

## 10-Year Plan for Fiscal Reconstruction — Blueprinted by Economic Strategy Council

A blue-ribbon advisory panel to Prime Minister Obuchi Keizo has sketched out a 10-year plan to revive the moribund Japanese economy and restore health to the deficit-ridden state coffers. The Economic Strategy Council, comprising top business leaders and academic experts, finalized a report on a package of policy options for achieving the plan at its 14th and final meeting on February 26, and immediately submitted it to Obuchi. The plan, dubbed "Strategy for Reviving the Japanese Economy," is the culmination of six months of intensive discussions by the council, chaired by Higuchi Hiroto, the honorary chairman of Asahi Breweries Ltd.

The report calls for economic resuscitation and fiscal reconstruction to be completed in fiscal 2008 in three stages spread over the coming 10 years. The first phase is a period of rehabilitation from the adverse effects caused by the bursting of the asset-inflated bubble economy in the late 1980s. In the second phase, the economy is to be put back on a recovery path and economic health restored. The third phase is for full-fledged recovery through fiscal rebuilding and structural reforms. The plan assumes the Japanese economy to be potentially capable of growing 2% a year during the decade. Based on this assumption, the council outlines the following scenario: The economy will begin to grow in fiscal 1999 — ending March 31, 2000 — after an expected contraction in fiscal 1998, and return to the potential 2% growth course in fiscal 2001. The plan also urges the Obuchi

administration to realize a "small government" for the purpose by taking such measures as deregulation and administrative streamlining at both national and local levels.

According to the report, the government is required to take a fiscal and monetary policy stance giving top priority to economic recovery and financial system stabilization in the first stage (fiscal 1999-2000), when efforts will be concentrated on

structural reforms are to be implemented on a full scale.

The third stage (fiscal 2003 and onward) is a period for full-fledged recovery through fiscal reconstruction and structural reforms. Medium-term measures for fiscal rebuilding are to be implemented steadily while full-scale reform efforts are continued. The main policy goal is to strike a balance between revenue and expenditure in about a decade from now while trying to ensure self-propelled economic growth is sustained. Credit policy will be switched to a neutral one.

The report singles out several mounting uncertainties about Japan's future as factors that cannot be discounted for their effects of curbing economic growth. Among them are a steeper fall in Japan's birthrate and faster progress in the aging of society than in other industrial countries, anxiety among the public over the worsening employment picture and the flagging pension system, and rapidly

expanding budget deficits. These uncertainties originate from the fact that the Japanese-style employment/wage system and generous social security scheme are losing sustainability. The council thus points to the need for sustainable new safety nets in such forms as labor market reform (which will enhance the capability of workers switching jobs and ensure employment security), and improvement of the pension, medical treatment and nursing schemes.

Furthermore, the council blames Japan's oversized, inefficient public sector and distorted supply of resources on the Japanese-style social system that places excessive emphasis on equality and fairness, as symbolized by the "me too" tendency



Higuchi (left) submitting the report to Prime Minister Obuchi (right)

Photo: Kyodo News

clearing the after-effects of the bubble economy. At the same time, the government is to launch those types of structural reforms which must be hastened (like post-bubble rehabilitation and resuscitation of industrial competitiveness involving the improvement of manpower and intellectual infrastructure) while taking "safety net" measures to cushion the impact of the reforms on workers.

The second stage (fiscal 2001-2002) is a period when the economy reverts to a growth path and economic health is restored. The government is to ensure a shift in economic activity to self-propelled growth, switching to a neutral fiscal policy in a departure from the current economy-stimulating stance. The present easy money policy is to be maintained and



among businesses to follow the practices of others, and the "convoy method" of regulation and protection aimed at keeping the weakest afloat at the cost of efficiency and competitiveness. The report urges a sweeping overhaul of the public sector, including a cut in the number of municipalities from about 3,200 cities, towns and villages to less than 1,000. It also calls on the government to permit the full play of the market forces of supply and demand in order to build a new system that will realize the effective utilization and optimum distribution of all elements of production, including capital, labor and land.

## Japan's First Legal Organ Transplants Conducted

Japan's first organ transplant operations involving a legally declared brain-dead donor took place on February 28.

The heart, liver, kidneys and corneas were removed from the donor, who had been officially confirmed brain dead, at the Kochi Red Cross Hospital in Kochi Prefecture on the afternoon of February 28 and immediately transported to five other hospitals, where recipients were waiting.

The transplant operations were conducted on the basis of the Organ Transplant Law that took effect in October 1997.

Under the law, the donor must have a donor card certifying that he/she has the will to donate his/her organs when he/she dies. The consent of his/her family is also a prerequisite.

The law also stipulates that brain-death must be established in two tests that fulfill six criteria: 1) the donor is in a state of deep coma, 2) there is no movement in the donor's pupil, 3) the donor has lost brain stem reflexes, 4) the donor's brain waves are flat, 5) the donor has ceased natural breathing, and 6) these conditions have remained unchanged for six hours.

The donor at the Kochi Red Cross

Hospital fulfilled these criteria in two tests conducted since the early morning of February 28.

The heart was transplanted at Osaka University Medical School Hospital, the liver at Shinshu University Medical School Hospital in Matsumoto, the kidneys at Tohoku University Hospital in Sendai and at the state-run Nagasaki Central Hospital in Nagasaki Prefecture, and the corneas at Kochi Medical School Hospital. All the transplant operations were completed as of March 1.

All organ recipients are reported to be in a satisfactory condition.

Organ transplants take place in the United States more frequently than in any other country, with about 2,000 heart transplants and about 4,000 liver transplants conducted each year. In Europe, some 700 heart transplants and some 900 liver transplants are conducted annually through an organ transplant network known as Eurotransplant.

Organ transplants are now implemented in most countries of the world, with the exception of a few countries such as Pakistan.

The majority of U.S. states, Sweden, Italy and some other countries legally define brain death as human death. Other countries like Britain and Germany have no legal definition of brain death and leave it up to medical associations to decide whether brain death is actual death. Doctors in these countries are required to be members of medical associations, while in Japan membership of medical associations is voluntary. France legally endorses the removal of organs from brain-dead persons but it is left up to the Minister of Social Affairs to define brain death as death.

## Toyota to Enter F-1 Racing

Toyota Motor Corp. has announced it will enter Formula-One racing by 2003. The leading Japanese automaker also has unveiled its plan to build a F-1 racing circuit. Toyota has already launched research and development activities, including

engine and chassis development in preparation for its F-1 participation.

The Toyota F-1 team will be based in Cologne, Germany, where Toyota's FIA World Rally Championship team is based, with veteran German F-1 racer Andre de Koltanz as project leader. Koltanz, who used to be a member of the Zuber and Peugeot teams, is currently the leader of the Toyota team in the 24-hour Le Mans race.

Toyota's participation in F-1 racing is said to be primarily aimed at enhancing the appeal of Toyota cars among young people.

Toyota is known as the maker of upmarket cars such as the Lexus (a best-selling car in the U.S.) and as the developer of the first family-use recreational vehicles in Japan. The company is also noted for its prowess in environmentally friendly technology as shown by its recent development and release of the Prius, the world's first electric-gasoline hybrid. But Toyota cars are generally viewed as products for middle-aged and elderly people.

Toyota hopes that its involvement in F-1 racing will change this image and turn young consumers' eyes to its products.

Toyota also believes that participation in F-1 racing will help boost its relatively low market share in Europe, where F-1 racing enjoys high popularity. Toyota regards F-1 events as opportunities for demonstrating Toyota cars' speed and endurance.

The move sets the stage for circuit battles in the 21st century between Toyota and Honda Motor Co., which had earlier expressed its intention to return to F-1 racing as a comprehensive team, not only in engine and chassis-development but also in management, as early as 2000.

Motor analysts are generally not so optimistic about the participation of Japanese automakers in F-1 racing, saying that even cash-rich Toyota will be hard-pressed to win the F-1 championship.