantly increased.

Public reaction to COVID-19

The public reaction to the virus has been strong, with measures taken to stem the spread of the virus including stricter hygiene measures, event cancellations, and

social distancing. Japan does not have a strong culture of telework, so rush-hour trains remain crowded (albeit less than usual), despite warnings from experts that crowded trains are perfect environments for the virus to spread.

Panic buying of toilet paper and certain food items continues, but generally stores remain stocked with essential goods. Public transportation and services are operating as normal and restaurants and bars remain open. Although schools remain closed for now, some facilities, including sports facilities and gyms, are starting to open, albeit with restrictions still in place. Overall, there is a sense that normality is starting to return to the country.

The initial reaction of the government, especially to the *Diamond Princess*, had enormous effect on the approval rating of the government, with a *Kyodo News* poll showing Abe's approval rating falling to 41 percent on 16 February, its lowest in months. However, the approval rating in the same poll bounced back to 49.7 percent on 17 March, reflecting public confidence in the measures taken by Abe Administration to contain the virus.

The general adherence to the government's recommendation is also remarkable. Companies have swiftly implemented tele-working, all schools have closed down, close to all events have been postponed even if there have been no formal requirement or legal obligation to do so.

Tokyo 2020 Olympic and Paralympic Games

Much of Japan's response so far can be linked to the desire to not postpone (let alone cancel) the Tokyo 2020 Olympics. If not for the Olympics, it is likely that the government would not have taken the COVID-19 situation as seriously as it has.

Both Prime Minister Abe and Tokyo Governor Yuriko Koike maintain that the Olympics will be held as scheduled. A Communique from the International Olympic Committee (IOC) issued on 17 March also emphasised that the IOC remains fully committed to the Tokyo Olympics and that there was no need for any drastic decision "at this stage". However, the IOC has been criticised by the athletes for the decision to press on with the event. Separately, a recent poll showed that two-thirds of Japanese citizens believe that the event should not take place as planned.

The importance for the Japanese government to hold the Tokyo Olympics as scheduled cannot be underestimated or overstated.

The delay or cancellation of the event would see an economic loss of billions of yen. Japanese corporations and the Japanese and Tokyo governments have invested heavily in the event. The Tokyo Olympics is the most heavily sponsored sports event, with the IOC raising more sponsorship money than the London (2012) and Beijing (2008) Olympics combined, largely because of Japanese companies. Through the Tokyo Olympics, Japan has intended to showcase its technological innovation, sending the message that Japan Inc. is back. Cancellation and even postponement will crush that message.

Postponement or cancellation of the event will also have political implications. The Tokyo Olympics were to be Prime Minister Abe's "swan song", the last major event before the end of his final term as Prime Minister in September 2021. The Olympics were also supposed to boost confidence in the LDP and its popularity – something the Abe Administration needs as the party has been made vulnerable due to several political scandals earlier in the year.

If the event is postponed or cancelled, there is a question of Abe's next actions – whether he will resign early or seek to amend the LDP policy to remain Prime Minister for another term. The change might also lead Abe to trigger a snap general election.

Given the importance of the Olympics for Japan's economy and politics, the Abe Administration has been keen to show that it has the outbreak under control.

Conclusion

If official figures can be believed, the outbreak in Japan is likely to come under control within the next few months and a disastrous outbreak like that seen in China, Italy or Iran is unlikely. However, further large clusters within the country or spread of the virus from overseas cannot be ruled out and vigilance and social distancing must be continued for the foreseeable future. The public focus will likely shift to further economic measures the government will take to cushion the massive economic damage caused by the virus and possible postponement or cancellation of the Olympic Games.

GR Japan
20 March 2020