

# The Nikkei Weekly, 2 Sept 2013

## ACCJ to knock on Diet's door with ideas to sharpen Abe's third arrow



### Japan Business Seminar

Richard Solomon

As an election document, the government's June 5 statement outlining proposed structural reforms under Abenomics — the third arrow of Prime Minister Shinzo Abe's plan to end the country's 20-year economic slump — was never going to address the hard issues. Now, with the July 21 upper house election behind it and its three-year mandate firmly secured, the Abe administration has a one-off opportunity to flesh out the proposals with bolder, more wide-ranging reforms.

The American Chamber of Commerce in Japan will encourage policymakers to do so later this month during its Annual Diet Door Knock. Discussions will focus on growth strategies the ACCJ feels the administration should adopt if Abe's third arrow is to cut deep enough.

The talks are a continuation of a process set in motion in 2010. Then, about 50 key ACCJ members and leaders came together to form the chamber's Growth Strategy Task Force. It took about a year of internal debate to draft the recommendations, which were based on two independently

commissioned studies reviewing Japan's previous 10-year history of innovation and job creation. The comprehensive recommendations, published in late 2010, covered entrepreneurship, foreign direct investment, education, tax policies, the legal system, technology, labor mobility and immigration.

Those taking part in the task force are multicultural, global and educated individuals. Most are foreigners who have chosen to make Japan their home. They are professionals — experts in their fields — who volunteer significant amounts of personal time to offer Japan's leadership their well-thought-out viewpoints. At a time when Japan's growth hinges on its ability to compete globally, policymakers should welcome the task force's unique perspective.

The Annual Diet Door Knock will give Japan's leaders the opportunity to engage with task force members over the course of some 60 formal meetings. ACCJ President Larry Bates is cautiously optimistic that more of the chamber's proposals will be

implemented as a result of the talks.

"The June statement was high level," Bates said. "The Abe administration can expand it to include some of the suggestions that we are making."

He added: "The administration understands the issues. They're on the right track. We think the contours of this third arrow of the growth strategy need to be made clearer, stronger and more robust."

The task force worked over the summer drafting detailed talking points to prepare for the Door Knock. Among the issues to be discussed are Japan's economic metabolism and the Trans Pacific Partnership free trade pact.

Metabolism refers to the speed by which the economy reallocates assets to their best use. It includes bolstering corporate governance, revitalizing mergers and acquisitions, carrying out tax reforms and freeing up labor mobility.

The chamber also sees Japan's recent commitment to TPP participation as being a catalyst to other growth strategies and therefore

critical to the overall success of Abenomics.

One aim of the talks is to address points that the chamber felt the June document did not sufficiently tackle. The growth strategy proposed that Japanese companies have boards with at least one sitting outside, independent director. The chamber's position calls for a minimum one-third of all directors to be both outside and independent.

The government also failed to propose a way to increase labor mobility. Current law provides for employee reinstatement as the only cure for unfair dismissal. Lack of labor mobility is thought to be a main reason people are unable to move into more efficient sectors of the Japanese economy.

The task force's list of proposals runs wide and deep. With the fate of Abenomics resting on the success of Abe's third arrow, the Diet should do more than simply consider the recommendations. It should adopt more of them.

*Richard Solomon publishes regular Beacon Reports at [www.beaconreports.net](http://www.beaconreports.net)*