

Directions for the Future of the Japanese Economy

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Before addressing the readers of the *Journal of Japanese Trade and Industry* I would first like to convey my heartfelt gratitude for the numerous offers of assistance and cooperation that nations all around the world have extended in response to the devastating earthquake in the Hanshin and Awaji areas, the biggest disaster in Japan since the Second World War. The Ministry of International Trade and Industry is determined to pursue every possible means to restore and revive the affected areas and respond fully with all administrative resources.

Today we are witnessing the beginning of a new historical period leading to the 21st century. For example, under the Murayama administration which was inaugurated in late June last year, sweeping political, administrative, and economic reforms were launched. MITI has vigorously pursued these policies and made substantial progress in various areas under its jurisdiction. To overcome the suffering and anxiety caused by the earthquake disaster and firmly establish a bright future for Japan, we believe further significant progress will and must be made.

The Japanese economy is on the road to recovery, albeit slowly, with consumer spending improving and production stabilizing. However, uncertainty in the currency markets has been coupled with the still severe employment situation and lagging plant and equipment investment. Cyclical factors and the collapse of the "bubble" economy have played roles in the current economic situation, but extensive structural changes to Japan's economy, including the hollowing out of domestic industries, internal and external pricing disparities, diminished entrepreneurship in pioneering new industry sectors, and stagnant technological development,



should also be noted.

Japan's postwar socioeconomic system has been unable to respond to internal and external environmental changes and this is thought to have had a significant role in engendering declining economic vitality and economic stagnation. Placing priority on facilitating structural reforms to the economy, MITI established the Industrial Structural Adjustment Headquarters and as its director I will strive to lend our efforts concrete form.

All-encompassing measures

Concretely, we will need to devise comprehensive measures in both the micro and macro sides of the econo-

my in addition to industrial structuring measures. I believe that industrial restructuring policies must include smooth facilitation of shifts in industry and employment; support for pioneering new business sectors to create commercial ventures in the fields of information, telecommunications, environment, and medical care; and aggressive promotion of technological advances that form the foundations for the creation of new enterprises, as well as support for information technology.

To build a vital society, while noting a global division of labor, a shift to a high value added industrial structure is necessary. To accomplish this, we will attempt to expand economic frontiers by comprehensively supporting new

business development, assisting existing enterprises' renovations and promoting a smooth supply of private capital. Further, while maintaining consistency between economic and industrial policies and employment measures, the government as a whole will promote integrated, comprehensive policies in an effort to ensure that our industrial and employment structures are converted smoothly.

Secondly, microeconomic policies will place prime importance on the promotion of deregulation. We believe we have created a fairly substantial Three-year Deregulation Action Plan, implemented following the active gathering of various requests both within and outside Japan through the efforts of the Administrative Reform Promotion Headquarters and other organs, as well as front-loading the schedule of existing plans for deregulation. We will be fully receptive to requests from within and outside regarding this plan's implementation and will handle it flexibly, revising the plan itself corresponding to necessity.

Further, we will need to address the issue of disparities between internal and external pricing by firming up policies related to competition and promoting deregulation. In addition, the existence of internal-external price gaps necessitates the strengthening of the encouragement of a competitive policy and the further promotion of deregulation. Recognizing that the existence of price differentials has been a roadblock to achieving affluence, MITI has been conducting research on international price differentials in consumer goods, intermediary goods and services. The ministry will continue these activities, attempting to further raise the efficiency of the entire Japanese economy.

Finally, turning to macroeconomic aspects, in the short term apt, flexible macro economic management is important. However, over the medium to long term we must put in place economic structures that are primarily

based on domestic consumption and ensure that domestic social capital is provided to create a rich, vibrant society and economy in anticipation of the onset of an aging society. Accordingly, the government last October drew up a New Basic Plan for Public Investments with a total budget of ¥630 trillion, and is committed to reinforcing the social infrastructure by steadily carrying out the plan. Moreover, to encourage vigorous development of local communities, we plan to develop, with a wider geographical area perspective, advanced information-related as well as research facilities, and upgrade economic activities by utilizing local initiatives and the uniqueness of areas with development potential.

Multilateral, regional and bilateral

Meanwhile, looking outside Japan, five years have elapsed since the end of the Cold War, and the world still has not established anything that can be called a "New Order." It has been a global task to construct a new international system replacing the Cold War system.

Japan would like to endeavor toward the formation of a new international economic order on multilateral, regional and bilateral levels. First, regarding multilateral efforts, an important task for maintaining free trade is faithful enforcement of the World Trade Organization (WTO) agreement, effective January of this year, and active participation in activities of the WTO. The agreement aims at maintaining and reinforcing a system of multilateral trade by drawing up new international rules covering broad trade areas including not only goods but also intellectual properties and services, and sharply strengthening the procedures for resolving conflicts. We will strive to contribute to the establishment of a new international order, including advancement of the WTO system and domestic reforms in

each country in the post-Uruguay Round era, through facilitating cooperation within advanced countries on various occasions including summit meetings, the Quadrilateral Trade Ministers Meeting, the OECD, and other avenues.

Next, the only regional framework in which Japan participates is the Asia-Pacific Economic Cooperation (APEC) forum. APEC aims at developing activities driven by two wheels of the same axis: liberalization in trade and investments, and economic and technological cooperation to strengthen the foundation of regional development, which in turn supports liberalization. Last year's Bogor declaration announced the intention of promoting further liberalization and facilitation of trade investment within the region and affirmed the promotion of mutual cooperation in the fields of energy, small- and medium-size enterprises, human resource development, infrastructure, and others. Japan is scheduled to host November's Ministerial APEC and Informal Leaders Meetings in Osaka. Aware of the weighty responsibility Japan bears as the host nation, we will do our utmost to work toward the resolution of the issues that confront APEC.

Further, we will advance bilateral talks to tackle individual issues in parallel with reciprocal multilateral discussions. Japan believes it is important to try to resolve bilateral economic issues with any country by complying with international rules in order to establish a stable international economic order.

Internal and external issues should be solved simultaneously. It is necessary to try our best to establish an affluent economy and society filled with vitality and creativity through implementing reforms and furthering investments both domestically and overseas. With commitment and courage, MITI will do its part to realize this kind of economy and society.