

Prime Minister Abe's Interview with Buenos Aires Herald

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Abenomics, Olympics...

Despite heading the third largest economy in the world (in highly pro-active fashion, as he explains in this interview) and despite travelling around most of the world this week between Tokyo, St. Petersburg and Buenos Aires, Japanese Prime Minister Shinzo Abe incredibly found time for an exclusive interview with the Herald. Three would seem to be Abe's magic number – his "Abenomics" is famous for its "three arrows" and he answered three of the questions the Herald put to him. Without any further ado, here they are.

Q: How do you see relations with Argentina, Mr. Prime Minister, and do you think this visit could mark a new beginning?

A. I am delighted to be able to visit Argentina, where the 125th Session of the International Olympic Committee (IOC) will be convened. It is 54 years since the then Japanese Prime Minister, my grandfather Nobusuke Kishi visited Argentina in 1959. There are said to be more than 34,000 Japanese descendants, or *Nikkeis*, in Argentina, representing the third-largest population of *Nikkei* in Latin America, after Brazil and Peru.

This year marks the 50th anniversary of the entry into force of the Japan-Argentina Agreement on Immigration and I am pleased to be visiting Argentina in such a momentous year.

Argentina is a country with a strong footballing tradition and is an attractive and appealing country to sports-loving Japanese people. For my generation, the world-famous Argentinian boxer Pascual Perez is a sporting figure who made a significant impression. The images of his outstanding sparring and punches still remain in my memory today. I aim to perform my duties as Prime Minister with the same tireless stamina that he had.

Japan and Argentina share a mutually complementary economic relationship. I hope that through the work of the Japan-Argentine Economic Committee, exchanges and interactions between businesses of both countries will increase and that bilateral economic relations will further develop, predominantly in such sectors as mining and minerals, manufacturing and agriculture.

Exchange in the fields of science and technology and academia are also of importance. I hope that exchange will expand in the areas of mutual interest in the future and that the number of Argentinian students traveling to Japan to study will increase. Argentina is a country with high cultural standards, and I hope that cultural exchanges between our two countries will develop further.

Q. If the 1964 Tokyo Olympics brought Japan and the world the "bullet train", what would you expect Tokyo 2020 to give the country and the planet?

A. Although I was just ten years old at the time of the 1964 Tokyo Olympics, when I close my eyes, I can still vividly recall the opening ceremony, when thousands of pigeons were released and jet planes created five rings in the blue sky by skywriting.

At that time I keenly felt the power of sporting activities to provide many people with dreams, hope and inspiration, to strengthen person-to-person bonds and to help create a better future and a better world.

At the time of the Great East Japan Earthquake in March 2011, the Japanese people received warm support and encouragement offered by people around the world, including those involved in sports, such as the IOC. If the 2020 Olympics and Paralympics are held in Tokyo, they would provide us, the people of Japan, with an opportunity to express once again our gratitude to people around the world. They would also create opportunities for us to convey and share our passion for sports and the values of the Olympics and Paralympics.

Therefore, the Government of Japan has launched the “Sport for Tomorrow” programme as a means of contributing to the world through sport. From now and over the seven-year period until 2020, Japan is committed to providing prioritized assistance to more than 100 countries, including developing countries, targeting more than 10 million people in total. The programme includes the development of sports-related facilities and the provision of equipment, the dispatch of sports instructors and athletes, cooperation in the formulation of physical education curricula, and assistance to strengthen international anti-doping structures.

Through this programme, Japan aims to awaken in people of all generations around the world, including the young, who represent the future, an appreciation of sporting values and also to spread and promote the Olympic movement.

Q. “Abenomics” has made a splendid start but how vulnerable is it to quantitative easing continuing in the rest of the world and to Japan’s previous fiscal overhang?

A. Japan has suffered deflation for a long time, losing nearly 50 trillion yen (roughly US\$500 billion) in gross national income in five years since 2007.

I have made it a top priority for my administration to break out of this situation and restore a robust Japanese economy. Since my appointment as Prime Minister in December of last year, I have immediately set about implementing the “three arrows” of (1) bold monetary policy; (2) flexible fiscal policy; and (3) a growth strategy that encourages private sector investment – dubbed “Abenomics” also by the international community.

As the first arrow, the Bank of Japan (BoJ), under Governor Haruhiko Kuroda, entered a new phase of monetary easing by introducing “quantitative and qualitative monetary easing (QQE).” This was followed by the second arrow, consisting of the largest ever supplementary budget and tax system reform.

The impact of these policies is gradually starting to become apparent. From the start of this year the real growth rate has maintained a robust course. Furthermore, with the exception of items that are susceptible to temporary fluctuations, commodity prices too have maintained a consistent price, indicating that deflation is ending.

Aiming to overcome deflation that has lasted for nearly 15 years, the BoJ has made a clear commitment to achieving the price stability target of 2% at the earliest possible time. With only five months having passed since the introduction of the QQE, the BoJ will continue to steer monetary policy appropriately, while keeping a careful eye on the global financial and economic situations and market conditions.

As for efforts towards fiscal consolidation, one of the fundamental concepts behind “Abenomics” is to engage in flexible economic and fiscal management in the short term, while demonstrating a strong will to realize a sustainable fiscal structure in the medium to long term.

The government has made an international commitment to a fiscal consolidation target of halving the primary deficit of the national and local governments to GDP ratio by FY2015

as compared to the ratio in FY2010 and achieving a primary surplus by FY2020, and thereafter the Government will seek to steadily reduce the public debt-to-GDP ratio.

In order to materialize these concepts, it is imperative that the third arrow, the growth strategy, is executed and private sector-led growth is promoted, rather than forever relying only on economic stimulus measures through increased public spending. I will work steadily to eliminate childcare waiting lists to support women's active participation in society, liberalize the electricity business in principle, introduce bold tax breaks for capital investment, and negotiate economic partnerships including the Trans-Pacific Partnership (TPP), among other measures.

As for the consumption tax increase, I will make an appropriate decision in accordance with Article 18 of the Supplementary Provisions of the Act for the Fundamental Reform of the Tax System by considering the economic situation and other factors holistically.

It is a fact that Japan is facing various challenges. However, what is important is whether we can implement policies without wavering. The only path forward is exiting deflation and revitalizing the economy in tandem with achieving fiscal consolidation.

At the recent G20 St. Petersburg Summit I expressed the intention of the Government to continue with tireless reform efforts towards the revitalization of the Japanese economy, in order to accomplish both growth and fiscal consolidation and thereby contribute to the growth of the global economy. I believe that the revitalization of the Japanese economy will contribute to the recovery of the global economy as a whole.