

Minister's Summary by Minister Yosano**14th Meeting (June 7, 2006)**

- (1) Regulatory reform
- (2) Integrated Reform of Expenditures and Revenues
 - 1) Hearing of opinions with six local organizations
 - 2) Towards the compilation
- (3) Towards the Basic Policies 2006

Kaoru Yosano here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 14th meeting of the year. Discussions were held on regulatory reform, on Integrated Reform of Expenditures and Revenues, and on the Basic Policies 2006.

First, discussions were held on regulatory reform, focusing on the review of the system of the Board of Education, inviting Mr. Chuma, Minister of State for Regulatory Reform, Mr. Kosaka, Minister of Education, Culture, Sports, Science and Technology, and Mr. Miyauchi, Chairman of the Council for the Promotion of Regulatory Reform in attendance. An expert member proposed that we should start examining the organization that succeeds the Council for the Promotion of Regulatory Reform and others agreed. Mr. Takenaka, Minister of Internal Affairs and Communications, introduced the report made by the Panel on Frameworks of Communications and Broadcasting. I asked the Minister to discuss the matter thoroughly with the relevant persons, including the ruling party.

Next, in regards to the Integrated Reform of Expenditures and Revenues, we invited people from six local organizations today. We listened to the opinions of Mr. Aso, Chairman of the National Governors' Association, and those of others. In addition, an expert member presented materials consisting mainly of data on the balance of fiscal conditions between the central and local governments, and a discussion was held on the issue.

After listening to the opinions of local organizations, the Prime Minister made the following statement.

Local governments do not have authority. They are not free to administer even if they are asked to balance their finances. The reason that I call the "Ministry of Home Affairs," which in original Japanese is called the "Ministry of Autonomy," the "Ministry of Central Affairs" is that they do not reflect on the issue in question.

At any rate, securing autonomy is important. We need to let the governors talk about their ambitions freely.

We also discussed sharing understanding of the main points of contention with a view to reaching the final compilation of Integrated Reform of Expenditures and Revenues. I think the course of the discussion led to agreement.

As for the Basic Policies 2006, the draft of the contents was presented and approved.

The Prime Minister replied as follows.

We should still seek to aim for a bright future rather than merely expenditure cuts. In comparison with the economy and fiscal conditions I inherited at the time I became Prime Minister, I can see that Japan has changed a lot. I was accused especially of decreasing public works, but, as it turned out, the economy has recovered and tax revenue is beginning to increase.

The government deficit decreased and is smaller than the predicted amount. Economic growth strategy is especially important.

In regards to social security numbers, it was agreed that the Liaison Conference of Related Ministries on Social Security Number will be established based on the proposal made at the CEFPP meeting. The Conference will sort out the major points of contention including the appropriate protection of personal information and the scope of the targets, and a report will be presented to the CEFPP. In addition, it was agreed that the Basic Policies 2006 would state that the possibility of social security numbers will be examined.

I would like to add some comments on today's discussion. Firstly, local government finance is one of the focal points for drafting the concrete plan of expenditure cuts until the early 2010s which has been vigorously examined by the ruling party. On the other hand, the promotion of true decentralization reform, which people from six local organizations stressed today, is also an important issue for our country to examine. Although the central and local governments have their respective opinions, I would like to make two comments from the standpoint of compiling the Integrated Reform of Expenditures and Revenues by the end of this month.

One is the question of which of the central or local government has made greater efforts on administrative and fiscal reform. I do not think it fruitful to continue subjective discussion with the antagonism of "central versus local governments." Rather, I think the appropriate method is, as the ruling party is promoting, to reach a conclusion through the discussion of expenditure cuts across the central and local governments by paying attention to the functions of personnel expenses and public work expenses.

The other is that the basis for trust in the market is formed by "cold, hard" figures. Although I can fully understand the assertion of the local governments, it is clear that the risk premium for the whole of Japan will increase unless we respond to the risk of the treasury market expanding infinitely in figure terms. To correct the imbalance of local governments' debts, which are already decreasing, and central government's debts, which are ever increasing, central and local governments need to cooperate, and it may be unavoidable for local governments to bear the burden to some extent.

In addition, the paper of the main points of contention on the Integrated Reform of Expenditures and Revenues that was submitted today by the expert members has various ideas classified in an accessible way. These ideas have been discussed in the CEFP meetings towards the final compilation of the Integrated Reform of Expenditures and Revenues. Based on this paper, the CEFP will closely cooperate with the ruling party which is examining the issue, and will advance the discussion towards a conclusion, with the ruling party and the government playing their own appropriate roles.