

**Japan's Breakthrough in its Economic Revitalization
- Our Efforts in Regulatory Reform -**

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1. Introduction

Good afternoon. My name is Tomomi Inada. I would first like to begin by extending my gratitude for your invitation to today's lecture. It is truly my pleasure to meet all of you, here in Washington D.C., today.

I have been to the United States many times. My husband and I spent our honeymoon in Hawaii. Since then, Hawaii and the West Coast have been the favorite holiday destinations for our family. We often bring our two children, and sometimes even our parents.

However, this is my first time to visit the East Coast. My image of the East Coast is very much a product of the film "THE VERDICT" that shows a scene of an early morning in Boston, with beautiful hills and slopes.

I began my career originally as a lawyer, and I served as an attorney for more than twenty years. In those days, every time I lost motivation or got depressed when I felt justice failed, I watched that film again and persuaded myself that justice would surely prevail.

My image of the US is a country whose citizens guide law and justice. This view might have come from the words in THE VERDICT that Frank Galvin, acted by Paul Newman, said in his closing argument. Frank said to the jury, “You are the law”, and this scene has always remained with me.

I saw this film more than thirty times, and my husband, who is also a lawyer, likes to watch it, as well. After watching it, he struts around for a while like Paul Newman.

2. About Myself

As a member of the Abe Cabinet, my areas of work include regulatory reform, administrative reform, civil service reform, and Cool Japan strategies.

Put simply, I am in charge of “Reform”, and all these individual reforms are linked very closely to one another. For example, regulatory reform, which is today’s topic, can only be realized through the advancement of administrative and civil service reform.

I would like to discuss this point in detail later on.

My political motto is “Tradition and Creation”.

To truly reform is to create something new while maintaining tradition. Reform without tradition, without a platform, without basis is just empty. At the same time merely maintaining tradition suffocates any hopes for reform. I believe in preserving that which must be preserved, and that continual reform is necessary to achieve this end.

To complement my self-introduction, I would first like to talk about what Abenomics and regulatory reform means to me. Then, I will explain the individual cases that the Council for Regulatory Reform is working on. For the individual cases, I will use PowerPoint, and, more importantly, Japanese, to make sure that you don't get confused because of my English.

3. “Abenomics” and Regulatory Reform

As I said in the beginning, I was originally a lawyer, and I did not intend to become a politician. However, when I asked myself what I could do for the country, I realized that what a lawyer can do is to preserve Japan's interests through the courts and bring about the justice in which I believe.

To quote my favorite film “THE VERDICT”, “The court exists to give

the weak a chance at justice”.

This belief led me to a career in politics. The last two or three years before running for election, I was trying some cases as a volunteer, because I felt their verdicts would bring justice to society, and on weekends I was travelling across Japan to attend conferences as a speaker.

Only God knows the turning points in your life.

In summer 2005, I was giving a lecture to young Liberal Democratic Party (LDP) members of the Diet about the cases I was involved with, and among the attendees was Mr. Abe; who was then the acting Secretary General of the LDP. Immediately after this event, I was asked by Mr. Abe to join the party, and decided to run as a candidate for election to the House of Representatives. I was fortunate enough to be elected, and this is how I started my career as a congresswoman.

Whether or not to run was a big decision for me. It was my husband who forced my hand. He said “You have been working hard in the courts to make this country better. But if you really want your dream to come true, becoming a congresswoman of the LDP will be the best way”. Perhaps he regrets saying it.

Prime Minister Abe and I have shared the same political beliefs since when I was a lawyer, and we have always agreed in the political arena

as well.

Mr. Abe became Prime Minister in September 2006, but he resigned in September of the following year due to illness. Mr. Abe was harshly criticized and nobody imagined that he would once again become Prime Minister.

However, Mr. Abe ran as a candidate for the President of the LDP in 2012. The majority of people and especially the media thought that he had no chance of victory. Even those supporting Mr. Abe said that he should run in the next election, scheduled for three years later. But Mr. Abe's decision was firm. "If I do not become the first Prime Minister after the LDP takes back the administration from the Democratic Party of Japan, I will never be able to change Japan", that was his idea. And I strongly supported his decision.

What Mr. Abe pledged during the election campaign was "a new dawn for Japan". And he captured a miraculous victory in the election for the presidency of the LDP.

I would say that Japan, as a country, is harsh on those who fail or quit. Mr. Abe's come back thus gave courage to many Japanese people. A true champion is not someone who does not fail, but who stands up again even after they fail.

Mr. Abe's dream is to, "return Japan to all its splendor at the heart of

the world.” And, to achieve his dream, he had to first revitalize the economy from the ground up. “Abenomics” is thus the manifestation of Mr. Abe’s strong desires in the form of economic policy.

The “three arrows” idea of Abenomics comes from a story of Motonari Mori, a famous general in the Sixteenth Century. General Mori said to his sons “You can break a single arrow easily, but you cannot break three arrows bundled together. That is why, my sons, you must cooperate with each other.”

The first arrow that comprises Abenomics is an aggressive monetary policy, the second arrow a flexible fiscal policy, and the third arrow a growth strategy. Coming back to what General Mori said, it is important that these three arrows are implemented integrally.

So far, Abenomics is showing successful results. According to the 2013 IMF economic forecasts, real-term GDP growth rate in Japan is the highest of major developed countries, including the US and EU. The Consumer Price Index is also rising.

However, the long-term growth of the Japanese economy cannot be achieved by monetary and fiscal policy alone. We can rebuild a strong economy with a growth strategy that increases Japan’s potential growth capacity. And regulatory reform is absolutely necessary to build a sound growth strategy. In this sense, regulatory reform is tightly connected to growth strategy, and hence, is the most important

part.

4. Inada's "Three Arrows" of Reform

I believe that the three reforms that I am in charge of, regulatory reform, administrative reform, and civil service reform, also constitute three arrows. In other words, in order to enhance regulatory reform, administrative and civil service reform cannot be dealt with separately.

Administrative reform is an old and new issue in Japan. Japan has implemented such reform for decades, such as the privatization of national railways and telecommunications corporations, as well as eliminating inefficiencies in the public sector. Recent reform tends to emphasize cuts in budget and personnel, yet administrative reform, in its most basic form, is like a gigantic experiment to determine the direction of a country. The essential issues such as the size of the government, the role of the public and private sector, and the delegation of authority to local governments must be discussed.

Whereas administrative reform determines the direction of the country, regulatory reform is a tool to discuss the necessary regulations to support such a heading.

In order to conduct nation-wide discussions, I established a panel called "The Advisory Panel on the Future of the Nation and the Administration." During the first session of the panel, I quoted the

famous words of former US President John F. Kennedy, “Ask not what your country can do for you; ask what you can do for your country”, as a greeting to the new members.

I believe that the direction Japan should take is not just to become an economic superpower, but a country that is respected and reliable, thanks to a high standard of ethics and virtues.

The civil service reform is to eliminate the ill effect of sectionalism within the government that has lingered since the Meiji era, and to create and implement a government-wide strategy that focuses on ability.

There is a saying in Japan that, “Ministries are not interested in the interests of the administration”. This means that instead of prioritizing the intentions of each government administration of which they are a part, each ministry tends to prioritize and pursue their own interests. This does not help to promote regulatory reform. Ministries prefer to strengthen the regulations in their respective policy area. Why? Because they have discretion in regard to personnel matters.

It might sound like a joke to you, but in Japan, the cabinet does not have the power to allocate personnel required to initiate its policies.

I think that the cabinet should be able to centrally manage personnel issues concerning senior public servants in the ministries. From that

perspective, the establishment of the proposed “Cabinet Personnel Bureau” will be a historical step that no one has ever taken.

The bill has already been submitted to the Diet, and I will strive to obtain its approval by spring of this year.

I am working hard on three categories of reform in an integrated manner; regulatory reform, administrative reform, and civil service reform hoping that they will play a central role in launching the third arrow of Abenomics.