Adam S. Posen: Thank you very much, Madame Minister. That was terrific. I grew up in Boston. I didn't see the verdict 30 times but I do remember the pursuit of justice and it's always good to pursue justice at the same time you're pursuing efficiency.

So let me start there. One of the most exciting aspects of Abenomics for people in Washington and I think around the world has been the commitment to try to increase female labor force participation and the representation of women in business and in leading roles like yours. We've done some work on it; our friends at the IMF have focused on this in their talk about Japan. I was wondering if you could give us a little more about two pieces of that. First, in terms of numbers, what kinds of goals do you think are realistic for the increase in female employment over the next year, the next five years, the next ten years and what sorts of employment. And second although you didn't mention it perhaps it seems to be part of Cool Japan that the Prime Minister spoke about what we would call an affirmative action program for women in boards and management of Japanese corporations, and I was wondering if you could say a bit about that as well.

Tomomi Inada: 

Interpreter: Yes, I believe your question has to do with the type of goals that we have so specifically in Japan as I mentioned before we have a 2030 goal and which is to say that our goal is to attain a 30% ratio of females in the management position by the year 2020. However, in reality, we are not close to it. In reality, the reason why there are not many Japanese females in management position is due to the fact that many Japanese females tend to leave their job particularly after they start having children and there's something called an M curve which shows that many females resign their work after they have children. Now as the Abe administration we have focused on the fact that there are not sufficient numbers of child care facilities in our country and currently there are of around 40,000 children waiting to be taken care of by any child care facility. So we leave it as important for us to really tackle with this problem and increase the number of the facilities.

Tomomi Inada: 

Interpreter: You see, according to the study in 2011, the then ratio of females in management position was a mere 8.1%. So clearly this is not close to the 30% goal we have.

Tomomi Inada: 

Interpreter: And currently we have devised a plan to increase the employment ratio of females between age 25 and 44 years old from the current 68% to 73% by year 2020.
Tomomi Inada: [foreign language 0:05:16]

Interpreter: And the fact that the Prime Minister Abe himself is frequently commenting how important it is for females to work at the core of the economic growth in Japan, I believe this fact itself is giving a tremendous encouragement to the females in Japan.

Tomomi Inada: [foreign language 0:05:55]

Interpreter: The second point that I’d like to make to answer. This is rather an opinion that has polarized in Japan.

Tomomi Inada: [foreign language 0:06:14]

Interpreter: Now, of course, I do encourage females to really enhance in their positions; however, at the same time, I do not want to see in situation in which when a female becomes a minister she is told that she became a minister because of her gender. I don’t think that is something that should happen.

Adam S. Posen: Now clearly not but it’s still good to have some female ministers nonetheless. If I could turn to a second point, you concluded with the rousing buildup of the word “do it now.” Many of the people in this room have been anxiously awaiting many of the reforms you’ve mentioned for years if not decades. I’m not here simply to express skepticism but to ask a more practical question. In the area of agriculture you do have this list of goals and changes, how much do you integrate that with the government’s TPP strategy? How much of that is dependent on the trade negotiations? Are the trade negotiations helpful? Or, is this something that the Abe government is going to do whatever the US and the TPP partners are discussing?

Tomomi Inada: [foreign language 0:07:57]

Interpreter: Now in terms of TPP, agriculture is a very significant aspect and that is the understanding of the Abe administration and in Japan, again agriculture is an important industry as well with our rice and our agricultural land. They are something that the Abe administration believes that we must protect. Now, in terms of the weight of agricultural business in TPP, there is an understanding in the administration that it is rather heavy and that in itself Abe administration’s understanding is aligned with the other nations.

Tomomi Inada: [foreign language 0:09:23]

Interpreter: Now, Prime Minister Abe himself really sees the high value in promoting TPP, or the participant of Japan in it, and he believes that TPP is one of the important factors in the economic growth in Japan. Now I understand that there is a TPP negotiation undergoing and within the government there is even a particular minister who is assigned to for TPP related matters and I understand that there is a very tough negotiation taking place currently. Now as far as the content of the negotiation, I am not told, therefore I am not really able to speak at this moment. However, I believe that there is an expectation in Japan that the negotiation will conclude.

Tomomi Inada: [foreign language 0:10:59]

Interpreter: Now in terms of the agricultural items, there are three locations that is discussing this particular matter. First is within the Prime Minister's Office and the second place is the Industrial Competitiveness Council and then thirdly is the Council for Regulatory Reform.
So there are three places that is discussing matters and therefore I would like you to hope and have a positive outlook that this item itself would progress in a positive manner.

Adam S. Posen: Thank you. I’ll ask one last question before turning you to the audience if I may? Between your own leadership on administrative reform and the council on regulatory reform you just mentioned, what sectors or industries do you think will show the early fruits, the early rewards of deregulation and change? Part of what from the outside has been impressive about Abenomics is some of the things on the macro side that were delivered quickly, such as what the BOJ has done. I’m wondering what you have in mind that will be visible to people, visible to business, visible to foreign investors in the next couple of years?

Tomomi Inada: [foreign language 0:13:05]

Interpreter: You see, just to take Cool Japan strategy itself, the Prime Minister himself is continuously making comments in promoting the strategy in which the good image of Japan should be projected to the rest of the world and also he himself often mentioned this phrase, he says, “by my Abenomics.” In other words, he is encouraging the foreign investors to invest in Japan, and I believe that he is trying to create an environment in which more and more foreign investors can do that. In order to attain this, there are currently many items being discussed at the Council of Regulatory Reform.

Tomomi Inada: [foreign language 0:14:36]

Interpreter: You see, right before I arrived in Washington, I visited Silicon Valley and there I witnessed a new type of business emerging, some business are done by new technology such as smart phone and at the same time there are also corporations that are working on usage of big data. So in Japan as well, I believe that there is still a lot of big room for changing the regulations or current laws in order for the IT technology to enhance. However, under the current regulation, current laws, they are not keeping up with the technological advancement, therefore I believe that it is important to resolve this issue.

Adam S. Posen: Very good. Thank you for that. I’m now going to open up to the floor; the Minister’s agreed to take questions on the record. We ask as usual that if you want to ask a question, you identify yourself before asking and even if you have an opinion to state, you at least try to form it as a question. There’s a microphone at the back, there’s a traveling microphone in the front. Jim will be first I guess. But one other qualification, the Minister is here today to talk about economic issues including international economic issues, but not foreign policy, political issues. If anybody wants to ask about that, you’ll be cut off because that’s just not our mission here. So, Jim.

James Fatheeree: Minister, thank you very much. I’m James Fatheeree with the US-Japan Business Council and the US Chamber of Commerce. Thank you for your comprehensive presentation. Could you explain how your reform ideas which seem to be broad economy wide reforms match up with the current proposals to establish special regulation or deregulation zones. I know that that’s a priority of the government also, they’re I think in the process of selecting which locations and which way those zones would apply, so if you could explain how the connection is between your broad reforms in these zones I think that would be very helpful. Thank you.

Tomomi Inada: [foreign language 0:17:37]

Interpreter: Last year at the Council for Regulatory Reform, we worked hard on enabling the internet sales of medicine and we were able to open up the market by 99.8%.
Tomomi Inada: [foreign language 0:18:13]

Interpreter: Now the contents of what has been discussed at the Council for Regulatory Reform, many of them has been something that has already been discussed in the past. However, at the same time, you see, if ask me what has changed after Abe administration came in, I believe it really has to do with the political leadership that Abe himself is showing. That has dramatically changed and that itself has really promoted the regulatory reform.

Tomomi Inada: [foreign language 0:19:17]

Interpreter: And at the Council for Regulatory Reform, we are currently discussing three issues which is something that I have already shared with you and we are aiming to have a conclusion by this June. Namely the three items are the medical insurance, agricultural business, and the employment system.

Tomomi Inada: [foreign language 0:19:59]

James Fatheree: It's good to have a staff.

Tomomi Inada: Okay, okay, okay. You asked a question [foreign language 0:20:07].

Interpreter: And yes, in terms of your question about the strategic district that you mentioned, you see, this is something that council has been discussing for a long time. However, this is a pretty big obstacle for us. Of course, yes, the leadership did help for us to tackle with this issue, but this is something that is still a tremendous obstacle for us. Now of course in an ideal world, I would like to implement the regulatory reform in the entire nation all at the same time; however, that is difficult. Therefore, our idea is to have a specific zones for this strategic districts or zone and implement the regulatory reform within these particular zones and depending on the result, we will determine whether we will implement the regulatory reform nationwide. So in other words, this strategic zone is something that we would like to overcome before we implement the reform in the entire nation.

Tomomi Inada: [foreign language 0:22:22]

Interpreter: And there is an advisory board for the strategic zone and I myself have been assigned as one of the members because I am in charge of the regulatory reform.

Adam S. Posen: Thank you. Krishna please.

Krishna Guha: Thank very much, Minister, for your presentation. Krishna Guha, Vice Chairman of ISI. As you know, the investor community has great interest in the growth agenda, the structural reform “third arrow.” I think everyone would agree that the type of reforms that are talked about would increase people's permanent incomes, expectations for households and businesses, but there is quite a lot of skepticism among the investors as to how much will actually be accomplished in the area of the third arrow. What are they missing, what do they not see that you see, and could you point to a few specific important developments you would expect to see this year that would give proof to the skeptics that the structural reforms are really happening in a major way?

Tomomi Inada: [foreign language 0:23:45]
I believe that of one the things that you will see is in the area of civil service reform. Now, there will be a new bureau particularly designed for personnel-related matters. Now, I believe that once this personnel's bureau is established, our regulatory reform could significantly enhance. And the reason is this, an impetus for a good or successful regulatory reform of course one of them is leadership; however, the other reason would be by … let me explain the second part, is that, you see, currently in Japanese ministries there are still sectionalism that exist in which the type of personnel's that are adopted in each agency or ministry is usually those who encourage a stricter regulation.

And just to give you an example, you see, for the medicine, internet sales that I just mentioned earlier; previously the Japanese Health Ministry has put a very strict regulation despite the fact that there was no such law that existed in Japan that would regulate internet sales and also for child care system as well. There are many private sector, private businesses that is willing to enter the child care market and there is no such law to prohibit that; however the, ministry is strengthening or is putting a strict regulation on this. And the reason is because, you see, by putting in place a stricter regulation that actually benefits each ministry. You see, and also within the ministry, they have adopted a system to promote personnel who are willing to implement stricter regulation. Therefore, by establishing this personnel bureau in the cabinet office and to give the authority to the cabinet office to hire and to assign personnel in each ministry, I believe this will greatly help the regulatory reform to move forward.

You see, in Japan as you may well know, the system of a person working for the same company for the entire career is quite common and also there is a common belief that the permanent employee is a much preferable employment status and also when someone starts working for a company, in their mindset they're not really doing their particular job but they're rather working for the company.

Now our belief is that it is important to recognize and also to encourage the diversity in the way people work.
Tomomi Inada: [foreign language 0:30:34]

Interpreter: Now for what we call the limited permanent employee which is namely somebody whose job description or the job location is clearly defined, by increasing the number of this type of position I believe that they can focus more on their job itself. Now, don’t get me wrong; this is not something that we are trying to promote so that the employers can fire them easily.

Tomomi Inada: [foreign language 0:31:28]

Interpreter: Whether it is the regular permanent employee or the non-regular permanent employee, we would like to create a system in which the non-regular employee can also build a career around that.

Tomomi Inada: [foreign language 0:31:58]

Interpreter: Now I am actually, one of my responsibilities is in a concept of trying again or it’s called retrying or rechallenging, challenge again. You see, in Japan, once somebody resigns from a company or even try to change their job or if somebody fills in their business or if somebody’s business goes bankrupt, you see, the society in Japan is rather cold to these people and I believe that leads to a very inflexible way that people work. Therefore, I believe that it is important to change that kind of mindset. In other words, I believe it is important for people not to think that failure is a bad thing but rather for people to change their way of thinking so that they can think about how to utilize from what they learn from their failure. So that is something that I myself as a minister of challenging again is something that I’d like to work on.

Adam S. Posen: Of course, Prime Minister Abe challenged again after his failure. Is there another question from the audience please?

Ted Truman: Ted Truman from the Peterson Institute. Thank you, Madame Minister, for a very interesting talk. I’m going to ask, as we say, a 30,000-foot question about the role of your council in this process. So does it have, in terms of working with other parts of the government, is it advisory, right, or can you, if I can put it that way, order other ministries to do things, it’s the first part, and then I presume in some cases some of the things you wanted to do to acquire changes in law, right, rather than just regulation presuming that but to what extent is that involved. So if you could give us a little bit an idea of how the process, right, as you put it in your PowerPoint, you said the council will develop a plan, the question is, is the implementation beyond the council’s work of that plan and how that would work with respect to those particular areas in which you’ve informed us very well. Thank you.

Tomomi Inada: [foreign language 0:35:14]

Interpreter: Yes, you see, our Council for Regulatory Reform it is mainly an advisory, has an advisory function. Therefore, it is not to say that what we have decided or our opinion does not directly result in a change in the law. However, you see, we are the advisory body for the Prime Minister himself so our opinions will be incorporated into the discussion that takes place at the cabinet meeting and also therefore at times, our opinion can influence the laws of each ministry, that is why it is important to really work on the sectionalism of our administrative body and also the strong leadership does also count.

Tomomi Inada: [foreign language 0:37:06]
Interpreter: You see, I'm pretty sure that our council is hated by a lot of the ministries; I know that they are thinking that we always just say things that are just the same things that are not really pleasant for them.

Tomomi Inada: [foreign language 0:37:49]

Interpreter: You see, it is not to say that the Council for Regulatory Reform is working this in isolated manner; the truth is that there are other bodies that are also working on the same matters. For example, the Council for Industry Competitiveness is also working on the same issues and also the Prime Minister's Office itself is also working hard on promoting regulatory reform and therefore by these three bodies putting pressure on each ministry and also by establishing the personnel bureau and the cabinet office, that also can put pressure on each ministry. So I am convinced that by these hard work can move the regulatory reform forward and also that our council's function do not end merely by proposing items but rather that our proposals will result in changes of the law.

Tomomi Inada: [foreign language 0:39:58]

Interpreter: You see, oftentimes behind the ministries there are also congressional members as well, the Diet members namely, even my Liberal Democratic Party (LDP), there are members who are trying to block my work in regulatory reform. I hear that many of the members have complained and asked to stop my hard work.

Adam S. Posen: It's funny, 110 years ago we had President Theodore Roosevelt who came in and was seen as a great reformer and like the Abenomics program, part of his motivation was so that the US could play a stronger role in the world stage and he also began with civil service reform actually at the time and had to keep fighting congressional opposition so we know what you mean. [Inaudible 0:41:31] would say, “We know what you mean.”

Is there another question from the audience before we let the Minister go? No. Let me just ask one last thing and again, thank you so much for your frankness and your engagement with our audience and your time today. One thing which seems to be missing from your agenda and if it's not on your agenda—I worry, I don't know whose agenda it's on—is issues of corporate governance reform in Japan. Now, the US has lost some stature to complain about other people's corporate governance in recent years but that's another way of saying we can see how destructive it can be when corporate governance, what companies do with shareholders' money effectively is not well managed. A particular common threat now across the US, the OECD, including Japan, is non-financial corporations sitting on very large pools of cash and neither giving them back to shareholders nor investing. Japan was ahead of the curve on this and remains facing this problem. Is this an issue of concern to you and your colleagues on the economic side, how to revitalize investment in corporate Japan?

Tomomi Inada: [foreign language 0:43:08]

Interpreter: Yes, you are absolutely right, there is a large pool of money in many Japanese corporations that are just simply being stored and without being used and that must be used for investment. And I believe that by changing regulation we could encourage the money to be used for investment. And it is not to say that that is not part of my responsibility; however, it is the belief that the Abe administration itself does have.
Adam S. Posen: Great! Well, thank you very much. It’s been a pleasure having you. The Peterson Institute is very proud to be the primary place for substantive discussion of Abenomics as well as many other international economic issues and your comments today took us a huge step further in creating understanding and exchange of Abenomics between US and Japan. And I’m grateful to our distinguished audience for joining us. Please join me in thanking Minister of State for Regulatory Reform as well as Minister in Charge of Cool Japan, Tomomi Inada.