

# Japan -earthquake, tsunami, and nuclear crisis in international business perspect...



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1. Introduction Japan is a country, which periodically faces earthquakes. However, the earthquake of last March has been far from expected, mostly because of its power, ' about 9 of the Richter scale' (The New York Times, 2011), but also of the level of the tsunami that followed. The above earthquake has caused the death of thousands of people; also, significant damages have been caused to the country's nuclear units and the infrastructure (roads, airports, buildings); in fact, because of the extension of the earthquake's effects, as analyzed below, the country's economy has been severely affected. The influence of the earthquake and the tsunami in the nuclear strategies of countries worldwide is examined in this paper. Reference is also made to the effects of the event on the global market. Appropriate theories are used for explaining the relationship between the earthquake in Japan and the nuclear crisis that followed.

2. Background of earthquake It could be argued that Japan should be best prepared to face such events. Two Swiss experts have been asked to evaluate the potentials of predicting the above earthquake: In accordance with Domenico Giardini, there were major chances to predict the specific earthquake. It is noted that earthquakes of 8. 5 are considered as possible in the greater region; also, a few days before the above earthquake, tremors of 7. 7 were reported in the region, but they were not given the adequate attention (Kuenzi & Beti 2011). On the other hand, when the earthquake occurs, the tsunami is difficult to be managed, as the water may be able to move ' faster than a commercial aircraft' (Willi Hager in Kuenzi & Beti 2011); it is noted that in such conditions a warning system is useless as there is no time available for evacuating the

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area (Kuenzi & Beti 2011); in other words, measures should be taken before the earthquake for protecting the coastal and the inland regions – and the nuclear units of Japan; after the earthquake, there were no chances for the effects of the earthquake to be controlled.

3. Key points of earthquake

a. Analysis of events In accordance with reports published in the day of the event, waves of 6 to 10 meters swamped large areas of Japan's inland at a distance of about 5 kilometers from the coast (ABC News 2011), a phenomenon unique not only for Japan but also for other countries worldwide. Initially, the losses in human lives and the damages in the country's infrastructure were not accurately measured; in this way, for a few hours, the event was rather underestimated. However, as the tsunami hit the coast and the inland of the northern areas of Japan, the actual level of the damage was made clear. Initial reports refer to 350 dead people, and 500 missing (BBC News, 2011). The failure in appropriately measuring the damage caused is reflected in the initial announcement of the Japanese government that 'none of the plants are leaking radiation' (ABC News 2011). In another report published in the day of the earthquake, the number of dead is estimated to 1000 (Kuenzi & Beti 2011), again a totally wrong estimation.

b. Timeline of events The earthquake in Japan caused a severe nuclear crisis, because of the damages caused to the country's nuclear units, cited in the coastal areas of the Northern coasts of Japan. The timeline of this crisis could be described as follows: in March the 11, soon after the tsunami, efforts were made for rescue survivors; no measures were taken for the nuclear units the day of the event; for about 2 days these efforts were continued. In the fifth day, an explosion occurred in the second nuclear unit in Fukushima (The New York Times, 2011). The areas surrounding the nuclear units in <https://assignbuster.com/japan-earthquake-tsunami-and-nuclear-crisis-in-international-business-perspective/>

Fukushima were evacuated – an effort which was continued for about a week after the event. It was in March 21 that the first attempts for repairing damages in the nuclear units in Fukushima started (The New York Times 2011). These efforts are still continued up today. However, the problem has not been, yet, controlled.

c. Impact of event on global market Japan represents a limited share of the global market, just the 6% (Hoshiko 2011); so, the damages in the national economy could not cause severely turbulences in the global market. However, the above event could threaten the European economy, the share of which in the global market is 20% (Hoskiko 2011). Countries with strong economies, like the BRIC countries, were not particularly affected by the event (Korean Times, 2011). However, effects like the decrease of the price of oil because of the tsunami in Japan (Reuters, 2011). In terms of business activity, the effects of the earthquake can be quite severe: the turbulences in the Japan economy could be a barrier for foreign firms to enter the country (one of the criteria used in the Choice of Entry Mode Theory). If the Japanese market would be evaluated using the Porter's theory of competitive advantage, again barriers could be revealed for firms that wish to enter the Japanese market. These barriers would be related to the following issue: the pressure of customers for lower prices – under the influence of the turbulences in the country's economy. On the other hand, the Heckscher-Ohlin Theory would be appropriate for identifying the strategies that foreign firms in Japan would adopt. Under the influence of the earthquake, land in Japan would become reduced – meaning the land available for agriculture. Therefore, in the future, the import of agricultural goods – also of fishery - in Japan will be increased; foreign entrepreneurs who are interested in entering the country's market should take into

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consideration the above fact. 4. Conclusion and recommendation The preparation of countries worldwide for severe natural disasters seems to be inappropriate - taking into consideration the example of Japan, a country that is considered as the most developed internationally in terms of technology advances. In accordance with Davidow (2011) the increase of the funds available for covering damages caused by natural events is an emergent need - in 2007 the valued of the relevant risks was estimated in \$1. 6 trillion (Davidow 2011). The policies adopted by countries for facing such events should be changed; the willingness for protecting the financial benefits of certain activities can have extremely severe events, as the case of Japan proved. References ABC News (2011, March 11) "Tsunami swamps Japan after powerful quake". Retrieved June 14, 2011 from <http://www.abc.net.au/news/stories/2011/03/11/3161866.htm> BBC News (2011, March 11) "Japan earthquake: Tsunami hits north-east". Retrieved June 14, 2011 from <http://www.bbc.co.uk/news/world-asia-pacific-12709598> Davidow, B. (2011, April 28) "What Can a Tsunami Teach Us About Finance?". Retrieved June 14, 2011 from <http://blogs.forbes.com/billdavidow/2011/04/28/what-can-a-tsunami-teach-us-about-finance/> Hoshiko, E. (2011, March 20) "A Looming Disaster: Europe". Retrieved June 14, 2011 from <http://www.newsweek.com/2011/03/20/a-looming-disaster-europe.html> Kuenzi, R. & Beti, L. (2011, March 11) "Japan reels after massive quake and tsunami". Retrieved June 14, 2011 from [http://www.swissinfo.ch/eng/science\\_technology/Japan\\_reels\\_after\\_massive\\_quake\\_and\\_tsunami.html?cid=29699686](http://www.swissinfo.ch/eng/science_technology/Japan_reels_after_massive_quake_and_tsunami.html?cid=29699686) Reuters (2011, March 11) "GLOBAL MARKETS-Global stocks, oil fall on Japan quake, tsunami". Retrieved June 14, 2011 from <http://www.reuters.com/article/2011/03/11/markets-global-https://assignbuster.com/japan-earthquake-tsunami-and-nuclear-crisis-in-international-business-perspective/>

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