

Abe's dream at odds with constitution

Japan PM's push for a new defense policy fails to find public support as military spending reaches new level

In his first speech to Congress on Feb 28, US President Donald Trump urged friends and partners from Europe to the Middle East to the Pacific to pay their "fair share of the cost" of the alliances.



Cai Hong

"And now, based on our very strong and frank discussions, they are beginning to do just that," he said. "In fact, I can tell you the money is pouring in."

Japan's lower house on Feb 27 approved the budget bill for fiscal 2017 starting on April 1, with defense spending rising for a fifth straight year to a record 5.1 trillion yen (\$44 billion), or a 1.4 percent increase from the previous fiscal year.

Japanese Prime Minister Shinzo Abe told the Diet, the country's parliament, that under his administration there is no plan to keep the defense budget below 1 percent of GDP, referring to an informal threshold seen as a curb on military spending.

As early as Jan 25, when he responded to questions on national security at the upper house, Abe

made clear his will to enhance Japan's defense to play a greater role in its alliance with the US. He called the alliance the "cornerstone" of Japan's foreign and national security policy.

So it is no surprise that he welcomed Trump's plan to boost Pentagon spending by a "historic" \$54 billion, or 10 percent.

"Strengthening the Japan-US alliance through the increase (in defense spending) will be positive for the peace and prosperity of not only Japan and the United States but also the Asia-Pacific region," Abe said at a session of the House of Representatives Budget Committee on March 2.

Japan's 2017 defense budget will cover a new amphibious force and next-generation military hardware, such as a sea-based ballistic missile interceptor system known as the Standard Missile-3 Block 2A, codeveloped by Japan and the US.

Still, provocations by the Democratic People's Republic of Korea (DPRK) have given Japan a ready reason for building a stronger military.

The DPRK fired four ballistic missiles into the sea off Japan's northwest on March 6.

In early February when Trump hosted Abe in Palm Beach, Florida, the DPRK test-fired a new type of

missile into the Sea of Japan. It marked a significant step for the DPRK's ballistic missile program.

Trump, who during his presidential campaign said he could negotiate with the DPRK's leader Kim Jong-un over a hamburger, promised to deal with the country "very strongly" after its February missile test.

Trump told Abe the US is with Japan "100 percent" during phone talks they held on March 7 to discuss the DPRK's latest missile launches. The two agreed that the DPRK's threat has entered "a new phase".

Hwang Kyo-ahn, acting president of the Republic of Korea (ROK), said Seoul would swiftly deploy a US anti-missile defense system despite angry objections from China.

US missile launchers and other equipment needed to set up the Terminal High Altitude Area Defense system, or THAAD, have arrived in the ROK, according to Japanese media that quoted the ROK and US militaries.

In the aftermath of the March 6 missile launches by the DPRK, Japan's National Security Council held three meetings, at which future countermeasures were discussed.

Japan is also considering buying either the THAAD system or

planning to introduce a sophisticated multi-layered ballistic missile defense (BMD) system.

Currently, Japan's BMD system consists of two main parts: Maritime Self-Defense Force SM3 interceptor missiles carried on Aegis destroyers and PAC-3 (Patriot) ground-based interceptor missiles.

The drastic shift in the Abe administration's defense policy is at odds with the country's constitution, which bans Japan from maintaining military potential, or from using force as a means of settling international disputes.

Abe knows it well and is ready to clear the hurdle.

In his address to open the ordinary Diet session on Jan 20, Abe highlighted the importance of the security alliance with the US and called on Diet members to seriously debate constitutional revision.

A campaign policy for 2017, which Abe's Liberal Democratic Party (LDP) unveiled on Feb 21, states that the party will take a specific step toward proposing a draft of constitutional revisions.

The LDP officially approved the campaign policy at its convention on March 5. Also, it formalized a rule change to allow party leaders a third consecutive three-year term, clearing the way for Abe to run again after his current tenure as party chief

ends in September 2018. This could pave the way for Abe to become the country's longest-serving leader in the post-World War II era.

If the LDP stays in power, Abe would stand a good chance of remaining prime minister to fulfill his dream of rewriting Japan's constitution. As a very conservative politician, Abe is interested in a more right-wing agenda that includes constitutional amendment.

Japan will observe the 70th anniversary of its constitution this year, which Abe deems as a good time for deliberations on a new one. The pro-amendment camp has a two-thirds majority in both houses, enough to initiate constitutional revisions.

However, more than 50 percent of interviewees in an opinion poll by *The Mainichi Shimbun* in January said there is no need to rush discussion on constitutional amendment in the Diet, as opposed to the 35 percent who wanted the Diet to speed up debate on the issue.

Public opinion matters for Abe's constitution dream as any amendments would still have to be approved by a national referendum.

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Reform key to economic growth

By tackling major structural imbalances in areas like supply, China is on track to reviving the real economy

By CHI FULIN

What are the major contradictions facing China in its economic transformation and operation? Are these contradictions cyclical or structural in nature?

Objectively speaking, some adverse cyclical factors do plague the Chinese economy, but structural imbalances are the major source of its current economic dilemma, contradictions and problems.

This highlights the need to deepen structural reforms to expedite China's economic transformation and upgrading. In this process, the structural supply-demand imbalance should be tackled first.

In the context of China's economic transformation and upgrading of the consumption structure, the efforts to deepen supply-side structural reform are aimed at addressing the incompatibility between supply and

consumption based on both actual and potential market demands, and striking a dynamic balance in the supply-demand relationship.

They are also meant to reduce ineffective supplies, increase effective supplies and boost the quality of the supply system to adapt to the demands emanating from economic transformation, especially consumption structural upgrading, and to maximize potential growth brought about by economic change.

Efforts are also needed to improve institutional establishments that can help the market play a decisive role in the distribution of resources, deepen the administrative management system reform, break monopolies, perfect the factor market and let the price mechanism really guide resource distribution.

Despite the improvement in China's imbalanced investment and consumption pattern in recent years, the contradiction of invest-

ment mismatching consumption still remains.

A typical example is the comprehensive and rapid growth of services-oriented consumption demand coexisting with insufficient effective investment and supplies in the services sector.

And due to delayed reform of the investment system, non-governmental capital still faces difficulties entering the services sector. Reversing this imbalanced supply-demand pattern in a short time is an uphill task.

The sluggish reform of consumption tax also makes it difficult for local governments to change their behavior of glorifying investment while belittling consumption. If the policies and structural problems that obstruct the development of the services sector are not solved, it will be difficult to create an open environment for the services sector.

To resolve such major structural imbalances, China should focus its

efforts on reviving the real economy.

Despite being the main player in China's economic transformation and rapid growth, the real economy still faces numerous contradictions and difficulties in its development, which is in stark contrast to the fast development of the virtual economy thanks to the support from government policies and measures.

The burden of taxes and fees may curb the real economy's transformation and development.

Given these facts, China should lower some transaction costs, especially institutional transaction costs, reduce procedures of administrative verification and lower logistical costs to improve the flexibility of the labor market and raise the efficiency of enterprises. It also needs to make major adjustments to the prevailing tax structure.

At a time when many developed countries are taking measures to lure high-end manufacturing back

home while others are intensifying competition for the middle- and low-end manufacturing market, China's practical measures to ease the enterprises' tax burden will not only facilitate the transformation of enterprises but also determine the effects of the country's economic transformation.

Since China is now a middle-income country, its labor costs can only rise. So, there is a need for China to lower its tax rates and adjust its tax structure by, say, shifting from corporate and turnover taxes to direct tax.

Moreover, the government should also reduce its administrative intervention in the operation of enterprises, and give companies a bigger say in deciding their own investment projects.

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