

Japan Back to Normalcy in Monetary Policy

– BOJ Ends Quantitative Easing After 5 Years –

ON March 9, the Bank of Japan (BOJ) decided to lift its five-year policy of pouring massive amounts of credit into the banking system. The central bank terminated the globally unprecedented ultra-loose monetary policy after introducing it in March 2001, when the Japanese economy was on the verge of falling into a deflationary spiral. This means Japan has returned to normalcy in terms of monetary policy.

The government remained cautious to the last minute toward the policy change for fear of a possible ensuing jump in long-term interest rates. This was because a long-term interest rate surge might lead to Japan's financial collapse now that the balance of debts held by the

central and local governments is estimated to reach ¥775 trillion at the end of March 2007. The government needs to borrow as much as ¥165 trillion in additional national bonds in the fiscal year that started on April 1. As part of the quantitative easing policy, the BOJ has purchased ¥1.2 trillion worth of long-term national bonds from the banking sector, contributing a great deal to the stable sales of national bonds and curbing a rise in long-term interest rates.

In announcing the policy shift, the BOJ promised to maintain the zero-interest rate policy for the time being and not to reduce its purchases of long-term national bonds. The central bank also introduced a desirable reference rate for

inflation in the medium term with a range of zero to 2% (the median rate is around 1%), which was the first numerical presentation. The BOJ made it clear by introducing the inflation reference rate that it will not hasten to tighten credit.

However, BOJ Governor Fukui Toshihiko has begun hinting at a future increase in interest rates. In reply to questioners at Diet sessions after the policy change, Fukui said interest rates "need to be raised gradually sooner or later." The United States has already boosted its key short-term policy rate to 4.5% while Europe has started rate hikes. An increasing number of market participants expect Japan to follow suit and enter a credit-tightening phase this summer.

Japan to Boost Int'l Broadcasts, Enhance Info Outflow

– Gov't Officials Float Idea of Allowing NHK to Run Commercials –

CALLS are mounting in Japan to expand international broadcasting service by NHK (Japan Broadcasting Corp.) and to strengthen the transmission of information to the world. It was Prime Minister Koizumi Junichiro who triggered a spate of such calls. He was told by prominent foreign residents that there are no English-language TV channels in Japan. He lost no time in instructing Internal Affairs and Communications Minister Takenaka Heizo, a top aide in charge of radio and TV broadcasting affairs, to launch studies on how to expand NHK's domestic English-language broadcasts and international service. Many Cabinet ministers

echoed Koizumi in calling for NHK to expand international service. Matsuda Iwao, state minister in charge of science and technology policy, said that he "was told at an international meeting that Japan's transmission of information is insufficient."

Foreign Minister Aso Taro proposed that NHK accept advertisers' sponsorships to fund programs for its international service, saying, "Britain's BBC runs commercials to air programs abroad. NHK should also be allowed to accept sponsorships for its international broadcasts, if necessary." An unofficial advisory body to the minister of internal affairs and communications, which has

been discussing NHK's management reforms, has moved toward allowing NHK to use private sponsorships for its international broadcasts, but the fate of the discussions appears to be uncertain after commercial broadcasters immediately opposed the public broadcaster's running of commercials.

To normalize soured diplomatic ties with China and South Korea, it is essential to correctly convey Japan's messages to people in Asia. The major theme of strengthening NHK's international broadcasting service should not be wrecked by an internal dispute over territorialism between NHK and commercial broadcasters.