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Our Resolution to Implement Reforms 1997 New Year Statement

Jiro Ushio
Chairman, Keizai Doyukai

Looking at the trend toward market economy on a global scale, Keizai Doyukai (Japan Association of Corporate Executives) has made constructive suggestions aiming at reforms of the economic and social structures of Japan toward the 21st century. After the formation of the second Hashimoto Administration, at last, the time is becoming ripe for reforms. We are firmly determined not only to actively support a speedy realization of the structural reform plans proposed by our government, but also to buckle down to reform ourselves.

The stock market as well as the foreign exchange market indicated serious warnings for the revision on taxation system and the compilation of FY98 budget at the end of last year. Now, it admits of no delay. We have to make this year the First Year of Reform.

Let's Accelerate the Speed of Reform

Realization of the reform should not be such that it cannot keep up with the restructuring effort elsewhere in the world.

Structural reform was started in the 70's and the deregulation was enforced on a full scale in the 80's in the United States as well as in the United Kingdom, therefore, our reform falls already behind among others at the starting point.

Further, at present, all countries in the world are endeavoring their efforts, with a strong determination, to secure their respective positions in the global economy in the 21st century as can be seen in the European monetary union in 1999 and in U. S. efforts to secure well-balanced finance by 2002. Also in Asia, countries are ready to strive for further economic development by means of deepening of the market economy as a lever in the midst of historic change symbolized by the return of Hong Kong.

In order for Japan to make up for the delay and to be ranked among others as a competitive player in ever increasingly competitive world, we must accelerate the speed of our reform. Recognizing that the remaining four years until the 21st century as the important crossroads to determine Japan*s destination in the 21st century, we look earnestly to propel the reform with a serious determination.

Let's Push Forward the Reform without Exceptions

The reform such as this must be implemented from comprehensive viewpoint. If we are to create dynamism and prosperity in a society which is simultaneously undergoing aging, maturation, and the shift to a service economy, and if, moreover, Japan is to thrive under conditions of global mega-competition, it is vitally important that we conduct an across-the-board review of the old institutions which have become established in every sphere of activity during the past fifty years, and that we carry out reforms on a comprehensive basis.

Meaningful reforms will not be realized as long as reform efforts continue to be divided between ministries in isolation from one another. For instance, reform of the fiscal structure should encompass an integrated view of both revenue and expenditure. Also, it requires to take a comprehensive approach including both central and local governments as well as public corporations and affiliated organizations.

The next important point is not to make exceptions. The constitutional characteristics seen in our politics and administration need to be rectified; that is, the characteristics typically seen in past "reforms" where, in fact, mere "adjustment" were achieved that tackled only issues of less friction or easy to manage. Efforts to address a problem can no longer be put off because they meet with difficulties or great resistance. Observing any problems from a comprehensive viewpoint, we must have a courage to make grandiose decisions and to implement such decisions. For example, to reform the financial system, it is practically impossible to exclude the postal savings system and the fiscal investment and loan system.

To Overcome a Pain

In order to propel reforms, we need to start with calm and honest recognition of present severe state of our country. Then, enterprises as well as citizens are required to prepare themselves for the pain and torture during the reforming period. It is impossible to carry out reforms without pain. The reliance on, and, the vested interests gained from, the government measures and policies covering whole range of expenditure and revenue, which have been built up through 50 years of post-war period, must be wiped off completely. We understand that the acceptance of the increase in the consumption tax rate to 5 % indicated at the time of previous election as a sign of the determination already made by the people.

Basically, reforms should be carried out in parallel with the understanding of the people. However, it is a kind of creative destruction of the conventional framework in substance, therefore, it is impossible to expect to obtain a general consensus in each individual area. Since it is necessary to overcome the pain in order to carry out the reform, it is essential to make the process of decision open to the public with persuasive explanations. Also, to achieve the reform, it is vital to have strong leadership with the ability to inform the public, consumers, or workers, of the severity of the situation and to gain their sympathetic support to bear the pain. It is only after that when we are able to see a fresh view of our future.

Final Words

Keizai Doyukai has compiled a "Manifesto for a Market-Oriented Economy -Action Program for Japan toward the 21st Century-" as its working plan. The market mechanism ensures equal opportunity and free activity for the market participants, and as result of their competitive efforts, efficient and competitive economy would be created. Only with such economy as a foundation, we will be able to secure affluence and security for the nation.

The pain accompanying reforms would be much severe than those we experienced in the past, however, we have to endure and overcome such on our own responsibility and with our own power. Further, taking a standpoint of the society as a whole, Keizai Doyukai holds the ideal to act for the prosperity in the

21st century, and shall not participate at all in protecting individual vested interests.

"Manifesto for a Market-Oriented Economy" is the expression of our determination that we will get out of the conventional framework protected with various public and private rules and regulations, and take the initiative in reshaping the market as free and competitive stage, where we will manage ourselves and take actions.