

Japan PM revamps economic team with eye on reform

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TOKYO (AFP) — Japan's Prime Minister Yasuo Fukuda Friday brought in a new top economic team made up of political veterans who experts said could give fresh impetus to efforts to revamp Asia's largest economy.

The embattled premier gave the job of fiscal and economic policy minister to Kaoru Yosano, 69, a reformist who advocates raising the politically sensitive sales tax to rebuild Japan's debt-ridden finances.

"I formed a cabinet so that the Japanese people can feel the fruits of the reforms," Fukuda told a press conference, adding that the government would "push for policies so that people can feel their livelihoods are improved."

"Raising consumption tax is something everyone thinks when thinking about rebuilding the government finance," said Fukuda, while stopping short of actually saying whether he would seek to increase the levy.

The premier names Bunmei Ibuki, 70, the secretary general of Japan's ruling Liberal Democratic Party and a former education minister, as finance minister of the world's second-largest economy.

Japan's economy is in "a very severe environment," Ibuki said after his appointment.

"My task will be to study what impact this situation would have on ordinary people and the economy in the short term and what the finance ministry can do," said the former finance ministry bureaucrat.

Yosano was a co-architect of former reformist premier Junichiro Koizumi's bold plan to privatise the country's massive postal operator with its huge savings bank.

He is also a defender of an independent central bank and his appointment is likely to ease political pressure on the Bank of Japan to keep interest rates low so as to spur economic growth, analysts said.

"We have to press forward with tax reform," Yosano told reporters. "What I am worried about the most is the higher prices of commodities such as rising oil prices," he added.

Analysts said the return of Yosano to the cabinet could signal a renewed determination by the government to pursue economic and fiscal reform.

"Naming Yosano for the post means that the prime minister endorses tighter spending and higher taxes for financial reform," said Yasuyoshi Masuda, a professor of economics at Toyo University.

"Ibuki was a former finance ministry bureaucrat, so I believe he also prefers raising taxes," he added. "Yosano and Ibuki will take a similar position in that sense."

But market analysts said that the choice of fiscal hawks for the cabinet may unsettle investors.

"The market will not welcome the choice of those who will likely pursue a tax hike when the economy remains gloomy," said Daisuke Uno, chief market strategist at Sumitomo Mitsui Banking Corp.

Fukuda on Friday stressed the need for "structural changes to the economy" to cope with an ageing population and low birthrate, Ibuki told reporters after meeting with the premier.

Senior LDP party official Toshihiro Nikai, 69, took the job of minister of economy, trade and industry, a position he has held in the past.

Japan's public debt is the highest among industrialised nations after the government spent trillions of yen on emergency spending packages to try to haul the economy out of its deflation doldrums in the 1990s.

Successive governments have aimed to slash spending to rein in the debt, although analysts say efforts to shake up Asia's largest economy appear to have slowed since Koizumi stepped down in 2006.

Among other appointments, the post of minister for financial services and administrative reform went to Toshimitsu Motegi, 52, a former minister for science and technology policy.

Source: The Associated Foreign Press



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