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Year for "Decision" and "Action" 2004 New Year Statement

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Introduction: Economic Recovery without Public Works Investment

A ray of light is finally beginning to dawn on the Japanese economy. For the past decade, the question of whether or not fiscal action should be mounted to stimulate economic recovery has been debated many times over. But what we have before us now is a budding recovery that has not depended on conventional stimulus packages centered on public works investment. Rather, the recovery is the result of the self-propelled efforts of such companies as have benefited from strong export demand, completed the process of internal structural reform, or have successfully continued to develop and market attractive goods and services.

To achieve sustainable economic growth, it is important for each individual to muster the spirit and energy to clear his own path to the future. Indeed, this provides the driving force for creating and sustaining a vital society. For this purpose, it is critically important for Japan to fully implement the program of structural reform and to firmly establish a private-sector-led economy. The year 2004 will be a watershed year that will determine the outcome of these efforts.

1. Prime Minister Koizumi Must Pursue "Decision" and "Action" with Unyielding Determination

It is very clear why we have supported Prime Minister Koizumi and his positions of "no growth without reform," "transfer of power from government to private

sector,” and “transfer of power from central to local government.” We realize that the culture of dependence has allowed the aggrandizement of the bureaucracy, and we believe that termination of this culture is the key to empowering the private sector and local communities to give full expression to their vitality. For this reason, we highly value the initiatives taken thus far by Prime Minister Koizumi to apply the scalpel to various “sanctuaries” that were previously impervious to change. However, we are gradually beginning to have some doubts concerning the prospects for the Koizumi reforms, as we observe the slow pace of reform and the continued failure to present a clear and concrete vision of the ultimate destination of these reforms.

The combined debt of Japan’s central and local governments comes to a monumental amount of roughly 700 trillion yen. We are deeply concerned that, notwithstanding these enormous fiscal deficits, the government is continuing to issue bonds in volumes that closely approximate its total tax revenues. Fiscal collapse is a real possibility if this situation is left unattended. We must realize that we have come to the endgame where any hesitation or failure to implement reforms will spell certain ruin for the future.

Prime Minister Koizumi no longer has a moment to spare and must arm himself with an unyielding determination to decide and to act boldly to realize “small government.” Necessary actions must be taken to focus the government on those functions that only the government can perform and to implement structural reforms that will facilitate maximum expression of private-sector initiative and vitality.

2. Take Clear Position on “Small Government” or “Big Government” for Coming House of Councillors Election

One of the long-standing recommendations of Keizai Doyukai has been that political parties should issue manifestos outlining their policy positions and political pledges. We welcomed the introduction of this system in the general elections held last fall, as this effectively opens the path to policy-oriented politics and will facilitate regime change. While the adoption of this system in

itself represents a significant advance, it is truly regrettable that the manifestos presented by the various political parties were inadequate in content.

The pledges made by the Liberal Democratic Party were lacking in concrete substance, while no manifesto was issued in advance to set forth the position of the ruling coalition. Most regrettably, the drafting of crucial reform plans for the pension system and other important matters were postponed until after the general elections. We believe that by depriving the public of an opportunity to determine policy, this action effectively slighted and disregarded the people. On the other hand, the manifesto of the Democratic Party of Japan lacked overall consistency and contained certain pledges of questionable feasibility.

In July 2004, the people will be called to vote in the elections for the House of Councillors. In preparation for this election, before all else, the people should be presented with an overall view of “costs and benefits to the people” and a concrete and consistent road map (including yearly schedules and action programs) for fiscal rehabilitation and the achievement of primary balance equilibrium and surpluses. Each political party must address the basic question of who should make the decisions on the allocation of the nation’s resources. In other words, each political party should take a clear stand on whether it favors “big government” wherein the government plays a role in all aspects of people’s lives, or “small government” whereby matters that the private sector is capable of handling are left to the private sector. Specifically, each political party must present a clear statement of the level of national burden, consisting of taxes plus the cost of social security, including pensions, medical care, and long-term care for the elderly, that it proposes to attain.

This will provide a foundation upon which each political party can build its proposals for such key policy issues as pension reform, tax reform, regulatory reform, agricultural reform, reform of central and local governments, privatization of postal businesses, privatization of public highway corporations, and free trade agreements. In advance of the coming elections, we very strongly hope that the political parties will develop concrete and internally consistent policy positions on these critical matters.

3. Our Responsibilities in Realizing a Private-sector-led Economy and Society

Keizai Doyukai has bid farewell to “big government” and is committed to the realization of a private-sector-led economy and society based on “small government.” To achieve this goal, it is vitally important for corporations to ensure that the public appreciates them as positive and trustworthy members of society. During the course of the past year, much to our regret, a series of scandals and accidents once again eroded this trust. As corporate executives, we must put into practice the management principles of corporate social responsibility (CSR) and at all times maintain a very strong awareness that “corporations constitute essential members of society.”

Another cardinal responsibility that we bear is that we must foster the necessary human resources endowed with the decisiveness and executive capabilities to boldly take on the challenge of creating new businesses, and to thereby perform the crucial function of providing a private-sector-led society with vitality and generative power. For this purpose, we need to create a society that is prepared to reward those who succeed and those who make a special effort. Furthermore, such a society must have the broadmindedness and tolerance to provide a second chance to those who have previously failed. Finally, we must formulate a vision that extends a century into the future as we engage in training and educating human resources empowered to sustain successive generations of the future. Indeed, these are responsibilities that devolve upon us.

Conclusion: Year of “Decision” and “Action”

True hope and light await at the end of the path that has been cleared through one’s own initiative and efforts. This is the credo that we must all embrace as we endeavor to realize a private-sector-led, domestic-demand-oriented economy. Let us make 2004 a year of “decision” and “action” for the attainment of these objectives.