



Diplomacy toward China and Republic of Korea, the Defense Secrecy Law, TPP, Consumption Tax Measures

This is how the Abe Administration will change Japan in 2014

— Resolute about realizing measures to tackle deflation and fiscal reform and will not be a case of “he who runs for two hares catches nothing”

SUGA Yoshihide, Chief Cabinet Secretary

A year has passed since the second Abe administration was formed. My genuine feeling is: “A whole year has already gone by.”

Looking back, the Liberal Democratic Party returned to power in the general election held on December 16 in the year before last and the Cabinet was formed as the year-end loomed on December 26. Since then, I have been continuously moving forward without a single day’s break for one year.



SUGA Yoshihide, Chief Cabinet Secretary

The character *wa* was selected as the *kanji* of the year in 2013, and when I was asked about my *kanji* of the year at a press conference, my response was *soku* (at once). It was because the year was marked by *sokudan sokketsu* (make a snap decision) and *soku jikkou* (take immediate action).

The first Abe administration, unfortunately, was forced to dissolve in one year, but the second administration, having completed a full year, continues to move head on with its policies.

What I am often asked is the question: “What is the difference between the first and second administration?” I feel that the difference is entirely based on the fact that the function of political leadership worked for the second Abe administration.

The turning point at which political leadership started working for this administration occurred at the time of the Algerian hostage incident on January 16 of last year, not even a



month after the government was formed.

The incident was an extremely terrifying one in which ten Japanese people were victimized as a result of armed Islamic insurgents attacking a natural gas facility in Algeria.

The site of the incident was in the middle of a desert about 1,000 kilometers from the capital Algiers. The airport was closed and was surrounded by the army. Given the nature of the site, gathering information was extremely difficult from the time the incident occurred. We gathered information from various countries, including the United States and Britain, where BP, which operates the plant, is headquartered, and of course, the local Japanese embassy, local police and the Algerian government. The situation was confusing because even when we managed to get information, a lot was contradictory.

The Japanese government as well as all the related ministries and agencies did have the pipeline needed to obtain information. The Ministry of Foreign Affairs and the Ministry of Defense were coordinating with various countries as well as with the Ministry of Economy, Trade and Industry, which oversees JGC Corporation, a major plant company that had dispatched employees to the site. And as time passed amid the ever-changing situation, we were unable to consolidate all the individual pieces of information we had gathered.

Information, more than anything, was the most critical item at the time. So we decided to hold a meeting by calling all the related ministers to gather around with the Chief Cabinet Secretary so that the Prime Minister would be able to make the right decisions while avoiding unnecessary confusion. We created a framework in which the Prime Minister would be able to make a decision by unifying all the information.

The incident was the first test for the administration and it was the height of regret that there were so many victims. But the experience of this agonizing situation enabled us to take the first step toward political leadership by having politics make the decision and then set a direction for bureaucracy to take action.

The economy set in motion

The Abe administration has tackled various types of challenges this past year. The Prime Minister laid out three policy pillars when he formed the Cabinet a year ago. One was the renewal of the Japanese economy, another was reconstruction from the Great East Japan Earthquake and the third was national security and crisis management.

Needless to say, of these, we focused most on pouring our energy on the renewal of the Japanese economy.

By calling it the three arrows of Abenomics – aggressive monetary easing, flexible fiscal stimulus and a growth strategy aimed at stimulating private investment – three policies were unveiled to the country and abroad, and with economic policies that were on a different plane from their traditional counterparts, stock prices rose by as much as 70% compared with the final days of the government led by the Japan Democratic Party. The yen weakened by more than 20%.

Finally after a year, the economy was able to break free from its unrelenting deflationary structure and I think the people of Japan were finally able to get a sense of the economy being set in motion. Conquering the two challenges of the strong yen and deflation was a major objective of ours. Regarding this part, I think we were able to take a big step forward in the past year.



On the other hand, what gave the Prime Minister a headache was the issue of hiking the consumption tax, for which a decision had to be made in the fall.

As you know, the hike in the consumption tax was decided upon based on a triparty agreement by the Democratic Party of Japan, the Liberal Democratic Party and the New Komeito while under the government led by the Democratic Party of Japan in June the year before last. Economic conditions back then showed that GDP had contracted at an annualized 3.2% and while a hike had been decided, the method that would be used to set the stage to implement the hike was completely non-existent in the agreement among the three parties.

Economic recovery continues to be solid as Japan is breaking free of deflation for the first time in fifteen years as a result of Abenomics. The decision to invite Tokyo to host the 2020 Olympics had just been decided. Still, there was a difficult fight ahead: the need to ensure that the economy does not stall.

For this very reason, there was a need to come up with policies that would simultaneously work on both economic renewal and fiscal reconstruction. This was the reason behind the compilation of the economic stimulus package totaling over 5 trillion yen, which included a corporate tax cut and a supplementary budget, along with the consumption tax hike. Opposition did emerge regarding abolishing the special corporate tax for reconstruction one year ahead of time, but all the ministers involved, including the prime minister, unanimously decided that it was necessary to cut the corporate tax in order to raise the consumption tax. We are aware, of course, that breaking free of deflation and realizing fiscal reconstruction is extremely difficult. However, we worked on realizing these two goals instead of chasing after “two hares.”

These economic policies drew criticism from all over in the beginning.

So how did we overcome this situation? It was a result of the framework I touched upon in the beginning, that is, political leadership coming to life.

Even with Abenomics, when coming up with an unprecedented type of monetary easing, experts and the media were critical and the Ministry of Finance was also completely against it. The prime minister and I had both believed that the economic policies formulated by two people, Professor Emeritus Hamada Koichi at Yale University and Professor Honda Etsuro of Shizuoka University, were outstanding. Various economies around the world had started to recover following the Lehman shock, but why was Japan still stagnating? The two professors had a clear prescription to this situation. We asked the professors to impart their intellect and become advisors to the Cabinet Secretariat and regardless of the criticisms, we took the inflation policies that were developed by the two professors and implemented them without veering from them whatsoever. And then, as the two professors had expected, the economy was set in motion.

Another thing that drew a lot of opposition was TPP. The Prime Minister asked that the Cabinet meet first on this matter. So, while we did not announce this publicly, only four ministers – Minister of Foreign Affairs Kishida Fumio, Minister of Economy, Trade and Industry Motegi Toshimitsu, Minister of Agriculture, Forestry and Fisheries Hayashi Yoshimasa and Minister of State for Economic and Fiscal Policy Amari Akira – and I held meetings. All the ministers shared their views in the meetings, which lasted for a total of six rounds, and we started to consolidate them into one view. The reason why we did not publicize the meetings was because we wanted to hold a calm round of discussions among politicians without including bureaucrats. For example, if a number is mentioned, such as a reduction of 3 trillion yen in agricultural production as a result of TPP, the



opposing interests among the ministries would become radicalized and then we would not be able to make any progress in the discussions. If Cabinet members were to first meet as politicians and a decision is made by the prime minister, there would be no room for the intentions of the bureaucrats in Kasumigaseki to be incorporated. Actually, this type of action is a lesson learned from the Algerian hostage crisis. This style, one in which a decision is made by having the ministers meet for discussions first, had been established for consolidating and unifying intentions.

Decisions made using this style were not limited to those pertaining to the economic arena.

For example, the four of us, Minister of Foreign Affairs Kishida, Minister of Defense Onodera Itsunori, Minister of State for Okinawa and Northern Territories Affairs Yamamoto Ichita and I held a meeting to discuss issues surrounding Okinawa, such as the transfer of the Futenma Air Base. We also made our decision on the request of a landfill in Henoko, Nago, after discussing the matter at this meeting.

Policies on energy were also discussed in a meeting that included the Minister of Foreign Affairs, the Minister of Economy, Trade and Industry and the Minister of the Environment. Regarding the issue of Japan buying more gas than needed at a high price, we set the direction by discussing where gas can be bought cheaply and what should be bought. Shale gas is said to be 20% cheaper than gas, but coal is 70% cheaper. We talked about how increasing the amount of imported coal by combining it with the world's top-class environmental technology in Japan might be an option.

Also, as for the decision we made in the area of tourism concerning the easing of visa requirements for tourists from Southeast Asia, the Ministry of Justice and the National Policy Agency were completely against it despite this already occurring in other countries. This matter was also left to the ministers to decide and implement. This also had an impact, with the number of foreign tourists visiting Japan topping the 10 million mark for the first time.

A harmonious *a-un* relationship (an *a-un* alpha and omega relationship) with the Prime Minister

In this way, action must be taken when decision is made by politics, even when there is opposition from the bureaucrats in Kasumigaseki.

In order to realize this, the Cabinet has the authority to manage their personnel affairs. While we need to have them adhere to the direction of policies that have been set in place, the responsibility of this action is not that of the bureaucrats but of the Cabinet.

There were criticisms that purported to us being high-handed regarding personnel decisions for positions such as the director-general of the Cabinet Legislation Bureau and permanent vice ministers, but this was a clear-cut decision as it was in line with our policy of objectively selecting those who match the direction that our administration is pursuing. The Abe administration's thinking regarding this matter is this: the Cabinet has had the authority to manage personnel affairs, but we are unable to avoid their resistance because this authority was not exercised for many years. And in order for the Cabinet to overcome this and take a lead in deciding personnel matters, the important point here was to provide a reason that they would understand. And if the



Cabinet sets a clear policy and if the selection is made by focusing on the person based on this policy, the bureaucracy would have no choice but to agree.

For example, the Abe administration aims to promote women, so it has assigned women to various positions. The reason why we selected the director-general of the Japanese Maritime Safety Agency from among employees, who are mostly in uniform, was because we thought that it would be strange to have a career-based government employee of the Ministry of Land, Infrastructure, Transport and Tourism with no experience in the field become its director-general every time. Both of the personnel decisions were made based on an awareness of the issue seen from the standpoint of politics. The administration is not aiming to oppose Kasumigaseki, but rather, we would like to guide civil servants so that we can facilitate their work and make their work satisfying.

To make these decisions, including those related to personnel, we need to make a point of being in touch with a wide range of information.

For me, meal times are a valuable opportunity to gather information. To glean information that is different from that obtained by the residents of Nagatacho, Kasumigaseki and similar areas, I have breakfast with different people at a hotel near the prime minister's official residence at 7 o'clock in the morning, and also for lunch and dinner, I visit the first place and the second place, looking to meet people from various types of genre, not only limited to Diet members, but also business people and those in the media, among others.

Of course, needless to say, sharing information within the administration is critical. I have been able to maintain the exact same relationship I've had with the prime minister since the government was formed.

At the time of the first Abe administration, I never had imagined that I would become a minister. This time around for the second administration, it started the moment when I recommended that he run for the position of prime minister, so my mental attitude this time around is completely different. After advising him on policies, we advanced through the Lower House and Upper House elections. So my sense is that I will continue alongside the prime minister regardless of whether I have the position of chief cabinet secretary or not. For example, if the prime minister's real intention in the context of his understanding of history is not conveyed in his comments, I ask for his approval and just tell him that I will revise it on my end. In this context, we work together in a harmonious *a-un* relationship.

Since I have no desire to become a prime minister, I only think about building the Abe administration's track record by devoting myself to working behind the scenes.

Being modest about the defense secrecy law

While building a track record, the thing that prompted harsh criticism was the Designated Secrets Protection Law that was passed in December.

First, what I would like to convey is that for Japan today, this law is extremely important for the security of the country and to protect the lives and fortunes of the people of the country.

Actually, I came to realize the importance of this also at the time of the Algerian incident that I mentioned at the beginning of this article. At that time, the people who obtained the most amount of information were the



Algerian government and BP, which was the operator of the plant. And naturally, related countries like the United States and Britain were the ones that were able to obtain information from these two sources. And we were faced with a harsh reality that when Japan wanted to know, these countries were hesitant to offer confidential information.

North Korea has repeatedly launched missiles in recent years, and the United States is the one that has the most detailed information. When North Korea launched missiles last year, surface-to-air Patriot Advanced Capability-3 (PAC-3) missiles were deployed at the Ministry of Defense in Ichigaya for offense, but in reality, even if we launched them, we did not know where they would attack from. If information security in Japan were solid, we would be able to remain confident about the highly accurate information provided by the United States.

In this way, to protect national security and the lives and fortunes of the people of Japan, high-quality information from related countries, including the United States, is necessary. The National Security Council (the Japanese version of the NSC) was established in December of last year. This organization aims to focus the authority regarding national security and crisis management on the Prime Minister's residence, and this law is absolutely necessary for this function to work.

The Designated Secrets Protection Law had been considered several times to be tabled for passage under the Liberal Democratic Party government. The government under the Democratic Party of Japan was also forced to consider it out of necessity. This is a law that was drafted multiple times, so the content is not half-baked. But this time around, there was criticism on the way the vote was conducted, so I believe I must be humble here. Still, the problems that emerged after discussions were revised and agreed upon by the Liberal Democratic Party, the New Komeito, Your Party and the Japan Restoration Party after over sixty hours of deliberations in the Lower House and the Upper House.

Various types of concerns emerged, such as the possibility of designating a secret in an arbitrary way, or the right for citizens to know will be obstructed, or citizens will be penalized for it. I saw a movie director on television saying, "I won't be able to make movies from now on." There appears to be talk that one will get arrested for taking a picture on a mobile phone of an Osprey aircraft in the air.

Criticisms were launched by writers and various types of artists, but this law does not have any impact on the lives of regular people. Here, I would like to guarantee that, 100 percent, this is not something that would hurt the freedom of the press or freedom of expression.

Also regarding the content of the designated secrets, we will be open with the people of the nation in terms of what we will be defining as a secret. For example, as many as 420,000 cases are currently known to be specially managed secrets, and 90% of this group consists of satellite photos and the majority of the remaining 10% comprises codes and items like specifications of fighter jets and weapons. Items will be designated as a secret based on this type of information by reflecting the views of experts, and only those items that meet the given standards will be announced as designated secrets. We will also work hard on this front to obtain the understanding of the people of this country.

In any case, the fact is that there are concerns regarding the content of the law and its vote. I am humbly reflecting on the fact that we were unable to obtain understanding. The law is to pass within a year, so I intend



to use this time to clearly explain that it has nothing to do with private citizens and rather that it would raise the level of the government's transparency.

The economy again is the top priority this year

The Abe administration's top priority for 2014, of course, can be summed up by one phrase: economic renewal.

The economy is finally about to break free from deflation as a result of the initiatives from last year. The most important thing right now is to make this movement a certainty.

The consumption tax will be raised to 8% in April, and in order to prevent this from having an adverse impact on the economy, initiatives are already being implemented toward the Abe administration's goal of creating a virtual economic cycle.

First, there is the economic stimulus package packed with economic measures including a supplementary budget of over 5 trillion yen. The scale of the tax cuts is to be 1 trillion yen and includes the repeal of the special corporate reconstruction tax earlier than scheduled as well as capital spending tax cuts, a tax system aimed at increasing wages as well as home loan tax cuts. I believe that it is important to steadfastly continue to implement these initiatives.

A number of important bills were passed during the latest extraordinary session of the Diet that began in December, although they were overshadowed by the designated secrets law. Specifically, important laws that support growth strategy, which is one of the three arrows of Abenomics, were established.

For example, the Industry Competitiveness Enhancement Law was enacted. This is to serve as the essence of the growth strategy to make the Japanese economy robust by spurring private sector investment, and in turn, enabling Japan to succeed in international competition. The five years through 2017 are positioned as the focus period during which we will help bolster economic growth by implementing deregulation and special tax measures to bring about corporate realignment and capital investment.

Another special feature is the passage of the law on National Strategic Special Zones, which the Prime Minister has advanced in order to fulfill his desire to create the world's most conducive business environment. This aims to create international hubs for economic activity by implementing deregulation in specific regions centered on six areas, including urban renewal, employment, the medical and the agricultural industries. We would like to form an international business environment by inviting resources and talent from all over the world.

In other areas, the Electricity Business Act, which realizes a structural separation of delivering electricity, and the revised Pharmaceutical Affairs Law, which was aimed to allow sales of over-the-counter drugs on the Internet, have also passed.

In his keynote address in October, Prime Minister Abe positioned the extraordinary parliamentary session that was starting as a Diet session aimed at acting on growth strategy, and all the bills aimed toward this goal have been passed. It is unfortunate that the media has not picked up a great deal about the steady results generated by this growth strategy, and we will be proactive with galvanizing all ministries and agencies to thoroughly make use of the laws.



Further, we would like to be proactive in the agricultural field, more so than we have been able to be to date. The law on agricultural management by intermediary institutions would help encourage large-scale management of farms by amassing abandoned farmland within each prefecture. Also, we reviewed the so-called *gentan* system of adjusting rice production by reducing acreage that continued for over forty years and decided to abolish it. The Prime Minister said in a press conference that even the Liberal Democratic Party has not been able to abolish the *gentan* system, but the Prime Minister was the one who made this decision.

I am the eldest son of a farming household in Akita Prefecture, so I have continued to have great interest in agricultural industry. My mentor Kajiyama Seiroku (former chief cabinet secretary) left a great impression on me when he said that my job is to find sustenance for the people of Japan. We will continue on with initiatives this year aimed at making the agricultural industry a growth area.

There will be an announcement on the government's direction on the five areas designated for deregulation, including agriculture, employment as well as health and medical treatment, which have been tabled by the government's committee on regulatory reform.

The Cabinet's policies have spread through all agencies and ministries, and ideas have also emerged. We will implement each and every one of these policies and the government will push for them, if needed.

Be matter-of-fact, not impatient, with China and Republic of Korea

Turning to foreign policy, I think that the people of this country must be concerned about the worsening relationship with China and Republic of Korea.

In November of last year China suddenly declared that it would set restrictions over the air space that also includes the area over the Senkaku Islands. We had hoped to hold a meeting of the heads of state with Republic of Korea (ROK) before the end of last year, but there was no progress. Confusion continues in North Korea, such as seen in First Secretary Kim Jong-un's Vice Chairman of the National Defense Commission Jang Sung-taek being overthrown.

However, for Japan, there is no choice but to steadily and solemnly deal with the situation.

When the administration was first formed, the challenge was to reinforce the Japan-U.S. alliance. Honestly, around the time the summit meeting with President Obama was held in February, we were really grasping at straws. Still, we were able to announce a joint statement, which served to be one of the greatest achievements from last year. The (2+2) meeting of the Japanese foreign minister and defense minister with the U.S. secretary of state and defense secretary in October was held in Japan for the first time in seventeen years. The relationship of mutual trust was deepened with the U.S. secretary of state and the defense secretary visiting Japan together for the first time.

In order to further this relationship of trust, we must first work on the Okinawa issue. Regarding the approval of a request of a landfill in Henoko, Nago, and on the transfer of the Futenma Air Base I mentioned earlier, I served to be the main contact. As the government, I believe that we have handled the situation by acting in good faith however possible.



We have been asking the people of Okinawa to be responsible for 74% of the base. On the other hand, the fact is, looking at the environment surrounding Japan, we cannot help but rely on Okinawa from the perspective of deterrence, and as seen in the joint statement announced after the 2+2 meeting in October, transferring Henoko was the only solution available.

This statement clearly stated that the transfer of the U.S. Marines to Guam would begin in the first half of the decade beginning in 2020, and the budget for this transfer is about to be formulated. When that happens, Okinawa's burden regarding the base will be reduced.

Regarding the challenges going forward, my thought is that we would need the cooperation of the people living on the mainland. To date, raising the issue of increasing the responsibility on those on the mainland would prompt a situation of continuing to talk about the general good and sacrificing one's own interest as a result. The Abe administration would like to resolve this situation.

First, we agreed with the Yamaguchi prefectural governor and others about transferring all fifteen of the KC-130 tanker aircraft on the Futenma Base from June through September of this year to the U.S. Iwakuni (Yamaguchi Prefecture) base. Further, regarding the training drills of Osprey aircraft, we believe that a good portion of it has to be done on the mainland.

We do not intend to take action that would prompt the people of Okinawa to say that at the end of the day, things have not changed from previous administrations. The government's attitude this year is to implement everything it could during the year.

When thinking about Japan's relationship with China and ROK, we cannot avoid the problems surrounding the Senkaku Islands and Takeshima. The laws of Japan clearly state that the two islands belong to the nation of Japan. The Abe Administration's policy is this: we should not concede things that we should not give up and we should assert ourselves over things that we claim. Clearly, what I am referring to when I say this is that we should not give up the territories. We would like to remain grounded and work on this without haste. We do not have to necessarily hold a meeting of the heads of state with China or ROK right away.

That said, our door used for communication is always open. We would like to calmly make progress while adhering to the prime minister's international cooperation based on proactive pacifism.

Finally, I must touch upon the reconstruction that has been taking place following the Great East Japan Earthquake.

Two major events occurred in December. First, on the 14th, Environment Minister Ishihara Nobuteru and Reconstruction Minister Nemoto Takumi made a request to the Governor of Fukushima Prefecture and mayors of three towns, namely Futaba, Okuma and Naraha, to construct intermediate decontamination storage facilities. If progress is made on processing the mounds of contaminated soil, I think it would be a major symbol for visual progress made in the reconstruction.

Further on the 17th, regarding the selection of the final storage site for radioactive waste, we changed course so that the policy would be decided by the country, not in the form of a decision based on candidate sites as presented by the Democratic Party of Japan. This is because if local governments had the authority to come up with candidate sites, the site will never be decided. For a government to watch idly and do nothing about a national problem, as the Democratic Party of Japan has proposed, would be nothing but irresponsible. We



decided to select a region from a scientific point of view and ask for the understanding of the residents. We cannot leave the issue to future generations and must proactively advance this work by effectively coordinating with related administrative authorities.

Tokyo was chosen as the host of the 2020 Olympics in September last year.

The significance of Japan having another goal six years from now is enormous. The Tokyo Olympics in 1964 served to showcase Japan's post-war reconstruction to the world, and in 2020, it will serve as the stage to powerfully present Japan's position after accomplishing the reconstruction following the Great East Japan Earthquake.

For the year 2014, which marks the second year for the administration, I think the most important thing is for the people of Japan to feel that promises the administration has made since it was formed – that is, the various policies I mentioned at the beginning including that on the economy, reconstruction and national security – are steadily being fulfilled one after another.

To this end, I will remain behind the scenes as the chief cabinet secretary and continue to unconditionally support Prime Minister Abe.

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