

Fiscal 2011 (26th) Summer Seminar

Tohoku Appeal 2011
Overcoming the National Crisis and
Ensuring Reconstruction and Growth

July 15, 2011

Keizai Doyukai (Japan Association of Corporate Executives)

**1. The National and Local Governments and Businesses Must Fulfill Their
Respective Roles and Responsibilities to Accelerate the Process of
Recovery and Reconstruction**

Four months have passed since the Great East Japan Earthquake. To accelerate the process of recovery and reconstruction, which so far has been delayed, we renew our call to the national and local governments and businesses to fulfill their respective roles and responsibilities and to enhance mutual cooperation.

**(1) Demanding that politicians fulfill their responsibilities in accelerating
the process of recovery and reconstruction**

- Very little progress has been made in the process of recovery and reconstruction as Japan's political system remains bogged down. This prolonged governmental dysfunction has given rise to an extremely grave situation. We strongly appeal to the parliamentarians of both the ruling and opposition parties on whose shoulders rest the weight of national politics to act responsibly to overcome the current impasse.
- The national government must take responsibility in resolving a series of extremely urgent challenges, which include speedily bringing the nuclear power plant accident under control, mounting a timely response to radiation related problems, addressing the anxiety and uncertainties in the livelihoods of victims of the disaster, clearing away the rubble in the affected areas, and formulating and speedily implementing a national reconstruction plan. No further delay or procrastination can be allowed in acting on these critical challenges.

- The path has now been cleared for enactment of the government's second supplementary budget for fiscal 2011. However, given the fact that the affected prefectures are expected to finalize their basic policies for reconstruction in September, an extraordinary session of the Diet should be convened without delay to deliberate on the passage of a third supplementary budget. Regarding the use of funds, it is desirable to adopt mechanisms, such as lump-sum transfers, that duly respect the autonomy of the affected prefectures under a general framework established by the national government.

(2) Facilitating coordination between “Reconstruction Agency” and local governments to launch bold locally developed plans

- The proposed “Reconstruction Agency” should be established immediately with its headquarters in the Tohoku region. Some local branch bureaus and departments of the national government should be transferred to the Reconstruction Agency to function as its executive arm. The administrative authority and budgetary allocations that are currently divided among a number of ministries and agencies should be unified under the Reconstruction Agency for facilitating coordination with local governments and creating a one-stop system for addressing all reconstruction related matters. If the formal establishment of such an agency proves to be time consuming, transitional measures should be adopted to allow necessary administrative authority and budgetary allocations to be vested in a tentative and preparatory organization so that a system can be created for taking immediate action.
- The establishment of special economic zones to promote reconstruction should be permitted in all areas of the Tohoku region. Functioning under the authority of the Reconstruction Agency and drawing on the energies of highly motivated local residents, special reconstruction zones should function as a system that enables and facilitates bold measures that are not bound by the strictures of existing systems and precedence in activities that support the regional economy and the livelihood of its people, such as agriculture, fisheries, tourism, and medical and welfare services.

- If the application and negotiation procedures for the establishment of special reconstruction zones prove to be time consuming, a number of standard models of such zones should be prepared and presented for selection by local governments allowing for speedy implementation.
- The national and local governments, universities, and businesses should work in unison and cooperate and collaborate in attracting international organizations and world-class research institutions in such fields as new energy development, disaster prevention, and medical sciences to the Tohoku region to launch projects that will serve as symbols of the reconstruction effort.

(3) Using corporate resources to take the initiative in reconstruction

- Throughout the period following the Great East Japan Earthquake, Japanese companies have concentrated their energies on restoring their damaged plants, offices, and supply chains; supporting the victims of the disaster and providing assistance to disaster-affected areas; and coping with the electric power shortage. In the reconstruction process that lies ahead, businesses should contribute to the creation of a fully revitalized Tohoku region. For this purpose, businesses must make the best possible use of their human resources, technologies, know-how, and material resources and should continue to engage in activities that they are uniquely suited to pursue through their business operations and contributions to society.
- Local governments in disaster-affected areas continue to experience manpower shortages. Businesses should consider assisting such local governments by dispatching managers and employees for fixed periods of time to support the processes of planning, formulating, and implementing reconstruction plans.
- Keizai Doyukai shall work closely with Iwate, Sendai, Fukushima, and other regional associations of corporate executives in formulating proposals for reconstruction and working toward their realization. As part of its efforts supporting reconstruction, Keizai Doyukai has launched the IPPO IPPO Nippon Project and will continue to appeal for corporate and individual donations to be used in long-term support for children who have lost their parents in the

disaster, vocational schools (agricultural, fisheries, and technical high schools) for training the human resources needed to support the regional economies in the future, and universities that will provide a core for the creation of new industries.

2. Level Headed Discussions of Energy Policies Should Be Pursued with an Eye to Cost and Time Horizon

(1) Calling for resumption of operation by early next year at nuclear power plants currently under inspection upon confirmation of safety

- Unless the nuclear power plants undergoing periodic inspection are brought back into operation upon confirmation of safety, not a single nuclear power plant will remain in operation in Japan by April 2012. Simulations of the economic impact of such an eventuality should be made public and the situation should be discussed calmly. Following these discussions, nuclear power plants whose safety has been fully verified should be put back into operation under the responsibility of the national government.
- Regarding safety verification, measures should be taken to eliminate the public uncertainty and distrust. For this purpose, consideration should be given to approaching the verification process from an international perspective through the establishment of a neutral verification commission that has among its members experts from overseas organizations (such as the International Atomic Energy Agency [IAEA], the US Nuclear Regulatory Commission [NRC], and the International Commission on Radiological Protection [ICRP]). In addition to verifying the safety of nuclear power plants, such a commission could be charged with the task of examining and verifying the Fukushima accident.

(2) Promoting renewable energy sources over the medium to long term while considering cost and time horizon

- Viewed from a medium- to long-term perspective, it is desirable to gradually decommission obsolete nuclear reactors and to opt for a path of reduced

dependence on nuclear power featuring the promotion of renewable energy sources. The national government should review its Basic Energy Plan with an aim to formulating a realistic and achievable alternative plan. In this process, the government should take into consideration cost factors and time horizon, and should publish both its objective data and analysis results.

- However, given that humanity faces a future of continued global population growth, we believe that nuclear power will remain necessary in ensuring steady supplies of energy. Therefore, Japan's choice should not be the abolition of nuclear power generation and the abandonment of nuclear power related technologies. Rather, Japan should contribute to the world through international cooperation by examining and verifying the Fukushima accident, engaging in joint development of nuclear technologies, and developing and commercializing nuclear reactors that meet extremely high safety standards.
- Efforts must be made to accelerate the development of a broad range of innovative energy technologies in the fields of renewable energy, nuclear power generation, and demand-side power conservation. To achieve this purpose, the government should fundamentally revise its allocation of R&D funds and should concentrate its investment in specific fields through a process of prioritization and by enhancing the supply of competitive funding.

(3) Introducing market principles to ensure electric power supply that meets diverse needs

- Sound competition is conducive to innovative change and facilitates cost cutting and the provision of new services tailored to customer needs. Therefore, the following initiatives should be pursued in the field of electric power distribution: First, the existing power distribution networks owned by power companies should be more open to other enterprises. Second, power distribution and retailing businesses that meet industrial and household power requirements should be promoted.
- In comparison with other countries, Japan's power distribution networks boast very high standards of quality and reliability. While taking full advantage of these strengths, consideration should also be given to such future possibilities

as expansion of the scale of domestic interregional power transmission and international transmission among neighboring countries.

3. Action Must Be Taken to Achieve Sustained Growth

(1) Calling on the government to immediately implement the New Growth Strategy

- Even before the Great East Japan Earthquake, the implementation of the government's New Growth Strategy was an urgent and critical issue for Japan in facing a rapidly changing environment brought on by declining birthrates, the aging of society, and continuing globalization. While the earthquake and its aftermath have effectively heightened the urgency of implementation, the government has used the earthquake as a reason for postponing the execution. We call for the government to immediately implement its New Growth Strategy and not prolong discussions any longer, as numerous prescriptions for growth has already been explored and proposed.
- It is particularly important for Japan to further open itself to the world, to attract human resources, goods, and capital from both within Japan and the rest of the world, and to actively draw on the fruits of the economic growth achieved by Asia's emerging economies. This is the path that Japan should take, a path that will also contribute to the reconstruction of the Tohoku region. For this reason, no delay in Japan's participation in the Trans-Pacific Strategic Economic Partnership Agreement and no postponement in the reduction of the corporate income tax rate can be permitted. Politicians must live up to their duties and responsibilities by coming to an immediate decision on these matters and acting forthwith to realize these objectives.
- In order to strengthen the global competitive position of Japanese industries, the old-style dependence on the government and the bureaucracy must be rectified. At the same, a new framework for cooperation must be erected that capitalizes on the respective strengths of the public and private sectors.

(2) Eliminating regulations and vested interests that act as bottlenecks to growth

- To ensure the full implementation of measures to achieve growth, regulations and vested interests that act as bottlenecks to growth must be fully visualized and a concrete action plan must be formulated for their elimination. The proposals and recommendations to be developed by Keizai Doyukai during fiscal 2011 will be sharply focused on a narrow range of themes. We will also be analyzing the factors obstructing the implementation of the strategy and digging deeper in an attempt to identify how these obstructions can be removed. For instance, in such areas as agriculture, medicine, and public works where vested interests have been protected through government intervention, we will be proposing specific measures that will lead to the elimination of vested interests.

(3) Calling for businesses to take on the challenge of transformation and contribute to the solution of problems by achieving sustained growth

- Japanese companies are confronted with a series of challenges that place them at a competitive disadvantage vis-à-vis their foreign counterparts. These challenges include Japan's high corporate income tax rates, delay in the conclusion of economic partnership agreements, and the prolonged appreciation of the yen. While appealing to the government for the implementation of growth initiatives, businesses themselves must take on the challenge of undergoing the many transformations that are of vital importance in winning the global competition for survival.
- As corporate executives, it is our responsibility to recruit, train, and deploy the human resources that will shoulder the future of our businesses. Given the accelerated pace of globalization, corporate executives must themselves become the embodiments of "global human resources" and turn their eyes to the entire world in an effort to recruit and employ outstanding human resources regardless of nationality, gender, and age. For this purpose, it is necessary for us to establish concrete numerical goals and to make an earnest commitment to achieving these goals.

- Today, Japan faces the two major challenges of reconstruction and growth. Additionally, the solution of the problems associated with declining birthrates and the aging of society, global warming, hunger and poverty, and other global problems remain high-priority challenges. As members of the business community, we must take on the challenge of resolving the many problems that surround us through the achievement of sustained growth. This we must do with absolute determination coupled with a renewed awareness of corporate social responsibilities.

###