

[Provisional Translation]

**Keynote Speech by Deputy Chief Cabinet Secretary Tsuyoshi Saito
at the March 22 Reconstruction Design Global Forum ***

March 22, 2012

The State of Recovery and Reconstruction

I am Tsuyoshi Saito, Deputy Chief Cabinet Secretary of Japan and I am very grateful to be able to give a speech here today.

One year has now passed since the Great East Japan Earthquake on March 11 last year. Nearly 20,000 people fell victim to that disaster, including those visiting from overseas at the time. I would like to first and foremost take this opportunity to again offer my prayers for the repose of all the victims, and to offer my condolences to their families. As a member of the government, I am resolved to bring reconstruction to the disaster-affected region as quickly as possible.

Just a moment ago we heard an extremely significant panel discussion on communication from Japan and the possibilities of international cooperation. Continuing onward, I would like to speak about the state of reconstruction in the disaster-affected region and the outlook for the future.

Looking back over the past year, I would first point out that there has been a great amassing of efforts from both within Japan and overseas for recovery and reconstruction after the earthquake. Since the disaster struck, more than 160 countries and regions and 40 international organizations offered warm support in the form of human resources and goods. Moreover, there were strong offers of support from the militaries of the world. In particular, the humanitarian and disaster relief activity undertaken by the US military, Operation Tomodachi, called for a maximum of approximately 16,000 personnel, 15 battleships, and 140 aircraft for a large-scale military support operation to undertake search and rescue, the transport of goods, and recovery work. I would like to take this opportunity right now to again express the deep gratitude of Japan for all the warm support received from every corner of the globe.

Of course, we also saw the extension of helping hands from within Japan as well. For instance, the Japanese Red Cross Society has currently amassed approximately 350 billion yen in donations. This is an amount on a scale previously unknown, and I have heard that the Society is even extending the deadline for the offering of new donations given that the funds continue to pour in.

(Note: Donations for the Great Hanshin-Awaji Earthquake stopped being accepted in 1996 and totaled 100.7 billion yen that time.)

Furthermore, volunteer groups and NPOs from all over Japan have rushed to the disaster-affected areas. More than 900,000 volunteers have served in the three hardest-hit prefectures. The activities of these volunteers for the clean up after the tsunami, efforts to shovel mud out of flooded houses, and emotional support for those who experienced the disaster deserve special mention. Additionally, many companies have offered support. Immediately after

* This is a prepared text of the speech and please note that the actual speech was delivered with some modifications.

the disaster, almost all of material goods that flew to the disaster-affected region were donated from corporations. More than 200 domestic companies are now listed on the Cabinet Office homepage as enterprises that have cooperated with our efforts.

And then, there are the calm and composed behaviors of those who directly experienced the disaster. This response has already drawn extensive praise from every country. The praise these people have received is greatly encouraging to us. On March 13 last year an editorial in the US newspaper *The Washington Post* stated, “The calm, cooperative spirit with which the Japanese faced lost power, evacuations, stopped trains and emergency shelters was a reminder of the fortitude and neighborliness for which Japanese society has long been known.” Furthermore, on March 15 last year the *Guangzhou Daily* stated, “The orderly and calm attitudes of the Japanese over these few days since the earthquake has left a deep impression. When encountering great disasters, any ethnic groups tend to lay bare their true nature by precise actions. However, the Japanese people are calmer and more peaceful than anyone could have ever imagined. We cannot help but shaping up ourselves with awe. We must ask why it is that the Japanese can be so calm.”

Thanks to such efforts undertaken by various people both inside and outside the country, the Japanese economy has managed to sustain its vigor even after being hit by such an unprecedented disaster. Our infrastructure is almost completely recovered. I understand that national highways took a mere six days to repair, and the Tohoku Shinkansen (bullet train) became fully operational within April of last year. In addition to all of this, our supply chains recovered quickly, helping automotive makers return to nearly the same production levels as before the disaster by August of last year. The majority of factories in the Tohoku region are now operational again. For instance, in Ofunato City, Iwate Prefecture the factories of the Taiheiyo Cement Corporation started their operation again as early as November. Looking at macroeconomic indices as well, the health of the Japanese economy now is almost what it was before the quake.

(Note: According to the indices of industrial production by region released by the Ministry of Economy, Trade and Industry in connection to the earthquake, the production level as of January 2012 was 92.4 (compared to 96.9 before the disaster) in disaster-affected regions and 95.7 (compared to 97.9 before the disaster) in other regions.)

Needless to say the situation is still tough for those industries in areas submerged by the tsunami or within the evacuation zones necessitated by the nuclear power station accident. The employment situation in these areas continues to be grim as well. The revitalization of industry in the disaster-affected region and the securing of places of work for the people there are priority issues for the Japanese Government. We believe it is important to accelerate efforts toward reconstruction while watching the state of this area.

Measures toward Reconstruction

(1) Direction for Reconstruction

It is necessary that all generations living here at present accept the Great East Japan Earthquake as something that affects each and every one of us, and that we advance reconstruction efforts based on a concept of “solidarity and sharing.” This direction for reconstruction was set out in the “Towards Reconstruction” recommendations compiled by the Reconstruction Design Council in response to the Great East Japan Earthquake, which were submitted on June 25 last

year. Upon receiving these recommendations the Government then compiled the Basic Policy on Reconstruction, which serves as the basis for the implementation of reconstruction measures for the disaster-affected regions.

On February 10 this year, the Government newly established the Reconstruction Agency. The headquarters of the agency is located in Tokyo, with Response Offices, Branch Offices and Administration Offices located in the various disaster-affected regions, thus ensuring a structure that is firmly rooted in local communities. In addition, the Reconstruction Agency is positioned one level higher than other government ministries and agencies, being granted overall control of the Government budget for reconstruction as well as powers of guidance and instruction to other government bodies, under the leadership of the Prime Minister. The mission of the Reconstruction Agency is to provide a one-stop response to the various needs of the disaster-affected regions and transcend the vertically organized structures of government ministries and agencies. There are great expectations, therefore, that the Reconstruction Agency will function as the “control tower” for the entire reconstruction process.

Two major policy tools for reconstruction have been established: (1) Special Zones for Reconstruction and (2) Reconstruction Grants.

Firstly, with regard to Special Zones for Reconstruction, these have been created to provide exceptional one-stop measures that will enable communities to promote and execute reconstruction measures with ingenuity and creativity, including special measures for the following: (1) regulations and procedures, (2) land use reorganization, and (3) taxation, fiscal and financial arrangements. It is expected that utilizing these measures provided under the Special Zones for Reconstruction system will help contribute to the vitalization of industry and urban development in the affected regions, as well as promote private sector investment and employment creation in local communities. Currently, plans for six such Special Zones have been approved.

Secondly, the Government has established the system of Reconstruction Grants. These are, as their name suggests, grants for reconstruction, which are to be disbursed for the many private residences and public facilities in the regions that were damaged in the Great East Japan Earthquake. These grants are designed to bring together a wide variety of the necessary infrastructure and construction-related projects required for reconstruction-oriented community development by local governments (40 subsidized projects by five ministries) and also to ensure simplified procedures. This will enable affected municipalities to engage in grant procedures in a unified, one-stop manner. Furthermore, these grants ensure that funds can be prepared with a great degree of freedom and that the effect of infrastructure and construction-related projects can be advanced and promoted. On March 2, the decision on the first round of reconstruction grants was notified, with national expenditure on the grants exceeding 250 billion yen. These grants will continue to be utilized to support community development and reconstruction.

Of all the disaster-affected regions, Fukushima Prefecture continues to face an extremely serious situation due to the impact of the nuclear power station accident. In order to respond to these circumstances, the Government has created various measures. First of all, the Bill for Special Measures for the Rebirth of Fukushima was approved by the Cabinet, and after a process of deliberation by the Diet it was passed on March 8, after amendment by the House of Representatives. In addition, various budgetary allocations have been prepared, including the

Fund for the Rebirth of Fukushima, and various measures to ensure reconstruction from the nuclear disaster are being implemented, including the development in Fukushima of an international medical center and a research and development facility for renewable energies. Assistance to enable the evacuees from the nuclear accident to return to their hometowns is a project the likes of which the world has never before seen. The Government will engage in cooperation with prefectural and municipal governments to tackle the various challenges relating to the return of residents to the evacuation zones, and will continue to make unified and integrated considerations.

(2) Reconstruction through mutual support among all generations living in the present

The Great East Japan Earthquake was the largest earthquake ever recorded in the history of Japan. According to Government calculations the total estimated cost of damage amounts to approximately 16.9 trillion yen (according to statistics issued by the Cabinet Office on June 24, 2011). The financial resources required for reconstruction are to be borne by all people in Japan, based on a spirit of solidarity and sharing. The total scale of projects that will be implemented during the envisaged 10-year reconstruction period will amount to at least 23 trillion yen, of which at least 19 trillion yen is expected to be required especially for projects implemented during the five-year intensive reconstruction period up to fiscal 2015.

The financial resources that will be required for reconstruction will initially be covered by the issuance of reconstruction bonds that will serve to respond to immediate demand for recovery and reconstruction, and these reconstruction bonds will be managed separately from conventional Japanese Government Bonds through the establishment of a special account. The Government has created a structure to ensure the redemption of these bonds, through an increase in income and corporation taxes for a time-limited period, coupled with reductions in Government expenditure.

In addition to the strong and dynamic post-disaster reconstruction of the Japanese economy, by engaging in measures to improve fiscal discipline through the comprehensive reform of social security and taxation systems, we aim to ensure international confidence in Japan's public finances in the future. I believe that these measures will also contribute to the stability of the global economy.

Reconstruction Open to the World

As I also touched upon at the outset of my remarks, the international community provided an outpouring of support, both material and psychological, in the wake of Japan's catastrophic earthquake. This experience reaffirmed for me how critically important it is for members of the international community to help each other respond to disasters of major proportions.

When major disasters strike countries around the world, Japan has extended assistance. This includes mobilizing personnel, beginning with the dispatch of the Japan Disaster Relief Team, providing relief supplies, and offering financial assistance. Following the major flooding in Thailand last year, Japan took immediate action in the form of the provision of emergency relief supplies, dispatch of experts, and provision of technical cooperation.

In addition to this, I believe it is likewise important that the knowledge and lessons learned through the disaster, or that Japan will acquire in the reconstruction process, are leveraged and shared with the international community, providing "best practices" of crisis management and

reconstruction from major disasters. By drawing on such knowledge and lessons learned, Japan will stand ready to extend support when other countries are faced with similar issues.

For this purpose, the High-Level International Conference on Large-Scale Natural Disasters will be held in July of this year in the disaster-afflicted Tohoku region. The conference will allow participants to learn together from the experiences of recent major natural disasters in the world, including the Great East Japan Earthquake, and share lessons learned on disaster prevention and disaster response with the international community. The aim of the conference is to hold discussions that will contribute to the Third United Nations World Conference on Disaster Risk Reduction in 2015, which Japan announced it will be hosting.

Additionally, the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group are scheduled to be held in Tokyo in October of this year. This will mark the second time since 1964 that these meetings will be held in Tokyo. We believe this will be an unparalleled opportunity for the people of the world to see a country that is in the process of a strong reconstruction following the devastating earthquake.

The Fukushima Ministerial Conference on Nuclear Safety is also scheduled to be convened in Fukushima Prefecture in December of this year. The conference's objective is to share with the international community knowledge and lessons learned from the accident at Tokyo Electric Power Company's (TEPCO) Fukushima Nuclear Power Stations and to discuss the progress of international efforts in strengthening nuclear safety.

Furthermore, in return for the support Japan received from the international community as well, Japan will not become "inward-looking" and will further bolster our cooperative relations with the international community to resolve the variety of issues confronting countries across the globe.

Japan will continue to make an active international contribution to human security and sustainable world economic growth, utilizing such means as participation in peacekeeping operations (PKO) and the provision of official development assistance (ODA). The very stability and prosperity of the Asia-Pacific region are essential to the rebirth of Japan. Framework agreements with a broad range of countries and regions form the cornerstone of Japan's link to the international economy and its future growth.

At the same time, Japan will leverage the vitality of other countries in promoting the reconstruction of the disaster-affected areas. As is also stated in the Government's Basic Guidelines for Reconstruction, Japan welcomes foreign investment to the affected areas. To this end, reconstruction programs will be implemented in ways that ensure transparency and openness.

Already some foreign companies have begun to make direct investments in the disaster area. The online retailer Amazon established a new call center in Sendai City. The international furniture retail chain IKEA similarly opened a new store in Sendai City following the earthquake. Aside from these examples, I understand that many foreign companies are interested in investing in a range of sectors, including the renewable energy sector that is to be promoted on a grand scale in the disaster area. Going forward, I hope there will be many more examples of investments.

The Japanese Government will be injecting 19 trillion yen over the next five years for the reconstruction of the disaster area. So far, the total budget which exceeds 15 trillion yen has

been appropriated under the first, second, and third supplementary budgets.

It goes without saying that the capital injection will generate significant economic demand in the afflicted region. Coupled with the measures to promote private companies' establishment of businesses in the disaster area, including the new system of Special Zone for Reconstruction, we assess that there will be large incentives designed to attract direct investments of the private sector into the region, including investments of foreign companies.

Further still, I believe it is important that people-to-people exchanges with other countries are promoted, including tourism. Japan remains a popular travel destination, with the level of visitors particularly from China rapidly recovering. According to a survey conducted by a Chinese government think tank, the China Tourism Academy, Japan was selected as the most popular overseas destination for the Chinese New Year holiday.

The disaster-affected area of Tohoku is one region that has great potential also in the tourism sector. In addition to Shirakami-Sanchi, a UNESCO World Heritage natural site that straddles both Aomori and Akita Prefectures, Hiraizumi in Iwate Prefecture was inscribed on the list of UNESCO's World Heritage cultural sites in June of last year. Furthermore, the Tohoku region is home to Matsushima, one of the "three most scenic spots of Japan"; has many hot springs where people can wind down and relax; and is famous for Japanese sake production. Bestowed with rich natural resources, I believe Tohoku is sure to delight any person that visits the area.

Ever since the earthquake, the Government has carried out a variety of campaigns to promote travel to Japan, including to the disaster area. I would be pleased if the people present here would recommend to their friends back home that they consider Japan a potential travel destination, in light of a correct understanding of the situation in the disaster areas and their safety based on scientific knowledge.

Let me also just mention on this occasion that Tokyo has 247 starred restaurants according to the internationally highly regarded 2012 Michelin Guide, making Tokyo the city with the most number of starred restaurants in the world for the fifth consecutive year.

Reconstruction from the Earthquake and Japan's Rebirth

The Great East Japan Earthquake served as an opportunity to renew our resolve to make Japan's rebirth certain, and to share prosperity among all the people of Japan. In addition to the efforts for the recovery and reconstruction from the earthquake, the Japanese Government is now undertaking concerted initiatives to resolve longstanding issues by promoting innovation, stimulating domestic demand, and paving new business opportunities overseas.

The Government's FY2012 budget includes numerous projects designed to promote the rebirth of Japan. The Strategy for Rebirth of Japan is also expected to be established by the middle of this year, which will set out a specific timetable towards new growth, and implemented with the public and private sectors working together. As an "advanced problem-solving nation," Japan strives to present a new growth model for solving the common challenges facing the world, including disaster, declining birthrate and aging population, and environmental issues.

We believe that the reconstruction of the disaster area in particular will play a leading role in the rebirth of a dynamic Japan. At the same time, we believe that there will be no true reconstruction of the disaster area without the revitalization of the Japanese economy. Beginning with the

disaster-affected region of Tohoku, we will build communities that are resilient against disasters and possess new vitality while making full use of their diversity and potential. I am convinced that the rebirth of Japan through the steady achievement of reconstruction from the earthquake is precisely the way in which Japan can also contribute to the international community that has supported us.

“The Sun Also Rises.” “Hi wa mata noboru”

I would like to conclude my remarks today by saying, “Japan will also rise again!”

(END)