

Historical Development of Japanese Local Governance Vol. 9

**Volume 9 The Promotion of Decentralization (1)
(1993 – 2000)**

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Foreword

The Council of Local Authorities for International Relations (CLAIR) and the National Graduate Institute for Policy Studies (GRIPS) have been working since FY 2005 on a “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. On the basis of the recognition that the dissemination to overseas countries of information on the Japanese local governance system and its operation was insufficient, the objective of this project was defined as the pursuit of comparative studies on local governance by means of compiling in foreign languages materials on the Japanese local governance system and its implementation as well as by accumulating literature and reference materials on local governance in Japan and foreign countries.

In FY 2009, we continued to compile “Statistics on Local Governance (Japanese/English)”, “Up-to-date Documents on Local Autonomy in Japan”, “Papers on the Local Governance System and its Implementation in Selected Fields in Japan” and “Historical Development of Japanese Local Governance”. We also continued to conduct a search for literature and reference materials concerned with local governance in Japan and overseas to be stored in the Institute for Comparative Studies in Local Governance (COSLOG).

If you have any comments, suggestions or inquiries regarding our project, please feel free to contact the Council of Local Authorities for International Relations (CLAIR) or the Institute for Comparative Studies in Local Governance (COSLOG) of the National Graduate Institute for Policy Studies (GRIPS).

March 2010

Michihiro Kayama
Chairman of the Board of Directors
Council of Local Authorities for International Relations (CLAIR)
Tatsuo Hatta
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Preface

This booklet, one of a series which started to appear in 2009-10, is one result of collaboration that started in 2005 between the Institute for Comparative Studies in Local Governance, National Graduate Institute for Policy Studies, and the Council of Local Authorities for International Relations, under the title, “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. For the purpose of implementing the project, a “Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation” was established, and a chief or deputy chief with responsibility for each part of the project have been designated.

Within the framework of the above project, we began to study in 2008 how to establish and take forward a self-contained project under the title “Historical Development of Japanese Local Governance”. The project will comprise the publication of 10 volumes in the form of booklets which will examine the formation, development process and history of local governance in Japan. We are convinced that the results of the research that underlies this project will be of immense use in the comparative study of local governance in many countries. The work has been taken forward primarily by the core team members listed below, and it is planned that all the research will be brought together by the publication, one at a time, of a booklet authored by each team member during 2010 and 2011.

(Chiefs):

Hiroshi IKAWA	Professor, National Graduate Institute for Policy Studies
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This booklet, Vol. 9 in the series, “Historical Development of Japanese Local Governance” is authored by Director-General Atsushi Konishi and gives an account of the development process and history of local governance in Japan in the period 1993-2000.

The period (1993-2000) covered by this volume is characterized by change to the kind of party-political system that had persisted for many years after the end of World War II. Against this background, it can be seen as the time when Japan seriously began to get to grips with the promotion of decentralization, the results of which included abolition of the agency delegated function system. The booklet introduces such historical aspects as decentralization, restructuring of the political world, and administrative reform.

From now on too, we aim to strengthen this series, by continuing to examine and research the formation and development of local governance in Japan.

I would like to express my heartfelt appreciation to Director-General Konishi, and also to other members of the research committee for their expert opinions and advice.

Lastly, I need to thank Mr. Maurice Jenkins for his work in translating this booklet into English from the original Japanese booklet.

March 2010

Hiroshi Ikawa

Chairperson

Research committee for the project on the overseas dissemination of information
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Volume 9 The Promotion of Decentralization (1) (1993-2000)

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Introduction

In this volume of the history of local autonomy in Japan, the keywords are decentralization, the reorganization of the existing party system, earthquakes, administrative reform, and economic policy. Characteristic phenomena that serve to define this stage can be listed as follows.

1) Decentralization became a mainstram issue. As the result of the combination of a number of events and phenomena, the first stage of decentralization was realized. These included the following: the passage in both Houses of the Diet of a “Resolution on the Promotion of Decentralization”; enactment of the Decentralization Promotion Law; 5 stages of recommendations by the Decentralization Promotion Committee; a Cabinet resolution on the Decentralization Promotion Plan; enactment of the Omnibus Decentralization Law, and abolition of the agency delegated function system. However, even after this range of issues was dealt with a number of problem areas still remained, so it is fair to speak of the period as one of “incomplete decentralization reform”¹.

2) In the political world, the major happening was that the Liberal Democratic Party lost its hold on power. Since 1955, the political system in place had been one which the Liberal Democratic Party held the position of the main governing party, while the Japan Socialist Party (later the Social Democratic Party of Japan) formed the main opposition party. This system, which became known as the “1955 system”², collapsed in 1993 under the Hosokawa Cabinet. Subsequently, while the Liberal Democratic Party again returned to power as the main governing party, many political parties were formed, and the period was one of repeated alliances and fragmentation. In the 8 years from 1993 through 2000, there were 7 successive Prime Ministers, namely Miyazawa, Hosokawa, Hata, Murayama, Hashimoto, Obuchi and Mori, and the political situation was filled with uncertainties. One reason that can be cited for this frequent change of governments is the conflict of opinions that arose concerning political reform issues, centered on the election system.

3) The extent of the damage caused by the earthquake known as the Great Hanshin Earthquake (or the Kobe Earthquake) was the greatest of any earthquake in postwar Japan. On the basis of the valuable lessons learned from this earthquake, policies for preparing and dealing with natural disasters were strengthened, focusing primarily on emergency fire response teams

and practice. In addition to the occurrence of natural disasters such as earthquakes, there were incidents such as the first criticality incident at a Japanese nuclear reactor facility, and the release of the poisonous gas, Sarin, on a Tokyo subway; the result of such occurrences was a heightened awareness, not only at national level, but at local government level too, of the importance of crisis management.

4) A law was passed concerning the reform of central government ministries and agencies; the central element was the reorganization of the Cabinet Office and 12 ministries and agencies. This central government reform was actually implemented from the beginning of the 21st century, but the decisions on the content of administrative reform, centered on central government ministries and agencies, can be found in such places as the final report in 1993 of the Provisional Council for the Promotion of Administrative Reform, the final report of the Administrative Reform Council issued in 1997, and the enactment in 1998 of the Basic Law on the Administrative Reform of Central Government.

5) A succession of economic countermeasures was implemented in response to the decline in economic growth caused by the collapse of the bubble economy. Within the context of these economic countermeasures, cooperation could be seen in such ways as an increase in investment expenditure in local, as well as central, finances, and for a time, there were signs pointing to an economic upturn. However, the outcome was that at national and local levels, the financial situation worsened rapidly. With the aim of stemming the worsening situation, the Hashimoto Cabinet tried to focus primarily on financial structural reforms, but it suffered many setbacks along the way as a result of the deteriorating economic environment.

In addition to the points outlined above, far-reaching, fundamental social changes that characterize this period include a rapid increase in the number of elderly persons, the spread of the information society, and internationalization.

This paper takes as its subject matter this period of turbulent change, focusing primarily on the 5 specific features outlined above. However, it has to be emphasized that at the time of writing this paper (August 2009), there are many phenomena on which a firm historical evaluation has not emerged, and many different analyses have been put forward by experienced thinkers. It follows that in the account below, while the writer has made every effort to give an objective presentation of the facts, it is only to be expected that the sampling and distillation of these facts will be influenced by the writer's subjective views. In this sense, this short essay should be the target of many criticisms, and I will be very happy if it can be seen as one essay concerned with the contemporary history of local autonomy in Japan, and can serve as an aid to stimulating discussions among readers.

1 The development of local autonomy

1.1 “Resolutions on the promotion of decentralization”

In a plenary session on June 3, 1993, in the House of Representatives, and in a plenary session on the following day, June 4, in the House of Councillors, a “Resolution on the Promotion of Decentralization” was passed unanimously. The closing sections of each resolution emphasize the need to proceed with the implementation of radical policies, starting with the enactment of a law aimed at the positive promotion of decentralization³. The passing of such resolutions in both houses of the Diet, the first such case in Japanese constitutional history, is a phenomenon that represents the start of the promotion of decentralization in Japan. As reasons why it was possible for such resolutions to be passed at this time, reference should be made in the first instance to the active debates carried out by such bodies as the Local Government System Research Council, the Six Associations of Local Governments, the Provisional Council for the Promotion of Administrative Reform (the Third Council), and the economic world (Kansai Economic Federation, the Federation of Economic Organizations, and the Committee for the Promotion of Political Reforms). Against the background of such debates, every political party prepared draft laws aimed at the promotion of decentralization⁴, and an atmosphere was created of agreement among the different political parties on the promotion of decentralization as an overall theme.

1.2 Revision of the Local Autonomy Law, the right of the submission of opinions to the Diet by the Six Associations of Local Governments

(1) The granting, by means of a revision of the Local Autonomy Law, to the Six Associations of Local Governments the right to submit an opinion to the Diet

On June 4, 1993, a draft bill for revision of one part of the Local Autonomy Law was submitted to the Diet by the Local Administration Committee of the House of Councillors. The draft bill passed through the plenary session of the House of Councillors and the Local Administration Committee of the House of Representatives, and on June 11, was passed unanimously by the plenary session of the House of Representatives. It is worth mentioning that the plenary session of the House of Councillors which passed this bill did so on the same day as it passed the “Resolution on the Promotion of Decentralization” referred to above.

The content of the revision was concerned with the ability to submit opinions through the Minister of Home Affairs (now the Minister of Internal Affairs and Communications) (ibid below) to the Cabinet, or to submit written opinions directly to the National Diet, on matters concerned with laws or cabinet orders that have an influence on local autonomy and have been submitted to the following federation-type bodies (prefectural governors, chiefs of prefectural assemblies, city mayors, chiefs of city assemblies, town and village mayors, chiefs of town and village assemblies.) (Local Autonomy Law, Article 263, Clause 3, Paragraph 2). Specifically, the

term “federation-type bodies” used here refers to the Six Associations of Local Governments, namely the National Governors’ Association, the National Association of Chairpersons of Prefectural Assemblies, the Japan Association of City Mayors, the National Association of Chairpersons of City Councils, the National Association of Towns and Vilages, and the National Association of Chairmen of Town and Village Assemblies.

The revision to the law was promulgated and implemented as “Law No. 73, 1993” on June 18, 1993.

(2) The first submission of opinions

a) Overview

On September 26, 1994, the Six Associations of Local Governmemnts, making use of the submission ability granted by the revision to the Local Autonomy Law referred to above, submitted a written opinion for the first time to the National Diet and the Cabinet. The title of the opinion was “A Written Opinion concerning the Promotion of Decentralization – Local Autonomy in a New Age”. A separate document, entitled “Guidelines for Promoting Decentralization” was attached to the opinion. The intention of the “Guidelines” was to ensure that local opinion was reflected in the “Fundamental Principle of Decentralization”, which was due to be produced and issued by central government.

b) The content of the “Opinion”

In the “Guidelines”, constituting the attachment to the “Opinion”, the Six Local Government Associations set out a large number of points⁵ which were subsequently debated in the context of the promotion of decentralization. The main points of the content are as follows: 1) setting limits to central government duties; 2) the abolition of the agency delegated function system; 3) the promotion of the rationalization and integration of central government outreach organizations; 4) abolition of the system of local government officials directly appointed by central government; 5) setting limits to central government intervention in local affairs; 6) re-examination of the fiscal system; 7) respect for local autonomy in levying taxes; 8) radical re-examination of the system of local allocation tax including tax rates; 9) re-examination of the system of assistance by means of national treasury subsidies; 10) establishment of a decentralization committee; 11) introduction of a residents’ voting system aimed at the enactment of bylaws; 12) introduction of an external auditing system; 13) creation of a system of the ability to institute proceedings demanding the withdrawal of decisions by the decentralization committee; 14) creation of a system enabling judgments declaring the invalidity of bylaws; and 15) enactment of a “Decentralization Promotion Law”.

1.3 The Decentralization Promotion Law

(1) Enactment

a) Cabinet resolution on the “Fundamental Principle of the Promotion of Decentralization”

On December 25, 1994, the Cabinet headed by Prime Minister Murayama Tomiichi, adopted the resolution comprising the “Fundamental Principle of the Promotion of Decentralization”. This Fundamental Principle consisted of the following 3 Articles: “Article 1: Fundamental Ideas, etc., concerning the Promotion of Decentralization”, “Article 2: The Basic Direction of the Promotion of Decentralization”, and “Article 3: Future Actions concerning the Promotion of Decentralization”. The document as a whole clearly presents the following 3 points concerning the promotion of decentralization: 1) the formulation of a plan by the government, 2) the establishment of a committee, and 3) the enactment of a law at the next ordinary session of the Diet.

b) The enactment of the Decentralization Promotion Law

On February 28, 1995, the Murayama Cabinet endorsed a draft Decentralization Promotion Bill, and submitted it to the Diet on the same day. After some partial amendments during the deliberation stage, the bill was enacted on May 15, promulgated on the 19th day of the same month as Law No. 96, 1995, and implemented on July 3. The Decentralization Promotion Law consists of the following 4 chapters and an addendum.

(2) Content

a) General principles (Chapter 1)

The objectives this law, as specified in the regulations set down in this Chapter, are to clarify the fundamental ideas and the responsibilities of the state and of local public bodies concerning the promotion of decentralization, and at the same time, by determining the items that will become the foundation of decentralization policy, and establishing the required systems, take forward decentralization in a comprehensive and planned manner.

b) The Basic Direction of the Promotion of Decentralization (Chapter 2)

The regulations set down here are concerned with setting out the division of responsibilities between the State (= central government) and local public bodies (= local governments), as well as national policies concerned with decentralization, ways of strengthening and securing a local fiscal base, and with establishing and consolidating local government administrative systems.

c) The Decentralization Promotion Plan (Chapter 3)

The Decentralization Promotion Plan represents the government's aim of taking forward, in a planned and comprehensive way, policies concerned with the promotion of decentralization, in line with the Basic Direction of the Promotion of Decentralization. It determines the legal system that has to be put in place as well as other policy measures. Specified in the plan are such points as special duties and obligations on the part of the government to report to the Diet as well as to announce important matters.

d) The Decentralization Promotion Committee (Chapter 4)

The Decentralization Promotion Committee is located within the Cabinet, and its customary duties include the following: ① to investigate fundamental matters concerned with the promotion of decentralization, and on the basis of the results of its investigation, to make recommendations on specific guiding principles to underlie the Decentralization Promotion Plan to the Prime Minister; ② to supervise the implementation of policies based on the Decentralization Promotion Plan, and to set out its views in a report to the Prime Minister based on the results of its activities.

It is also specified that on receipt of reports by the Committee, the Prime Minister will make reports to the Diet. This section was added during the Diet deliberations referred to above.

The Committee is composed of 7 members. Selected from among persons having superlative knowledge and experience, they are appointed by the Prime Minister, and their appointment requires the approval of both Houses of the Diet. The members of the Committee work part-time, and the Chairperson is elected by the mutual vote of the members.

e) The period of validity

Initially, it was specified that the above-mentioned law would have a period of validity of 5 years, but in 2000, this term was extended for 1 year, until July 2, 2001.

1.4 The Decentralization Promotion Committee

(1) The start of the committee

The Decentralization Promotion Law was implemented on July 3, 1995, and on the same day, the first session of the Decentralization Promotion Committee was opened. On this occasion, Prime Minister Maruyama made the following statement: "Against the background of the gradual maturation, until the time was right, of suggestions put forward by such bodies as the Local Government System Research Council, the Six Local Government Associations, and the Provisional Council for the Promotion of Administrative Reform, the Cabinet, in December last year, endorsed a resolution on the Fundamental Principle of Decentralization, and on the basis of

this Fundamental Principle, promulgated in May of this year the Decentralization Promotion Law. The process leading to these events has been long and arduous, and I think it is fair to say that the feeling that this law has finally seen the light of day represents an epoch-making historical phenomenon. As someone who has had experience of the work of local assemblies throughout the country, I feel a deep sense of gratitude to all those who have been involved. [omission of part of the address]. The decentralization that I have referred to here is in a very real way being taken forward, and there is a sense in which it can be said that it will change the foundation of administration in Japan. At the same time, it will greatly change the nature of politics in Japan, and it is my heartfelt feeling that it is a great accomplishment.” With these words, the Prime Minister demonstrated his awareness of the way in which the promotion of decentralization would change political administration in Japan.

(2) Interim report of the Decentralization Promotion Committee

a) Overview

On March 29, 1996, the Decentralization Promotion Committee presented its interim report. The report, responding to the demands of the government and the various sectors involved, gave a summary report of the investigations and deliberations of the Committee up to that point, and reflected the Committee’s intention⁶ to disseminate widely a fundamental understanding and the premises of its activities and the basic direction that it was adopting.

More specifically, the report was composed of the following 5 chapters: “Chapter 1: A general overview – the purpose of decentralization”; “Chapter 2: A new relationship between central government and local governments”; “Chapter 3: Re-arrangement of the administrative system of local public bodies”; “Chapter 4: Links to committee work on building community relationships”; and “Chapter 5: Links to committee work on building daily life relationships”.

Unlike subsequent recommendations, the interim report was not produced on the basis of prior agreement with central government ministries and agencies; it shows in a very frank way the thinking of the Decentralization Promotion Committee. In particular, Chapter 1 and Chapter 2 show clearly the fundamental understanding and the fundamental approach of the Committee; the main points of these 2 chapters are as outlined below.

b) The purpose of decentralization

The underlying background of, and the reasons for decentralization can be seen as the following: 1) system fatigue of the current centralized administration; 2) response to the changing pattern of international society; 3) need to correct the unipolar concentration on Tokyo; 4) formation of local and regional societies that are vibrant with individuality; and 5) response to the aging of society and the declining birth rate.

As the objectives and ideas underlying the promotion of decentralization, the report cites firstly the need to correct imbalances among the following sets of factors: “central government and local governments”; “citizens of Japan and local residents”; “the nation of Japan and regional/local areas”; and “totality and individuality”; against this background and with the aim of putting the proper weight on the second of each set of factors, namely, local governments, local residents, regional/local areas and individuality, the report indicated the need to reform the hitherto existing “centralized, vertically structured, standardized system”, which had put excessive emphasis on the sameness and fairness that could be found throughout the country, and to put in its place a “comprehensive, individually oriented administrative system under the direction of local residents”, which would pay due respect to the diversity and individuality to be found in local and regional societies.

c) A new relationship between the center and local regions

The report sets out the thinking of the Committee on the following points: 1) fundamental thinking about the division of responsibilities between central government and local governments; 2) abolition of the agency delegated function system; 3) re-arrangement of the duties to be borne by local public bodies; 4) dealing with the hitherto existing agency delegated function system; 5) establishing rules to adjust the relationship between central government and local governments; 6) regulations imposed by central government on the organization, posts, etc., of local governments; 7) the national treasury subsidy and obligatory share system and sources of fiscal revenue; and 8) other matters. The Committee clearly expressed its belief, already at this point in time, that “the agency delegated function system should be abolished”.

(3) Stage 1 Recommendations

On December 20, 1996, the Decentralization Promotion Committee issued its Stage 1 Recommendations, comprising the following 4 chapters: “Chapter 1: A new relationship between central government and local governments”; “Chapter 2: The framework of a new local autonomy system”; “Chapter 3: Building communities and decentralization”; and “Chapter 4: Building patterns of daily life and decentralization”. As separate addenda, the Committee attached 2 documents tentatively dividing duties into 2 categories, namely: 1) “(provisional name) agency delegated function system-related duties to be undertaken autonomously by local governments”; and 2) “(provisional name) agency delegated function system-related duties to be assigned by law”. The central 3 points of this Stage 1 Report are the following: 1) abolition of the agency delegated function system; 2) proposals for new rules; and 3) the transfer of authority in individual fields.

(4) Stage 2 Recommendations

On July 8, 1997, the Decentralization Promotion Committee issued its Stage 2 Recommendations, comprising the following 7 chapters: “Chapter 1: A new division of responsibilities between the State (= central government) and local public bodies (= local governments)”; “Chapter 2: The creation of new rules concerning the relationship between central government and local governments”; “Chapter 3: A re-appraisal of the imposition of regulations on local governments by central government and of the system of branch offices of central government”; “Chapter 4: A re-arrangement and rationalization of the National Treasury Subsidy and Obligatory Share System and the strengthening and securing of local fiscal revenue”; “Chapter 5: A new relationship between prefectures and municipalities”; “Chapter 6: A re-arrangement and confirmation of the administrative system of local public bodies”; and “Chapter 7: Other devices deemed to be a necessary accompaniment to the promotion of decentralization”. As separate addenda, the following 3 tables were attached: “Main re-arrangements to the delegated agency function system”; “Classification of delegated agency functions”; and “Re-arrangement by item resulting from the re-appraisal of imposed regulations”.

(5) Stage 3 Recommendations

On September 2, 1997, the Decentralization Promotion Committee issued its Stage 3 Recommendations. The recommendations represented the conclusions of the committee, and included a re-appraisal of the agency delegated functions system and, selected from an ongoing examination of agency delegated functions, a classification of matters concerned with the use and compulsory appropriation of land on the basis of the Special Measures Law on Land for Military Use by Forces Stationed in Japan, as well with the administration of labor concerned with such land.

(6) Stage 4 Recommendations

On October 9, 1997, after just one month had elapsed, the Decentralization Promotion Committee issued its Stage 4 Recommendations. These comprised general recommendations set out in the form of specific approaches covering all the issues presented in previous recommendations up to and including the Stage 3 Recommendations⁷.

(7) Stage 5 Recommendations

On November 19, 1998, the Decentralization Promotion Committee issued its Stage 5 Recommendations. These were the final recommendations issuing from the Decentralization Promotion Committee. The Committee had thought that the Stage 4 Recommendations would be

its last ones, but the reason why Stage 5 Recommendations were nevertheless formulated is that a request was made to the Committee by the Cabinet headed by Prime Minister Hashimoto Ryutaro to investigate the following 2 points: 1) an additional list of duties and authority to be transferred from prefectures to municipalities; and 2) the formulation of policies to take forward the transfer of duties to the said municipalities⁸.

The Committee responded by investigating the matters in 2) as requested, and presented its conclusions in the form of Stage 5 Recommendations⁹. The Recommendations comprised the following 3 chapters: “Chapter 1: A re-examination of the preferred pattern of public enterprises”; “Chapter 2: A re-examination of the preferred pattern of non-public enterprises”; and “Chapter 3: A re-appraisal of various kinds of developments and infrastructure planning formulated by or carried out with the intervention of central government”.

(8) The opinions of the Decentralization Promotion Committee (August 8, 2000)

The original term of validity of the Decentralization Promotion Committee was until July 2000, but it was extended for one year until July 2001 by means of a supplementary revision to the Decentralization Promotion Law.

In the revision, it was specified (Decentralization Promotion Law, Article 10, Clause 2) that one of the standard duties of the Decentralization Committee was “to supervise the implementation of policies based on the Decentralization Plan and to present necessary opinions to the Prime Minister on the results of their activities”.

On the basis of this stipulation, the Decentralization Promotion Committee presented an “opinion” on August 8, 2000, after taking part in an exchange of views on various points concerned with individual law, with the organs concerned, on the following matters: preparation of the Decentralization Promotion Plan and the Second Stage Decentralization Plan; preparation of the Omnibus Decentralization Law and related government laws and regulations; rationalization of the National Treasury Subsidy and Obligatory Share System; the immediate need to strengthen and secure a local fiscal revenue base; the preferred system of delegation with the aim of establishing bylaws and regulations; and various matters concerned with individual laws.

The “opinion” comprised the following 3 chapters: “Chapter 1: Concerning the rationalization of the National Treasury Subsidy and the Obligatory Share System, and the immediate need to strengthen and secure local fiscal revenue”; “Chapter 2: Concerning the most appropriate method of delegating to the authority of bylaws and regulations matters which should be decided by law”; and “Chapter 3: Concerning various points relating to individual laws”.

(9) “An opinion on the promotion of municipal mergers”, as expressed by the
Decentralization Promotion Committee

On November 27, 2000, the Decentralization Promotion Committee issued “An opinion on the promotion of municipal mergers”. The “opinion on mergers” listed 4 reasons why the Committee felt that it was necessary to strengthen municipal mergers further, namely 1) the progress of decentralization, 2) the expansion of the physical area of municipal administration, 3) as a response to the financial circumstances of central government and local governments, and 4) as a response to the feelings of citizens as taxpayers.

As well as setting out the merits and demerits of municipal mergers, the “opinion on the promotion of mergers” carried out a sufficient investigation within the context of the consultation system that existed among municipalities, and concluded that it was necessary to aim at wiping out the demerits of mergers by means of sufficiently activating relevant administrative devices.

In order that this “opinion on the promotion of mergers” could be assured of achieving sufficient results by the time of the expiry date of the Special Law on Mergers in March 2005, it was suggested that in addition to the measures already in existence, it was necessary to consider and devise the following new measures: 1) establishment of a system of assistance for mergers; 2) expansion of the system of accepting proposals from residents and introduction of a system of voting by residents; 3) additional indicators concerning the promotion of mergers; 4) financial measures; 5) policies regarding former municipalities (cities, towns and villages); and 6) measures to stimulate through the dissemination of information the maturation of thinking on mergers. The government accepted receipt of the “opinion”, and in response, strengthened its merger promotion policies.

1.5 The First Stage Decentralization Promotion Plan

(1) Overview

On May 29, 1998, the Cabinet led by Prime Minister Hashimoto Ryutaro decided on the First Stage Decentralization Promotion Plan. The plan was drawn up on the basis of the recommendations submitted by the Decentralization Promotion Committee from Stage 1 through Stage 4. It comprised the following 7 sections: “No. 1: Basic thinking concerning decentralization”; “No. 2: The division of responsibilities between the State (= central government) and local public bodies (= local governments) as well as a new relationship between them”; “No. 3: A re-appraisal of regulations imposed by central government, and the ideal pattern for central government branch offices”; “No. 4: Rationalization of the National Treasury Subsidy and Obligatory Share System, and strengthening and securing a local fiscal revenue base”; “No. 5: A new relationship between prefectures and municipalities”; “No. 6:

Establishing and confirming a new administrative system for local governments”; and “No. 7: Other measures required to accompany the promotion of decentralization”. Cross-referencing should be carried out between the content as set out here and the Omnibus Decentralization Law (dealt with in 1.7 below).

(2) The period of revision of the law

With regard to items to be established by means of legal revision, it was specified that necessary bills should be presented to the 1999 ordinary session of the Diet.

1.6 The Second Stage Decentralization Promotion Plan

On March 26, 1999, the Cabinet under Prime Minister Obuchi Keizo took a cabinet decision on the Second Stage Decentralization Promotion Plan. The plan was formulated following receipt by the government of the Fifth Stage Recommendations made by the Decentralization Promotion Committee. The main theme of the Second Stage Plan was a re-appraisal of public enterprises. The specific items subject to re-appraisal were specified as follows: 1) Basic thinking concerning a re-appraisal of the ideal pattern of public enterprises; 2) A re-appraisal of directly controlled enterprises; 3) A re-appraisal of subsidized enterprises; 4) abolition of the subsidy system; and 5) A re-appraisal of various kinds of development and infrastructure planning activities formulated by or carried out with the intervention of central government.

1.7 The Law Concerned with the Consolidation of Various Laws aimed at the Promotion of Decentralization (The Omnibus Decentralization Law)

(1) Process of Development of the Law

On March 26, 1999, the Obuchi Cabinet endorsed the Omnibus Decentralization Law with a cabinet decision, and on the 20th of the same month, the draft bill was presented to the Diet. After partial additions and amendments, the deliberation process was completed on July 8, the law was promulgated on the 16th, and was put into force from April 1, 2000.

(2) Laws that were the Object of Reform by the Decentralization Promotion Law

This Law represented a reform of 475 existing laws, and the content of the reforms was almost perfectly aligned with the “Decentralization Promotion Plan”.

Chapter 1 contains content common to all the reformed laws, and represents a reform of the Local Autonomy Law and the National Administrative Organization Law. Chapter 2 and the following Chapters represent reforms of various laws concerning matters falling within the jurisdiction of the Cabinet and various central government ministries and agencies.

Because of duplication, the total number of laws listed as being reformed against the subject

items listed below (848) is not identical with the total number of reformed laws (475).

- 1) Revisions accompanying the abolition of the agency delegated function system (351)
- 2) Establishing rules in connection with intervention by central government (191)
- 3) Consolidating regulations concerned with agency delegated functions (35)
- 4) Establishing rules for the imposition of regulations by central government (38)
- 5) Establishing regulations concerned with handling charges (63)
- 6) Revision of other items (179)

(3) Content

The main content items can be listed as follows:

- 1) Clarification of the respective roles to be undertaken by the State (central government) and local public bodies (local governments).
- 2) Abolition of the agency delegated function system whereby the governors of prefectures and the mayors of cities, towns and villages constitute organs of central government and are made to carry out its duties, as well as the abolition of regulations concerned with such matters as the leadership and supervisory authority of the competent minister and prefectural governors, the rights of prefectural governors in terms of deletion and suspension, and orders dealing with the execution of professional duties.
- 3) Within the framework of hitherto existing agency delegated functions, apart from duties that are abolished, a classification of those duties remaining in force into duties to be handled directly by local governments and those to be handled directly central government. A re-arrangement of the duties of local governments, including pre-existing delegated duties, into those to be decided on autonomously and those delegated by law, and the establishment of the regulations required for these purposes (Diagram 1 refers).
- 4) A radical re-appraisal of the ideal pattern of central government intervention as a whole, abolition of comprehensive leadership and supervisory authority, and the creation of new rules concerned with such matters as the principles, criteria and procedures concerned with central government intervention.
- 5) The creation of administrative devices to settle relationships between central government and local governments in such ways as enabling local governments to mount an investigation in the event of dissatisfaction with intervention by central government.
- 6) The transfer, by means of revision of individual laws, of national authority to prefectures, and of prefectural authority to municipalities.
- 7) The creation of a “system of special case cities” enabling, through the revision of the Local Autonomy Law and other laws, the transfer of authority to cities having populations in excess of 200,000.

- 8) With a view to furthering the transfer of authority from prefectures to municipalities, the creation, by means of revision of the Local Autonomy Law, of a “special case system of settling administrative matters by bylaws”. Specifically, this refers to a system whereby a part of the duties belonging to the office of prefectural governors and the like can be transferred by means of prefectural bylaws (under the system of bylaws, this means that consultations will take place afresh between prefectural governors and municipal mayors), and that by means of such bylaws, the duties to be transferred and the municipalities concerned will be specified, and thereafter that the matters will be disposed of as municipal matters.
- 9) The abolition or relaxation, by means of revisions to individual laws, of the imposition of regulations on local governments by central government, with the aim of respecting the autonomous organization and authority of local governments and of increasing the comprehensiveness and efficiency of administration.
- 10) The implementation of a system of reform dealing with such matters as the following: a fresh reform of the “Law for Exceptional Measures on Municipal Mergers (revised and extended in 1995, as explained below); strengthening the rights of citizens to put forward proposals; the recommendation by prefectural governors to establish a Merger Consultation Council; the extension (for a period of 10 years (twice the existing period) during which time the rate would be calculated as if a merger had not taken place; and thereafter, amelioration of sudden change at 5-year intervals) of the period of special measures for calculating ordinary local allocation tax (the exceptional calculation for merged municipalities); the issuing of special local merger bonds (in the case of projects involving the construction of public facilities on the basis of municipal architectural planning, or projects deemed specially necessary such as the accumulation of funds, municipalities are to be enabled to appropriate funds for local bonds, to be limited to a 10-year period, with the introduction of standard financial demand amounts, which will become the basis for the calculation of local allocation tax to be used by local governments as compensation for the redemption of part of the principal and interest of the said bonds); the establishment of regional councils; and special measures concerning the requirements for becoming a city (the possibility of permitting a body to be classified as a city even when the requirements for becoming a city as a result of a merger between a city and a city or between a city on the one hand and towns and villages on the other have not been met).
- 11) Reform of the Local Autonomy Law with the aim of breathing new life into local assemblies, relaxation of the requirements for presenting a draft bill and of the requirements for the presentation of a proposal or an amendment in assemblies (change from the present requirement of agreement by one-eighth of members to one-twelfth or

members).

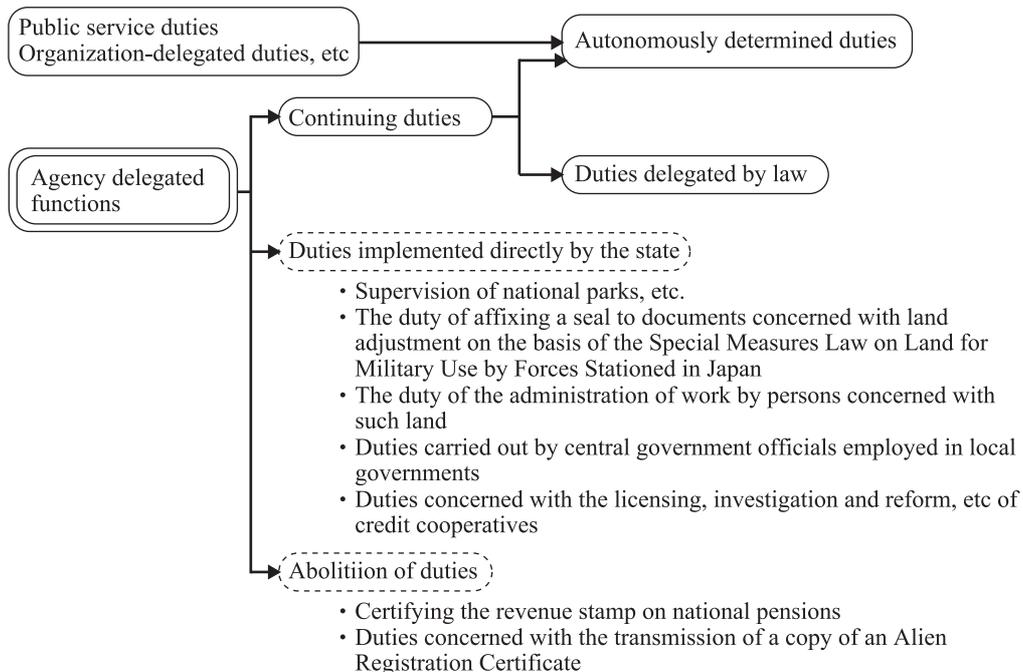
12) Determination by bylaw of the set number of assembly members, and establishment of an upper limit on the number of members in line with the population of the body concerned.

13) Revision of the Local Autonomy Law so that among the designated conditions for the creation of core cities (the creation of the system of core cities by means of a revision of the Local Autonomy Law in 1993 is explained below), the conditions for the daytime and night-time ratio specified as necessary for cities with a population of 300,000 and more and less than 5000,000 are abolished.

14) The setting of April 1, 2000 in principle as the date of implementation of the law.

On the points reformed by means of the aforesaid law, please refer to the booklet (p. 12 ff.) in a parallel series to this one, *15 Years of Decentralization Reform in Japan*, by Ikawa Hiroshi¹⁰.

Diagram 1 The Redistribution of Local Government Duties



1.8 Consolidation of systems conducive to decentralization

(1) The system of wide-area unions and core cities

a) The process of development and an overview

On April 19, 1993, the 23rd session of the Local Government System Research Council (chairperson: Mr. Shibata) presented to the Prime Minister, Miyazawa Koichi) a “Report concerning a system of wide-area unions and core cities”.

The report proposed that as an appropriate response to the increasingly diversified demands for wide-area administration, and as a system designed to take decentralization forward, aiming

at strengthening the administrative authority of cities over a certain size, the creation of a system of wide-area unions and of core cities was suitable.

On April 28, 1994, the Hata Tsutomu Cabinet presented to the Diet a draft bill constituting a partial revision of the Local Autonomy Law. The bill was approved on June 22, and promulgated on June 29 (Law No. 48, 1994). The reform based itself largely on the report made in April 1993 by the Local Government System Research Council; it aimed to implement the creation of a system of wide-area unions as well as special measures for the allocation of duties concerned with core cities.

b) Wide-area unions

Wide-area unions were created as an appropriate and efficient response to the increasingly diversified demands for wide-area administration, and at the same time as a means of establishing a system which could accept transfer of authority from central government. Wide-area unions are expected to carry out the duties of ordinary local public bodies as well as special wards or their executive organs. So as to be able to confirm their suitability to carry out these tasks, they are established on the basis of wide-area planning, aiming to enable them to implement the necessary coordinating functions, and at the same time, be able to dispose of those duties appropriate to their function in a comprehensive and planned manner.

Central government officials, prefectural governors and the like, were able to select from the duties that fell within their jurisdiction those duties appropriate to wide-area unions and delegate the said duties to the unions. Furthermore, it was made possible for wide-area unions to make a request that the authority closely concerned with such duties be delegated to them; the channel for routing such a request was to the Chief of the national administrative organ in the case of wide-area unions participated in by one or more prefectures, and to the prefectural governor in the case of other wide-area unions.

On the side of wide-area unions too, they were given the authority, when certain specified conditions were met, to request the local public body that organized them that changes should be made in their agreement with the local public body.

Within wide-area unions, the election of assembly members and assembly chiefs is limited to a specific method. Any person with a residential address in the area of jurisdiction of the wide-area union and eligible to vote may make a direct request to the wide-area union for the enactment, alteration or abolition of a bylaw, or for the dismissal of an assembly member or an assembly chief. With a view to being able to take forward in a smooth and unified manner items specified in the wide-area plan, a wide-area union may establish a conference to be organized by the Chief of the wide-area union or of a local administrative organ of central government.

c) Core cities

The objective of establishing the core city system, aimed at cities other than designated cities, was to strengthen the administrative powers of those cities which were of a significant size in terms of their size and their abilities, and to enable their administration to be carried out in a manner that was, as far as possible, close to the lives of the city residents. From among the tasks that designated cities can carry out, excluding those tasks which can more efficiently be carried out by prefectures operating in a unified manner over a wide area, and those tasks that it is not appropriate for core cities to handle, core cities are permitted to carry out those duties delegated to large cities by government ordinance, depending on the manner in which the ordinance is determined.

The initial requirements for attaining the status of a core city are that its population must be greater than 300,000 and its land area must exceed 100 km². In addition, in cases where the population is less than 500,000 people, the city must fulfil the criterion determined by government ordinance whereby the socio-economic environment constituting the periphery of a city and the city itself fulfill the conditions of acting as a core.

With regard to the status of core cities, it is specified that this shall be stipulated by government ordinance, and that when the Minister of Home Affairs (now Minister of Internal Affairs and Communications) prepares to submit the draft of an ordinance, he shall do this on the basis of a petition from the city concerned, and that when the city concerned submits such a petition, it shall do so on the basis of a resolution by the city assembly, and must at the same time obtain the consent of the prefecture by means of a resolution passed by the prefectural assembly.

(2) Revision of the Law for Exceptional Measures on Municipal Mergers

On February 9, 1995, the Murayama Cabinet presented to the Diet a draft bill constituting a revision of part of the Law for Exceptional Measures on Municipal Mergers. The bill was approved on March 17, and the law was promulgated on the 29th of the same month (Law No. 50, 1995).

The reform aimed to promote the autonomous merger of municipalities, and at the same time, in order to contribute to the development of municipal mergers, it utilized the “Report concerning the promotion of the autonomous merger of municipalities” presented by the 24th Local Government System Research Council on November 22, 1994, in terms of extending the term of validity of the Exceptional Measures Merger Law to March 31, 2005. At the same time, the reform establishes special measures in terms of such matters as the system concerning the demand for a Merger Council to be freshly established.

(3) Reform of the system of special wards

On March 10, 1998, the Hashimoto Cabinet presented to the Diet a draft bill aimed at revising part of the Local Autonomy Law. The bill was approved on April 30, 1998, and the new law was promulgated on May 8 (Law No. 54, 1998).

Drawing extensively on the Report of the Local Government System Research Council, the new law aimed to strengthen the autonomy and independence of special wards, while paying due consideration to the need to preserve the uniformity and integrity of large cities and, at the same time to execute the transfer of duties from the metropolitan government to special wards and to reform such matters as the determination of principles to govern the allocation of responsibilities between the metropolitan government and special wards respectively.

2 The collapse of the 1955-system and the formation of a coalition government

2.1 The adoption of a non-confidence resolution in the Miyazawa Cabinet and the formation of new political parties

(1) Adoption of a non-confidence resolution in the Miyazawa Cabinet – dissolution of the House of Representatives

Around the middle of June 1993, Prime Minister Miyazawa, giving due consideration to the situation within his Party, firmed up his resolve to put off the submission of a political reform bill until the next session of the Diet. On June 18, 1993, in the plenary session of the House of Representatives, a resolution of non-confidence in the Cabinet; out a total of 475 votes case, 255 voted for the resolution and 220 against. On the same day, Prime Minister Miyazawa dissolved the House of Representatives in accordance with Article 7 of the Constitution of Japan.

The reason for the passage of the non-confidence resolution in the Miyazawa Cabinet was that a group led by Hata Tsutomu and others within the Liberal Democratic Party (hereafter LDP) were opposed to political reform, and as a result, their votes for the non-confidence resolution submitted by the opposition party.

It should be noted that it was during the tenure of the Miyazawa Cabinet that the “Resolution on the Promotion of Decentralization” was approved in the Diet.

(2) The formation of a new party

On 18 June 1993, Takemura Masayoshi and 9 other people resigned from the LDP, and on 21 June, this group, led by Takemura, formed the New Party Sakigake. On 23 June, Hata Tsutomu’s group, comprising 44 people in all, resigned from the LDP, and formed the Japan Renewal Party, led by Hata Tsutomu as Representative, and Ozawa Ichiro as Secretary-General. The Japan New Party, led by Hosokawa Morihiro, was formed on May 22, 1992.

2.2 The Hosokawa Morihiro Cabinet

(1) The 40th General Election. Collapse of the 1955 system

As a result of the dissolution of the House of Representatives by the Miyazawa Cabinet, Japan's 40th General Election was held on July 18, 1993. The result was as follows: LDP: 221 seats; people affiliated neither to the LDP nor the Japan Communist Party (hereafter, JCP): 243; JCP: 15; non-affiliated persons: 30; total: 511. The Socialist Party also sustained large losses (from 136 to 70, with a loss of 66 seats). On the 22nd of the same month, Prime Minister Miyazawa announced his resignation, and on the 30th, the LDP elected Kono Yohei as its head.

(2) The formation of the 8-party coalition government under Hosokawa

The following 6 parties (Japan Socialist Party, Japan Renewal Party, New Komeito, Democratic Socialist Party, Socialist Democratic Federation, and the Democratic Reform Party (composed only of members of the House of Councillors) all agreed to support Hosokawa Morihiro's candidature for Prime Minister and joined with 2 parties, the Japan New Party and the New Party Sakigake, on August 9, 1993, to form an 8-party coalition. In this way, a non-LDP government was formed after 38 years, and Hosokawa became Japan's 79th Prime Minister. It should be noted that Hosokawa had previous experience of public office when he served as the governor of Kumamoto Prefecture, but this was the first time for someone to be elected as Prime Minister after serving as a prefectural governor. This was also the first time for the LDP to relinquish its hold on power as the ruling party following its formation in 1955.

Under the Hosokawa Cabinet, a degree of consensus on political reform was achieved after long years of being treated as a pending problem. Specifically, on January 29, 1994, amendments to political reform bills were passed in the Diet, including such content as the introduction in the House of Representatives of a system of small, single-seat constituencies (300 seats) in parallel with a proportional representation system (200 seats). At that time, according to an opinion survey conducted by the mass media and other indicators, the Hosokawa Cabinet enjoyed a high level of support.

Within the Hosokawa Cabinet, in addition to the Prime Minister himself, there were central figures, such as Mr. Takemura, who had experience of serving as Chiefs or in senior positions in local public bodies, and who contributed to taking forward the promotion of decentralization. A specific example of this was the decision to set, as a target within fiscal 1994, the formulation of the "Fundamental Principle for Promoting Decentralization" referred to above, embodying the nature of the relationship between central government and local governments.

(3) Mass resignation of the Hosokawa Cabinet

However, as a result of the following factors, the Diet remained idle: 1) the partial opening of

Japan's rice market (minimum access) and imposition of a tariff within the framework of the GATT (General Agreement on Tariffs and Trade) negotiations; 2) the sudden announcement of the concept of a national welfare tax, whereby consumption tax would be renewed with the objective of constituting a welfare tax and the rate would be raised from 3% to 7%, and the subsequent withdrawal of this proposal; 3) conflicts within the governing party; and 4) questions regarding the alleged non-repayment of a loan which Prime Minister Hosokawa himself had taken out. The end result was that Prime Minister Hosokawa announced his intention to resign on April 8, and the entire Hosokawa Cabinet resigned on April 25.

2.3 The Hata Tsutomu Cabinet

On April 25, 1994, following the resignation en masse of the Hosokawa Cabinet, Hata Tsutomu, Deputy Prime Minister and Minister for Foreign Affairs, was elected Prime Minister in plenary sessions of both Houses of the Diet. However, a number of parties from within the governing coalition, including the Japan Renewal Party, the Japan New Party, and the Democratic Socialist Party, announced the formation of a Unified Faction (Renewal) within the House of Representatives. And on the following day, April 26, the Japan Socialist Party declared its opposition to this move by the Unified Faction right after the nomination of the Prime Minister, and withdrew from the coalition. As a result, the Hata Cabinet (led by Hata Tsutomu, Japan's 80th Prime Minister) had to form a minority cabinet from the moment of its initiation. In the previous fiscal year, the Hata Cabinet had already failed to form a budget, but on June 23, the first budget of fiscal 1994 was approved.

However, following the approval of the budget, a resolution of non-confidence in the Cabinet was presented to the House of Representatives by the LDP, and since the number of members from the LDP and the JSP supporting the resolution was in a majority, the Hata Cabinet resigned en masse of its own accord on June 25¹¹.

2.4 The Murayama Tomiichi Cabinet

(1) Formation of the Murayama Cabinet

On June 29, 1994, following the mass resignation of the Hata Cabinet, the LDP joined hands with the JSP, and, thinking this to be preferable to other options, agreed to the concept of a three-way joint government, also including the New Party Sakigake. For its part, the Japan Renewal Party, and others in the governing coalition, named Kaifu Toshiki as their agreed candidate for leader. On the same day, the ceremony of naming the Prime Minister was to be carried out, but because a clearer majority in the House of Representatives was not reached, the decision was put to a vote. The result of the vote was that Murayama Tomiichi of the Japan Socialist Party defeated Kaifu and was named as Prime Minister¹².

On June 30, Kono Yohei of the LDP was named as Deputy Prime Minister and Minister of Foreign Affairs, and Takemura Masayoshi, head of the New Party Sakigake as Minister of Finance, thus completing formation of the three-party coalition consisting of the Japan Socialist Party, the LDP and the New Party Sakigake, and Murayama became Japan's 81st Prime Minister.

On December 10, the non-LDP Federation, which had become the opposition party, joined with the Japan Renewal Party, the members of Komeito from the House of Representatives (= New Komeito Party), the Democratic Socialist Party, the Japan New Party and other smaller groupings, to form the New Frontier Party (with Kaifu Toshiki as the party head, and Ozawa Ichiro as the secretary-general).

The Murayama Cabinet put its weight behind decentralization in such ways as getting the Decentralization Promotion Law passed, and initiating the discussions of the Decentralization Promotion Committee.

(2) The 17th election of members of the House of Councillors

The 17th election of half the members of the House of Councillors (under the election system for the House of Councillors, members serve a term of six years, and half the members are subject to re-election every three years) was held on July 23, 1995. The result was that looking at acquired seats, the LDP got 46 seats instead of the 67 seats that it had acquired 3 years previously, so that the governing parties got a total of 65 seats in the election, which together with the 86 members who did not stand for election, made a total of 151 seats. On the opposition side, the New Frontier Party acquired 40 seats, making a total of 61 seats for opposition party members and non-affiliated members. Together with the 40 members who did not stand for election, this made a total of 101 seats. In the votes for the proportional constituency, the New Frontier Party gained more seats than the LDP. This result can be linked to the resignation of Kono in the election for the head of the LDP held in the autumn.

2.5 The Hashimoto Ryutaro Cabinet

(1) Formation of the Hashimoto Cabinet

On September 22, 1995, in an election for the head of the LDP contested by Hashimoto Ryutaro and Koizumi Junichiro, Hashimoto was declared the winner and elected as head of the LDP.

On January 5, 1995, Prime Minister Murayama announced his resignation at a press conference held at the Prime Minister's official residence. The three parties that constituted the governing coalition, namely the LDP, the Japan Socialist Party and the New Party Sakigake, consulted on how to maintain the existing political framework and how to adjust their policies; as a result, they solidified their support of Hashimoto as their candidate for Prime Minister. On

January 11, the choice of Hashimoto was approved by both Houses of the Diet, the cabinet was formed on the same day, and Hashimoto became Japan's 82nd Prime Minister. On January 19, the Japan Socialist Party changed its name to the Social Democratic Party.

(2) The 41st general election

On September 17, 1996, a committee, consisting of Hatoyama Yukio (New Party Sakigake), Hatoyama Kunio (New Frontier Party), Kan Naoto (New Party Sakigake), and Okazaki Tomiko (Social Democratic Party), was formed with the aim of establishing as a new party the Democratic Party of Japan.

It was against the background of these movements¹³ that Prime Minister Hashimoto, at the start of an emergency session of the Diet on September 27, dissolved the House of Representatives.

The actual launch of the newly formed party, the Democratic Party of Japan, took place on September 28, when a majority of the members of the New Party joined a number of members of the New Frontier Party and the Social Democratic Party; the result in terms of the number of seats was that the newly formed party had 52 members from the House of Representatives and 5 members from the House of Councillors.

On October 20, the 41st general election of the House of Representatives was held as the first election to be held in Japan in which the 2 systems, namely that of small, single-seat constituencies and that of the larger proportional representation constituencies, operated in parallel. The result was that the governing coalition gained a total of 256 seats (LDP: 239; SDP: 15; New Party Sakigake: 2), while the opposition gained 244 seats (New Frontier Party: 156; Democratic Party of Japan: 52; Japan Communist Party: 26; Democratic Reform Party: 1; and 9 non-affiliated seats).

(3) Formation of the Second Hashimoto Cabinet

On November 7, 1996, on receipt of the election results as set out above, the Second Hashimoto Cabinet was formed (with Mr. Hashimoto as Japan's 83rd Prime Minister) and with the cooperation outside the Cabinet of the Social Democratic Party and the New Party Sakigake, the LDP was the sole party represented in the cabinet after a lapse of 3 years.

The Hashimoto Cabinet put efforts into initiating a reform of central government ministries and agencies and approved a cabinet resolution on the "First Decentralization Promotion Plan".

On the economic front, there were signs of an economic upturn, and the Hashimoto Cabinet set to work on financial reconstruction policies, but it then suffered a setback in the form of a rapid decline in the economy.

(4) Cessation of cooperation outside the Cabinet by the Social Democratic Party and the New Party Sakigake

In June, 1998, before the election of members of the House of Councillors, the Social Democratic Party and the New Party Sakigake called a halt to their cooperation outside the cabinet with the LDP, thus putting an end to the three-party system (LDP, SDP, New Party Sakigake) that had existed for 4 years since 1994.

(5) The 18th election of members of the House of Councillors – PM Hashimoto's announcement of his resignation

On July 12, 1998, the 18th election of members of the House of Councillors was held. On the governing side, the LDP acquired 44 seats, making a total of 103 when combined with the 69 seats occupied by members who were not standing in the election, thus falling short of the 127 seats required for a majority. A total of 82 seats was held by opposition parties and unaffiliated members, including the Democratic Party of Japan (27 seats), the Japan Communist Party (15), and unaffiliated members (20). When added to the 67 seats occupied by members who were not standing in the election, this made a total of 149 seats. When these results were announced, Prime Minister Hashimoto announced his resignation on July 13.

2.6 The Obuchi Keizo Cabinet

(1) Formation of the Obuchi Cabinet

On July 24, 1998, the election for the post of head of the LDP was held, and Obuchi Keizo was selected as the new head.

On the 30th of the same month, the Obuchi Cabinet resigned en masse by means of an emergency cabinet resolution, and on the same day, in a specially convened plenary session of the House of Representatives, Obuchi Keizo was designated as Prime Minister. However, in the House of Councillors, in the first round of voting, no candidate achieved a clear majority, and in the decisive vote, out of the total of 247 votes, 142 votes were cast for Kan Naoto, who was accordingly also designated Prime Minister. Since the persons designated as Prime Minister in each of the two Houses of the Diet were different, when a committee of representatives of both Houses failed to reach agreement, Mr. Obuchi was declared the 84th Prime Minister of Japan on the basis of the stipulations set down in Article 67, 2), of the Constitution of Japan¹⁴. It was in this way that a very challenging environment marked the start of the Obuchi administration.

(2) Reconstruction of the Obuchi Cabinet, coalition with the Liberal Party

On January 14, 1999, Prime Minister Obuchi carried out a reconstruction of his Cabinet, as a result of which a coalition cabinet was formed, with representatives from both the LDP and the

Liberal Party.; specifically, Noda Takeshi of the Liberal Party was appointed as a member of the Cabinet, holding the posts of Minister of Home Affairs and Head of the National Public Safety Commission.

(3) Reconstruction of the Second Obuchi Cabinet, coalition with New Komeito

On October 5, 1999, Prime Minister Obuchi undertook his second Cabinet reconstruction. Nikai Toshihiro (Liberal Party) was appointed Minister of Transport and Secretary of State of the Hokkaido Development Agency, while Tsuzuki Kunihiro (New Komeito) was appointed Secretary of State of the Management and Coordination Agency. In this way, a three-party coalition cabinet was launched. With the aim of economic recovery in mind, the Cabinet implemented one economic policy after another in such forms as large-scale supplementary budgets, including an increase in the finance available for independent local projects.

(4) Separation from the Liberal Party, fragmentation of the Liberal Party, formation of the Conservative Party

On April 1, 2000, the heads of the three governing coalition parties, the LDP, New Komeito, and the Liberal Party, had a conference, but they were unable to reach a consensus on the basic thinking underlying the administration of government. As a result, the Liberal Party withdrew from the coalition and then fragmented; one group within the party, headed by Ohgi Chikage (real name: Hayashi Hiroko) wanted to remain within the coalition, and this group formed the Conservative Party.

(5) Prime Minister Obuchi's sudden admission to hospital, the mass resignation of the Obuchi Cabinet

On April 2, 2000, Prime Minister Obuchi was suddenly admitted to hospital with cerebral infarction, and from April 3, Chief Cabinet Secretary Aoki Mikio headed the Cabinet as the Prime Minister's deputy on an emergency basis. A judgment was subsequently made that it was difficult to expect a speedy recovery by Prime Minister Obuchi, so the government took the decision that the situation amounted to "Prime Ministerial absence", and the Obuchi Cabinet resigned en masse on April 4, 2000.

2.7 The Mori Yoshiro Cabinet

(1) Formation of the Mori Cabinet

On April 5, 2000, instead of a Party Convention, the LDP held a joint plenary meeting of members from both Houses of the Diet, and Mori Yoshiro was appointed as LDP head. On the same day, a vote was held on the appointment of the Prime Minister, and on achieving a majority

in both the House of Councillors and the House of Representatives, Mori was named as Prime Minister. On the same day, Mori re-confirmed all Cabinet Ministers other than himself as Prime Minister, constituted the entire Cabinet, and became Japan's 85th Prime Minister. It should also be recorded here that former Prime Minister Obuchi passed away on May 14.

(2) The 42nd General Election

The 42nd General Election of the House of Representatives was implemented on June 25, 2000. The three governing parties together acquired a total of 271 seats (LDP a reduced total of 233, New Komeito Party 31, Conservative Party 7), more than the 269 seats required for a stable majority. On the opposition side, all the non-governing parties together acquired a total of 209 seats, divided up as follows: Democratic Party of Japan: 127 seats; Liberal Party: 22; Japan Communist Party: 20; Social Democratic Party: 19, making a total of 209 seats. As set numbers, 300 seats were acquired from small, single-seat constituencies, and 180 seats from proportional representation constituency blocs.

(3) Formation of the Second Mori Cabinet

Following the announcement of the results of the 42nd General Election, formation of the 2nd Mori Cabinet got underway, and Mori became Japan's 86th Prime Minister. Tsuzuki Kunihiro (New Komeito), member of the House of Councillors, was re-appointed as Secretary of State of the Management and Coordination Agency, while Ohgi Chikage, head of the Conservative Party, was appointed as Minister of Construction and Secretary of State of the Land Development Agency, and in this way, the three-party coalition system (LDP, New Komeito, Conservative Party) was enabled to continue.

(4) Reconstruction of the Mori Cabinet

On December 5, 2000, Prime Minister Mori, in preparation for a reconstruction of central government ministries and agencies to be implemented on January 6, 2001, announced a reconstruction of the Cabinet, issuing government orders appointing ministers to the reconstructed ministries, orders for additional posts and so on.

2.8 Political reform centering on reform of the election system

(1) Identification of political reform as a national policy issue

At this point in time, a major issue in terms of national policy, linked to the political party reconstruction referred to earlier, was that of political reform, centered on the election system and taking such forms as the small, single-seat election constituency system.

Since the outbreak of the "Recruit scandal" (an insider trading and corruption scandal that

forced many prominent Japanese politicians to resign) in 1988, political reform to counter the growing distrust of politics had become a major national policy issue, and each political party had produced its own reform drafts, for example, the LDP's publication of the "Fundamental Principles of Political Reform" (May 22, 1989).

In October 1991, Prime Minister Kaifu took responsibility for withdrawing draft legislation concerned with political reform, and declined to offer himself as a candidate for the position of head of the LDP when his current term of office expired. In 1993, as explained above, arising from a conflict of opinions concerned with political reform, a resolution of non-confidence in the Miyazawa Cabinet was passed, and this can be linked to the end of the "1955 system". From 1993 into the following year, a succession of city mayors, prefectural governors and ministers were arrested on suspicion of involvement in bribery, and responses to the problem of the relationship between politics and money became a major issue.

(2) Enactment of laws concerned with political reform

On September 17, 1993, the Hosokawa Cabinet approved a Cabinet resolution concerned with political reform, and submitted draft bills to the Diet. Specifically, the draft bills consisted of a Revision of the Public Offices Election Law, a Bill to Establish a Commission on the Demarcation of Constituency Boundaries for the Election of Members of the House of Representatives, Revision of the Political Funds Control Law, and a draft of a Political Party Subsidy Law. The submission of the above bills to the Diet by the LDP took place on October 5.

On October 13, an explanation of the purpose of the government drafts and the LDP drafts was given, each political party responded to questions, and the process of examining and debating the drafts got underway. Following this, on November 18, Prime Minister Hosokawa, on the basis of the results of a discussion with LDP head, Kono, submitted various amendments to the proposed drafts, and the bills were duly passed in the House of Representatives.

On January 21, 1994, in a plenary session of the House of Councillors, amended government drafts were put to a vote, and 248 votes were cast, 118 in favor and 130 against. On January 26, a joint conference of both houses of the Diet was convened, and met on 2 occasions, but failed to reach agreement. In this situation, on January 28, a meeting was held between Prime Minister Hosokawa and Kono, head of the LDP, with Doi Takako, Speaker of the House of Representatives, acting as mediator, and agreement was reached.

The main points of agreement can be listed as follows:

- 1) With regard to the proportional representation election system, a block-based calculation system is to be used, and the basis of the system to be used for elections to the House of Representatives will comprise 11 blocks in line with the report of the 8th Election System Commission.

- 2) Donations from organizations such as companies to the funding supervisory bodies (limited to 1) of politicians including the members of assemblies and the Chiefs thereof,, are to be limited to contributions up to 500,000 yen a year, and limited to a period of 5 years.
- 3) Visits to individual dwellings will continue to be forbidden.
- 4) With regard to persons elected to the House of Representatives, the number of persons elected from small, single-seat constituencies will be set at 300, while the number elected from proportional representation constituency blocks will be set at 200.

With the above points as a basis, the third session of the Conference of Both Houses of the Diet was held on January 29, 1994. The provisions for an implementation schedule were removed from the draft bill formulated in the course of this session, and on this basis, the bill was enacted in a plenary session of the House of Representatives and the House of Councillors.

(3) Political Party Subsidy Law

Among the laws concerned with political reform that are listed above, one was the Political Party Subsidy (Law No. 5, 1994). The main points of the content of this law are as follows:

- 1) The State (central government) shall give a grant to each political party registered as a corporate body. The amount of the grant to be given each year shall be determined in a budget, using as a criterion the formula: “250 yen x the number of the population as recorded in the immediately preceding national census”.
- 2) The political party which is the object of a grant shall be a political organization which meets one of the following conditions: “a body having 5 members or more in either the House of Representatives or the House of Councillors”; “a body which has 1 or more members in either the House of Representative or the House of Councillors and which acquired 2% or more of all votes cast throughout the country either in the preceding general election of members of the House of Representatives or in the preceding standard election, or the preceding standard election but one of members of the House of Councillors”. However, the recipient of a grant (subsidy) is required to be a corporate persons on the basis of the regulations set out in the “Law concerning the granting of corporate status to a political party in receipt of a political support grant”.
- 3) In addition to the above, calculation of the amount of a political support grant shall be set out in the regulations concerned with such matters as a report of the expenditure of political support funds.

(4) Reduction in the set number of Diet members

On February 2, 2000, a law partially revising the Law for the Election of Members of the House of Representatives was enacted (Law No. 1, 2000), and by means of this revision, the set

number of members elected from proportional representation constituency blocks to the House of Representatives was reduced by 20 to 180.

Furthermore, on October 26, 2000, a law constituting a partial revision to the Law concerning the Election of Public Officials was enacted (Law No. 118,2000), and by means of this revision, the pattern of the proportional constituency blocks for the House of Councillors was changed into a non-binding formula, and the set number of members of the House of Councillors was reduced by 10.

3 The occurrence of incidents and natural disasters such as the Great Hanshin Earthquake – strengthening of the firefighting system

3.1 The Great Hanshin Earthquake

(1) Earthquake off the south-west coast of Hokkaido

On July 12, 1993, an earthquake occurred off the south-west coast of Hokkaido, leaving over 230 people dead or unaccounted for. There have also been several other earthquakes since then. On December 28, 1994, there was an earthquake off the Sanriku coast of northeast Japan, resulting in 287 people dead or unaccounted for. On July 8, 2000, Mt. Oyama erupted after being dormant for 17 years, and on August 1, the entire population of the island was evacuated. On October 6, there was a large earthquake in the western part of Tottori Prefecture.

(2) The Great Hanshin Earthquake

At 05:46 on January 17, 1995, what became known as the Great Hanshin Earthquake occurred in the southern part of Kobe Prefecture. The strength of the earthquake was measured at 7 on the Japanese scale in the following areas: within the city of Kobe, Takatori in Sunuku ward, Ohhashi in Nagata ward, Sannomiya in Chuo ward, Rokkodo in Nada ward, and Sumiyoshi in East Nada ward; also the area around Ashiya station in Ashiya city; Shukugawa and other areas in Nishinomiya city; part of Takarazuka city; and areas in the northern part of Awajima Island, Hokutan town Ichinomiya town and part of Tsuna town. In terms of the scale of the damage, the numbers of dead and unaccounted for people totaled 6,437, while the number of homes damaged was 639,686, public buildings damaged totaled 1,579, and other facilities 40,917. There were 293 outbreaks of fire, the area of damage extended over 835,838 m², and the number of buildings burnt down or destroyed totaled 7,574. This was the worst case of earthquake damage since World War II¹⁵.

3.2 The subway Sarin gas attack and other incidents

(1) The subway Sarin gas attack and other incidents

On June 27, 1994, Sarin gas attacks were carried out in the area of Matsumoto City, and a Sarin

gas attack in the Tokyo subway took place on March 20, 1945.

(2) The JCO criticality incident at the Tokai nuclear fuel plant in Ibaraki Prefecture

On September 30, a criticality accident occurred at the JCO-operated nuclear fuel plant in Tokai Village, Ibaraki Prefecture. In this, the first criticality accident to occur in Japan, 150 workers were exposed to radioactivity, and about 310,000 people within a circle with a radius of 10 km in Ibaraki Prefecture were advised to take shelter within their homes. On December 21, one worker died, the first fatal accident to occur in the history of nuclear development in Japan.

(3) Launching of a North Korean ballistic missile (Tepodon), impacting in the Pacific

Ocean off the coast of the Sanriku area of Japan

On August 31, 1998, North Korea launched a ballistic missile (Tepodon), which impacted in the Pacific Ocean off the coast of the Sanriku area of Japan.

3.3 Revision of the Disaster Countermeasures Basic Law

On the basis of the lessons learned from the Great Hanshin Earthquake, the government of Japan, with a view to strengthening countermeasures against disasters, implemented the following measures.

(1) Revision of the Disaster Countermeasures Basic Law

On May 23, 1995, the Murayama Cabinet presented to the Diet a bill taking the form of a revision of the Disaster Countermeasures Basic Law, the bill was enacted on June 9, and the law was promulgated on June 16 (Law No. 110, 1995).

One problem that the authorities had to examine was the way in which emergency vehicles providing assistance after the Great Hanshin Earthquake were clearly brought to a complete standstill. With this in mind and in order to secure freedom of movement for emergency vehicles at the time of disasters, the government strengthened measures aimed at the regulation of traffic by prefectural Public Safety Commissions at times of disasters, and at the same time, clearly set out the obligations of drivers and decided on measures that would secure passage for emergency vehicles.

(2) Enactment of the Special Measures Law on Preparation for Earthquakes

On June 8, 1995, the Chairperson of the Special Committee on Countermeasures against Disasters of the House of Representatives presented to the Diet the draft of a Special Measures Law on Preparation for Earthquakes. This bill was approved the next day (June 9), and the law was promulgated on June 16 (Law No. 111, 1995). The law stipulated the formation of a 5-year

plan of emergency measures to counter the effects of earthquakes and other disasters, as well as setting out special measures in the form of central government financial assistance to projects based on this plan. In these ways, the law aimed to strengthen preparedness against earthquakes, and to safeguard the lives of citizens and property. The implementation date of the law was set at July 18.

(3) Revision of the Basic Disaster Management Plan

In 1995, a total revision was carried out of items concerned with countermeasures against natural disasters within the framework of the Basic Disaster Management Plan¹⁶. On the basis of the lessons learned from the Great Hanshin Earthquake, the revision set out, in specific and practical terms, the respective roles to be assumed, in the event of a natural disaster, by central government, public organizations, local governments and private sector firms.

(4) Revision of the Disaster Countermeasures Basic Law and the Large-Scale Earthquake Countermeasures Act

On October 13, 1995, the Murayama Cabinet submitted to the Diet a draft bill aimed at revising part of the Disaster Countermeasures Basic Law and the Large-Scale Earthquake Countermeasures Act. After undergoing some amendments during the discussion stage, the bill was approved on December 1, and the law was promulgated on December 8 (Law No. 132, 1995).

The aim of the revisions was to strengthen disaster countermeasures, and with this in mind, the organizations and structures responsible for such countermeasures were themselves strengthened, so that, for example, increased authority was given to the Chief of the Emergency Disaster Countermeasures Headquarters and other senior persons concerned. Specifically, the revision sets out measures for granting to self-defense officials such as teams ordered to disaster areas the authority necessary to undertake disaster emergency response measures such as the establishment of a warning zone.

3.4 Emergency firefighting assistance teams

(1) The creation of emergency firefighting assistance teams

In June 1995, emergency firefighting assistance teams were created. On the basis of the lessons learned from the Great Hanshin Earthquake, the aim was to construct a system of assistance on a national level in the form of mutually reinforcing firefighting teams which could be dispatched in cases where there was difficulty in mounting firefighting responses to large-scale disasters on a prefectural level, in order that, from a national viewpoint, activities aimed at saving life could be carried out efficiently and speedily. In the period up to December

2008, 22 teams were dispatched.

(2) Revision of the Fire Service Organization Law

On October 3, 1995, the Murayama Cabinet submitted to the Diet a draft bill revising part of the Fire Service Organization Law. The draft bill was approved on October 20, and the law was promulgated on the 27th (Law No. 121, 1995). With the aim of contributing to the smooth operation of the fire service, the revised law stipulated the formation of a fire service members' committee at the fire service headquarters, and at the same time, created special measures concerning the firefighting response, depending on the scale of the disaster, in circumstances where emergency help was required.

(3) Implementation of the first national coordinated training exercise of emergency firefighting disaster assistance teams

It was hypothesized that on November 28 and 29, an earthquake occurred immediately under metropolitan Tokyo. The nationally coordinated training exercise involving emergency firefighting assistance teams was the first of its kind and was held in Tokyo. A total of 98 fire service headquarters and 1,500 personnel participated in the exercise, which had the aim of raising the level of coordinated activities in terms of technical and leadership skills. A further 2 exercises were carried out under the auspices of the Fire and Disaster Management Agency, making a total of 3 exercises up until 2008. The second exercise was held on October 23 and 24, also in Tokyo, and the third exercise on November 15 and 16, in Shizuoka Prefecture.

4 Local administrative reform and central government reforms, centered on central government ministries and agencies

4.1 Final Report of the Provisional Council for the Promotion of Administrative Reform

On October 27, 1993, the Provisional Council for the Promotion of Administrative Reform (the Third Commission) presented its "Final Report" to the Hosokawa Cabinet. The "Final Report" had two main pillars: "a reevaluation of the division of responsibilities between the government and the people = deregulation", and "a reevaluation of the relationship between central government and local government = promotion of decentralization". With regard to the promotion of decentralization, the report made the following points: "need for radical decentralization", "full-scale reevaluation of the division of responsibilities between central government and local governments", "promotion of such matters as the transfer of authority from central government", "strengthening of the financial base of local governments", "consolidation of an autonomous local administration system" and "the promotion of legislation

concerned with decentralization”.

4.2 “Concerning policies on the promotion of administrative reform in the future” (Fundamental Principles of Administrative Reform)

On February 15, 1994, the Hosokawa Cabinet approved by a cabinet resolution a document entitled “Concerning future promotion policies on administrative reform” (Fundamental Principles of Administrative Reform). In the document, with a view to taking the promotion of decentralization forward, the formulation of fundamental principles of reform in such areas as the relationship between central government and local governments was set as a target for fiscal 1994. On the basis of this cabinet resolution, the Murayama Cabinet decided, on December 25, 1994, by means of a Cabinet resolution, on the “Fundamental Principle of the Promotion of Decentralization” (refer to 1.3(1) a) above).

4.3 “Administrative Reform Program”

On December 25, 1996, the Hashimoto Cabinet announced its “Administrative Reform Program” by means of a cabinet decree.

In one item within this program, namely “the realization of an administration that has respect for the independence and individuality of Japanese citizens”, it is possible to identify the “promotion of decentralization”. Furthermore, the need to pay the deepest respect to the recommendations in the First Report of the Decentralization Committee (issued December 20, 1996), and to set to work on carrying out the work necessary to formulate the Decentralization Promotion Plan, as well the need to promote local administrative reform are set out in the program.

4.4 Reform of central government ministries and agencies

(1) The Final Report of the Administrative Reform Council

The “Final Report” of the Administrative Reform Council was presented to the Hashimoto Cabinet on December 3, 1997. The report consisted of the following 6 parts: “I: Philosophy and Objectives of Administrative Reform”; “II: Reinforcing Cabinet Functions”; “III: A New Conceptual Framework for Central Government Ministries and Agencies”; “IV: Cutting back Government Functions, Administrative Efficiency, etc.”; “V: Reform of the Civil Service System”; and “VI: Others”.

(2) Approval of the Basic Law on the Administrative Reform of the Central Government

The Hashimoto Cabinet passed a cabinet resolution to respect to the ultimate degree possible the final report of the Administrative Reform Council, took forward the work required to

formulate a draft bill, and submitted to the Diet on February 17, 1998, the draft of a Bill on the Administrative Reform of the Central Government. The bill was approved on June 9, and the law was promulgated on June 12 (Law No. 103, 1998).

The 17 articles of this law reflect the direction of the future organization of the Ministry of Internal Affairs and Communications. The sections concerned with local administrative finance are as given below.

“With regard to the model that should be adopted for administrative functions concerned with local autonomy in Japan, local autonomy is a fundamental system within the state of Japan. In addition, maintaining and confirming local autonomy are important roles to be carried out by the central government of Japan. On the basis of these principles, the government, at the same time as promoting local autonomy, sets out as a foundation a reduction in the scope of its functions vis-à-vis local governments, and while giving due consideration to the circumstances of the promotion of local autonomy, will re-examine, from a medium-term standpoint, the relationship of local administration with each central government ministry and agency, and by following the points set out below, follow the line of reducing to the absolute necessary minimum its intervention in the affairs of local public bodies.

- a) With regard to the duties concerned with the organizational operation of local public bodies, the central government, while respecting the autonomy of such bodies as a fundamental principle, will implement measures having the necessary scope from the point of view of establishing wide-area systems and other systems concerned with local autonomy, and of implementing the planning and supervision of systems concerned with local autonomy such as the adjustment of relationships between central government and local governments.
- b) With regard to duties concerned with local and regional promotion taken over from the Ministry of Home Affairs, the foundation will be one of implementing plans and drafts of policies, while paying respect to the creativity and ingenuity of local public bodies.
- c) With regard to intervention by central government in individual cases concerned with the income and expenditure of local public bodies, leaving aside cases of public bodies where there is a marked lack of balance in their income and expenditure, the principle adopted will be one of respect for the autonomy of local public bodies.
- d) With regard to the local tax system, respect will be shown for the autonomous right of local public bodies to levy taxes.
- e) With regard to financial adjustment among local public bodies, given the objective of achieving financial equilibrium, intervention will be limited to measures deemed necessary in the light of hitherto existing objectives such as guaranteeing the criteria of administrative standardization. Moreover, calculation procedures will be further simplified and made more transparent.” (Article 4 of the said law).

“In the area of fire service administration, the following items are specified.

- a) In the case of tasks which require planning and legislative drafting of the fire services system, as well as responses covering a wide area from a national perspective, the necessary functions will be brought together in a concentrated form.
- b) With regard to intervention and assistance in the affairs of individual public bodies, the scope will be limited to what is really necessary.
- c) Regulations aimed at guaranteeing safety in terms of examinations, inspections and such matters will be limited to the necessary minimum, and use will be made of private sector expertise.” (Article 5 of the said law).

(3) The passing of laws concerned with the reform of central government ministries and agencies

On July 8, 1999, 17 laws in total, constituting laws concerned with the reform of central government ministries and agencies, were approved, including the Law establishing the Ministry of Internal Affairs and Communications (law No. 91, 1999).

The structure and organization of the former Ministry of Home Affairs became part of the new Ministry of Internal Affairs and Communications. Article 3 of the above-mentioned law stipulates the following matters, having to do with autonomy, as falling under the responsibility of the new Ministry: realization of the purpose of local autonomy and confirmation of the foundation of democratic politics; formation of autonomous local societies; coordination and adjustment activities concerned with relations between central government and local governments as well as between local governments; and efforts to protect the lives and property of citizens through the fire service. Tasks concerned with local autonomy can also be found within the standard duties of the Ministry of Internal Affairs and Communications (Article 4).

The implementation date of the laws connected with central government reform that were approved in December 1999 was set at January 6, 2001. In this way, the start of the 21st century was marked by the reorganization of central government ministries and agencies.

4.5 Reform of the system of audit

(1) Pattern of development – overview

On March 12, 1997, the Hashimoto Cabinet submitted to the Diet a draft bill revising part of the Local Autonomy Law. Based on the document entitled “Report concerning reform of the auditing system”, issued by the 25th Local Government System Research Council (issued on February 24, 1997), the main contents of the bill comprised the following three points: 1) the introduction of an external audit system; 2) the strengthening of an audit committee system; and 3) other matters. The draft bill underwent some modifications during passage through the Diet,

was approved on May 28, and promulgated on June 4 (Law No. 67, 1997).

(2) An external audit system

An overview of the external audit system is as follows.

A person with whom a contract for an external audit is made must have the following qualifications: 1) the qualification to become a lawyer; 2) the qualification to be recognized as a public accountant; 3) actual experience of auditing work gained through employment in a national administrative organ or a local public body; and 4) the qualification to be recognized as a licensed tax accountant. The point listed under 4) was added during the deliberations in the Diet.

An assembly has the power to request an explanation concerning the audit by an external auditor, and to express an opinion on it. At the time of signing a contract with an external auditor, either in general terms or in terms of specific details, an assembly must hear the opinions of the audit committee and must pass a resolution concerning the audit.

A contract for an external audit may consist of a comprehensive external contract or an external contract consisting of individually specified details.

An audit based on a comprehensive external audit contract comprises an audit where the local public body concerned, with aims such as that of rationalizing its organizational structure or its management operations, is audited every financial year or at specific times when this is deemed necessary by the comprehensive external auditor. In the case of prefectures, cities designated by government ordinance or core cities, such an audit is obligatory, while in the case of other cities, or of towns and villages, such an audit can be introduced through the enactment of a bylaw. The chief of the local public body concerned must speedily conclude a comprehensive external audit contract in respect of each fiscal year. The public body must conclude the contract 4 times in succession with the same person or persons.

In the case of an audit based on an external audit contract comprising individually specified details, this can result from a request for an audit of a specific task, an audit request from the assembly of the local public body, or an audit request from the chief of the local public body or from local residents. In any such case, the local public body may introduce by means of a bylaw a procedure whereby an audit of a specific item is requested of the party undertaking the individual external audit contract.

The chief of the local public body which has enacted such a bylaw must conclude an individual external audit contract at the point when specific conditions are fulfilled.

(3) Strengthening of the current system of auditors

With regard to the persons carrying out an audit, the number of such persons who can be

employees of the local public body is limited to one person. The set figures for auditors of a town or village is set at 2 persons, and it is stipulated that an audit office may be set up within the town or village.

(4) Other matters

In a case where a prefecture wishes to establish more than the legally specified number of bureaus or sections, the requirement to have prior consultation with the Minister of Home Affairs is changed into a requirement to notify the Minister, and the procedure is simplified.

5 The collapse of the bubble / Financial countermeasures / Economic countermeasures and other financial policies

5.1 The collapse of the bubble economy / the economic depression

(1) The collapse of the bubble economy

The Japanese economy entered what was termed a bubble phase in the late 1980s. In fiscal 1988, the economy developed in an orderly fashion in order to overcome the sudden high rise in the value of the yen, wholesale prices were stabilized, and the unemployment rate sank to 2.2%. Companies recorded their highest profits ever, bankruptcies were the lowest in recent years, and in large cities, large-scale development projects, while in local areas, resort development projects were taken forward. On December 29, the last day of trading in 1989, the Nikkei average share price reached its highest level at 38,915.87 yen.

Following the start of the 1990 fiscal year, share prices and, following them, land values, plummeted steeply, and in what was termed the “collapse of the bubble”, the Japanese economy went into a downturn following its previous rise. For example, on August 18, 1992, the average share price on the Toho index showed a reactionary fall, reaching 14,3009.41, the lowest value for 6 years and 5 months.

On the other hand, the yen continued at a high rate against the dollar, with one dollar equivalent to 100.4 yen on August 17, 1993. On June 22, 1994, on the NY foreign currency exchange market, 1 dollar was 99.85 yen, the first time in postwar history for a dollar to be worth less than 100 yen.

Indicators pointing to the continuing economic slowdown can be seen in the following figures, the worst in postwar history. In April 1995, the “completely unemployed” rate worsened to 3.2%, the worst rate since 1952. It was announced on June 12, 1998, that in fiscal 1997, the GDP had fallen by 0.7% compared to the previous fiscal year. This minus growth rate was also the worst for 23 years in postwar history. As Table 1 shows, the average growth in national income during this period stagnated at 0.1%

However, the above said, in the former half of the 1990s, lingering reverberations stayed on

for a long period, and there were strong expectations of a rise in share prices and land values, but they were not strong enough to prevent a serious worsening of economic conditions.

Table 1 Population, National Income, Central Government Expenditure, Local Expenditure, Local tax Revenue, Consumer Price Index over the Years

(Unit: thousand people (population), trillion yen (national income), billion yen (central and local expenditure, local revenue), 100 (CPI year2005), %(percentage change))

Year (Fiscal year)	Population	Percentage change	National income	percentage change	Central government expenditure	percentage change	Local expenditure	Percentage change	Local tax revenue	Percentage change	Consumer price index	Percentage change
1992	124,567	-	369	-	77,141	-	89,560	-	34,568	-	98.9	-
1993	124,938	0.3	372	0.8	79,353	2.9	93,076	3.9	33,591	△ 2.8	100.2	1.3
1994	125,265	0.3	374	0.5	79,985	0.8	93,818	0.8	32,539	△ 3.1	100.8	0.6
1995	125,570	0.2	381	1.9	86,480	8.1	98,945	5.5	33,675	3.5	100.7	△ 0.1
1996	125,864	0.2	381	0.0	87,315	1.0	99,026	0.1	35,094	4.2	100.8	0.1
1997	126,166	0.2	382	0.3	84,909	△ 2.8	97,674	△ 1.4	36,156	3.0	102.7	1.9
1998	126,486	0.3	369	△ 3.4	92,313	8.7	100,198	2.6	35,922	△ 0.6	103.3	0.6
1999	126,686	0.2	364	△ 1.4	101,935	10.4	101,629	1.4	35,026	△ 2.5	103	△ 0.3
2000	126,926	0.2	372	2.2	100,726	△ 1.2	97,616	△ 3.9	35,546	1.5	102.2	△ 0.8
Average rate of increase		0.2	-	0.1	-	3.4	-	1.1	-	0.3	-	0.4

[Sources] Produced by author using the following publications.

- 1 Data for population was taken from "Annual Report on Prefectural Accounts (FY1975—FY1999)" and "Annual Report on Prefectural Accounts FY2006 Edition" (Cabinet Office, Government of Japan).
- 2 Data for National Income was taken from "Annual Report on National Accounts FY1998 Edition" and "Annual Report on National Accounts FY2006 Edition" (Cabinet Office, Government of Japan)
- 3 Data for Government expenditure was taken from "Local Finance Manual" (Institute of Local Finance, December 2007) Total amount of the central government expenditure is the net amount of settled accounts including the general accounts, and the following 10 special accounts: local allocation tax and local transfer tax, national forest service, national land improvement projects, port development, road development, airport development, flood control, coal-related and oil-related measures, welfare insurance, and power source development promotion.
- 4 Data for Local expenditure and Local tax revenue was taken from "White Paper on Local Public Finance" (Ministry of Internal Affairs and Communications) .
- 5 Data for Consumer price index was taken from "Historical Statistics of Japan Vol.4 "(Editorial Supervision: Statistics Bureau, Ministry of Internal Affairs and Communications).

(2) The housing loan (jusen) problem and the bankruptcy of finance companies

Turning to the latter half of the 1990s, it was judged that there was no alternative to restructuring the specialized housing finance companies that were overwhelmed by bad loans given as credit to the real estate industry, and to revealing the full extent of the losses of finance companies. Accordingly, disposal policies, including financial investment, for dealing with what was known as the “jusen problem” were brought together, and in June 1996, the “Law concerning Special Packages for Promoting the Disposal of Claims and Debts of the Specified

Jusen Companies” (Law No. 93, 1996) was enacted.

Following enactment of this measure, the collapse of financial institutions, taking such forms as the collapse of bank management or the voluntary closure of securities companies became a noticeable feature of the economy. In response to this situation, the revision of laws and the enactment of new laws concerned with financial matters followed one after the other in 1998. Specific measures taken in 1998 can be cited as the following: on February 16, enactment of the Law on Reform of the Deposit Insurance Law (Law No. 4) and of the Law on Emergency Measures aimed at the Stabilization of Financial Functions (Law No. 5); on June 5, enactment of the Law on Arranging Laws concerned with Financial Systems to Concretize the “Japanese Version of the Big Bang” (Law No. 107); on October 16, enactment of the Special Measures Law concerning Credit Management and Collection Business (Law No. 126), and of the Law concerning Emergency Measures for the Speedy Return to Health of Financial Functions; and the enactment of the Financial Revitalization Law (Law No. 143). It should also be noted that, on June 22, 1998, the sections responsible for financial supervision separated from the Ministry of Finance, and the Financial Supervisory Agency began life as an independent body.

5.2 Calculation of the rate of consumption tax and creation of local consumption tax

(1) Calculation of the rate of consumption tax

On August 23, 1993, in the course of giving a policy address, Prime Minister Hosokawa Morihiro spoke about the construction of a fiscal system that achieved a balance between income, assets and consumption, and announced his intention of making a comprehensive examination of this area. It was also in 1993 that the government Tax Commission issued an interim report, in which it set out its basic thinking in terms of one the one hand, maintaining the vitality of society by relaxing the progressive nature of income tax, while on the other hand strengthening consumption tax in line with the aging of society.

In the early morning of February 3, 1994, Prime Minister Hosokawa announced his intention of abolishing consumption tax and setting a national welfare tax of 7% from April 1, 1997, while making an overall tax reduction of 6 trillion yen by backdating a reduction in income tax and residents’ tax and implementing it from January 1, 1994. However, the concept as put forward by Prime Minister Hosokawa ran into problems at the policy decision stage in such ways as failing to get the agreement of the governing parties and being seen as too hasty, with the result that the proposed reform of consumption tax and introduction of a welfare tax was withdrawn on February 8, but the reduction of 6 trillion yen in fiscal 1994 was achieved.

On September 22, 1994, the Murayama Cabinet, as a result of adjustments within the ruling parties, decided to introduce local consumption tax and raise the rate of national consumption

tax. Specifically, the Cabinet announced that the rate of consumption tax would be raised to 4% from April 1997, and that local consumption tax equivalent to a 1% consumption tax rate would be introduced, so that the overall rate of consumption tax would be 5%. The reduction in income tax and residents' tax was also disposed of by being included in the same law.

(2) The creation of local consumption tax

Local consumption tax is a prefectural tax, levied in the same way as national consumption tax on the sale of goods and provision of services in Japan and on imported items. It was created in November 1994 with the objective of realizing a vibrant, welfare-oriented society, and aimed to strengthen the local financial resources required to enrich and strengthen the promotion of decentralization and welfare in local areas.

With regard to the tax rate of local consumption tax, it is set at 25% of national consumption tax, at the same rate throughout the country. Of the tax collected, 4% is national consumption tax, while local consumption tax is calculated at the equivalent of 1%. The result of this is that national consumption tax and local consumption tax together produce a tax rate of 5%.

Under local consumption tax arrangements, firms file tax returns for this, combined with national consumption tax, with the tax office that has jurisdiction over their place of business. Because local consumption tax is a prefectural tax, it should in principle be paid to the prefecture, but so as to reduce to a minimum the burden of clerical work on firms, the current calculation methods will be continued for the foreseeable future.

5.3 Economic countermeasures and local finances

(1) Overview

An overview of economic values in the period under consideration is given in Table 1.

This period is the one that occurred after the collapse of the bubble economy, when the government set as its objective the realization of sustainable growth, focusing primarily on domestic demand. In a context of budgetary drafting processes, including one supplementary budget after another, and local financial planning, and in order to implement policies that took into consideration countermeasures vis-à-vis the world economy and the GATT Uruguay Round, there were constant increases in the costs of national public works as well as individual local public works. It is clear from Table 1 that national expenditures increased by an average of 3% annually.

The Hashimoto Cabinet had as its objective the realization of a financial condition in which the balance of public debt did not rise relative to GDP, while getting to grips with the problems of structural financial reform. However, in the early part of 1997, when the economy, after reaching its peak, went into a decline, and the times became unfavorable for getting to grips with

structural reform, these aims suffered a setback. The Hashimoto Cabinet was succeeded by the Obuchi Cabinet, which implemented successive economic countermeasures aimed at economic recovery, but in fiscal 1998, national expenditure increased substantially by nearly 10% compared to the previous year, and national finances plunged even more deeply into the red.

In the area of local finances, expenditures increased as a result of public works aimed at national economic recovery, as well as individual local public works projects. However, as shown in Table 1, local expenditures only rose by an average of about 1% a year, so in comparison with national expenditures over the same period, they were held down. Income on the other hand decreased as a result of the lowering of the tax rate in the course of reform of the tax system and because of a reduction in income from taxation due to the economic depression. As can be seen from Table 1, this period was one in which the annual growth rate of local fiscal income was low, with a simple average of 0.4%. In this situation of concern about the low growth rate of tax revenue, various countermeasures were tried out every year in the area of local finances, including an increase in local bond issues, special additional payments of local allocation tax, and the introduction of special measures for calculating these payments.

(2) Enactment of the Fiscal Structural Reform Act and the cessation of implementation

a) Process of development

Of the 6 reforms advocated by the Hashimoto Cabinet, one, aimed aimed at restoring a healthy financial situation, was a fiscal structural reform plan.

On January 21, 1997, the Conference on Fiscal Structural Reform was launched by the governing party. The members comprised persons who had experience of serving as former Prime Ministers, and the specific objective that the Conference set itself was to achieve primary balance (to keep expenditure, other than the national debt, within the parameters of fiscal revenue). With this objective in mind, discussions were held on how to take forward fiscal structural reform, and on March 18, 1997, the 5 basic principles underlying the reform were announced.

On September 29, the Hashimoto Cabinet presented to the Diet the draft bill of the “Special Measures Act concerning the Promotion of Fiscal Structural Reform” (Fiscal Structural Reform Act). The bill was approved by the Diet and enacted on November 28 (Law No. 109, 1997).

b) Contents of the Fiscal Structural Reform Act

i) The immediate objectives of fiscal structural reform were set out as follows:

- 1) to reduce, by fiscal 2005, the fiscal deficit of central government as well as of local governments in one fiscal year to less than 3% of GDP;

- 2) in the event of special public bonds being issued in every fiscal year from fiscal 1998 up to and including fiscal 2004, at the same time as endeavoring to reduce the total amount of bonds issued, to treat expenditures within the general accounts as having to be met up until fiscal 2005 by revenue other than that accruing from the issuing of special public bonds;
- 3) to reduce the level of public bond dependency in the budget for fiscal 2005 to that of fiscal 1997.

ii) Basic directions of reform in each field of expenditure

The Act also set out the quantitative objectives in terms of major costs in the period of concentrated reform (from fiscal 1998 through fiscal 2000) and the system reforms that the government should consider.

iii) Restoring local government finances to a healthy condition

- 1) It was stipulated in the Act that local public bodies should cooperate with and stand side by side in supporting policies concerned with promoting national fiscal structural reform, should make efforts to contribute to fiscal structural reform, and should endeavor to restore local finances to an autonomously and independently functioning healthy condition.
- 2) It was stipulated that the government should consider establishing appropriate administrative and fiscal measures to ensure that the finances of local public bodies can be smoothly restored to such an autonomously and independently functioning healthy condition.
- 3) It was stipulated that the amount of local general expenditure should continue to be held down, and that consideration should be given to introducing necessary measures so that the amount of local general expenditure within local financial plans in fiscal 1998 should be kept below the level of fiscal 1997.

iv) Halting the implementation of the Fiscal Structural Reform Act

On November 16, 1998, the Obuchi Cabinet, aiming at the creation of about a million jobs, decided on large-scale emergency economic countermeasures involving public works to the tune of 17 trillion yen. In December of the same year, taking the current economic situation as a basis and with the aim of prioritizing economic recovery, the government enacted the “Law concerning the Cessation of the Special Measures Act concerning the Promotion of Fiscal Structural Reform (Law No. 150, 1998)”. With the passing of this law, implementation of many of the articles of the Fiscal Structural Reform Act was brought to a standstill.

(3) The regional promotion coupons program

In November 1998, within the framework of emergency economic countermeasures, the Japanese government decided to implement the “regional promotion coupons program” (approximate total value: 700 billion yen). The aim of the project was to support young couples who were bringing up children and to lessen the financial burden borne by elderly persons who were in receipt of welfare pensions or a low income, and in this way, try to stimulate individual consumption and increase the vigor of local economies, thereby making a contribution to local and regional development.

An overview of the project is as follows. The implementing bodies were municipalities (cities, towns and villages), and the total source of the revenue required was a national fund. Coupons with a total face value of 20,000 yen per person were to be given to two sets of people: households with a child or children under the age of 15 (one set of coupons per child); and elderly people over the age of 65 who did not pay taxes in either 1998 or 1999 and were in receipt of a welfare pension. Each individual coupon had a value of 1,000 yen and could be used to pay for shopping items (not for shopping coupons). The term of validity of the coupons was limited to 6 months from the time when the municipality began to distribute them. Businesses where the coupons could be used were in principle to be located within the jurisdictional area of the municipality that distributed them, but it was possible to widen the area in line with the actual conditions of the municipality (for example, small number of businesses). The Ministry of Home Affairs was the responsible ministry, and the grant guidelines pertaining to the Project Subsidy Fund for the Grant of Regional Promotion Coupons were determined by the ministry on December 15, 1998.

(4) Special local grants

Within the framework of local financial policies in fiscal 1999, mention must also be made of the creation of special local grants. The total value of these grants was 64 billion yen, and they were distributed to local bodies in amounts proportionate to the reduction in fiscal revenue, regardless of whether or not the local body was in receipt of local allocation tax. The revenue from such grants was calculated as standard revenue in the same way as local tax, and was seen as a second local allocation or as a kind of new transfer tax revenue. The grants were particularly effective as compensation for the loss of income caused by tax reductions in the case of local bodies which were not in receipt of local allocation tax revenue. Special local grants began to be developed in 1960, 1966 and 1967, and were re-introduced as a special measure in 1999 after a gap of 32 years.

6 The aging society / Depopulation of local areas / Spread of information devices / Internationalization of society

6.1 Countermeasures to cope with the aging of society

As shown in Table 1, the percentage rise in the Japanese population was around 0.2%. Within this framework, the aging of society proceeded rapidly. According to a statistical estimate issued by the then Management and Coordination Agency, the number of persons aged 65 and older at that time amounted to 21.9 million, constituting 17.3% of the total population of Japan. A further statistic is that in fiscal 1998, social security expenses for the first time passed the 70 trillion yen mark (announcement of December 28, 2000, by the National Institute of Population and Social Security Research).

On the basis of the aging of society as described here, the following steps were taken: 1) raising of the age at which to begin supplying a full pension (revised in 1994), and a cut in the proportion of the remuneration by 5% (revised in 2000); 2) enactment of the “Basic Law on Measures for the Aging Society” (Law No. 129, 1995) on the basis of a bill presented by Diet members; and 3) adoption of a Cabinet resolution on Countermeasures for an Aging Society on the basis of the above law (July 5, 1996).

An important new system constituting countermeasures to deal with the effects of an aging society in this period was the system that resulted from the enactment of the Nursing Care Insurance Law, approved by the Diet on December 9, 1997, and promulgated on December 17 (Law No. 123, 1997). An overview of this law is as follows.

- 1) The insurers are municipalities (cities, towns and villages), while the national government, prefectures, medical insurers and pension insurers work together to provide multi-layered support.
- 2) Insured persons fall into 2 categories: primary insured persons who are those aged 65 and over; and secondary insured persons who are those aged from 40 through 64. In the case of category 2 insured persons, the insurance will be implemented for persons for whom nursing care is necessary as a result of such conditions as brain infarction, senile dementia in the early stages of aging, and so on.
- 3) With regard to the provision of insurance, confirmation will be carried out of whether persons need nursing care under the nursing care insurance program (confirmation of need for nursing care), after which many kinds of medical and welfare services will be provided in the home or the facility in which the insured person is housed.
- 4) The burden on users will be set, for people living in their own homes, at 10% of the costs of the insurance provision, and additionally, for people in institutions, at the cost of food equivalent to the average cost of eating when living in a family.
- 5) The burden to be met by the public sector will be half the total costs of the insurance

provision, to be divided among central government, prefectures, and municipalities in the ratio 2:1:1.

- 6) A sufficient preparation time prior to the implementation of the nursing care insurance system will be set, and after a close examination of such points as the extent to which the objectives of the New Gold Plan have been realized, home-based and institution-based services will begin to be implemented from fiscal 2000.

6.2 Countermeasures to cope with depopulation

(1) Enactment of the Law concerning Special Measures to Promote the Autonomy of Depopulated Areas

On March 14, 2000, the Chairperson of the Local Administration Committee of the House of Representatives presented a draft Bill Concerning Special Measures to Promote the Autonomy of Depopulated Areas to the Diet. The bill was approved on the 24th of the same month, and the law was promulgated on the 31st (Law No. 15, 2000).

The enactment of this law was intended to precede the expiry date, on the last day of March 2000, of a previous law, the Law concerning Special Measures to Enliven Depopulated Areas, which was enacted in 1990 on the basis of a Diet-initiated bill submitted by a cross-party faction.

(2) Overview of the Situation in Depopulated Areas

Areas deemed to be depopulated correspond to municipalities in which the following conditions are met in terms of both population and financial capacity.

a) Population conditions

Municipalities in which one of the following conditions is met.

- 1) A decrease in the population of 30% or more in the 35 years between 1960 and 1995;
- 2) A decrease of 25% or more in the population and a rise of 24% or more in the proportion of elderly people during the 35-year period.;
- 3) A decrease of 25% or more in the population and a decrease of 15% or more in the proportion of young people during the 35-year period;
- 4) An annual decrease in the population of 19% or more in the 25-year period from 1970 through 1995.

b) Financial capacity

Municipalities in which the financial capacity indicators fell by 0.42% or more in the period between fiscal 1996 and fiscal 1998.

(3) Directions and indicators for the promotion of autonomy in depopulated areas

With a view to taking forward in a comprehensive and planned manner countermeasures to promote the autonomy of depopulated areas, the prefectures agreed in consultation with the Prime Minister the content of Guidelines for the Promotion of the Autonomy of Depopulated Areas. On the basis of these guidelines, municipalities as well as prefectures formulated autonomy promotion plans for depopulated areas in their respective jurisdictions, and implemented projects in the form of countermeasures through a process of mutual consultation.

(4) Special measures aimed at promoting the autonomy of depopulated areas

The following special measures were prominent among those aimed at promoting the autonomy of depopulated areas: 1) special cases of the full cost of a special measure or a subsidy contributing thereto being borne by central government; 2) the issuing of special bonds for projects constituting measures to counter depopulation; 3) projects involving the construction by prefectures, acting on behalf of municipalities, of municipal trunk roads; and 4) special fiscal measures centered on the manufacturing industry and hospitality industry in depopulated areas.

(5) Taking consideration of merged organizations

In order that depopulation countermeasures could be taken forward smoothly even after mergers between depopulated municipalities, those municipalities which did not meet the conditions required for depopulation countermeasures after undergoing a merger, would continue to be regarded as if their situation prior to the merger was still in place, so that special measures under the Law concerning Special Measures to Promote the Autonomy of Depopulated Areas could still be applied to them.

(6) Period of validity of the law

The Law concerning Special Measures to Promote the Autonomy of Depopulated Areas took effect from April 1 2000, and remains in force for 10 years until March 31, 2010.

6.3 The information society

(1) Basic Resident Register (BRR) Network

On March 10, 1998, the Hashimoto Cabinet proposed to the Diet a draft bill revising part of the Basic Resident Register Law, with the aim of constructing a system that would enable anyone to provide confirmation of their identity anywhere in the country on the basis of a BRR code, to be newly added to the items of information already on the register. In this way, the BRR system would be transformed into an online network; in other words, the BRR would be networked so that the details of any resident could be publicly verified. However, the draft was

met with concern and unease about the vagueness of reassurances about the security of personal, individual information, and failed to progress to the discussion stage in the Diet. Then, on April 13, 1999, after an explanation of the purpose of the measure had been given in a plenary session of the House of Representatives, the draft progressed to the discussion stage. After various necessary amendments were added so that people could be absolutely sure about the protection of personal information, the bill was approved on August 12, and the new law was promulgated on August 18 (Law No. 133, 1999).

In the context of the rapid development of the digital network society, the improvement of services to residents as well as the transformation into high-speed information networks of administrative reforms at the level of national government and local governments are indispensable features. The BRR network system, with the aim of meeting demands of this kind, is an “all-country system of identity verification” that forms the basis of electronic government at central and local level.

Merits that can be cited as having been generated by the BRR network system are that it is no longer necessary to take a copy of your resident registration certificate when, for example, making an application for a passport to be issued, that the process of examining your qualification to receive a pension is simplified, that the need for various attached documents in the case of a pension arbitration is dispensed with, that a copy of a citizen registration certificate can be made over a wide area and the process of moving into or out of a particular area is simplified, or that filing a tax return electronically (e-Tax) is possible.

(2) Basic Law on the Formation of an Advanced Information and Telecommunications Network Society

On October 17, 2000, the Cabinet headed by Prime Minister Mori Yoshiro presented to the Diet the draft of the Basic Law on the Formation of an Advanced Information and Telecommunications Network Society (IT Basic Law). The bill was approved on November 29, and the law was promulgated on December 6 (Law No. 144, 2000).

With a view to taking forward in a speedy manner as a national priority the policies required for the formation of an advanced information and telecommunications network society, the law establishes fundamental policy framework based on specific fundamental ideas. The main contents of the law are as follows. 1) The establishment of 6 basic principles: “Realization of a society in which all the people can enjoy the benefits of information and telecommunications technology”; “Promotion of economic structural reform and enhancement of the international competitiveness of industry”; “Realization of a national life that evokes feelings of comfort and affluence”; “Realization of vital local communities”; “Recognition of the leading role in principle of the private sector and appropriate role-sharing between the State/local governments

and the private sector”; and “Correction of gaps in opportunities for the use of information and telecommunications technology”. 2) Basic policy directions: “Formation of the world’s most advanced information and telecommunications networks”; “Promotion of education and learning as well as development of human resources”; “Facilitation of e-commerce”; “Digitization of administration”; “Assuring the security of networks”; “Promotion of research and development”; and “International cooperation and contributions”. 3) As the system for promoting the above measures, the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society shall be established within the Cabinet, and the Prime Minister shall serve as the Director-General. 4) The priority policy program to be formulated by the Strategic Headquarters will in principle set out concrete policy objectives and time scales for their accomplishment.

6.4 An internationalized society

(1) Hosting the Nagano Winter Olympics and the Nagano Winter Paralympics

The 18th Winter Olympics was held from February 7 to 22, 1998, in Nagano City and other locations in Nagano Prefecture. This was the second occasion for the Winter Olympics to be held in Japan following the celebration of the Sapporo Winter Olympics in 1972. Participating athletes and officials from 72 countries and regions numbered 3,769 persons. There were a total of 68 medal-winning events in 7 sports.

Immediately after the Winter Olympics, the 7th Winter Paralympics, in which people with physical disabilities competed, was held for 10 days from March 5 to 14, also in Nagano City and other locations in Nagano Prefecture. This was the first time for the Winter Paralympics to be held in Asia. Participating athletes and officials from 32 countries numbered 1,146 persons. There were a total of 34 medal-winning events in 5 sports.

(2) Kyushu-Okinawa Summit Meeting

Heads of state and ministers from Japan, the U.S.A., France, Russia, Canada, Britain, Germany, Italy and the E.C. gathered in Kyushu and Okinawa for a summit meeting. Heads of state met in Naha City, Okinawa Prefecture, from July 21 to 29, 2000. Ministers of foreign affairs met in Miyazaki City, Miyazaki Prefecture (12-13 July), and Ministers of finance (Russia was absent) met in Fukuoka City, Fukuoka Prefecture (July 8). The Kyushu-Okinawa Summit marked the first occasion for a summit meeting to be held in a local area in Japan. The key words at the summit were: Greater Prosperity, Peace of Mind, and Greater World Stability. A wide range of issues was also discussed, including dispute prevention, the IT revolution, assistance to Highly Indebted Poor Countries, policies on infectious diseases, trade problems, transnational crime and drugs, and the life sciences and environmental problems. As the

outcome of the discussions a G8 Communique Okinawa 2000 was issued and transmitted to the world. During the period of the summit, the following documents were also adopted: The Okinawa Charter on the Global Information Society (IT Charter); G7 Statement (issued before the G8 Summit); the G8 Statement on the Korean Peninsula; and the G8 Statement on Regional Issues.

[Notes]

- ¹ A scholar in the field of administrative studies, Prof. Nishio Masaru, who as a member of the Committee for the Promotion of Decentralization, supported the theory of the Committee, was the author of the following book published (in Japanese) in 1999: *Mikan no bunken kaikaku – kasumigaseki kanryou to kakuktou shita 1300 nichi* [*Unfinished decentralization reform – 1,300 days spent struggling with the central government bureaucracy in Kasumigaseki*], Iwanami Shoten. The Committee for the Promotion of Decentralization itself, writing in its “Final Report”, labelled the reforms to date as “incomplete decentralization reform”.
- ² The term “1955 system” derives from the fact that in 1955, the right and left wings of the Socialist movement in Japan, known respectively as the Rightist Socialist Party of Japan and the Leftist Socialist Party of Japan, joined to form the Japan Socialist Party, while on the other side of the political spectrum, the Democratic Party of Japan and the Liberal Party (the Conservative Alliance) came together to form the Liberal Democratic Party. As a result, the political party structure, consisting of 2 major political parties, namely the Liberal Democratic Party and the Japan Socialist Party, was formed.
- ³ Since there are only minor differences in the wording of the resolution passed in the House of Representatives and that passed in the House of Councillors, and the respective contents are almost identical, the former resolution is introduced here. The wording of the “Resolution Concerning the Promotion of Decentralization”, passed by the House of Representatives, is as follows: “Today, with the aim of achieving balanced development throughout the whole of Japan, and eliminating the unipolar concentration on Tokyo, which has given rise to many different kinds of problems, and with the aim at the same time of forming a society that will realize the Japanese people’s long-cherished wish for abundance and the time and space to enjoy it, in the context of the people’s strong expectations of the role that can be played by local public bodies, we are re-examining the model of centralized administration on the basis of our perception that a great voice desiring even more decentralization is sweeping through the land. In response to expectations of this kind by the people, we are looking again at the respective roles of the State and local governments, and with the aim of transferring authority from the State to local areas, and of strengthening the autonomy and independence of local

bodies in such ways as giving them a firmer financial base, we have taken cognizance of the urgent need to consolidate local autonomy in a way that is appropriate for our move into the 21st century. Our duty now, therefore, is to concentrate firstly on putting in a place a legal and judicial system aimed at positively promoting decentralization, and to implement radical policies in a comprehensive manner. We hereby affirm this, our resolution.”

⁴ In November 1992, the Japan Socialist Party prepared the “Law for the Promotion of Decentralization”, while in 1993, the Komeito prepared the “Basic Law of Decentralization”, the Democratic Socialist Party prepared the “Basic Law for the Promotion of Decentralization”, and the Japan New Party prepared the “Basic Draft Law Confirming Local Authority”.

⁵ The Guidelines are composed of 8 central pillars: “No. 1, General principles”; “No. 2, The relationship between local public bodies and the State”; “No. 3, Confirmation of the right of autonomy as well as a guarantee of the source of revenue accompanying the promotion of decentralization”; “No. 4, Preparation and other matters concerned with a plan for the promotion of decentralization”; “No. 5, Establishment of the Decentralization Promotion Committee”; “No. 6, The democratization of local public administrative and financial management: fairness, transparency and efficiency”; “No. 7, Jurisdictional adjustment between local public bodies and the State”; and “No. 8, The enactment of laws concerning the promotion of decentralization”.

⁶ See p 29 in Nishio, Masaru (2007) (in Japanese) *Chihou bunken kaikaku* [*Decentralization reform*], University of Tokyo Press.

⁷ Moroi, Ken: “Concerning the presentation of stage 4 recommendations by the Decentralization Promotion Committee”.

⁸ See p 47, Nishio (2007), *op. cit.*

⁹ With regard to the items in 2), the following form of words can be found in the “Introduction” to the Stage 5 Recommendations: “In June this year, the Basic Law of the Administrative Reform of Central Government was approved by the Diet, and the Headquarters for the Promotion of the Reform of Central Government was established. Within this Headquarters were sections concerned with examination of the matters to be dealt with, in other words, with the slimming down of central government ministries and agencies.”

¹⁰ See Ikawa, Hiroshi (2008), *15 Years of Decentralization Reform in Japan*, Up-to-date Documents on Local Autonomy in Japan, No. 4, Council of Local Authorities for International Relations (CLAIR) and Institute for Comparative Studies in Local Governance (COSLOG), National Graduate Institute for Policy Studies (GRIPS).

¹¹ Hata himself made the following statement: “After the budget was approved, for the main

reason that we were a minority party, the LDP presented a motion of no-confidence in the Cabinet” [section omitted]... “I chose the route of resignation en masse of the Cabinet rather than dissolution of the Diet. For me, who had staked my life on forming a new election system, to question the extent of the people’s confidence under the old system is itself a denial of political reform, and with a mountain of difficult problems to be dealt with, including the high value of the yen, the summit meeting, and so on, it is questionable whether a 40-day political vacuum is desirable, so after a great deal of thought, I took the decision I did.” (Statement made in the reply to a question in the House of Representatives on July 20, 1994).

¹² In the House of Councillors, the total number of first-round votes is 244, so 123 votes are needed for a majority; in the current case, 148 votes were cast for Murayama, and 63 for Kaifu.

¹³ (After the formation of the Democratic Party of Japan), “with the exception of the LDP and the Japanese Communist Party, there was great turbulence within every party, as a result of this being the first election held on the basis of small, single-seat constituencies and the proportional representational system, so Prime Minister judged that the timing in terms of the judgment by the people of political parties was right”. (Progress of the LDP).

¹⁴ In the event that the House of Councillors and the House of Representatives nominate different persons, according to the determination of the law, if a consensus cannot be reached even when both houses are in session, the resolution of the House of Representatives is deemed to be the resolution of the Diet.

¹⁵ The data given here is taken from the “Confirmation Report concerning the Great Hanshin Earthquake” issued by the Fire and Disaster Management Agency of the Ministry of Internal Affairs and Communications on May 19, 2006.

¹⁶ On the basis of Article 34 of the Disaster Countermeasures Basic Act, the Basic Plan for Disaster Prevention set out as its top priority in the disaster prevention field formulation of the Basic Plan for Disaster Prevention. Specifically, the basic approach in the plan specified the following as priority points: establishment of a disaster prevention system; promotion of disaster prevention projects; an increase in the speed and appropriateness of disaster recovery; promotion of scientific and technological development concerned with disaster prevention; and disaster prevention project plans as well as community-based disaster prevention planning.

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[Further Readings]

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Trends of the Era and National Policy	Trends in Local Autonomy (Local Administration / Local Tax and Finance Policy)
1993 (June) Adoption of non-confidence resolution in the Miyazawa Cabinet (admin.)	1993 (Apr.) Report by the Local System Research Council; wide-area unions and core cities (admin)
1993 (July) Earthquake off the coast of south-west Hokkaido (current)	1993 (June) Both houses of the Diet pass "Resolutions on the Promotion of Decentralization" (admin)
1993 (July) 40th General Election. LDP lost its majority and Socialist Party sustained losses (policy)	1993 (June) Revision of the Local Autonomy Law; the right of submission of opinions by the Six Associations of Local Governments (admin)
1993 (July) P.M. Miyazawa announced resignation (policy)	
1993 (July) Kono Yohei elected as head of LDP (policy)	
1993 (Aug.) 8-party coalition cabinet formed under Hosokawa Morihiro (policy)	
1993 (Oct.) Final report by the Third Commission on Administrative Reform (policy)	
1994 (Feb.) Cabinet resolution on the "Fundamental Principle for Promoting Decentralization" (policy)	1994 (Jan.) Enactment of laws concerned with political reform (admin)
1994 (Apr.) Japan Socialist Party withdrew from the coalition (policy)	1994 (June) Revision of the Local Autonomy Law to permit a core city system, etc (admin)
1994 (Apr.) Formation of the Hata Tsutomu Cabinet (policy)	1994 (Nov.) Tax reform; creation of local consumption tax (admin)
1994 (June) First time since WWII for 1 dollar to be valued at less than 100 yen (current)	
1994 (June) Formation of a coalition cabinet (LDP, JSP, New Party Sakigake) under Murayama Tomiichi (policy)	
1995 (Jan.) The Great Hanshin Earthquake (current)	1995 (Mar.) Extension for 10 years of the Special Law on Mergers (admin)
1995 (Mar.) Sarin gas subway attack (current)	1995 (May) Enactment of the Decentralization Promotion Law (admin)
1995 (Apr.) Steep rise in yen value (US\$1 = ¥79.75) (current)	1995 (June) Creation of Emergency Firefighting Assistance Teams (admin)
1995 (June) Revision of the Disaster Countermeasures Basic Law (current)	1995 (Oct.) Revision of the Fire Service Organization Law (admin)
1995 (June) Enactment of the Special Measures Law on Preparation for Earthquakes (current)	1995 (Nov.) First national coordinated training exercise of emergency firefighting disaster assistance teams (admin)
1995 (July) 17th Election of members of the House of Councillors; increase in members of the New Frontier Party (policy)	
1995 (Nov.) Enactment of the Basic Law on Measures for the Aging Society (policy)	
1995 (Dec.) Revision of the Disaster Countermeasures Basic Law (policy)	
1996 (Jan.) Formation of the Hashimoto Ryutaro Cabinet (policy)	1996 (Mar.) Interim report by the Decentralization Promotion Committee (admin)
1996 (June) Enactment of the Law concerning Disposal of the Jusen Problem (policy)	1996 (Dec.) Stage 1 recommendations by the Decentralization Promotion Committee (admin)
1996 (July) Cabinet resolution on countermeasures for an aging society (policy)	
1996 (Oct.) 41st General Election (policy)	
1996 (Nov.) Formation of the Second Hashimoto Cabinet with cooperation outside the Cabinet of the SDP and the New Party Sakigake (policy)	
1996 (Dec.) Cabinet resolution on the "Administrative Reform Program" (policy)	
1997 Change in the rate of consumption tax from 3% to 5% (policy)	1997 (Feb.) Report on reform of the system of audit by the Local System Research Council (admin)
1997 (Dec.) Final Report of the Council on Administrative Reform (policy)	1997 (Apr.) Implementation of local consumption tax (finance)
1997 (Dec.) Enactment of the Nursing Care Insurance Law (policy)	1997 (June) Reform of the Local Autonomy Law to permit an external auditing system (admin)
	1997 (July) Stage 2 Recommendations by the Decentralization Promotion Committee (admin)(finance)

	1997 (Sep.) Stage 3 Recommendations by the Decentralization Promotion Committee (admin)
	1997 (Oct.) Stage 4 Recommendations by the Decentralization Promotion Committee (admin)
	1997 (Nov.) Enactment of the Special Measures Act concerning the Promotion of Fiscal Structural Reform (finance)
1998 (Oct.) Enactment of laws concerned with financial regeneration (policy)	1998 (Apr.) Decision on a Comprehensive Economic Stimulus Package (finance)
1998 (Feb.) Japan hosts the Nagano Winter Olympics (current)	1998 (May) Revision of the Local Autonomy Law concerning reform of the metropolis and special wards system (admin)
1998 (June) Enactment of the Basic Law on the Reform of Central Government Ministries and Agencies (policy)	1998 (May) Cabinet resolution on the "Decentralization Promotion Plan (admin)
1998 (July) 18th Election of members of the House of Councillors; LDP sustains losses (policy)	1998 (Nov.) Emergency economic countermeasures (finance)
1998 (July) Formation of the Obuchi Keizo Cabinet (policy)	1998 (Nov.) Fifth Stage Recommendations of the Decentralization Promotion Committee (admin)
1999 (Jan.) Reconstruction of the Obuchi Cabinet; coalition with the Liberal Party (policy)	1999 (Jan.) Issuance of Regional Promotion Coupons (finance)
1999 (July) Enactment of laws concerned with the reform of central government ministries and agencies (policy)	1999 (Mar.) Cabinet resolution on the Second Decentralization Plan (admin)
1999 (Sep.) Criticality accident at the JCO-operated nuclear facility at Tokai-mura, Ibaraki Prefecture (current)	1999 (July) Enactment of the Omnibus Decentralization Law (admin)
1999 (Oct.) Formation of the Second Obuchi Cabinet; 3-party coalition (LDP, Liberal Party, New Komeito) (policy)	1999 (Aug.) Revision of the Basic Resident Register Law (admin)
1999 (Dec.) Enactment of laws concerned with the implementation of central government reform (policy)	
2000 (Apr.) Liberal Party leaves the coalition (policy)	2000 (Feb.) Revision of the Law concerning the Election of Public Officials; change in the proportional constituencies for the House of Representatives with a reduction of 20 seats (admin)
2000 (Apr.) Formation of the Mori Yoshiro 3-party (LDP, New Komeito, Conservative) coalition Cabinet (policy)	2000 (Mar.) Law concerning Special Measures to Promote the Autonomy of Depopulated Areas (admin)
2000 (May) Death of former P.M. Obuchi (policy)	2000 (Aug.) Opinion by the Decentralization Promotion Committee (admin)
2000 (June) 42nd General Election; three-party coalition retained a stable majority (policy)	2000 (Oct.) Revision of the Law for the Election of Public Officials; change of the proportional constituencies for the House of Councillors into a non-binding formular (admin)
2000 (July) Formation of the second Mori Cabinet (policy)	2000 (Nov.) Opinion by the Decentralization Promotion Committee on the promotion of mergers (admin)
2000 (July) Kyushu-Okinawa Summit (policy)	
2000 (Nov.) Enactment of the Basic Law on the Formation of an Advanced Information and Telecommunications Network Society (policy)	
2000 (Dec.) Cabinet resolution on the "Fundamental Principle of Administrative Reform" (policy)	
2000 (Dec) Reconstruction of the Mori Cabinet (policy)	

[Note] In this table, "current" denotes matters concerned with the current of the times, "policy" matters concerned with national policy, "admin." matters concerned with local administration, and "finance" matters concerned with local financial policy.