# Policy and Policy making in Japan

June 7, 2003 Tokyo

## Energy Security

- Supply disruption :1973、1980,1992,2003
- "Managed Security" to "Dynamic Market"
- Common Issues and Different Method
- Emergency Response: Price and Production Control
- Stockpile Building
- Supply Source Diversification
- Demand Side Flexibility
- International Cooperation (IEA)

# Japanese Policy Making

- Leading Role of Central Government
- Cooperative Relation between Government and Industry
- Consensus Process
- Civil Law Tradition, Parliamentary System, and Strong Bureaucracy
- Merit System, Lifetime Employment

## Japan's Response and Performance

- Enactment of "Emergency Law"
- Price and Production Guideline (Petroleum Industry Law)
- Incentives and Long-term Energy Outlook
- High Performance in Energy Efficiency
- Slow Process of Complete Liberalization

### Legislative Process

- Cabinet Sponsored Bill: Consistency, Integration
- Consensus within the Cabinet (among Ministries)
- Full Consent by the Supporting Parties
- Majority Vote in Committee and Floor of the Diet

# Advisory Council

- Identify Issues
- Formulate Policy Response
- Examine Critical Legal & Technical Issues
- Consensus among Critical Interest Groups
- Public Interest Endorsement
- Secretariat Work by Responsible Division
- Selection of Members, Consensus Rule

## Encyclopedia Britannica Case

- Aggressive Credit Sales of English Encyclopedia on the Street
- Strict Company Policy against Revocation
- Massive Consumer Complaints
- Introduction of "Cooling Off"

#### Unleaded Gasoline Case

- 1974
- Few Medical Data on Damage of Lead
- Coordinated Action by Auto Companies, Auto Dealers, Gas Stations & Refineries
- Implementation without Legislation

#### Recent Development

• Transparency

• Consensus Rule

• Public Comment

### Cabinet Legislative Office

- Examine Ministries' First Draft
- Drafting Technique
- Definition, Structure, Balancing Interest
- Constitution, Precedent
- Civil Law and Common Law

# Cabinet Approval

- Cabinet as an Unity is Responsible
- Approval by Vice Ministers Meeting
- Approval by Cabinet Meeting
- Precedent and Reciprocal & Long-term Relationship

## VAN

- Value Added Network : Regulated or Free
- Telecommunication or Online Data Processing
- MPT and MITI
- Turf Battle and Policy Battle
- Power and Leadership of Prime Minister

## Supporting Party Process

- Party Line Voting
- Consensus Process

- LDP Structure
- Economic and Industry Committee
- Policy Council
- Coalition Process

#### Parliament Process

- Committee Deliberation
- Floor Vote

• Amendment

#### Government and Business

- Ex Post Regulation
- Ex-ante Regulation
- Administrative Guidance
- Financial Incentive

## Ex Post vs. Ex-ante Regulation

- Ex Post
- Self implementation
- Enforcement through Judicial Process
- Legal Uncertainty
- Ex-ante
- Prevention through Government Scrutiny
- Against Creativity
- Regulatory Reform
- Discretion, Transparency, Accountability

#### Administrative Guidance

- (Energy Crisis Response)
- Throughput Guideline, Production Guideline
- Not as an Application of "Emergency Law"
- (Export Restraint)
- Steel, Color TV, Auto
- Guidance vs. Export Control Ordinance
- (Unleaded Gasoline)

# Pros and Cons of Administrative Guidance

- Pros
- Quick, No Law Suits, Flexible

- Cons
- No Drastic Changes, Less Transparent
- Evaluation and Changing Environment
- Flexible Adjustment and Difficult Complete Removal
- Administrative Procedure Law

#### Incentives

- Tax Incentives: Energy Efficient Investment
- MOF
- LDP Tax Committee
- Subsidy (R&D) and Special Account
- Evaluation
- Most Energy Efficient Country
- Price Effect
- Announcement Effect

# Integration Long-term Energy Outlook

- Guideline for Energy Mix
- Demand Forecast and Supply
- Objectives : Energy Security, Efficiency, Environment
- Policy Line-up

# Structural Changes and Policy Development

- Administrative Reform
- Administrative Procedural Law
- Transparency
- Arms Length Relation
- Economic Reform
- Economic Policy under Global Market
- Regulatory Reform
- Change in Bureaucracy