

Requests for Japan's New Administration

2 September, 2009

Kansai Economic Federation

As a result of drastic economic measures, Japan's economy seems to have bottomed out after long suffering from the global recession. Yet it is too soon to say that the economy is recovering autonomously; further efforts are needed to prevent Japan's economy from taking another downturn. Other important tasks that the Japanese government must fulfill include building effective frameworks for national security, global warming and international trade policies, as well as helping promote coordination and cooperation between advanced and emerging economies. All these issues are essential for ensuring political and economic stability in Japan and the world.

In this crucial situation, the Democratic Party of Japan (DPJ) will assume administrative responsibility from the Liberal Democratic Party (LDP). To fulfill the responsibilities of the governing party, all members of the DPJ are expected to unite their efforts toward ensuring the continuity of existing policies on the basis of realistic and practical approaches, and to develop Japan's economy under the free market economic system by closely examining the immediate effects and future impacts of the respective policies they are to effect. With this in mind, the DPJ must promptly appoint cabinet members and build an appropriate decision-making system.

We at the Kansai Economic Federation expect that the new administration will implement appropriate [1] international and [2] domestic strategies. Regarding [1], the new administration must clarify its national security strategies and work to enhance Japan's presence in the world, as well as trust from the global community. As for [2], the new administration must develop exit strategies that will bring the nation sustainable economic growth based on free business activities, promote industrial activities and improve infrastructures throughout the country, so as to resolve the longstanding problem of political and economic activities concentrated in the Tokyo metropolitan area. To these ends, we believe that the new administration should reconsider the policies that the DPJ suggested in its manifesto, so as to more thoroughly reflect the views of diverse groups. In particular, we hope that the new administration will reconsider the greenhouse

gas emission reduction target and the prohibition of dispatching workers to manufacturing facilities, primarily because meeting the reduction target would impose excessive burden on the national economy, while the prohibition of worker dispatch will inhibit labor mobility.

Upon the new administration's inauguration, the Kansai Economic Federation hereby requests the following issues:

I. Basic Policies

1. Enhance Japan's presence in the world and trust from the global community

Concerning foreign diplomacy and national security, both being extremely critical issues, the new administration must clearly present its vision regarding Japan's basic standpoint in the world, referring to Japan-U.S. relations and national defense policies. The administration must also manifest its trade policies and the way in which Japan will contribute to the global economic development, along with diplomatic policies to secure a stable supply of natural resources and energy sources. Through efforts to implement such policies, we expect that the new administration will work to realize world peace and prosperity. Regarding environmental protection, we hope that the new administration will support the further advancement and promotion of Japan's environmental protection and energy-saving technologies. At the conference of COP15, to be held in Copenhagen in December 2009, we hope that the new administration will negotiate with representatives of other countries toward building a truly effective, fair and practical framework of environmental protection initiatives. In this regard, we believe that the new administration must radically reconsider and revise the greenhouse gas emission reduction target suggested by the DPJ, since we believe that meeting the suggested target would impose excessive burden on both business activities and people's daily lives.

2. Contribution to the sustainable economic growth in Asia and other parts of the world

We are concerned that Japan's decreasing population could diminish its market and lower its economic growth rate. To ensure continual economic growth and prosperity against this backdrop, it is essential to develop economic strategies that enable the Japanese economy to grow together with the other countries of the world, particularly in Asia. Specifically, Japan should promote initiatives to liberalize trade and investment under the WTO's free trade system, along with EPA/FTA; to further economic cooperation through effective use of the ODA; and to develop water supply, power, transport and other economic infrastructures in East Asia, through the combined efforts of the public and private sectors.

3. Improve the public's living standard by enhancing international competitiveness

During the election campaign, the DPJ emphasized the vital importance of improving the public's living standard and quality of life. We definitely agree with this view, but hope to remind DPJ members of the fact that the public's livelihood depends on employment and incomes derived from employment, and that industrial activities are sources of employment, income and tax revenues. The DPJ's manifesto, however, emphasizes distribution of the pie, rather than the development of businesses/industries. Instead of regarding businesses as entities in opposition to the general public, we hope that the new administration will develop strategies to enhance the international competitiveness of Japan's industries, and seek economic growth by creating optimal balance between domestic and overseas market demands. We believe that, to these ends, the new administration must take the initiative in preparing a healthy competitive environment, promote industrial innovation, foster new industries through investment tax reduction and deregulation, and augment intellectual property and standardization strategies.

4. Promote financial structural reforms covering both revenues and expenditures

We do not deny the responsibility of the conventional ceiling system for the rigidity of the current budget system. To enable more flexible budget compilation, we expect that the new administration will exert political leadership. First of all, we believe that the new administration must present to the public concrete mid-term goals for financial structural reforms, before compiling a budget for the coming fiscal year. In compiling the budget, rather than forcing local governments to bear financial burdens under the name of decentralization, the national government must carry out comprehensive structural reforms that cover the areas of both revenues and expenditures. Specifically, structural reforms should comprise transfer of administrative power and revenue sources from the national to local governments; reform of the taxation and social welfare systems, and readjustment of the balance between the burdens borne by residents and enterprises. Views of local governments and business circles must be reflected in discussions to be held at the National Strategy Bureau and the Council on Administrative Renewal, both of which the DPJ has pledged to establish.

5. Revitalize regional economies

Regarding the decentralization of administrative power, we believe that the role of the national government must be limited to national defense, foreign diplomacy and a few other items essential for the survival of the nation. Other administrative operations must be entrusted to regional governments. Accordingly, we hope that the new administration will promptly decide the

establishment of a new regional system comprising several regions broader than existing prefectures, and present the road map for establishing the new administrative system.

We also hope that the new administration will thoroughly study individual regions' need for social infrastructure and prepare appropriate policies so as to fulfill its responsibility as Japan's new regime.

6. Create employment opportunities and strengthen human resource development

We understand the importance of improving the employment environment and aiding people seeking employment opportunities. Yet, we believe that the highest priority must be given to the creation of employment opportunities. During the election campaign, the DPJ suggested revision of the Worker Dispatch Law; reinforcement of labor-related regulations, including prohibition of dispatching workers to manufacturing facilities; review of employment insurance systems and substantial increase in the minimum wage. All these policies will increase the burden on enterprises, resulting in lowered employment opportunities. At the same time, securing long-term employment entails the development of human resources with at least standard-level academic performance and excellent professional skills. In maintaining the existing educational systems, we hope that the new administration will take initiatives to foster human resources in a wide variety of professions, as well as individuals who will become Japan's future leaders.

7. Improve preparedness for swine influenza epidemic

In view of the worsening epidemic of swine influenza, we hope that the new administration will thoroughly prepare measures to sustain basic economic activities even if the epidemic reaches pandemic level.

Our Request for Seven Policies

[International Strategies]

1. Enhance Japan's presence in the world and trust from the global community

- (1) International contribution to realize world peace and prosperity
- (2) Practical and feasible measures to tackle global warming; international contribution through transfer of innovative environmental technologies

2. Contribution to the sustainable economic growth in Asia and other parts of the world

- (1) Trade policies to augment WTO's free trade system and EPA/FTA
- (2) Contribution to East Asia and other regions, in terms of infrastructure improvement

[Domestic Strategies]

3. Improve the public's living standard by enhancing international competitiveness

- (1) Economic policies for recovering domestic and global market demands; investment in growing business areas
- (2) Initiatives to develop world-leading industries and technologies
- (3) Strategies for developing global industries through partnerships between public and private sectors
- (4) Policies for developing leading mid-sized enterprises that underpin manufacturing

4. Promote financial structural reforms covering both revenues and expenditures

- (1) Setting numerical targets for restoring fiscal health
- (2) Reform of taxation and social security systems, including lowering of effective corporate tax rate

5. Revitalize regional economies

- (1) Decentralization through effective use of local initiatives
- (2) Improvement of infrastructures in the Kansai region

6. Create employment opportunities and strengthen human resource development

- (1) Deregulation of labor laws
- (2) Reinforcement of human resource development

7. Improve preparedness for swine influenza epidemic