

Abenomics is Heading in the Right Direction, but the Real Tests Lie Ahead

12 September 2013

Fon Mathuros, Head of Media, Communications Department, Tel.: +86 158 4088 0591; fmathuro@weforum.org

- The growth and restructuring programme of the Japanese government has produced positive results and won plaudits around the world.
- The real challenge is whether the Abe administration can implement tough structural reforms.
- The selection of Tokyo to host the 2020 Olympics should give a boost to reform efforts.
- For more information about the Annual Meeting of the New Champions, please visit: <http://www.weforum.org/newchampions>

Dalian, People ' s Republic of China, 12 September 2013 While the Japanese government ' s programme for economic growth has already produced positive results, the real tests of the strategy lie ahead, Japanese business, government and civil society leaders agreed in a session on the second day of the World Economic Forum ' s seventh Annual Meeting of the New Champions. Dubbed " Abenomics " after Prime Minister Shinzo Abe, who took office last year, the initiative aims to end deflation, tackle public debt, stimulate private investment and consumer spending, and reignite economic growth.

" Abenomics has created the environment to reverse the chronic deflationary trend of the Japanese economy, " said Yorihiro Kojima, Chairman of the Board of Mitsubishi Corporation, noting that corporate results have improved. " It deserves high praise. It is more about people ' s expectations that the Japanese government is finally committed to real economic change. " But, Kojima observed, " the government has yet to address real structural reforms. We in the business community are waiting for concrete measures by the government this autumn. " Once these are announced and implemented, " the true test of Abenomics begins, " he concluded.

The business community expects bold regulatory reforms in the energy, healthcare, financial services and agriculture sectors, Kojima reckoned. Measures such as the restructuring of the power sector will accelerate investment and lead to the shift of human resources towards growth industries. Businesses are also closely watching the US-led negotiations for the Trans-Pacific Partnership (TPP), a wide-ranging free-trade initiative bringing together economies in the Americas and East Asia, and other regional trade talks, including the Regional Comprehensive Economic Partnership (RCEP) that would link the 10 South-East Asian markets with six trading partners. The Abe government has stressed the importance of Japan ' s participation in both TPP and RCEP as a way to increase the competitiveness of the Japanese economy and develop new sources of growth.

" Abenomics is just great, fantastic, " Oki Matsumoto, Chairman and Chief Executive Officer of Monex Group, exulted, reporting that since last year, his company ' s client activity has multiplied fivefold. " The problem was the mindset. Because of deflation, people would not act today. Abenomics is changing the mindset of Japanese. "

But Naoto Ohmi, President of labour union UA ZENSEN, called for caution. If Japan succeeds in breaking out of deflation and prices rise, wages must also increase, he warned. Reforms aimed at making the labour market more flexible could lead to loosening of regulations on employment dismissal, Ohmi said.

Now that the ruling party has control of both houses of the Japanese legislature, the government will follow through on its commitment to introduce fiscal measures and structural reforms, including revisions to the tax system,

Yasutoshi Nishimura, Senior Vice-Minister of the Cabinet Office of Japan, told participants. The Abe administration is expected to increase the consumption tax, offsetting the rise with a corporate tax reduction. The government is also considering the launch of special economic zones similar to those that drove China ' s growth soon after it opened its economy. " We aim to speed up restructuring to make Japanese economy and society more globalized, " he vowed. Japan ' s participation in the TPP and RCEP will secure its key position in the world economy, he added.

The reform challenge for Japan is huge, explained Kent E. Calder, Director of the Edwin O. Reischauer Center for East Asian Studies at the Paul H. Nitze School of Advanced International Studies (SAIS) of the Johns Hopkins University. While the global response to Abenomics has been broadly positive, " the large questions lie inside Japan, " he remarked. " To liberalize across the nation is an enormous political take – more than establishing special economic zones. "

Still, panellists agreed that Japan is heading in the right direction. The selection of Tokyo to host the 2020 Olympic Games has given the capital and the country a boost. " Can Japan break through its bedrock regulation and persistent system? " asked Heizo Takenaka, Director of the Global Security Research Institute at Keio University. " The Olympics will provide a strong tailwind for reform. But if complacency prevails, this will have a negative impact on the economy. "

- Follow the World Economic Forum Annual Meeting of the New Champions at <http://wef.ch/amnc13>
- For insights from key sessions in 2013 go to <http://wef.ch/amnc13insights>
- View photos from the event at <http://wef.ch/amnc13pix>
- Watch live webcasts of sessions at <http://wef.ch/live>
- Follow the Forum on Twitter at <http://wef.ch/twitter> and <http://wef.ch/livetweet> (hashtag #WEF)
- Follow tweets from participants on our twitter list at <http://twitter.com/davos/WEFChina>
- Read the Forum Blog at <http://wef.ch/blog>
- Become a fan of the Forum on Facebook at <http://wef.ch/facebook>
- Follow the Forum on Google+ at <http://wef.ch/gplus>
- Follow the Meeting on iPhone at <http://wef.ch/iPhone>
- Join the Summer Davos Debates in China at <http://davosdebates.youku.com>
- Visit the Forum ' s video space in Chinese at <http://wef.ch/youku>
- Read the Forum ' s Chinese Sina Microblog at <http://t.sina.com.cn/davos>
- Read the Forum ' s Chinese QQ Microblog at <http://t.qq.com/davos>

The World Economic Forum is an international institution committed to improving the state of the world through public-private cooperation in the spirit of global citizenship. It engages with business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971 and headquartered in Geneva, Switzerland, the Forum is independent, impartial and not tied to any interests. It cooperates closely with all leading international organizations (www.weforum.org).



World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>