

Minister's Summary by Minister Yosano**1st Meeting (January 18, 2006)**

- (1) Revision of the Reform and Perspectives
- (2) Medical system reform
- (3) Agenda for the future deliberations of the CEFP

Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held its first meeting this year. First, an inquiry and report were made on revision of the Structural Reform and Medium-Term Economic and Fiscal Perspectives (the Reform and Perspectives). Then, we discussed medical system reform, inviting Mr. Kawasaki, Minister of Health, Labour and Welfare. Finally, we talked about the agenda for the future deliberations of the CEFP.

As for the revision of the Reform and Perspectives, the CEFP made a report of findings in response to the Prime Minister's inquiry. The Prime Minister made the following statements.

I would like to express my deep gratitude to the CEFP members for making the report on revision of the Reform and Perspectives. I would like to have it endorsed by the Cabinet immediately and to set it as the government's basic policy for medium- to long-term economic and fiscal management.

I hope to accelerate the structural reform in the future under the medium-term policy line suggested in the Reform and Perspectives, so I ask for your cooperation.

It should be noted that the Cabinet Office's estimation indicated in the Reform and Perspectives was made purely on an academic and statistical basis. Therefore, although it shows that the primary balance will turn to a surplus in fiscal 2011, one year ahead of the previous estimation, achieving this target requires considerable efforts. The improvements in the primary balance to date owe not only to the tax revenue increase backed by economic recovery, but also to the tax revenue increase resulting from tax revisions including reduction and abolishment of the fixed-rate tax reduction, the continued reduction of discretionary expenditures such as public works expenditure, and the reduction of expenditures through institutional reforms including the medical system reform. These are not constant factors that can be expected every year.

Furthermore, we must take note of the risk that the occurrence of a situation such as a rise in interest rate would rapidly inflate the interest payments. The Cabinet Office's estimation suggests that in order to achieve a primary surplus, the total amount of discretionary expenditures (including even ODA and science and technology promotion expenditures) must be cut by a total of 25%, which would amount to about 15 trillion yen. We must realize that further efforts to cut expenditures and institutional revisions are required for achieving a primary surplus by the beginning of the 2010s.

With regard to medical system reform, Minister Kawasaki provided an explanation about matters including the future prospects of expenditures for medical care benefits based on materials. I made the following comments.

The suggested reform is an important step forward for making the medical system sustainable, and future prospects were presented.

We ask Mr. Kawasaki, Minister of Health, Labour and Welfare, to make his best effort toward the success of this medical system reform.

We must further study reforms of social security systems in the framework of discussions on the integrated reform of expenditures and revenues.

As for the agenda for the future deliberations of the CEFPP, explanations were provided based on materials, first by an expert member, and then by Mr. Nikai, Minister of Economy, Trade and Industry. I mentioned that I would hear any opinions the members might have, and then I would provide a suggestion on the agenda for the future deliberations of the CEFPP in the next meeting. This was accepted by the CEFPP members.

Finally, the Prime Minister commented that this was the first CEFPP meeting this year, and continued cooperation of the members would be appreciated.