

Section 3. New Issues That Have Surfaced in Recent Years.

In addition to the many problems stated in the previous section, various new problems have begun to occur in recent years at the turn of the century.

[The prolonged stagnation of the Japanese economy and the increase in the financial deficit along with structural changes]

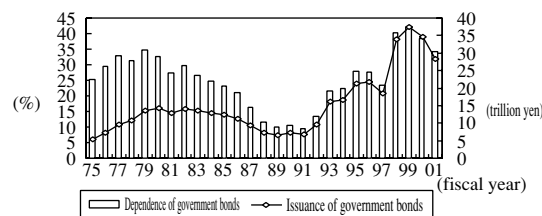
The stagnation after the collapse of the bubble economy accompanies changes in the nature of the Japanese economy. The increase in anxiety about the future of the nation due to employment uncertainty and worsening of the fiscal balance, etc. have become economic restraining factors.

In order to eradicate worries about a deflationary spiral and to carve out prospects for new growth in the 21st century, change in the Japanese-style social system is vital.

The situation demands prioritization concerning improvement of social capitalization, increases in efficiency, promotion of private sector investment, revitalization of the economy by means of regulation reform, etc.

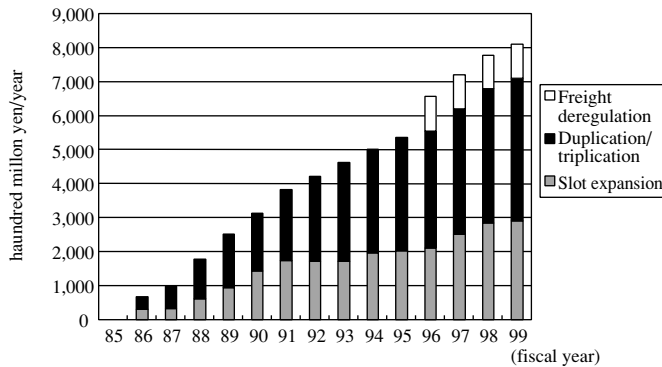
30. (Change in level of dependence of government bonds/and issuance of government bonds)

The transportation sector took the lead over other sectors by pursuing regulation reform and bringing benefit to users by means of price reductions, etc. From now on, along with further reform of regulations, it will be necessary to address the problems that cannot be addressed by market principles only.



Note1: Compiled from Ministry of Finance data
 Note2: Up to fiscal 1999, settlements of accounts are shown; fiscal 2000 is indicated with the revised budget. Fiscal 2001 shows the budget. The issuance of government bonds is the sum of construction government bonds and special government bonds. Fiscal 2000 includes extraordinary special public bonds.

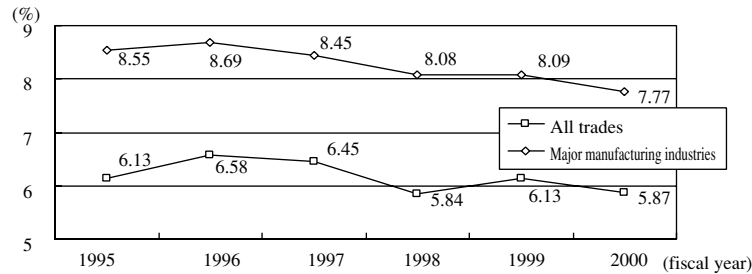
31. (Consumer benefit of aviation policy)



Note 1: Estimated by Land, Infrastructure & Transport Policy Research Institute
 Note 2: Using the regression analysis increased passenger demand (passenger kilometer) and decreased average freight are compared without taking into account freight deregulation(1996), duplication/triplication track standard deregulation, slot expansion of Haneda Airport and other measures. By this method, increased amount of consumer surplus in accordance with the contribution of the factor is estimated from fiscal year 1985 to 1999.

If we take a look at the distribution sector, although distribution cost has been falling steadily due to measures to begin deregulation, in order to maintain the international competitiveness of our country, it will be necessary to build an internationally competitive distribution market that includes cost reductions.

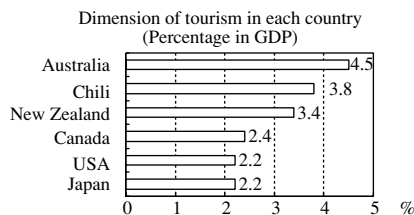
32. (Progression of sales/distribution cost ratio)



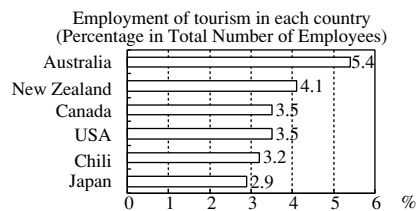
Note 1: Compiled from the data of Japan Logistics System Association.

Although the tourism industry is considered to be one of the leading industries in the 21st century, in Japan this position is at a lower level in comparison to other countries, and from now on it will be necessary to cultivate tourism as a leading industry by attracting foreign tourists to Japan and promoting domestic tourism.

33. (Dimension and employment of tourism in each country)

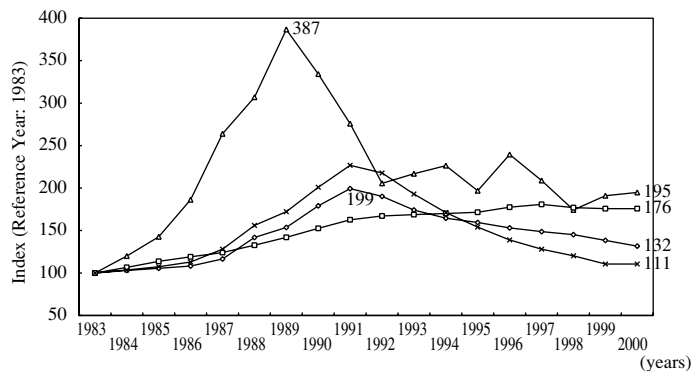


Note: Compiled from MLIT data



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34. (Change in asset values)



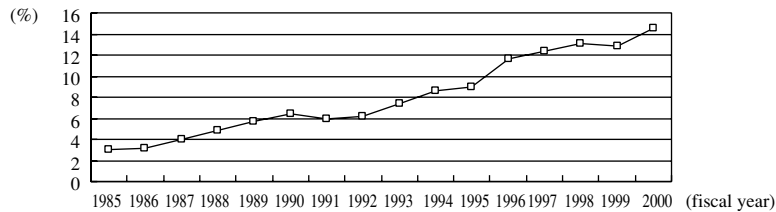
Note : Compiled from "White Paper On Land" etc

Although land prices continue to fall after the collapse of the bubble economy, land prices that correspond to convenience and profitability have come into existence that process. To date, a large amount of underutilized or unused land still has been existing in urban areas. Promoting land liquidity, increasing the value of land usage and facilitating its effective/extensive use constitute one of the major challenges of administration of MLIT.

[Development of globalization]

In recent years, the exchange of people and products across national borders has increased sharply, and the economic sector in particular shows aspects of an era of fierce competition. In the sphere of the administration of MLIT, in order to support international exchange and business activity across national borders it is absolutely indispensable to build a global transportation network.

35. Ratio of overseas production of the manufacturing industry



Note 1: Compiled from the Ministry of Finance “Statistics of companies and corporations”
 Note 2: Ratio of overseas production = sales of Japanese branches abroad / sales of Japanese corporations in Japan X 100
 Note 3: Expectations for fiscal 2000

It is necessary to activate policy for industries in order to increase their international competitiveness, to tackle comprehensive policies for Urban Renaissance for increasing international competitiveness of large cities as economic centers, improving distribution infrastructure and advancing international exchange for improving Japan’s national competitiveness.

36. (Factor ranking for enterprises upon selection of location/region)

Rank	Business base	Production base	Outsourcing base
1	Advanced infrastructure	Labor costs	Costs (other than labor cost)
2	Human resources	Advanced infrastructure	Advanced infrastructure
3	Distance from the market	Attraction of local market	Distance from the market
4	General infrastructure	Human resources	General infrastructure
5	Others	Costs (other than labor cost)	Human resources
6	Labor costs	Distance from the market	Attraction of local market
7	Attraction of local market	Others	Labor costs
8	Costs (other than labor cost)	General infrastructure	

Note1: Compiled from World Bank “Infrastructure Strategies in East Asia”

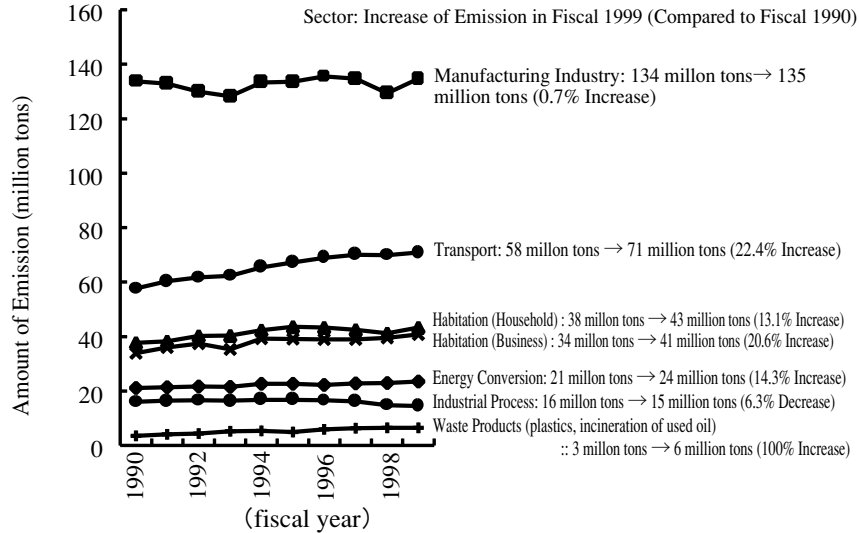
Note: The meaning of “advanced infrastructure” is “traffic/communication system developed through information technology and provided by reform- oriented persons”

In addition, problems that became obvious with globalization and problems actualized by world regulations are to be solved actively between countries or among many countries in various fields.

[Environmental problems aggravated on the global level]

Since the end of 20th century, global environmental problems have expanded and been aggravated. The MLIT faces the need to promote solutions to problems of energy saving in the housing and construction sector, which are significant parts of the inhabitation sector and to reduce the amount of CO2 emission caused by the transportation sector.

37. Changes of carbon dioxide emission by sector (carbon conversion)



Note 1: Compiled from the data of related Cabinet Meeting on earth environmental preservation.

Note 2: Compiled based on the amount of carbon dioxide emission by power generation distributed across all the sectors of final demand

[Increase of citizen participation and building on land in coexistence with nature]

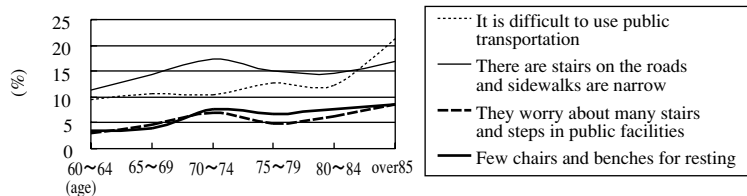
In order to pas on a better environment to the next generation, it is important to center on principles such as sustainability, coexistence with nature, space creation, preservation of life and growth of nature’s living things, etc, as well as to form the national land as a base of society which has lower burden on the environment and makes our society sustainable.

Concern about the nation’s environment is increasing, and from now on there will be an increasing need to develop a social infrastructure in cooperation with citizen’s groups that have to do with natural recreation.

[Realizing of declining birth rates and the aging of society]

Especially henceforth, as the number of people over 75 years old who feel limitation of movement increases, much more effort needs to be exerted, starting from changing into a barrier-free society, for the creation of a life space where the elderly can have an active life.

38. (Obstacles for the elderly when going out of the house)



Note1: Compiled from Management and Coordination Agency "Opinion research on everyday life of the elderly" (July 1999)
 Note2: Percentage of respondents answered that in going out of the home, the item are obstacles; multi-answer

[Development of IT revolution]

IT continues to bring major global changes into different spheres of everyday life from administration and enterprise. There are many fields where Japan is behind other countries in practical use of IT, and for the administration of MLIT as well it will be necessary to actively address the issue in related fields such as utilization of IT in public transportation, ITS, GIS, etc.

[Rise of consciousness about safety and crisis management]

The Japanese "safety myth" started to disappear at the end of the 20th century, and Japan has suffered serious damage caused by natural disasters of which the scale exceeds contemporary human knowledge. The Great Hanshin-Awaji Earthquake in particular made people once again realize the importance of "safety assurance". Also there are issues such as reinforcement of organizations and measures against barbaric acts, which had no examples in the past, like the Tokyo Metro sarin gas attack incident and serious accidents in the transportation system.

Furthermore, after the simultaneous terrorist attacks in the US, it is necessary to guarantee safety and reinforce policies against terrorism in public transportation and important facilities, and also to be equipped for electronic attack in aviation and railways and other means of transportation (cyber terrorism).

An incident with an suspicious ship has taken place, showing that Japan has been under threat of direct attack.

For MLIT's administration, it will be necessary to strengthen crisis management systems in order to take possible measures against new threats, and also to activate safety securement policies in the 21st century using lessons based on experience gained heretofore.