TOPICS

Jobless Rate Cut to 3% Level in 4 Years

Growth Strategy Prioritizes Environment, Healthcare, Tourism

By Hiroshi OKABE

The Japanese government has drawn up a 10-year basic policy guideline for its economic growth strategy through 2020 calling for an unemployment rate cut from more than 5% at present to the 3% range in four years. The policy guideline also envisages an average annual rate of growth in gross domestic product (GDP) of more than 3% in nominal terms and at more than 2% in real terms.

Earlier, Prime Minister Yukio Hatoyama and his government came under fire from the economic world for failing to offer a sufficient growth strategy while giving priority to the introduction of child allowances, the abolition of public senior high school tuition and other election campaign promises given by his Democratic Party of Japan (DPJ). The Hatoyama administration also drew up a fiscal 2010 budget painting a grim fiscal picture – new government debt issues well in excess of dwindling tax revenues. The government was thus required to show taxpayers what growth path it envisions toward a sound economy that will eventually restore fiscal health.

The policy guideline puts forward six strategic areas to help ensure growth – the environment and energy, health combining medical and nursing care, Asia, tourism and regional revitalization, science and technology, and employment and human resources. The DPJ-led government has thus shifted policy priority from support for companies to creation of household-oriented economic demand, focusing on expansion of personal consumption ensured by employment stability. The guideline contains numerical job creation targets – 1.4 million new jobs in the environment area, 2.8 million in the health sector and 0.56 million in the tourism industry – for the decade through 2020, thus creating a total of 4.76 million jobs and generating more than 100 trillion in new demand in the three areas. Nominal GDP is projected to expand some 1.4-fold from an estimated 473 trillion yen in fiscal 2009 to around 650 trillion yen in fiscal 2020.

Specifically, the guideline seeks to diffuse renewable energy worldwide under the goal of cutting global greenhouse gas emissions by more than the equivalent of Japan's total emissions of 1.3 billion tons with the help of Japanese technologies. The government will also help increase construction of barrier-free homes. The policy package calls for assistance for the development of Asian infrastructure to help double Asian income and for establishment of a free trade area of the Asia-Pacific, known as FTAAP. As for tourism promotion, the guideline proposes to ease regulations on the acquisition of tourist visas to triple the annual number of foreign visitors to Japan to 25 million from the fiscal 2008 level. Other numerical targets include a food self-sufficiency rate of 50%, 1 trillion yen in agricultural exports and a timber self-sufficiency rate of 50%. The guideline also calls on the government to consider a "local holiday system" that will permit consecutive holidays to be taken on a region-by-region basis instead of the current nationwide all-at-once practice in a bid to disperse congestion and stimulate local tourism demand. Furthermore, it urges the government to secure the equivalent of more than 4% of GDP for public- and private-sector R&D investment to help achieve full employment of postdoctoral scientists and engineers.

Hatoyama has indicated his strong determination to implement the massive growth strategy. "The strategy would end up as a pie in the sky without our political power to carry it out," he said. "We will make every effort to attain it." The government plans to flesh out details of the guideline in the months ahead for adoption of a final growth strategy by June. A road map for the implementation of specific measures will be added to the strategy.

Deputy Prime Minister Naoto Kan coordinated efforts to compile the basic policy guideline before being named finance minister in January 2010. He has reiterated the need for "a third economic policy path" to replace the first one that allowed limitless public works spending and the second one giving priority to competition. Kan believes the two past paths failed to leave the general public feeling affluent. In this respect, the basic policy guideline calls for the government to devise a new indicator of consumer happiness as well as laying down the GDP growth target. The new growth strategy is expected to become a significant one, indicating the future course for Japan's national management as well.

TOPICS

Struggling JAL Eyes Turnaround under New CEO

Drastic Downsizing, Switch to Delta Camp Planned

Japan Airlines Corp. (JAL) has filed for bankruptcy protection, setting the stage for a jointly funded public- and private-sector body to launch a full-scale turnaround effort for the national flag carrier. Japan's top airline aims at its revival under a government-led rehabilitation process. A charismatic entrepreneur, Kazuo Inamori, has taken the helm of the airline as chief executive officer. Inamori is known for building Kyocera Corp. from a venture firm into what is now one of Japan's leading high-tech companies and founding a telecommunications carrier that later merged with other firms to create KDDI Corp.

Given examples of troubled U.S. airlines that succeeded in turning themselves around after filing for Chapter 11 bankruptcy, such as Continental Airlines and United Airlines, the leadership of managers in charge of reconstruction holds the key to a success. So high hopes are pinned on Inamori's skill in piloting JAL's turnaround.

Under a management rehabilitation plan compiled by the Enterprise Turnaround Initiative Corp. of Japan (ETIC), JAL will try to thoroughly downsize. JAL will reduce its 110 subsidiaries to 57 during fiscal 2010 starting in April to concentrate on its mainstay air transport operation. The airline will reduce its business size – including sales and its group workforce – by about 30%, in the next three years through March 2013.

The company will cut about 15,700 jobs of its group payroll and phase out all 37 jumbo jets with poor fuel economy, replacing them with smaller and more fuel-efficient models. As for its worsened balance sheet, the carrier aims at reducing 730 billion yen in liabilities in a combined debt waiver by financial institutions, while ETIC will invest 300 billion yen in the company. JAL plans to clarify shareholder responsibility through a 100% capital reduction.

JAL will partner with Delta Air Lines, the largest US carrier, and switch from the current "oneworld" global air alliance, led by American Airlines, to the SkyTeam alliance headed by Delta in April 2011. JAL and Delta are expected to file for antitrust immunity for jointly operating trans-Pacific services under the recent "open skies" agreement between the Japanese and US governments to liberalize air travel.

JAL will strengthen its international routes arriving at and departing from Tokyo's Haneda airport as the number of departure/arrival slots at the airport will increase after a fourth runway is completed later this year. The company also aims at increasing profits by connecting its flights to routes of airlines belonging to the SkyTeam alliance. It plans to set up a budget airline company under its wing and enhance services on Asian routes where demand for tourism is expected to grow fast.

Japanese Firms Market Rail Systems Globally

Targets Include Brazil & United States

Amid increasing attention to environmentally friendly railways which emit less carbon dioxide than aircraft and automobiles, Japanese firms are stepping up strategic moves to market such state-of-the-art railway systems as *Shinkansen* and linear-motor trains worldwide.

A consortium of Japanese companies led by Mitsui & Co. plans to make a pitch for a *Shinkansen* system in a tender by the Brazilian government for its high-speed railway project, with bids expected to be accepted this spring. The Japanese consortium seeking the Brazilian project worth around 4 trillion yen, including about 1.75 trillion yen in construction costs, will also include Toshiba Corp., Hitachi Ltd. and Mitsubishi Heavy Industries Ltd., with the Japan Railway group set to cooperate.

Toshiba is to take charge of a transportation system and Hitachi rolling stock, while Mitsubishi will oversee the overall construction project. As rival companies in European countries and South Korea have also expressed interest in the bidding with full backing from their respective governments, whether the Japanese consortium can succeed in the tender will depend on support from its own government as well. Winning the bid would mark a second *Shinkansen* deal overseas following one in Taiwan that began operating in 2007.

Last year, Central Japan Railway Co. conducted a demonstration run of its newest *Shinkansen* bullet train – the N700 model – carrying diplomats and railway officials from foreign countries including the United States and Egypt. When the speed of the train reached 330 kilometers per hour, the passengers burst into applause. "The participants reacted positively," an official of the company known as JR Tokai said.

JR Tokai is taking aim at the United States. Since the Obama administration pledged to promote high-speed railway plans under the "Green New Deal" policy, a total of 11 projects have emerged in that country. The *Shinkansen* system boasts high levels of reliability and safety, having

seen travel delays averaging less than one minute and very few human casualties since the commencement of its commercial operation in 1964. Insisting that its *Shinkansen* system also outperforms rivals in terms of construction costs and energy saving, JR Tokai aims to market it as a package deal including rail tracks and train cars. If it wins the project and delivers the system successfully, it plans to give support in traffic control operations and send technical advisers, hoping to earn commissions from such services.

Hiroshi Okabe is a senior business news editor at Kyodo News.