



Minister's Summary by Minister Ota

5th Meeting (March 18, 2008)

- (1) Creation of a country open to the world (economic partnership, etc.)
- (2) Special zones for innovative technology (Super Special Zones)

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 5th meeting of the year and engaged in discussions on the creation of a country open to the world (economic partnership, etc.) and special zones for innovative technology (Super Special Zones).

Regarding economic partnership, there were proposals made by the expert members. The major emphasis of the proposals was that forging economic partnership with the EU should not be delayed. Temporary Member Koumura (Minister for Foreign Affairs), Temporary Member Wakabayashi (Minister of Agriculture, Forestry and Fisheries) and Member Amari (Minister of Economy, Trade and Industry) also provided explanations.

Temporary Member Koumura submitted a timetable for EPA negotiations. Regarding economic partnership with the EU, "Basic Policies 2007" stated that "a Japan-EU partnership will be considered as a future task," whereas the revised timetable noted that "serious discussions on measures to develop a foundation for the promotion of Japan-US and Japan-EU economic relations will be continued, taking into account arguments now underway in the private sector. Preparations to do whatever possible to promote relations with the U.S. and the EU will be continued." He said that this statement illustrates that there has been a certain amount of progress since last year's Basic Policies.

Referring to the expert members' proposal for "forging economic partnership while presenting an overall policy package," including compensatory measures, Temporary Member Wakabayashi remarked that negotiation would be impossible if compensatory measures are to be presented in advance. He expressed concerns in regards to EPAs with major market economies such as the U.S. and the EU, saying that the presentation of such measures could have adverse effects on WTO negotiations, which are now at a critical stage.

The expert members made the following statements:

An acceleration of the promotion of EPAs is required.

It is vital that international competitiveness in the agricultural sector be strengthened, and that the necessary concrete measures be considered. There will be no forward movement of discussions pertaining to EPAs without the resolution of this issue. Nevertheless, agriculture

also has multilateral roles, and the question of how to increase our food self-sufficiency ratio is also a pressing issue. With such points in mind, we should discuss measures aimed at enhancing competitiveness.

As effective measures for the promotion of EPAs have not been easy to develop under the current four-ministry framework, a top-down decision approach is definitely needed.

Right now, there is growing sentiment that the Japanese economy is slowing down. In order to increase the pie of the Japanese economy, it is essential that we channel foreign growth power into Japan, and a Japan-EU EPA is particularly important. A unified approach by the Government is requested. A timetable should be formulated to clarify what is to be done, and by when. In this regard, it is necessary to go ahead with a plan with a sense of urgency and without delay. Follow-ups after the conclusion of EPAs are required. For example, the Japan-Philippines EPA has yet to be ratified. Follow-ups to agreements that had been already reached should be conducted.

The expert members' proposal suggested that a timetable be formulated for the target of increasing the trade share with EPA partners to 25% or more of Japan's total trade value by the year 2010 as outlined in the "Basic Policies 2006." A Japan-Australia EPA is a key to raising the trade value from current figure of about 15% to 25%. In response, Temporary Member Koumura stated that the presentation of a timetable at this stage could adversely affect negotiations with Australia and he expressed doubts that the development of such a timetable would be appropriate at this juncture.

Temporary Member Wakabayashi remarked that the Government continues to negotiate with Australia in order to seek exclusions of rice, wheat, beef, dairy products, sugar, etc. As negotiations are currently underway, progress in relation to the issue is still at a very difficult stage. Expert members called on the Government to promote a resolute negotiation stance.

The Prime Minister stated that although the promotion of EPAs is a major pillar for the growth strategy, various difficulties remain, as discussed today. He added, however, that the ministries involved are requested to make every effort so as to allow the advancement of this issue.

Member Amari made a presentation on the "Initiative for an Asian Economic and Environmental Community." Neither specific counterarguments nor opinions on the matter were voiced, and the initiative will be promoted hereafter.

Regarding the revitalization of agriculture, the expert members made a proposal stressing the

need for the creation of a program to promote a new engagement in agriculture and for aggressive promotion of said program, as well as for a shift to an agricultural sector that nurtures successors and establishing agricultural corporations in order to encourage young people in particular to participate in agriculture.

Temporary Member Wakabayashi: I am now working on an overall agricultural reform program. The implementation of the program requires an increase in the farming population by approximately 12,000 per year, and steady efforts are now being made. I will accelerate my efforts based on the expert members' proposal. I will also promote agriculture as a sector capable of hosting functions aimed at offering new jobs to disabled people.

Comments from expert members: Farmland accounts for 13% of Japan's national land, a low figure by international standards. Under such circumstances, abandoned arable land and non-farming households that possess land are increasing. We need to stop this trend by adopting, for example, tax measures. With regards to rice, it is essential that we pursue both the expansion of consumption and the promotion of large-scale farming and agricultural corporations. Under the existing system, ordinary companies do not have easy access to agriculture. Therefore, exceptional standards for companies could be considered so as to encourage their entry.

The Prime Minister made the following statement:

From a medium- to long-term perspective, population growth will continue on a mass global scale. For Japan, addressing to raise its self-sufficiency ratio represents a difficult challenge.

Under such circumstances, there is a difficult issue of promoting EPAs. In other words, we have to endeavor to improve our food self-sufficiency ratio on the domestic front, while promoting EPAs on the international front. This is a great challenge, but we must think hard in order to resolve this issue. I request that Temporary Member Wakabayashi play a leading role in making proactive proposals.

Regarding Super Special Zones, the expert members made a proposal. Its main points in the proposal are that special zones for cutting-edge medical treatment should be created as an initial step towards the creation of Super Special Zones, and that the existing framework of three ministers' meeting for innovate drug discoveries should be utilized in order to create these zones.

In response to this, the four ministers involved, Temporary Member Masuzoe (Minister of Health, Labor and Welfare), Temporary Member Tokai (Minister of Education, Culture, Sports,

Science and Technology), Member Amari and Temporary Member Kishida (Minister of State for Science and Technology), agreed with the proposal, stating that Super Special Zones are an effective scheme for the development of innovative technology. Temporary Member Masuzoe remarked that the four ministers will work together to consider how to realize the Super Special Zones, and they will present a report thereon to the CFP.

Member Machimura (Chief Cabinet Secretary) stated that the Federal Demonstration Partnership (a scheme in the United States in which more than 90 universities and fund-allocating institutions cooperate in allocating research funds aimed at researchers through various measures, including flexible budget implementation) is very useful from the standpoint of researchers. He requested that Member Nukaga (Minister of Finance) and Temporary Member Kishida also join in establishing such a scheme. Member Nukaga said that he accepted the proposal.

An expert member stated that it is vital to break barriers to the development of innovative technology by establishing special budgetary concessions, and that an effective way to achieve such a breakthrough would be narrowing down subject matters.

I will certainly promote these ideas.

The Prime Minister made the following statements:

The domain of advanced regenerative medicine and biotechnology-based medical products and equipment is attracting unparalleled worldwide attention, and there is fierce competition in this area across the globe.

I request that the four ministries involved cooperate in executing upfront projects. The matter in question should be incorporated into the “early implementation measures toward enhancing growth potential” which is to be drafted at the beginning of April.

During discussions on agricultural employment strategy, one expert member stated that while today’s discussions focused on the agricultural sector, the coming three years constitute a very important period for employment in all industries. Given that employment strategy includes the creation of an environment allowing people to work while raising children, the coming three-year period is crucial for the employment strategy because the children of the baby boomers will reach their late 30s, namely the child-bearing age, and the retirement of the baby-boom generation will also increase during this time, meaning that the baby boomers’ skills and techniques must be handed down to younger generations.

In response, the Prime Minister made the following statements:

As the expert member stated that the coming three-year period is vital to the employment strategy, I request that the “New Employment Strategy” currently under formulation set numerical targets and that intensive three-year measures be specified. I ask Temporary Member Masuzoe to present related proposals. I also request that the CEFP hold deliberations with the ministries involved and that Member Ota finalize a plan at an early date.

In conclusion, the Prime Minister gave the following instructions:

Recently, a sense of insecurity has been increasing in the world financial markets and there are concerns about adverse effects of said insecurity.

In addition to the compilation of the “early implementation measures toward enhancing growth potential” currently under formulation, I ask that the Minister Ota verify the effects of fluctuating exchange rates and soaring crude oil prices on the Japanese economy, work together with the ministers involved with a view to prompting deliberating on necessary measures, including governmental financial institutions’ assistance to small- and medium-sized enterprises (SMEs), and take swift action.

I also ask the Minister of Finance to further deepen cooperation with the G7 countries in order to stabilize the international financial system, etc.

As I have to pay close attention to the effects of fluctuating exchange rates and crude oil prices on the Japanese economy, I will conduct verification thereof and consider necessary measures to support SMEs.

This is all for today's agenda. Lastly, Member Fukui (Governor of the Bank of Japan) made the following address in his final CEFP meeting attendance.

During the past five years, I have attended exactly 150 meetings in total.

I do not know whether I contributed to the meetings or not, but I believe that I was able to play a role in coordinating direction of major policies between the Government and the Bank of Japan.

I would like to express my gratitude to the Prime Minister and the other members.

(End)