

Minister's Summary by Minister Yosano**15th Meeting (June 16, 2006)**

- (1) Integrated Reform of Expenditures and Revenues
 - 1) Social security
 - 2) Towards the compilation
- (2) Towards the Basic Policies 2006

Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 15th meeting of the year. Discussions were held on Integrated Reform of Expenditures and Revenues and towards the Basic Policies 2006.

Regarding the Integrated Reform of Expenditures and Revenues, an expert member made proposals particularly on the appropriate goal of advancing fiscal consolidation in the middle of the -2010s and on the idea for examining revenues towards the final compilation of Integrated Reform of Expenditures and Revenues. At the same time, for the required amount in FY2011 submitted to the government and the ruling party recently, the expert member reported the verification results by the economic model constructed by the Cabinet Office and confirmed that it was consistent with that calculated by simple arithmetic of the model.

As individual issues, social security-related issues were discussed. In relation to the social security-related expenses, Mr. Tanigaki, Minister of Finance, explained the necessities and measures to secure stable financial resources, sale of assets, and public accounting. Mr. Kawasaki, Minister of Health, Labour and Welfare, could not attend the meeting due to Diet deliberations.

The Prime Minister made the following statement.

They said initially that a primary balance surplus at the beginning of the 2010s would be difficult to achieve, but that this achievement has become increasingly likely. Tax revenue has increased, and further decrease in issuance of national bonds has become possible.

When considering various possibilities, we need to consider feasibility. Tax revenue, for example, is variable, and I ask you to consider it carefully when making adjustments. You need to consider things in such a way that a flexible response can be

ensured later on. If you only make one estimate, it will develop by itself uncontrollably, so thoroughly consider that point.

I was criticized by some people as being a populist, but once they see my expenditure cuts, they'll understand that that's not true.

It will be very difficult from this point on. Thus far, reductions have been made as much as possible, and it is becoming more difficult to implement large cuts. In reality, the flexibility to allow room to meet demand is also necessary.

As for the Basic Policies 2006, the basic tone for the description of the broad outlines was discussed. One major theme would be embarking on a "Decade of New Challenges," and a consensus was reached on almost all of the following:

As a country, fulfill its responsibility to future generations;

Clearly show that we entered a new phase of the era;

Tackle our country's three challenges of enhancing growth potential, advancing fiscal consolidation, and realizing a safe and secure society with firm maintenance of a structural reform path; and

The importance of maintaining a peaceful and affluent Japanese society

Finally, the Prime Minister made the following statement by reflecting on the CFP meetings.

I have sought from the beginning to act without wavering. So often I have been told that I only tend to repeat the same statements at the Diet, but this has simply happened because I have thought and therefore said the same things as previously. Personally, I think it was the correct thing to do.

As additional comments on today's discussion, I would like to explain that an expert member made a proposal for the social security in the Integrated Reform of Expenditures and Revenues. The proposal was for a two-sided approach by which expenditures are divided into two; a social security area in which expenses inevitably increase and a non-social security area. I think it provided an important viewpoint in examining the alternatives until the middle of the 2010s.

Regarding the prudent economic assumption for examining the advancing fiscal consolidation, after thorough discussion with Mr. Nakagawa, Chairman of the Liberal Democratic Party's Policy Research Council, we have agreed to make the base a nominal growth rate of 3%. The CEFP also made the case with a nominal growth rate of 3% as the base for submitting the materials of the required amount in FY2011.

As for the Basic Policies 2006, the work towards its completion will be accelerated from the next meeting.