

## 1986 Budget a Slim ¥54.09 Trillion

An austere ¥54,088.6 billion (about \$270 billion) general account budget has been adopted by the government for fiscal 1986, starting April 1.

The budget, approved by the Cabinet on December 28, is up a miniscule 3.0% from the original budget for fiscal 1985. But "general expenditures" (actual fiscal spending) is actually lower than the fiscal 1985 level at ¥32,584.2 billion (\$163 billion). Fiscal 1986 will be the fourth consecutive year in which net spending has declined from the previous year.

In compiling the budget, the government put sound finances before the business stimulation measures sought by the ruling Liberal-Democratic Party and business circles. Even so, it calls for ¥10.95 trillion worth of bond offerings (20% of the general account), reflecting tight fiscal conditions.

Defense spending was raised 6.58% to ¥3,343.5 billion and official development assistance (ODA) 7% (more than 20% on a dollar basis) to ¥622 billion. The rate of increase for defense spending and ODA far outpaced all other budget items.

The fiscal 1986 defense budget comes to 0.993% of projected gross national product (GNP) for the year, barely staying under the 1% of GNP ceiling set by a Cabinet decision in 1976. ODA was sharply increased to meet Japan's international commitments. Fiscal 1986 marks the first year of a seven-year plan to boost the nation's ODA to more than \$40 billion.

## Additional Steps Taken to Expand Domestic Demand

The Japanese government approved a second package of measures to expand domestic demand at a meeting of ministers concerned with economic affairs on December 28, 1985. This is a follow-up to the first package unveiled by the government on October 15. The latest measures, related to budget and tax systems, were worked out in the process of compiling the fiscal 1986 budget.

By expanding domestic demand, Japan hopes to ease or eliminate economic frictions with its major trading partners. Japan pledged efforts to expand domestic demand at a meeting of finance ministers and central bank governors from five major industrial countries held in New York on September 22 last year. The so-called G-5 agreed to closely cooperate to guide the dollar lower and to take effective policies to spur their economies.

The second package features three points—increased public works spending, tax breaks to encourage house acquisition and promote corporate investment in plant and equipment, and measures to ensure better use of private-sector vitality.

Tentative government estimates indicate that these additional measures will have the combined effect of boosting the nation's nominal gross national product (GNP) by approximately ¥1.5 trillion (\$7.5 billion). The two packages are estimated to expand the nominal GNP in fiscal 1986 by 0.5–0.7 percentage points. In fiscal 1986, a more active employment of the fiscal investment and loan program will be sought to realize a bigger increase in public works spending than the previous fiscal year, when public works spending grew an estimated 3.7%. The fiscal investment and loan program expenditures in fiscal 1985 were set to drop by 1.2% from the preceding year. But the fiscal 1986 budget envisages a 6.2% year-to-year growth.

The eye-catcher in the second package is the housing tax breaks which allow tax-free deduction of housing loans and deduction of part of monetary gifts used for house purchases. These measures are estimated to bring about housing tax reductions equivalent to ¥39 billion.

With regard to utilization of private-sector vitality, the latest measures include plans to construct a highway across the Tokyo Bay and a bridge over the Akashi Straits in western Japan, each costing about ¥1 trillion. Necessary tax and legal measures will be taken to make it easier for private sectors to raise funds to finance these projects.



### Lineup of New Nakasone Cabinet


(Reorganized on Dec. 28, 1985)

**Prime Minister**  
**Yasuhiro Nakasone**

<b>Prime Minister</b> .....	Yasuhiro Nakasone	Age	67
<b>Justice Minister</b> .....	Seigo Suzuki		74
<b>Foreign Minister</b> .....	Shintaro Abe*		61
<b>Finance Minister</b> .....	Noboru Takeshita*		61
<b>Education Minister</b> .....	Toshiki Kaifu		54
<b>Health and Welfare Minister</b> .....	Isamu Imai		66
<b>Agriculture, Forestry and Fisheries Minister</b> .....	Tsutomu Hata		50
<b>International Trade and Industry Minister</b> .....	Michio Watanabe		62
<b>Transport Minister</b> .....	Hiroshi Mitsuzuka		58
<i>(In charge of New Tokyo International Airport)</i>			
<b>Posts and Telecommunications Minister</b> .....	Bunsei Sato		66

<b>Labor Minister</b> .....	Yu Hayashi	61
<b>Construction Minister</b> .....	Takami Eto	60
<b>Home Affairs Minister</b> .....	Ichiro Ozawa	43
<i>(Chairman of National Safety Commission)</i>		
<b>State Minister</b> .....	Masaharu Gotoda	71
<i>(Chief Cabinet Secretary)</i>		
<b>State Minister</b> .....	Masumi Esaki	70
<i>(Director General of Management and Coordination Agency)</i>		
<b>State Minister</b> .....	Raishiro Koga	70
<i>(Director General of Hokkaido Development Agency; Okinawa Development Agency)</i>		
<b>State Minister</b> .....	Koichi Kato*	46
<i>(Director General of Defense Agency)</i>		
<b>State Minister</b> .....	Wataru Hiraizumi	56
<i>(Director General of Economic Planning Agency)</i>		
<b>State Minister</b> .....	Yohei Kono	48
<i>(Director General of Science and Technology Agency)</i>		
<b>State Minister</b> .....	Yoshihide Mori	66
<i>(Director General of Environment Agency; Chairman of Atomic Energy Commission)</i>		
<b>State Minister</b> .....	Heihachiro Yamasaki	74
<i>(Director General of National Land Agency)</i>		

\*denotes reappointment



## Progress Report on Action Program

The Headquarters for Promotion of External Economic Measures jointly organized by the government and the ruling Liberal-Democratic Party announced on December 28 a report on progress made in the action program for improved market access adopted by the government five months ago. The market-opening action program was announced on July 30 with the aim of giving foreign manufacturers wider access to the Japanese market.

The report covered progress in six areas: tariffs; import restrictions; standards and certification, and import procedures; government procurement; the financial and capital market; and services and import promotion measures.

It said that tariffs were either reduced or eliminated as of January 1, 1986 on 1,849 of the 1,853 items listed in the action program, while preparation is under way for tariff reductions on wine and three other remaining items from April 1, 1986, a full year ahead of schedule.

With regard to import restrictions, the report said that quantitative import restrictions will be abolished on four leather products.


On standards and certification, and import procedures, 35 of the 88 items mentioned in the action program have already been implemented in the five months since the announcement of the program. These include an improved certification system for cosmetics and simplified import procedures for automobiles. Work is under way for implementation of the remaining items at an early date.

The report said that all the measures regarding government procurement contained in the action program have been implemented since October 1. Foreign enterprises now enjoy better chances of participating in biddings for government procurement.

On the financial and capital market, measures so far implemented include liberalization of the interest rate ceiling on large-denomination time deposits, the creation of a futures bond market in Tokyo and the participation by foreign banks in Japan's trust banking business. The Tokyo Stock Exchange (TSE) admitted six foreign securities firms as full TSE members on February 1.

Concerning services and import promotion measures, the report noted that the Japan Federation of Bar Associations approved a basic policy to allow foreign lawyers to practice in Japan.

A nationwide import promotion campaign was launched in October and November last year. Notable among the some 2,000 import bazaars held during the two months was the Yokohama bazaar which attracted 322,000 people during its five-day run and ended up with sales totaling ¥503.6 million. The report added that intensive import promotion campaigns were also carried out through various media during the same period.



## 4% Growth Predicted for 1986

Japan's gross national product will grow 4% after inflation in fiscal 1986 (April 1, 1986 to March 31, 1987), according to a government projection.

The forecast comes in the fiscal 1986 economic outlook announced by the government on December 23. The annual outlook serves as the basis for compiling the national budget.

In nominal terms, the report predicts Japan's GNP will grow 5.1% to ¥336.7 trillion (\$1.68 trillion) during the fiscal year. The entire increase will be accounted for by domestic demand. This will make an additional contribution amounting to 4.1% of GNP compared with an estimated 3.4% in fiscal 1985.


The contribution of external demand to the projected growth rate will drop to minus 0.2% from an estimated 0.8% in fiscal 1985.

The projection further envisages:

- A trade surplus of ¥11.4 trillion, down ¥1.7 trillion from the previous year due to the sharp appreciation of the yen.
- A stable 1.9% increase in consumer prices, pushing up growth in consumption to 3.6% in real terms from an estimated 3.0% in fiscal 1985.
- A 7.5% increase in gross fixed investment by the private sector compared with an 11.5% rise in fiscal 1985.

Many private organizations, including major Japanese banks and research institutes, have predicted a GNP increase of only 2% to 3% in real terms for fiscal 1986.

The shift reflects government policy to address trade friction and promote steady economic growth led by domestic demand.



## Business Summit

Business leaders of the seven leading Western industrial nations will meet in Gotemba at the foot of Mt. Fuji April 14-15 to discuss ways to maintain the free trade system in advance of the Tokyo Summit scheduled for their nations' political leaders in early May.

Participating in the "Mt. Fuji Round Table" will be chief executives of the industrial federations of the United States, Britain, West Germany, France, Italy, Canada, and Japan. The European Community will also be represented. Japan will send two delegates, including Yoshihiro Inayama, president of the Federation of Economic Organizations (Keidanren).

The business summit, proposed by Keidanren, will be held at the newly-built Keidanren Guesthouse. Hot debates are expected on trade friction, monetary problems, and other pending issues.

Keidanren officials say free discussions among top business leaders of the seven countries should help win understanding of Japanese efforts for improving market access and pave the way for a successful Tokyo Summit.



## Communications White Paper

The 1985 white paper on communications, issued by the Posts and Telecommunications Ministry on November 29, declares that Japan's new Telecommunications Business Law enacted last April has ushered in a new era in Japan's telecommunications industry. By abolishing government monopoly and introducing the principle of competition, the white paper says, the new system provides the Japanese people with a choice of cheap and convenient communication media from a variety of companies.

As prime examples of the changes sweeping the industry, the white paper pointed to the privatization of Nippon Telegraph and Telephone Corporation. It also praised the participation of new private companies in the communications business, including the establishment of common carriers operating nationwide telecommunications networks and firms offering enhanced information processing known as value added networks (VAN).