

Outline of Comments of Minister Kaneko

: The keywords in Prime Minister Koizumi's structural reform program are: "From the public to the private sector," and "From the center to the regions."

: The crucial challenge for the future is to bring out the vitality of the private sector and regional communities, and to foster this vitality as the engine for sustainable economic growth.

: Measures for Supporting Private-Sector Vitality

: Regulatory Reform

To revitalize the economy, it is important to maximize the release of private-sector vitality through regulatory reform. Progress has been made in regulatory reform in a wide range of fields through the discussion devoted by the Council for Regulatory Reform consisting of 15 members appointed from the private sector. Progress has also been made in areas that were considered to be particularly difficult, such as the removal of barriers to the entry of joint-stock companies in the fields of medical and health services, education and agriculture. The Council for Regulatory Reform will reach the end of its term on March 31, 2004. Discussions are now underway for creating a succeeding organization, in principle consisting of private-sector appointees, that will be empowered to promote regulatory reform with greater force.

: Industrial Revitalization Corporation

Non-performing loans continue to hamper the development of the Japanese economy. The government has set a goal for reducing the non-performing loan ratio to half by the end of March 2005. The mission of the Industrial Revitalization Corporation, established last year, is to revitalize businesses burdened by excess debt but in possession of productive management assets, by acquiring outstanding claims against them, and thereby to achieve an overall revitalization of both industry and the financial sector. Since the start of its operations in May 2003, the Industrial Revitalization Corporation has decided to provide assistance in nine cases. A set of measures for operational improvements needed for promoting greater utilization of this system was examined and submitted to the Council on Economic and Fiscal Policy in November 2003.

: Measures for Supporting Regional Vitality

: Special Zones for Structural Reform

Under the special-zone initiative, deregulation is implemented in certain designated areas. Following the enactment of the Law on the Special Zones for Structural Reform in January 2003, filing of applications for special-zone designation was started in April. Thus far, a total of 236 special zones have been established throughout the country. These include the management of schools, hospitals and farms by joint-stock companies. The special-zone initiative is highly innovative because under this initiative, regions themselves design their own special-zone ideas to reflect local features and characteristics, which are then supported by the central

government. As the next step, special zones will be evaluated by independent third parties, and wherever deregulation has not engendered problems, the scope of deregulation will be swiftly expanded to cover the entire country.

: Regional Revitalization

The Headquarters for the Regional Revitalization, established in October 2003, is now engaged in promoting regional revitalization. The purpose of this is to achieve regional economic revitalization and job creation based on local ideas and initiatives, while utilizing the special-zone initiative and incorporating new approaches. Specifically, individual regions will develop their own vision for revitalization based on the region's assets including tourism resources, and will submit to the central government, which will then promote the transfer of authority and the outsourcing of administrative functions. This initiative will not entail conventional modes of fiscal outlays. The government is now accepting regional visions from throughout the country with January 15 as the deadline. We eagerly look forward to the submission of ambitious proposals and are prepared to consider the drafting and submission of new legislation to the Diet as needed.