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Urgent Proposal Regarding the Basic Guidelines for Reconstruction after the Great East Japan Earthquake

It has been almost five months since the Great East Japan Earthquake hit the country. Amid political turmoil, the national government has finally forged the Basic Guidelines for Reconstruction after the Great East Japan Earthquake. It is noteworthy that this Basic Guidelines stipulates the establishment of a “reconstruction agency” and “systems of special zone for reconstruction,” both of which the Kansai business community has appealed for establishment. Under the Basic Guidelines, it is henceforth necessary to implement timely and expeditiously a range of initiatives aimed at full-scale recovery, such as safe and secure urban/community development as well as economic revitalization for industrial promotion and employment expansion, and thereby firmly support the hope and will of earthquake survivors to restore their normal lives and reconstruct the areas devastated by the disaster.

In this respect, the Kansai business community strongly requests the national government as well as ruling and opposition parties to take the following actions on the basis of the Basic Guidelines:

1. Prompt establishment of the reconstruction agency, as a command and control center

Looking back to past experience of reconstruction and recovery after the Great Hanshin-Awaji Earthquake, there was a lack of command and control functions to coordinate and implement diverse measures involving the Cabinet Office and multiple ministries in a “one-stop” approach. As for the reconstruction agency proposed in the Basic Guidelines, it is still uncertain whether it would be able to serve as a genuine center for command and control in reconstruction efforts.

The national government must promptly submit a bill to establish the reconstruction agency, a bill that should clearly state that pertinent authorities and budgets of the Cabinet Office and multiple ministries be concentrated to the new agency, and that accordingly the agency be responsible, in a unified manner, for planning and implementation of reconstruction measures. In addition, this new agency must be headquartered in the disaster-hit Tohoku region so that the agency can closely

watch the real situations of afflicted areas and intensify cooperation with local governments.

2. Restoration and supplementation of administrative functions of damaged municipalities

Generally, in disaster-stricken areas, it should be the local municipalities (cities, towns and villages) that play leading roles in promoting locally specific reconstruction projects and in formulating and implementing recovery plans, since municipal governments are best capable of closely serving local residents. However, in the case of the Great East Japan Earthquake, substantial damage was also inflicted on a number of municipal governments, when they should have been the primary leader of reconstruction efforts. The insufficient number of municipal personnel who would normally have been working for local residents has considerably impeded administrative functions. To perform reconstruction and recovery work in an expeditious and timely manner, it is essential to promptly restore and supplement the administrative functions of afflicted municipalities. Currently, numerous local government workers have been dispatched to the disaster-hit Tohoku region from a number of municipalities throughout the nation, including those from member prefectures of the Union of Kansai Governments, which employs a “counterpart scheme,” wherein a team of specific member prefectures assists a pre-assigned prefecture in Tohoku. Under this situation, the national government is requested to provide necessary support to facilitate dispatching human resources (e.g. financial support to cover expenses for dispatch) widely from the public and private sectors, including retired personnel of municipal governments.

3. Prompt implementation of the compiled budget, early compilation of the third supplementary budget, and securing of funds for reconstruction

In response to the catastrophic disaster in Tohoku, two supplementary budgets totaling six trillion yen have already been formulated. However, given the scale of damage far greater than that of the Great Hanshin-Awaji Earthquake, an extra budget equivalent to 17 trillion yen is likely to be necessary.

In consideration of this necessity, in addition to the expeditious implementation of reconstruction projects covered by the first and second supplementary budgets, the national government and ruling and opposition parties must make concerted efforts

to promptly compile a large-scale third supplementary budget, so that disaster-hit municipalities can proceed to give specific shape to full-scale reconstruction plans, without feeling uncertain about the viability of these plans.

Regarding compilation of the third supplementary budget, measures must be taken to ensure budget execution that can flexibly and responsively accommodate specific needs of disaster-afflicted areas. To this end, it is required to introduce grants-in-aid that local governments would be able to flexibly use for a wider range of purposes, as well as to establish a government-sponsored “recovery fund” in combination with private funds, as previously proposed by the Kansai business community.

Meanwhile, it should be noted that the current recovery projects must be promoted in parallel with the ongoing efforts to regain fiscal health. Therefore, it is imperative that the national government propose a convincing plan that would avoid non-essential issuance of deficit-financing bonds, while incorporating drastic reduction in government spending and the effective use of private funds. Our standpoint regarding tax measures for securing recovery funds is as set forth in our proposal announced this past June, “The Second Proposal for Recovery from the Great East Japan Earthquake – Prompt establishment of recovery plans and basic policies for securing funds for recovery.” As stated in this Second Proposal, the national government must introduce a “recovery assistance tax” (tentative name), with the viewpoint of mutual assistance that the burden for recovery should be borne widely by the public. Regarding the introduction of this new tax, it would be reasonable to raise the consumption tax rate for a certain period of time as a temporary measure; provided, however, that specific measures are also taken to mitigate financial burdens incurred by residents in disaster-stricken areas.

4. Early stabilization of the power supply

It is critically important that the Tohoku region’s reconstruction and recovery be supported by nationwide efforts. The Kansai region, in particular, has played a significant role in underpinning Japan’s overall economy since the earthquake hit. However, at this crucial point in time when the entire nation needs to revitalize its economy to gear up for further development, the problem of power shortages has arisen, potentially hampering future recovery efforts.

Obviously, ensuring safety is the top priority in operating nuclear power plants.

However, if resumption of plant operations is postponed even after the regular inspections currently under way, then the nation is likely to suffer a more serious power shortage.

Power supply constitutes fundamental infrastructure essential to supporting social and industrial activities, and accordingly, any instability in the power supply would inevitably make a direct and significant impact on daily lives and economic activities across the nation. It would be no exaggeration to say that ensuring stable power supply is one of the most critical requirements for preventing the hollowing out of domestic industries.

The national government therefore must make every possible effort to maintain stable power supply, by ensuring prompt resumption of nuclear power plants after completion of regular inspections, while obtaining understanding and agreement from local governments in a responsible manner.

Kansai Economic Federation

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