

(Provisional Translation)

Policy Speech by Prime Minister Junichiro Koizumi to the 153rd Session of the Diet

September 27, 2001

(Opening)

On the occasion of the opening of the 153rd session of the Diet, I would like to focus in my policy speech on the number of issues of urgency that currently face us and I would like to ask for the understanding and cooperation of all the people of Japan in tackling these issues.

The series of terrorist attacks in the United States are not only an attack on the United States; indeed, they represent a despicable attack on all of humankind. On my recent visit to the United States I saw with my own eyes the devastating scars of those acts of terrorism and I was filled once again with overwhelming indignation at these appallingly inhumane acts of violence. At the same time my heart goes out to the people of the United States and to all those who have suffered from the attacks.

The United States has declared that it will take resolute actions in response to these terrorist attacks. In talks with President Bush of the United States on 25 September, we agreed wholeheartedly that the countries of the world should unite with the firm resolve to fight this kind of terrorism. I conveyed to President Bush that Japan strongly supports the United States and that Japan will implement all possible measures in response to these acts of terrorism. The fight against terrorism is Japan's own challenge. Japan will, in cooperation with the international community, take effective measures against this threat on its own initiative. We will take necessary action promptly in order to implement the seven-point immediate measures I announced last week.

It is feared that the acts of terrorism perpetrated in the United States will have an adverse effect on the global economy. The Government of Japan, carefully monitoring the situation fully, will, in cooperation with other countries, carry out appropriate responses in order to ensure economic stability in such aspects as the financial system and currency markets.

Five months have passed since the inauguration of the Koizumi Cabinet on 26 April. In the meantime I have endeavored with all my might to carry out the duties expected of a Prime Minister of Japan. I am all too acutely aware of the seriousness of the judgments a Prime Minister must make in facing the plethora of domestic and international issues.

In my first policy speech to the previous ordinary session of the Diet, I pledged to the people of Japan that I would ceaselessly push on with reforms for what should be termed a "Restoration in a New Century." My policy of advancing reforms by taking a stance of "No fear, no hesitation, and no constraint" received widespread public support on all levels at the general elections for the House of Councillors. The other G8 leaders also expressed their strong expectations for my reforms at the G8 Genoa Summit held in July. With such strong support, I am confident of the success of the reforms.

What is needed above all else is strong resolve in ceaselessly implementing reforms. With the support of the people of Japan I will proceed with "reforms without sanctuaries." The culmination of these reforms is now about to begin. In order to bring about a bright future for a Japan that has found itself in a state of near paralysis, I will tackle reforms with firm resolve.

(The Society to which the Koizumi Structural Reforms Aspire)

I would like to take this opportunity to present the "Five goals of the Koizumi Structural Reforms." The first of these is a society in which effort is rewarded and a spirit of allowing people a second chance prevails. The second is a society in which the knowledge of the private sector and local regions are utilized to bring about vitality and prosperity. The third is a society that is caring to others in which people can live safely in peace of mind. The fourth is a society that is enveloped by a beautiful environment that allows for a comfortable lifestyle. Finally, the fifth goal is that of a society that nurtures the dreams and hopes of its children. I will channel all my energies to see to it that we can achieve these goals for our society. While specific measures and an implementation schedule have been detailed in the Reform Schedule, I will advance the reforms further by continuously evaluating and reviewing the state of progress of reforms.

(Basic Posture for Economic Management)

The Japanese economy is at the center of the maelstrom of global economic changes. In order to ride out the storm represented by these changes, we must break away from the attitude that tends to swing between elation and desperation by short-term developments, while paying due attention to the changing circumstances around us.

I will vigorously push forward structural reforms in order to increase the fundamental growth potential of the economy. At the same time, I will respond boldly and with flexibility depending on the economic situation.

During the course of October the Advanced-Reform Program will be compiled. This reform program will not give priority to public investment, but it will instead focus on institutional reforms for invigorating the economy and generating new industries, employment measures and measures for small and medium enterprises (SMEs), and those measures that are highly urgent for accelerating structural reforms.

The supplementary budget for FY2001 should not be one that leads to an easy path of increasing the issuance of government bonds. I will take the same policy for the supplementary budget as for the budget for FY2002, or in other words, that the issuance of government bonds should be kept under 30 trillion yen.

(Eliminating Employment Insecurity)

The alleviation of the pain that will accompany reforms is a political responsibility. I will demonstrate clearly the means we have at hand to tackle the insecurity of the people of Japan regarding employment.

The Headquarters for Industrial Structural Reform and Employment Measures recently compiled a number of comprehensive measures. Among these, I will incorporate those measures that should be dealt with immediately into the Advanced-Reform Program and implement them intensively using the supplementary budget.

In order to create employment through new markets and industries, I will promote the advancement of science and technology through enhancing the functions of universities and through cooperation among industry, universities and government in local regions. Including the promotion of the participation of private sector companies in the management of childcare facilities and daycare centers, making active use of the private finance initiatives (PFI) method, I will swiftly implement regulatory reform in such areas as medical services, welfare and childcare, and labor. In addition, over the course of five years I aim to double the number of new business that are opened or established, from the current rate that it is languishing at of 180,000 new businesses per year. In implementing these measures I will set specific targets, such as the creation of 10,000 new jobs during the course of FY2002, through such strategies as the zero-waiting list for nursery schools.

Although we currently find ourselves in a severe employment situation, there are seven million jobs offers at the Public Employment Service Agency each year, which is more than the number of job seekers. The number of annual job placement advertisements now exceeds three million. Both numbers are on a level with figures during the bubble economy years. In order to eliminate mismatches between job seekers and employers, and to ensure that as many people as possible are able to find employment, I will enhance the Job Information Network that enables people to search the Internet for job opportunities, and enhance the effective development of vocational capabilities respecting individual choice.

In addition, in cooperation with local governments I will facilitate the use of human resources and create employment in the public services sector in areas such as education and environmental preservation. Over the course of three years we aim to employ 50,000 people as supplementary teachers, who can use their working experiences to great effect in the classroom in elementary and junior-high schools. Moreover, we will actively use human resources that exist in the community in such projects as tree thinning and weeding that are both so vital to forestry preservation, and the compilation of a waste map in order to further promote the removal of discarded waste.

For the middle-aged and the elderly, who experience particular difficulty in being reemployed, we will expand employment insurance benefits to those persons who take up vocational training, in order to promote reemployment and bring about lifestyle stability.

In order to expand employment and create industrial vitality, we will implement appropriate measures to seek to promote business start ups and the management reorganization of SMEs across Japan. In addition to diversifying the means by which SMEs can procure capital, we will enhance support measures for such areas as human resources and technology development. At the same time, we will strengthen measures aimed at avoiding chain reaction collapses of SMEs that have high aspirations.

(Ceaseless Approach to Structural Reform - Economic and Fiscal Structural Reforms)

We must proceed with all reforms swiftly.

Concerning the first challenge in the economic and fiscal sector, namely the final disposal of non-performing loans, firstly, by drastically strengthening the inspections of the major banks, and in addition, moving to introduce inspections that focus on debtors which, according to market evaluations, are undergoing conspicuous changes, we will ensure that reserves exist to promptly respond to market evaluations. Next, in order to expand the functions of the Resolution and Collection Corporation (RCC), we will introduce more flexibility into the pricing system for non-performing loan purchase, and promote the establishment of a fund for further corporate reconstruction. Through these new measures, we are resolved to normalize the problem of non-performing loans at the latest by the end of the three year concentrated period of adjustment.

Towards the structural reform of the financial system, in order to limit the risk of holding shares by banks and others, we will newly introduce limits on share holdings. Together with these new limits, in order to smoothly facilitate the disposal of shares, we will aim to establish the Bank Equity Purchasing Corporation (BEPC) in January next year. To this end, I will be submitting the necessary bills to this session of the Diet.

The second challenge we face in the economic and fiscal sector is the creation of a competitive economic system. Through the promotion of competition and technological innovation, we will strive to construct a consumer and people-oriented socio-economic system and vitalize the economy. Concerning regulatory reform of those sectors in which there is plenty of potential to expand both demand and employment, which are directly linked

to the lives of the people, including medical services, welfare and childcare and labor, we will carry out such reform promptly and steadily.

In order to construct a highly transparent and fair securities market in which the people can participate with ease, I will advance such measures as the establishment of infrastructure to improve market reliability, and submit an amendment bill to this session of the Diet concerning the securities taxation system.

In relation to information technology (IT), we have formulated the e-Japan 2002 Program as an interim target and have accelerated the move toward becoming the most advanced IT nation in the world. I will work intensively toward achieving such measures as e-government that enables applications and notifications to be made from homes and offices.

Aiming to be a nation that is built through the promotion of science and technology, we will promote strategic research and development investment in the areas of science and technology.

In order to enhance urban appeal and international competitiveness, we will work to implement specific measures for Urban Renaissance Projects including efforts to enhance regional disaster relief centers and logistical functions for large urban areas, the formulation of an international hub for the study of life sciences, and the improvement of facilities for central government and national universities through private financing initiatives (PFI). In addition, we will promote measures to advance togetherness and exchange between cities and agricultural, mountainous and fishing communities, in order that people in each can enjoy the benefits and appeal of the other.

The third challenge is fiscal structural reform. Under the policy that in the budget for FY2002, the issuance of government bonds should be kept under 30 trillion yen, and with a policy of reducing the budget by five trillion yen, while allocating an additional two trillion yen to prioritized areas, we will work to achieve a drastic revision in expenditure and a more prioritized allocation of the budget. Through such measures as the formulation of basic guidelines for budgetary compilation, with November as a target, we will realize a budget for ceaseless reform. Moreover, we will formulate a mid-term economic and fiscal plan and show a specific path for fiscal structural reform.

(Ceaseless Approach to Structural Reform - Administrative Structural Reform)

The difficult battle for administrative structural reform is already underway. A thorough zero-based review of all special public institutions is being made upon the premise of either abolishing or privatizing such organizations and reorganization and rationalization plans will be drafted for them by the end of the year. Decisions will be forthcoming regarding the abolition, breakup or privatization of the four highway-related corporations, the Urban Development Corporation, the Public Housing Corporation and the Japan National Oil Corporation, ahead of decisions on the others. The results of these reviews will be reflected in the budget for FY2002, with a view to making a bold reduction in the outlays provided to special public institutions from both the general account and special accounts.

Councils have already been launched to consider a system for the direct election of the prime minister and to discuss what is to be done with the three postal businesses and these councils are expected to compile specific proposals within approximately one year.

With a view to promoting greater decentralization, vigorous efforts will be made to advance the mergers of local governments around the country based on the support plan recently adopted.

Legislation will be submitted to this session of the Diet in order to establish the principles and system of advancing a judicial system that is appropriate to the needs of a new age.

It is extremely regrettable that the credibility of the Ministry of Foreign Affairs has been greatly damaged as a result of the series of scandals. In order to regain the trust of the people as quickly as possible, the necessary reform will be firmly implemented so that we can establish a system within which all efforts can be focused on tackling the important diplomatic issues at hand.

It is indeed regrettable that currently serving civil servants were arrested and as a result of suspicion of violations of the Public Office Election Law in the recent elections for the House of Councilors that a Diet member had to resign. I view this incident with particular severity and will ensure necessary discipline.

(Ceaseless Approach to Structural Reform - Structural Reform of Society)

Our nation's social welfare system is essential to ensure that each and every one of our people can realize his or her potential and enjoy lives full of hope and peace of mind. In particular, in order to rebuild our medical systems so that they will be sustainable into the future, I intend to make my utmost efforts to compile a reform plan by the end of this year and submit the necessary legislation for consideration to the ordinary session of the Diet next year.

In order to support working parents I launched a strategy to reduce to zero the number of children on waiting lists for nursery schools and a plan to create a structure to provide for daycare for children during after-school hours. We have already established the goals of increasing by FY2004 the capacity of daycare and other facilities for an additional 150,000 children and the expansion of after-school daycare facilities with the target of 15,000 establishments. Full efforts will be made to achieve those goals.

As part of our efforts to tackle environmental issues, the Urban Renaissance Headquarters recently adopted a project to build a zero garbage city and pioneering efforts will be made to implement this project in the waterfront areas along Tokyo Bay.

The Government has decided to procure more than 1,000 low-emission vehicles during the current fiscal year. Over the next three years all of the approximately 7,000 general official vehicles will be replaced with low-emission models. Furthermore, in order to ensure that these initiatives by the central government spread throughout local governmental organizations and the private sector, an action plan was compiled on ways to promote the development and adoption of low-emission vehicles.

As an initiative which the Government can take for itself on environmental issues, efforts are underway to promote the recycling of food. The Ministry of Agriculture, Forestry and Fisheries decided to launch a program through which food leftover from the cafeterias within its buildings is collected and provided to farmers for use as fertilizer and livestock feed. The Government is now urging the concerned parties to expand this program throughout all of the central ministries and agencies and is encouraging local government bodies and the private sector to initiate similar programs.

With a view to improving our nation's food self-sufficiency ratio, specific policies will be compiled around November of this year regarding a review of our rice production and distribution system.

Even in Japan, which has been called the safest nation in the world, recently we have been plagued by tragedies such as the incident at Ikeda Elementary School and the fire that erupted in a building in Shinjuku. Many precious lives were lost and the myth of our nation's safety seems to be disappearing before our very eyes. We must re-establish our nation as the safest

country in the world, and the Government will take measures to strengthen measures to combat vicious crimes and to prevent and respond to fires and other disasters. I will make the utmost efforts to ensure that disaster-related measures, including support and assistance to the victims of disasters and rebuilding and reconstruction, are fully implemented. Furthermore, through increasing the number of personnel and by enhancing investigation equipment, we will make efforts to further strengthen our immigration control structure.

Recently the first ever case of infection of mad cow disease (bovine spongiform encephalopathy) was confirmed in Japan. Measures were immediately taken to ensure that no cows that were infected would be used for meat or for livestock feed. Efforts will be made to ensure thorough information disclosure and all the necessary steps will be put in place.

(Ensuring Peace and Prosperity)

On September 8 we commemorated the fiftieth anniversary of the signing of the San Francisco Peace Treaty and the Security Treaty between Japan and the United States of America. The signing of these treaties marked the first step for Japan to rejoin the international community of the post-Second World War and was indeed the starting point for the peace and prosperity of Japan today. In order for us to ensure that the peace and prosperity of today will continue throughout the 21st century it is essential that Japan plays a leading role in furthering the development of an international order premised on respect for basic human rights and democracy, market economy and free trade. I intend for Japan to take the initiative in addressing the range of major issues now facing the international community including the launching of a new round in the World Trade Organization (WTO), ensuring entry into force of the Kyoto Protocol next year and the early achievement of UN Security Council reform.

Relations with the United States, our ally, are the cornerstone of Japan's foreign policy. I will work to ensure that the Japan-US Security Arrangements function even more effectively and to engage in constructive dialogue with the United States in a spirit of cooperation and solidarity. Moreover, while earnestly striving to promote growth and development in Okinawa, I intend to concentrate my fullest efforts on the steady implementation of the Final Report of the Special Action Committee on Okinawa (SACO), including the relocation and return of Futenma Air Station, and to make efforts to alleviate the burden borne by the people of Okinawa Prefecture.

I will do all that I can in order to consolidate relations of friendship and trust with our neighboring nations in Asia. As for relations with the Republic of Korea and the People's Republic of China, we must forge future-oriented cooperative relations, while clearly showing Japan's fundamental policy of squarely facing our past history and renouncing war and respecting peace. I wish to meet directly with the leaders of both countries and hold earnest talks with them at the earliest possible opportunity.

Although I recently had to postpone my scheduled visits to several nations in Southeast Asia in order to respond to the situations following the tragic terrorist attacks in the United States, I do intend to realize those visits as soon as possible.

Japan will move forward hand-in-hand with the nations of East Asia in order to ensure that this region develops as a free, stable and dynamic region in the 21st century.

In our relations with the Russian Federation, I intend to do my utmost to resolve the issue of the attribution of the Northern Territories and then conclude a peace treaty, while at the same time working to promote cooperation in economic fields and in the international community. I intend to seek a prompt conclusion of the issue of third-country fishing in the waters around the four Northern Islands through consultations with the Government of the Russian Federation.

With regard to our relations with North Korea, we will strive determinedly to achieve progress in the normalization talks with North Korea in close cooperation with the Republic of Korea and the United States and, through such dialogues we will continue to make efforts toward a solution to the humanitarian issues and security issues with North Korea.

Even in times of peace it is the responsibility of Government to ensure a structure that will enable us to take the appropriate response in the event that our nation and our people are threatened by a crisis. Bearing in mind the adage to "be prepared and have no regrets", I intend to advance considerations on national emergency legislation.

(Conclusion)

In pursuing reform I have attached importance on making sure that I maintain close dialogue with the people of our nation. The Town Meetings that were initiated in June of this year have created many opportunities for dynamic dialogue with people around the nation. By November we will have held one in each of the prefectures of the nation and opportunities for continuing dialogue will be prepared after that. Approximately 2.3 million people are now reading the Koizumi Cabinet E-mail Magazine and I intend to make even greater use of it as a forum for interactive dialogue.

The culmination of the reforms is imminent. Throughout its history Japan has time and again seized on crises as opportunities to advance forward, exemplified in the strides we made to become a modern nation after the arrival of the black ships of Commodore Perry, as well as in the determination with which we rebuilt our nation from ashes after the Second World War. These fruits were borne of the efforts of our people, who strove forward to build our nature undaunted by change. I firmly believe that the engine that will propel our nation forward is none other than our ability to accept change and rise with courage to meet the challenges of a new age. Indeed, in espousing his Theory of Evolution, Charles Darwin stated, "Those that survive are not the strongest nor the most intelligent, but the ones most responsive to change."

We now face new economic phenomena such as deflationary pressure unlike anything that we experienced in the long process of economic development that followed after the end of the Second World War. Our nation has a responsibility to the world to revitalize our economy. We must seize upon the difficulties we currently face as an opportunity for new growth and carve out a new future for our nation in a spirit of "No Growth Without Reform."

The entire global community stands undaunted and ready to fight resolutely the unprecedented cowardly acts of terrorism. In the preamble of the Constitution of Japan we have declared to the world our firm resolve: "We believe that no nation is responsible to itself alone, but that laws of political morality are universal; and that obedience to such laws is incumbent upon all nations who would sustain their own sovereignty and justify their sovereign relationship with other nations. We, the Japanese people, pledge our national honor to accomplish these high ideals and purposes with all our resources." Now is the time for our nation to confront the present difficulties with its full power in a spirit of international cooperation in order to defend peace and freedom for all humankind.

Here I sincerely ask for the understanding and cooperation of the people of Japan and the members of the Diet.