

# Japanese PM unveils “third arrow” of economic agenda

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Prime Minister Shinzo Abe last week announced the “third arrow” of his plans to end the two decades of economic stagnation that followed the collapse of Japan’s speculative share and property bubbles in 1989-90.

Abe first outlined his so-called Abenomics in 2013. His first arrow was a limited package of stimulus measures, while the second was a Japanese version of quantitative easing. The Bank of Japan began pumping massive amounts of cheap credit into the country’s financial system, which also had the effect of driving down the value of the yen to try to undercut Japan’s manufacturing rivals.

While the injection of liquidity boosted Tokyo’s share market, economic growth only marginally improved—to an estimated 1.6 percent for 2013. The first quarter of 2014 registered annualised growth of 6.7 percent, but most business commentators put that down to a spending spree before a sales tax hike in April, which is expected to depress the economy.

Business groups and financial analysts have been pressing Abe to proceed with the so-called third arrow—a far-reaching program of more than 200 pro-market restructuring measures that will make deep inroads into the social position of the Japanese working class.

During the Davos World Economic Forum in January, Abe promised that “companies ... will find Japan among the most business-friendly places in the world.” The main planks of his policy include a cut in the corporate tax rate, the further undermining of the country’s lifetime employment system, and the establishment of special economic zones where corporations circumvent government regulations.

Abe is also seeking to expand Japan’s participation in trade agreements including the US-led Trans Pacific

Partnership (TPP). The TPP is an all-embracing pact that the US aims to use to batter down barriers to trade and investment as well as reinforce the monopolies of American corporations by demanding the assertion of intellectual property rights. While Abe opposes aspects of the TPP, he aims to use it as a means to end restrictions on Japanese businesses, including in Japan.

Abe outlined his plan to cut the corporate tax rate in the *Financial Times* last week, writing, “We reduced Japan’s corporate taxes by 2.4 percent this year, and will cut the rate further next fiscal year. We aim to reduce the level of the effective tax rate to the 20s over several years.” The previous tax rate was 35.6 percent, far higher than Japan’s competitors throughout the Asian region.

Japanese Federation of Business head Sadayuki Sakakibara said in June that he wanted the government to “pave the way as soon as possible for reducing (the corporate tax rate) to 25 percent.” The corporate elite is seeking to compete with countries like South Korea and China, where the tax rate is about 25 percent, and Hong Kong and Singapore, where it is around 17 percent.

Big business is demanding Abe dismantle what remains of Japan’s system of lifetime employment. However, the government, which is well aware that such moves could provoke opposition in the working class, has vaguely declared that there is a “place for debate” on the issue.

Already the number of workers, particularly young people, in low-paid, casual jobs has increased dramatically over the past decade. Today, 37 percent of workers fall into this category, up from 26 percent in 2000. At the end of June, the Ministry of Internal Affairs and Communication noted that casual positions had jumped 300,000 from a year earlier while the number of regular workers increased by just 10,000.

The government will rely heavily on the trade unions to suppress any resistance to a further weakening of the labour laws. Strikes have become almost nonexistent in Japan; in 2012, only 68 strikes took place, down from an average of 6,000 annually in the 1970s.

While ostensibly opposing a revision of the lifetime employment system, Japanese Trade Union Confederation (Rengo) head Nobuaki Koga recently praised Abenomics, declaring: “We had more than 15 years of deflation and a stagnant economy, so we have now come to a point where we can get out of the that situation.” He asked: “Can these Abenomics policies really continue positively going forward?”—leaving the door open to collaborating with the government.

The third arrow also includes so-called National Strategic Special Zones. Six are slated to be set up around the cities of Tokyo, Osaka, Fukuoka, Okinawa, Niigata and Fukui by autumn, each focussing on a different industry. Within these zones, the government will trial its most contentious programs, designed to free business from “burdensome rules,” in Abe’s words.

The Tokyo zone is expected to promote foreign investment and other business deregulation. Those around Niigata and Fukui will see changes to the country’s agriculture laws, which currently bar companies from owning farmland. The Osaka zone will promote changes in the medical industry, while Okinawa will be a tourism zone. The Fukuoka zone will allow businesses to more easily hire and fire employees.

Already, corporate demands have been made for the spreading of these initiatives. Mio Uemura, a Mizuho Research Institute analyst, stated in March: “Ultimately, these measures will need to be expanded to the whole country to be truly effective.”

Abe’s economic policies are aimed at boosting Japan’s competitiveness, at the direct expense of its rivals. This is particularly the case with the Bank of Japan’s quantitative easing. Through the weakening of the yen, Japanese companies have already gained ground against South Korean auto and electronics corporations.

Once a dominant force in markets such as automotive and electronics, many of Japan’s companies have fallen behind competitors, particularly in South Korea, where massive corporate restructuring was carried out after

the 1997-1998 Asian financial crisis.

Abe’s aggressive economic measures, directed both against Japanese workers and Japan’s rivals, go hand in hand with his reassertion of Japanese militarism to pursue the ruling elite’s strategic and commercial interests across Asia and internationally. This was underscored by his government’s “reinterpretation” of the country’s constitution last week to allow the armed forces to join military interventions under the guise of “collective self defense.”

As Abe mounts an offensive against the working class at home, where there is also deep hostility to war and re-militarisation, he is building up the military and freeing it from constitutional constraints in order to prosecute the interests of Japanese imperialism by force.



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