

## Minister's Summary by Minister Ota



### 22nd Meeting (October 13, 2006)

(1) Future management policy for the Council on Economic and Fiscal Policy

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 22nd meeting of the year, the first one after the inauguration of the Abe cabinet.

At first, the Prime Minister made a brief greeting speech. The main message was as follows:

We now start the reform to make a new regime that replaces the postwar regime.

In addition, we pull the Japanese economy up to a stage of new growth. I request to the CEFP to be the main engine for this significant reform.

Today's topic was the future management policy for the CEFP. First, an expert member, then Mr. Omi, Minister of Finance, and Mr. Amari, Minister of Economy, Trade and Industry, gave explanations based on their papers. I could understand quite well that there was no difference in the direction which each member was seeking. We confirmed that continued sound growth would be the basis, and that there would be no fiscal consolidation without growth. The members also made the following statements:

We should firmly continue the reform without fail.

We should carry out reform which is to raise potential growth capability in the future.

Reform is never an easy task, but we should steadily continue our effort for the reform.

All systems should be thoroughly examined.

We should examine what the government should do and the administrative system.

By leverage from the Growth Strategy, we should reform the domestic structural problem.

We should tackle regulatory reform, the agricultural problem and tax reform by using the Growth Strategy as leverage.

We should also overcome sectionalism among the ministries and agencies.

The cross-industrial approach will also be necessary.

Raising of potential growth capability does not mean strengthening business and economy for a short period of time, so we should promote reform while issuing easy-to-understand messages with regard to what kinds of steps we should take.

Since there is a possibility of disparity being caused by globalization, the response to innovation and building of innovation, due consideration is required in order to avoid creating fixed disparity.

Through those discussions, we should further clarify the basic philosophy and direction of economic and fiscal policies by the Abe cabinet.

Regarding the agenda for the future deliberations of the CEF, an agreement was reached on promptly conducting intensive deliberation toward Innovative Growth as proposed by an expert member, and formulating, by next January, a new medium-term policy, or "post-Structural Reform and Medium-Term Economic and Fiscal Perspectives " which shows the direction of reform over about five years. Previous policies which were released before 2006 were titled "Structural Reform and Medium-Term Economic and Fiscal Perspectives."

It was decided that the next CEF meeting will bring into shape seven issues toward Innovative Growth proposed by expert members and we will start deliberating priority topics to be discussed. The expert members were asked to present a draft of priority topics to be discussed.

Since the CEF meetings remaining this year are limited, we will enter intensive deliberations next time. The agenda for the first intensive deliberation to be held at the next meeting will be the decentralization reform. Expert members had proposed that this issue should continue to be worked on. It was decided that Mr. Suga, Minister of Internal Affairs and Communications, would propose a reform plan and that expert members would also raise questions for deliberations.

Lastly, the Prime Minister gave the following instructions.

The reform by the former Prime Minister Koizumi had been promoted at first under the banner of "no growth without reform" and "no pain, no reform."

There were economically difficult times around 2002, but if we had winced then, we would have failed. Under the Koizumi cabinet, results were created from reform.

Now, it has been bearing the fruit, and some people say we can take a break for a

while. However, it is important to promote the reform firmly, develop a strategy for growth and continue to grow, and demonstrate such efforts both at home and abroad. As part of our responsibility, it is crucial to work on every kind of reform. It is also important to avoid creating fixed disparity and to raise the overall level. For the issue of second-chances, it is necessary to make good use of human resources.

Under the Koizumi cabinet, a real economic growth rate of 2.2% was put into perspective in the Economic Growth Initiative. Today, a nominal economic growth rate of approximately 3% was also proposed by an expert member. It is not impossible to raise the percentage further by promoting the growth measures being discussed at the CEFP meeting.

For its realization, I request a CEFP meeting to examine, at an early date, the path to the reform of the issues mentioned today and to reflect it in the new medium-term policy to be formulated next January.

Regarding the FY2007 budget, I request to make thorough expenditure cut and to take the first definite step towards the Integrated Reform of Expenditures and Revenues.

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