

# 'Roundtable Japan' decries lack of political will

**KAZUNARI YOKOTA**

Staff writer

Japan needs strong political leadership if it is to emerge from the fog of deflation and mounting government debt. It received that prescription from the "Roundtable Japan" forum May 28-29 in Tokyo, where about 50 international experts from political, business and academic circles gathered.

One of the key debates pertained to nursing the nation back to fiscal health, with Europe's growing sovereign debt woes looming in the background.

Most participants said they see near-term tax reform as inevitable. While Japan has endured years of consumption tax hike debate, many panelists came armed with alternative proposals.

Perhaps some will be listened to. The current Democratic Party of Japan government, after all, has sealed off raising the consumption tax rate for the next three to four years. But it is also hearing screams from the market for the government to get its fiscal house in order. At the same time, companies are lobbying for Japan's corporate tax rate to be reduced.

Those alternative proposals? "Japan could introduce a carbon tax and use the revenue to reduce corporate taxes and fund some measures to fight global warming," said Mitsuhiro Fukao, president of the



Environment Minister Ozawa delivers his keynote speech at "Roundtable Japan." He suggested that the BOJ adopt an inflation target.

Japan Center for Economic Research and an economics professor at Keio University.

Shigeki Morinobu, a professor at Chuo Law School, stressed the urgency of reforming the tax code so as to spur business activity. "Corporate taxes," he said, "have to be reduced by widening the taxation base at the beginning."

Charles Yuji Horioka, a professor at Osaka University's Institute of Social and Economic Research, offered another approach. "Widening the burden of inheritance tax might be effective," he said. "It could be reworked so as to offer an incentive to senior citizens to spend. Horioka said the tax could also be applied in a way to adjust Japan's widening gap between rich and poor. "It would be like killing two birds with one stone," he said. Cur-

rently, only 4% of people who receive inheritances pay any taxes on that income.

Forum participants also discussed Japan's deflation woes. The DPJ's Sakihito Ozawa, the environment minister, said it is necessary for the government and the Bank of Japan to share a common inflation target, noting that "people will not feel the impact of economic growth unless deflation stops."

## Deflation fighters

Several other ideas to pull the Japanese economy out of its deflationary funk were proposed. Makoto Utsumi, president of Japan Credit Rating Agency and a former vice minister of finance for international affairs, said the BOJ should stop buying long-term government bonds and let the market freely decide the inter-

est rate. "If the long-term rate were to rise to around 3%," he said, "consumers would receive a ¥24 trillion interest windfall, and that would support consumption."

Hirohichi Shirakawa, chief economist at Credit Suisse Securities (Japan) Ltd., said not all sectors join the government in seeing deflation as a problem. Consumers, he noted, welcome lower prices, and companies can cover some of their losses by reducing employment costs. "If the government really wanted to spark inflation," he said, "it could make the BOJ buy risk assets, including land, to pull up prices."

Many of the participants noted an impediment to any of their proposals being adopted — a lack of strong political leadership. Calling attention to the fact that the Hatoyama government had been able to pass few bills during the current Diet session, Prof. Jun Iio of the National Graduate Institute for Policy Studies argued that the ruling coalition "has failed in its political maneuvering."

When asked, "Is Japan on the decline?" most responses began, "No, but ..."

Atsushi Saito, president of the Tokyo Stock Exchange Group Inc., was worried about the declining ability of young Japanese workers compared to those in other Asian countries. "Some Japanese say Samsung Electronics Co. of South Korea has grown large with the sup-

port of Japanese companies, but that is a gross mistake," Saito said. "Samsung is sending more and more engineers to the U.S."

Yuzaburo Mogi, chairman of Kikkoman Corp., pointed out how important it is for Japanese companies to be aggressive in creating demand, as opposed to just sitting and waiting for good things to happen. "When Kikkoman started selling soy sauce in the U.S. in the 1960s," Mogi said, "there was no demand."

## Power of women

Japan's place in global society was also a big theme. Yoshiji Nogami, president of the Japan Institute of International Affairs and former ambassador to the U.K., insisted that even if Japan's economic power has peaked, there is still time for its international position to go down.

Jesper Koll, managing director of JPMorgan Securities Japan Co., noted that "the profile of Japan is very high in fashion, art, design." However, he suggested that Japan is not making the most of its capital, including the many Japanese women who are aggressive on the global stage but are not given enough chances by Japanese companies.

"Roundtable Japan" is an annual international forum co-sponsored by consultancies Smadja & Associates and Forma Corp. It is supported by the Japan External Trade Organization (JETRO) and Nikkei Inc.