*T*OPICS

Record Budgetary Spending in Fiscal 2009

Economic Stimulus Packages Worth ¥75 Trillion

By Hiroshi OKABE

Photo: AP

Prime Minister Taro Aso delivers a policy speech at a House of Representatives plenary session on Jan. 28, 2009.

Japan's fiscal 2009 general account budget expands to a record high of more than ¥88.5 trillion due to additional spending for economic stimulus measures contained in the first and second supplementary budgets for fiscal 2008. The stimulus packages for fiscal 2008 and 2009 amount to some ¥12 trillion in fiscal spending including tax cuts. If credit guarantees to support cash flow for smaller businesses and quotas on public capital injections into financial institutions are taken into account, the total value of the stimulus measures comes to some ¥75 trillion. The stimulus packages "do not look too bad compared with European or US measures in total value," says a Ministry of Finance official.

But the economy has deteriorated at such an unprecedentedly fast pace that even highly international Japanese companies such as Toyota Motor Corp. and Sony Corp. now expect to incur operating losses. Whether the large budget can lead the economy to recover is uncertain. As employment insecurity fanned by the abrupt economic downturn leads to a consumption slump, deflation fears may grow dominant again.

Prime Minister Taro Aso has named the series of economic stimulus measures as "a three-stage rocket." The government mapped out an ¥11.5 trillion economic stimulus package in late August to address crude oil spikes. In late October, it proposed a ¥27 trillion package including fixed-sum cash stipend. Furthermore, the government came up with a ¥37 trillion emergency economic stimulus package in December to defend people's daily lives. With the three packages totaling ¥75 trillion, "Japan will seek to become the world's first country to overcome the current recession," said Prime Minister Aso.

At a financial summit in November, Japan, the United States and other major countries agreed on their economic policy cooperation including fiscal expansion. Britain has lowered its value-added tax from 17.5% to 15% for a period to the end of 2009 to stimulate consumption. The VAT corresponds to the consumption tax in Japan. Germany and France have offered public investment to boost their economies. In the United States, new President Barack Obama will push an $825 billion economic stimulus package to create up to four million jobs and revive the US economy over two years. At a second financial summit scheduled for April in London, these major countries are expected to reaffirm further economic policy cooperation.

Nevertheless, business leaders and economists believe it will be difficult for the Japanese economy to recover promptly. This is because sales declines and the yen's appreciation have overshadowed automakers, electrical machinery builders and other export-oriented companies. "Even a slight delay in a key business decision could endanger the company's survival,'' said Honda Motor Co. President Takeo Fukui, explicitly alerting himself to the bleak economic prospect. "It would be difficult for Japan alone to overcome the recession that has originated from the United States," said Yasunari Ueno, chief market economist at Mizuho Securities Co. "Bold measures are required to turn around domestic demand that is slumping on a fall in youth population."

Japan's fiscal conditions have also been deteriorating. As tax revenues dwindle in the aftermath of the recession, new government bond issues excluding refunding bonds are set to expand to more than ¥3.3 billion under the fiscal 2009 budget. The government is now likely to fail to achieve its fiscal reconstruction goal of achieving a surplus in the primary balance (excluding debt-servicing costs and revenues from bond offerings) in fiscal 2011. Due to the large stimulus packages, long-term debts for the central and local governments at the end of fiscal 2009 are estimated to total some ¥800 trillion, exceeding 150% of Japan's nominal annual gross domestic product. The percentage is remarkably higher than 60% to 80% for Western industrial countries. Japan's fiscal expansion to boost the economy is risking a long-term interest rate hike on fiscal deterioration. In this sense, Japan's economic policy management has become very difficult.

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Japan's 1st Maglev Project on the Go

JR Tokai Eyes Launch of Service in 2025

A project to launch Japan's first magnetically levitated (maglev) train service is getting off the drawing board. The "Linear Central *Shinkansen*" line will link the Tokyo metropolitan area and Osaka in about an hour with maglev trains capable of traveling at 500 kph. In December last year, the government instructed Central Japan Railway Co. (JR Tokai), the operator of the planned maglev service, to conduct additional studies on construction costs and other details. JR Tokai has begun a full investigation, hoping to begin partial service in 2025 between Tokyo and Nagoya.

The maglev train system developed by JR Tokai is a next-generation ultra-high-speed transportation system utilizing a superconducting phenomenon that makes electrical resistance nil. Maglev trains travel by floating above the guideway on a magnetic field. Japan started development of its own maglev technology in 1962. JR Tokai's experimental manned maglev train clocked a top speed of 581 kph in 2003. The company has expressed readiness to shoulder the whole construction cost estimated at ¥5.1 trillion.

JR Tokai positions the maglev system as a bypass line of the Tokaido *Shinkansen,* Japan's main artery of land transport. It sees the need to hasten construction of another *Shinkansen* line between the Tokyo metropolitan area and the Chubu (Nagoya) region to cushion the impact of a devastating earthquake. The company is seeking to gain the upper hand in an expected international competition for maglev contracts by putting cutting-edge technology to commercial use early.

Still, there remain some hurdles the company has to clear. One is coordination with local governments to fix the maglev route. Among three proposed routes, JR Tokai considers a straight route with a tunnel under the Southern Alps mountain range is the best route while Nagano Prefecture is insisting on a detour route in view of regional economic benefits. The gap between the two parties remains to be filled.

The latest slump in the automotive industry is casting a dark shadow on the project. The Chubu region had been the most vibrant region in Japan up until recently, benefiting from brisk business performances of Toyota Motor Corp., based in a Nagoya suburb. With Toyota's earnings picture taking a sudden turn for the worse, the regional economy is starting to show signs of decline. It is likely to adversely affect passenger traffic estimates for the Tokyo-Nagoya maglev project.

Tsukiji Market Seen Relocated in 2014

Tourist Spot Frequented by Foreigners

Photo: Kyodo News

A tourist holds up a warning flyer written in English at Tokyo's Tsukiji fish market on Jan. 19, 2009, the first day after the Tokyo metropolitan government lifted a month-long visitor ban imposed due to complaints about unruly visitor behavior.

The Tsukiji fish market in Tokyo, widely known as the kitchen of Japan and a tourist destination popular among foreigners as well as locals, will likely be relocated by the end of 2014. With massive amounts of toxic material unearthed from Toyosu, a nearby reclaimed area proposed as a relocation site, the Tokyo metropolitan government had to delay putting the project into practice. Now, claiming a time frame is finally in place for the elimination of pollutants, Tokyo has rescheduled the new fish market for opening in fiscal 2014.

Tsukiji, one of the public markets in Tokyo dealing in sea products and fruit and vegetables, ranks among the world's largest marine product markets in terms of volume and value, auctioning a daily average of 2,300 carcasses of tuna. Tsukiji auctioned off 560,000 tons of seafood worth ¥487.3 billion in 2007.

Some foreign tourists bombarding auctioneers with camera flash and touching tuna with their bare hands infuriated market officials so much so that tourists were barred from visiting Tsukiji for about a month from the end of 2008, making headlines in Japanese newspapers. Tourists are now back in Tsukiji, amounting to some 500 persons per day on busy days, watching auctions under written pleas for improved manners pasted here and there in an assortment of languages – English, Chinese, Korean and Russian as well as Japanese.

Relocation had been opted for by the Tokyo government mindful of Tsukiji's wear and tear and resultant hygienic concern for the market. However, some people, including nearby merchants profiting from the market that has grown into an important source of tourist money, continue to protest the move. Toyosu, the seaside area slated for relocation, is within a radius of a few kilometers from Tsukiji. But that is no consolation for the slew of *sushi* bar owners alarmed at the prospect of being robbed of the Tsukiji market brand.

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