

(Provisional translation)

Policy Speech by Prime Minister Shinzo Abe to the 165th Session of the Diet

September 29, 2006

(Introduction)

I have just been appointed to the office of Prime Minister. As the first Japanese Prime Minister born in the postwar years, and at a time when Japan has come through a severe period and stands at the start of its development in the new century, I am bracing myself to shoulder the heavy responsibilities of directing the national government. I accept the expectations of the many people of Japan squarely and seriously, and I will stake my life on carrying out my duties.

In conducting the affairs of State, I will first clarify my own political stance to the people of Japan and to the members of the Diet. I have no intention of conducting governance for the benefit of specific organizations or individuals; instead I will conduct governance on behalf of the entire people - the ordinary people who live by the sweat of their brows, love their families, wish to improve their own communities and hometowns, and who want to believe in the future of Japan. I promise to make a total commitment to governance that allows everyone to take part, that opens up a new era, and that is aimed at building a society open to everyone and giving each individual a chance to take on challenges.

Thanks to the synergetic effects of the structural reforms covering the entire fabric of Japan's economy and society and of the efforts of the people, the results of the reforms have begun to manifest themselves, and the country is leaving a long tunnel of stagnation, and is in the process of emerging from deflation. Bright prospects are opening before us.

On the other hand, at the very time when population decline is becoming a reality, we are being confronted with several important problems that need to be resolved in the interests of Japan's future development. For example, we face the challenges of the imbalance between urban and rural areas, the concern over the stratification of society into winners and losers, and the continuing severe financial situation. There have been painful incidents fueled by the loss of family values and the mutual support of communities. Scandals have been occurring frequently due to companies that pay little heed to the rules. Furthermore, new threats to international peace and security have arisen such as the missile launches by North Korea (Democratic People's Republic of Korea) and terrorist attacks throughout the world.

Against this background, I consider it my mission as the leader of the country to clearly point out to the nation with courage the direction in which Japan should be moving. The vision I am aiming for is that of "a beautiful country, Japan" - a country filled with vitality, opportunity, and compassion, which cherishes a spirit of self-discipline, and is open to the world. I visualize this beautiful country as follows:

Firstly, "a beautiful country, Japan" is a country that values culture, tradition, history, and nature.

Secondly, "a beautiful country, Japan" is a country underpinned by free society, respects discipline, and has dignity.

Thirdly, "a beautiful country, Japan" is a country that continues to possess the vitality to grow toward the future.

And fourthly, "a beautiful country, Japan" is a country that is trusted, respected, and loved in the world, and which demonstrates leadership.

In order to realize my vision of a beautiful country, I have formed a "Cabinet for the creation of a beautiful country" based on the stable foundation of the coalition government of the Liberal Democratic Party (LDP) and the New Komeito Party. I will strengthen the fundamental functions of the Prime Minister's Office and establish political leadership, so as to enable decision-making which responds quickly and accurately to the changing times in a globalizing world. As part of such efforts, I will eliminate the personnel structure whereby Prime Minister's staff are seconded and rotated by various ministries, and swiftly construct a framework in which the Prime Minister himself selects his staff even from the private sector. With my conviction that a bright future is open before us, I am determined undauntedly to keep the torch of reform burning.

(Constructing an Open Economy Full of Vitality)

It goes without saying that sustained and stable economic growth is indispensable for Japan to prosper as a beautiful country in the 21st century. Economic growth is possible, even when faced with a declining population. I will channel in new vitality to the Japanese economy through the power of innovation and openness.

Aiming at the creation of innovation that contributes to growth, I will compile and put into effect a long-term strategic guideline, "Innovation 25," which will have a range of prospects up to 2025 in medicine, engineering, information technology, and a variety of other fields. By making full use of a world-leading high-speed Internet infrastructure, my goal is to substantially improve productivity by, for example, doubling the number of teleworkers who work from home.

In order for Japan to draw on the growth and vitality of Asia and the world, I will strengthen efforts to conclude Economic Partnership Agreements (EPAs) and will also work towards the resumption of the WTO Doha Round negotiations. I will aim for the early achievement of the plan to double, by 2010, investment from abroad by the GDP ratio, which will also contribute to the vitalization of the local regions. I will develop a Japanese Cultural Industry Strategy, which will reinforce Japan's international competitiveness and capability to dispatch information to the world in the field of contents, including animation and music, as well as food culture, and traditional culture. I will expand the number of major international conferences held in Japan by at least 50 percent within five years, with the aim of making Japan the largest international conference host nation in Asia. Furthermore, I will proceed rapidly to strengthen the functions of international airports in Japan, including efforts to enhance their usability. All in all, I will promote the Asian Gateway Vision, which will make Japan a conduit between Asia and the rest of the world in terms of the flows of people, goods, money, culture, and information.

The kind of society that Japan should aim at is a society in which the efforts of people are rewarded, a society in which there is no stratification into winners and losers, and a society in which ways of working, learning, and living are diverse and multi-tracked- in other words, a society of opportunity where everyone has a chance to challenge again. If there are people who sense they are facing

inequality, it is the role of politics to shed light on them. I will promote comprehensive "Challenge Again Assistance Measures" as an important task of my Cabinet.

I will re-examine the current system of employing new graduates en masse, expand the application of social insurance coverage to part-time workers, and strive to lower the barriers preventing people from re-starting employment. For example, I will establish a system that allows people to experience the workplace in order to re-start work, and I will promote the re-employment of experienced workers such as baby boomers. I will also promote the employment of women and elderly people, "NEETs" (people Not in Employment, Education or Training), and "freeters" (job-hopping part-timers), and target a reduction in the number of freeters to 80 percent of the peak level by 2010. I will support fundraising by challenge-again entrepreneurs, and I will promote financing that is not overdependent on personal guarantees. In order to assist such endeavors by the private sector and local governments in support of diverse challenge-again measures, I will establish new Prime Ministerial awards.

A nation will not be vitalized unless its regions are vitalized. With this in mind, I will proceed with the decentralization of power from central government to local governments including the development of a system that will prove essential if highly motivated regions are to develop their own measures freely and be reborn as attractive regions. With the aim of realizing regions with an abundance of knowledge and ingenuity, support will be provided. I will initiate a "Helping Striving Regions to Help Themselves Program," under which assistance in the form of local allocation taxes will be newly provided to local governments that develop original regional projects, work proactively to identify local products and turn them into brands, tackle the declining birthrate, or attract overseas enterprises.

The vitality of the 4.3 million small and medium enterprises throughout the country is essential to maintain an energetic economy. By making use of the know-how and motivation of these enterprises, I will promote the development and sales of new products and new services that make use of local resources.

As industries that support the local regions, agriculture, forestry, and the fisheries have significant potential as strategic industries suitable for the new century. In order to break the stereotype that Japanese agriculture, forestry, and fishery products including foodstuffs are exclusively for domestic use, I aim to raise the scale of exports of delicious and safe Japanese products to one trillion yen by 2013. Also, I will build a mechanism for the promotion of employment with the aim of realizing two successful careers in one lifetime.

I will seek to establish a new partnership between the public and private sectors by giving support to the providers of public services such as non-profit organizations (NPOs).

(Resolute implementation of Fiscal Consolidation and Administrative Reform)

Japan is facing an extremely severe fiscal situation. If the population decline continues, and the decrease in the birthrate and the aging of society accelerate, it is clear that an even heavier burden will be placed on future generations. I will unflinchingly work on the integral reform of expenditure and revenue. Under the principle that there can be no fiscal consolidation without growth, a thorough reduction in expenditure and zero-based review will continue, while maintaining economic growth

and placing top priority on minimizing the financial burden on taxpayers. I will utilize the Council on Economic and Fiscal Policy (CEFP) in this endeavor.

In order to reduce the GDP ratio of government debt in a stable manner by the mid 2010s, I will systematically carry out expenditure reform during the next five years. Firstly, I will definitely achieve a surplus in the primary balance of the central and local governments in FY2011. I will take first steady steps in budget formulation for the next fiscal year to reach this goal by holding down the issuance of new government bonds to below the level of the current fiscal year of 29.973 trillion yen. This will be achieved by prioritizing budget allocations to areas that contribute to growth, by thoroughly improving efficiency, and by achieving a well-modulated distribution of outlays.

We cannot ask the people to bear an increased burden while doing nothing to cut waste and inefficiency by central and local governments. I will organize a simple yet efficient lean government by steadily promoting fundamental administrative reform.

I will drastically reduce the total personnel cost of civil servants by implementing a reduction of more than 19,000 personnel at national administrative agencies over the next five years. I will review the entire civil service system including the basic labor rights of civil servants, while listening carefully to public opinion. I will integrate financial policy institutions into one organization in FY2008, and actively proceed with the sale and reduction of government assets, with the aim of halving the scale of government-held assets by GDP ratio by FY2015. In accordance with the basic principle of the Law of the Privatization of Postal Services, I will definitely privatize the postal services from October 2007. Through active implementation of market testing based on the Public Service Reform Law, I will open public services to the private sector and make maximum use of its vitality. I will carry out a major review of special accounts. I will review tax revenues earmarked for road projects on a premise of shifting funds to general revenue while maintaining the current tax rate, and I intend to compile a solid plan within the current fiscal year while soliciting the understanding of taxpayers. With regard to public works projects, while continuing with the reform efforts up to now, I will improve truly essential social capital as an investment in the future while thoroughly pursuing priority and efficiency.

I will seek regional autonomy. As such, I will promote regional administrative and financial reforms, and consider legislation for the reconstruction of local governments.

Even after thoroughly executing these reforms, for the increase in burden caused by social security services and the declining birthrate, I will advance a drastic and comprehensive reform of the taxation system to secure a stable supply of revenue. Thus, I will not shift the burden onto the shoulders of future generations. I will work on the issue of consumption tax with the posture of neither running away from it nor seeking refuge in it.

Moreover, I will draw a new grand design for the administrative structure as a whole such as drastic reform and reorganization of administrative institutions suitable for the 21st century, and the formulation of a vision of a regional government (doshu-sei) aimed at its full-fledged introduction.

(Realizing a Healthy and Safe Society)

To prepare for the coming of a society with a serious population decline, we must construct a reassuring society in which all people can have high quality of life without having to worry about

elderly life or how they will make a living. The social security system with pensions, medical care, and nursing at its core is an extension of the spirit of mutual help that the Japanese have possessed intrinsically. Social security provides a safety net against the risks of life. In order to construct a sustainable Japanese-style social security system that places value on the spirit of self-reliance and is easy to understand as well as compassionate and reliable, I will promote a comprehensive reform of the current system.

The government has a responsibility to maintain the public pension system, so that it will never become bankrupt, nor will the people who pay into it lose out. We must rebuild trust in the system so that the younger generation can feel reassured, too. I will establish a pension system that is user-friendly and easy for the people to understand. At an early date, I will develop the "Pension Regular Notification Service" system that will periodically inform people, even from a very young age, of how long and how much they have paid in pension contributions and how much they will receive in the future. The Social Insurance Agency will be reorganized from scratch. I will make it a priority to realize the unification of the employee's pension scheme and the mutual aid pension scheme, in order to secure fairness between the public and private sectors.

As for medical care and nursing, I will promote the "New Health Frontier Strategy," under which the policy focus will be transferred to prevention and the aim will be to extend healthy life expectancy. I will strive to ensure that medical treatment costs are appropriately billed by the computerization of payment claims, and I will also make efforts to improve regional medical care, including the promotion of measures to address the shortage of doctors especially pediatricians and gynecologists.

The overall population of Japan fell year-on-year for the first time last year. In addition, the total fertility rate sank to its lowest ever level of 1.25. Although the latest birthrate level is running above last year's, we must take measures within the next five years or so, while the second baby boomer generation is still in their 30s. My Cabinet will make every effort to advance measures to address the falling birthrate and build a child-raising friendly society. In that respect, comprehensive assistance will be provided for families engaged in child-raising, including support to reduce the economic burden on families prior to and after childbirth, and during the child-raising period. I will also promote reform of working habits and styles to support child-raising. Furthermore, I will make efforts toward raising awareness so that the joys of child-raising and family values can be shared by the whole of society.

Ensuring the safety of the people is a basic responsibility of government. In recent years Japan has witnessed an increasing number of malicious incidents in which children were victims, and of tragic road accidents caused by drunk driving. I will do my best to restore Japan to the safest country in the world by strengthening cooperation with local communities and cracking down on crimes.

Recently, there have been incidents suggestive of a laxity of regulation enforcement, such as elevator malfunctions and carbon monoxide poisoning incidents caused by gas water heaters. I will endeavor to prevent the recurrence of such incidents through measures such as mandating the disclosure of accident risk information and the strengthening of safety regulations.

In order to honor Japan's commitments under the Kyoto Protocol beginning in 2008, I will steadily advance the Kyoto Protocol Target Attainment Plan. The government is also working on a global warming prevention plan under the concept of starting with matters that are easily addressable: by promoting the introduction of solar power generation and rooftop vegetation on government

buildings, including those in local regions. Moreover, I will also accelerate the use of biomass, including the use of bio-ethanol as a vehicle fuel.

(Rebuilding Education)

Raising Japanese children and young people to assume the responsibility for the next generation is essential for realizing my goal of "a beautiful country, Japan." However, in recent years there has been a downturn in their morals and also in their desire to learn, and it has been pointed out that the families and communities are less and less able to provide the educational function they once did.

The purpose of education is to nurture people with vision and hope, and to build a dignified nation and society. A famous Japanese scholar, Shoin Yoshida, was able to provide the young men of the Choshu Clan with an education that instilled them with aspirations in only three short years, producing many promising leaders. Yoshida's small school, known as "Shoka Sonjuku," turned out to become the womb of the Meiji Restoration. I will immediately engage myself in rebuilding education, to nurture people who value their families, their communities, and their country, who cherish human life, and who are filled with rich humanity, creativity and discipline.

The first task is to ensure the early enactment of the bill concerning the Fundamental Law of Education.

I will rebuild public education in order to guarantee all children the opportunity to acquire a high academic ability and sense of discipline. With the aim of improving academic ability, I will promote a program that enhances basic academic abilities, in addition to ensuring sufficient number of class hours that are deemed necessary. With the aim of improving the quality of teachers, I will seek to introduce a system that requires teachers to renew their teaching licenses, and also introduce an outside assessment of schools so that they are encouraged to provide better quality of education through mutual enhancement.

In order to promote these measures, I will rally the country's wisdom and swiftly establish an Education Rebuilding Council under my Cabinet.

(Shift to Proactive Diplomacy)

The missiles launched by North Korea this July once again underscored the fact that Japan is faced with a major security issue. In response to the missile launches, Japan took the initiative and proposed a draft resolution to the United Nations Security Council that would impose sanctions on North Korea which, under close coordination with the United States, was adopted unanimously. The times demanded that Japan shift to proactive diplomacy based on new thinking. I will demonstrate the "Japan-U.S. Alliance for Asia and the World" even further, and to promote diplomacy that will actively contribute to stalwart solidarity in Asia.

In order to enable swift decisions under strong political leadership on national security and diplomatic strategies, the headquarters function of the Prime Minister's Office will be reorganized and strengthened, and intelligence gathering functions will also be enhanced.

Regarding the Japan-U.S. alliance, I will put in place a framework that ensures constant communication between the Prime Minister's Office and the White House in order to further consolidate the trust, which forms the bedrock of the alliance. The realignment of U.S. Forces in Japan reduces the burdens on local communities while maintaining the deterrence. Every effort will be made to make its steady progress by listening to the voices from the heart of local communities including Okinawa, and working strenuously on revitalizing those communities.

China (People's Republic of China) and South Korea (Republic of Korea) are important neighboring countries. Japan-China and Japan-South Korea relations are now unprecedentedly close in economic and so many other areas. I believe that strengthening bonds of trust with both countries is extremely important for the Asian region and the entire international community, and it is essential to make mutual efforts so that we can have future-oriented, frank discussions with each other.

There can be no normalization of relations between Japan and North Korea unless the abduction issue is resolved. In order to advance comprehensive measures concerning the abduction issue, I have decided to establish the "Headquarters on the Abduction Issue" chaired by myself, and to assign a secretariat solely dedicated to this Headquarters. Under the policy of dialogue and pressure, I will continue to strongly demand the return of all abductees assuming that they are all still alive. Regarding nuclear and missile issues, I will strive to seek resolution through the Six-Party Talks, while ensuring close coordination between Japan and the United States.

Russia is also an important neighboring country. The development of Japan-Russia relations has vast potential to bring benefits to both countries, and for this reason as well, I will persistently work toward the resolution of the territorial issue.

I will further promote cooperation with the Association of Southeast Asian Nations (ASEAN), and as a democratic nation in Asia, I will engage in strategic dialogues at the leader's level with countries that share fundamental values such as Australia and India, with a view to widening the circle of free societies in Asia as well as in the world.

It is a historic achievement that the Ground Self-Defense Force (GSDF) has completed its humanitarian and reconstruction assistance activities in Iraq without a single casualty. I am proud from my heart of the SDF personnel who toiled with sweat in harsh environment. Japan will continue to assist the reconstruction of Iraq through air lift support by the Air Self-Defense Force (ASDF) and official development assistance (ODA) in coordination with non-governmental organizations (NGOs).

I will make every effort to prevent and eliminate terrorism and international organized crime in cooperation with the international community, including by extending the expiration date of the Anti-Terrorism Special Measures Law.

In light of the changes in the international situation such as the proliferation of weapons of mass destruction (WMDs) and missiles, and the fight against terrorism, as well as the advancements in military technologies, and the rising expectations toward Japan's international contribution, we will thoroughly study individual, specific cases to identify what kind of case falls under the exercise of the right of collective self-defense which is forbidden under the Constitution, so that the Japan-U.S. alliance functions more effectively and peace is maintained.

Japan will provide ODA strategically with the Overseas Economic Cooperation Council headed by myself playing the central role.

As the prices of oil and other resources have been continuing to soar, we will make efforts to ensure the stable provision of energy resources.

It has been 50 years since Japan joined the United Nations. I believe that Japan must take on its full responsibilities through gaining permanent membership in the Security Council. In order to transform the U.N., which was established shortly after WWII, into one that is suitable for the 21st century, Japan will continue its efforts toward U.N. reform including its pursuit of permanent membership in the Security Council.

(Conclusion)

I attach utmost importance to dialogue with the people of Japan. In addition to enhancing the E-mail Magazine and Town Meetings, I will begin "Live Talk Kantei," to talk to the people directly through government internet TV in order to be fully accountable to the people.

It is also important to appeal to the world the charms of "a beautiful country, Japan." In the past, "Made in Japan" was synonymous with poor quality. The late Akio Morita strove to rectify this image, unabashedly emphasizing in the U.S. the high quality of Japanese products, and winning the recognition in the world as a high-quality brand. It is quintessential for Japan to present its new "country identity" for the future to the world, that is, our country's ideals, the direction in which we should aspire, and the way in which we convey our Japanese-ness to the world. I will gather wisdom from across Japan to implement a strategy for overseas public relations.

The country's ideals and vision are embodied in the constitution. The present Constitution of Japan was formulated nearly 60 years ago when Japan was under military occupation. Active discussions have been ongoing regarding the formulation of a constitution that befits a new era. I hope that discussions within and among the ruling and opposition parties will be further deepened, and there will emerge clear sense of direction. As the first step, I hope for an early enactment of a bill on the procedures for amending the Constitution.

Our country Japan possesses beautiful nature, long history, culture and traditions, which we could be proud of in the world. With this tacit pride in our hearts, the time has now come to take a step forward toward a new nation building.

Once, when Albert Einstein visited Japan, he said, "It is my sincere wish that the Japanese people keep intact and never forget those traits which you have intrinsically possessed: humbleness and simplicity essential to an individual, pure and calm Japanese heart." I believe it is fully possible to build a 21st century Japan, which retains the Japanese virtues which Einstein admired, and filled with charm and vitality. I believe that the Japanese people have the ability to realize this.

I hope that all the people of Japan who want to challenge together in this new nation building will take part. It is the responsibility of politics to ensure an environment in which anybody can participate regardless of age, gender, or disability. Together with the hardened generation born before and during the war, and the young people who are eager to contribute to the people and the country, I will put all my body and soul in leading the challenge to create "a beautiful country,

Japan," a country admired and respected by people in the world, a country our children's generation can have self-confidence and pride in.

I ask from my heart for the understanding and cooperation of the people of Japan and the members of the Diet.