

**Minister's Summary by Minister Yosano****13th Meeting (May 31, 2006)**

- (1) Enhancement of growth potential and competitiveness
- (2) Integrated Reform of Expenditures and Revenues
  - 1) Towards the compilation
  - 2) Reform of the social security system
- (3) Towards the Basic Policies 2006

Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 13th meeting this year. Discussions were held on the enhancement of growth potential and competitiveness, on the Integrated Reform of Expenditures and Revenues, and towards the Basic Policies 2006.

First, regarding the enhancement of growth potential and competitiveness, Mr. Nikai, Minister of Economy, Trade and Industry, explained the draft outline of the Economic Growth Initiative and the New National Energy Strategy. Understanding was shared on the point that the whole government should continue to make efforts towards the compilation of the Economic Growth Initiative and reflect it in the Basic Policies 2006.

Next, discussions were held on Integrated Reform of Expenditures and Revenues supplemented by the submitted materials. Towards its final compilation, we will enhance the content in the next meeting and beyond, in cooperation with the ruling party. To start inter-ministerial examinations of the social security number system, I will make a concrete proposal in the next CEFP meeting regarding on what occasion and by what method the system should be examined. The Prime Minister presented a question as to why an opposition does not insist on the introduction of a social security number while they insist on a taxpayer identification number.

We went on to the next discussion towards the Basic Policies 2006. Concerning three issues raised by expert members, namely "enhancement of growth potential and competitiveness," "advancing fiscal consolidation," and "safety and security," it was agreed upon to make these the main pillars of the Basic Policies. In addition, Mr. Abe, Chief Cabinet Secretary, reported on the temporary compilation concerning the establishment of a system allowing opportunities for second chance.

The Prime Minister made the following statement on opportunities for second chance:

The temporary compilation is quite meticulous.

To the people who do not have jobs at present, it should be clearly shown that many alternatives exist.

The people who leave companies are increasing even within large companies. It is difficult to find out what kind of job suits you, even throughout your entire life, not to mention in a year or two.

Finally, I stated that the Nikkei Index dropped today in the market, but that economic indicators themselves are not bad, and the actual state of the economy is not bad, either. Regarding this point, the Cabinet Office outlined the overseas situations. Mr. Fukui, Governor of the Bank of Japan, explained the trend of monetary policies throughout the world.

I would like to add some comments on today's discussion. Firstly, an expert member submitted a paper that, again, summarized the past CEFP discussions on both enhancement of growing potential and the Integrated Reform of Expenditures and Revenues. I think it will be the basis for the work towards the compilation of the Basic Policies 2006.

Regarding the Integrated Reform of Expenditures and Revenues, Mr. Nakagawa and Mr. Inoue, Chairmen of Policy Research Councils of both the LDP and the Komeito are enthusiastically making a concrete plan for expenditure cuts to remain in place until FY2011, under the instruction of Prime Minister. The CEFP will deepen based on the paper submitted today by the expert member and the discussions on a macro framework and concrete options for integrated reform, including concrete measures which the ruling parties are examining.

As for the schedule for the Basic Policies 2006, the viewpoints of the government and of the ruling party are the same in that maximum effort should be made for the compilation scheduled at the end of June, and even if it can not be compiled in time, everything should be finished by the beginning of July, before the Prime Minister's departure for the Summit Talks. The CEFP also agreed to promote the completion of the work on that schedule.

In regards to relations between the CEFP and the Council for Comprehensive Financial

and Economic Reform, the latter is considered to be the place where the government and the ruling party work together on the Integrated Reform of Expenditure and Revenue, on the enhancement of growth potential, and to reach agreements and conclusions on the definite realization of concrete measures. The CEFPP itself will carry on in its new role of positively making proposals in regards to the overall framework, ideas, and alternatives, while the role of the ruling party will be to promote concrete political adjustments in parallel with the CEFPP's work. I would like the expert members to fearlessly propose sound arguments without fear of political repercussions. I myself will become an liaison with the ruling party to ensure smooth communication with a view to achieve simultaneous and parallel management so that we can compile, within one month, the entire Integrated Reform of Expenditures and Revenues.