

# POSTAL NEWS

No. 46/2010

**Formulated by UNI-Japan Post in cooperation with UNI-Apro,  
ASPEK Indonesia and SPPI**

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## **1. High Court petition filed against postal operations in east J'lem**

Published: 06.08.10, 14:39 / Israel News

The Association for Civil Rights together with 15 Jerusalem residents filed a petition with the High Court of Justice Tuesday against the Israel Postal Company, the Communications Ministry and the Jerusalem Municipality claiming that the Postal Company does not distribute mail to all east Jerusalem residents.

The petition claimed there is a serious shortage in mailing services in east Jerusalem which compromising civil rights. (Aviad Glickman)

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## **2. New premier faces tough policy decisions**

By Mure Dickie in Tokyo and Michiyo Nakamoto

Published: June 3 2010 17:39 | Last updated: June 3 2010 17:39

If Naoto Kan becomes Japan's new leader on Friday as most local observers expect, he will at least arrive in office well briefed on perhaps the greatest challenge facing the Democratic party-led government: its parlous fiscal situation.

Colleagues say that five months as finance minister and time spent with its elite bureaucrats has given Mr Kan a crash course on the importance of maintaining

confidence in the state's ability to support net debt roughly equivalent to twice gross domestic product.

Fresh government debt issuance in the past fiscal year exceeded tax income, a dire outcome expected to be repeated this year. And economists will be paying close attention to a fiscal sustainability plan due this month.

Mr Kan's recent stress on the need to rein in the debt has encouraged those who think time is running out and agree with International Monetary Fund and Organisation for Economic Co-operation and Development economists that any solution must involve hefty hikes to Japan's 5 per cent consumption tax.

"As minister of finance, [Mr Kan] has been learning about all this," says Jiro Yamaguchi, a political scientist at Hokkaido University. "I think he will at least start discussion on the consumption tax."

Yet funding woes are just one of the many domestic policy problems facing Japan's fifth prime minister in under four years. Long-term challenges include a declining and ageing population, anaemic growth, persistent deflation and wide dissatisfaction with government and the political system.

There is also the pressing need to decide which policies promised by the DPJ before its general election victory last year should be retained in a manifesto for a key Diet upper house election expected in July.

One core policy is child allowance – seen as a way of shoring up the low national birth rate, easing child poverty and supporting domestic consumption.

Pursuing such goals is worthy but costly – the ¥13,000-a-month allowance, paid for each child up to the end of middle school, is this year alone budgeted at ¥2,255bn (\$25bn, €20bn, £17bn).

Some DPJ members already wonder if the party should stick by its manifesto pledge to double the allowance to ¥26,000 a month from next year, suggesting instead that the money be spent directly on childcare and welfare.

Kiichi Murashima, an analyst at Citigroup Global Markets, sees a fiscal upside in the retreat of Ichiro Ozawa, the DPJ secretary-general who is stepping down along with Yukio Hatoyama, the exiting prime minister.

"The change of prime minister and more importantly Mr Ozawa's resignation will probably solidify a shift towards fiscal consolidation," he wrote.

Another thorny issue is what to do with Japan's huge state-owned postal bank.

Under Mr Hatoyama, the cabinet approved a doubling of the limit on its accounts to Y20m and the expansion of its role as a lender, according to plans drawn up by Shizuka Kamei, head of the People's New Party, a small DPJ coalition partner.

The accompanying abandonment of plans for the bank's full privatisation marked the highly symbolic end to postal system reforms once seen as a standard-bearer for wider economic liberalisation.

Mr Kan and some other senior DPJ ministers opposed expanding the role of the government-owned bank. But alienating the PNP could complicate an already tough July upper house election and threaten the DPJ's working majority.

Yet while the next prime minister must tackle difficult policy choices, it may be even more important simply to convince colleagues and the public that he knows where he is going – something Mr Hatoyama struggled to do.

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### 3. Leading members of the DPJ

By Michiyo Nakamoto

Published: June 2 2010 16:33 | Last updated: June 2 2010 16:33

Yukio Hatoyama, Japan's prime minister, has announced he will step down, bowing to pressure from colleagues fearful of an impending rout in next month's Diet upper house election. But who is in line to replace him? Here are the four main candidates from Mr Hatoyama's Democratic Party of Japan

Naoto Kan – (63) The finance minister and deputy prime minister is the leading contender to take over as prime minister. Known as “irritable Kan,” the outspoken politician was once the bane of bureaucrats, when as health minister in 1996, he took the unprecedented step of exposing the responsibility of the ministry in a tainted blood scandal. He has been unafraid publicly to criticise Shizuka Kamei, head of the People's New Party, a coalition partner, for his decision to raise the maximum limit on postal savings and turn the clock back on postal reform. An atypical politician in some ways, he suggested soon after becoming finance minister nine months ago that bureaucrats at the ministry should work less and socialise more. Although he does not have fiscal or economic expertise, Mr Kan is known as a quick learner and has stood out for voicing the view that there should be discussions on raising



the consumption tax. He also favoured a weak yen policy, prompting [the yen to lose ground](#) on the possibility he might replace Mr Hatoyama.

Katsuya Okada – (56) The foreign minister, whose image as a no-nonsense, clean politician has won him both plaudits and jeers is referred to variously as Mr Clean and Robocop. He is known for his strong grasp of policy. He is an advocate of strong ties with China, nuclear disarmament and a bigger role for Japan on the international stage. A graduate of the prestigious Tokyo University and a former bureaucrat in the Ministry of International Trade and Industry, Mr Okada has held a number of key posts in the DPJ, becoming party representative in 2004. However, he suffered the humiliation of losing an election which was initially seen as an easy win for the DPJ. At the time, the DPJ faced a badly divided LDP in the Lower House elections of 2005. Unable however to compete with then prime minister Junichiro Koizumi's massive popularity, the party lost 64 seats, triggering Mr Okada's resignation as representative.



Seiji Maehara – (48) The minister of land, infrastructure, transport and tourism, Mr Maehara became DPJ representative at the young age of 43. A policy wonk, he is known for his hawkish views on national security and his calls to amend the Japanese constitution's Article 9, which bans the use of force to settle international disputes. At the same time, Mr Maehara supports economic reforms and as minister in charge of land and infrastructure, has moved aggressively to review public works projects. Unafraid to speak his mind, Mr Maehara has openly criticised DPJ heavyweight, [Ichiro Ozawa](#). However, his undiplomatic political style has rubbed many people the wrong way and his hotheaded nature has led to embarrassing reversals on policy.



Yoshito Sengoku – (64) The minister of state for national policy is a lawyer by training who passed Japan's notoriously difficult bar exam at the young age of 22, while still a student. Under Mr Hatoyama, he was responsible for administrative reform and reform of the public bureaucracy. Mr Sengoku has also been critical of public works projects in general and supportive of drastic deregulation, market liberalisation and decentralisation of power from the central to local governments. He is famous for his dislike of the bureaucracy. Another highly outspoken senior DPJ politician, Mr Sengoku is also well known for his antipathy towards Ichiro Ozawa. He requested the latter's resignation as party secretary-general, following allegations he received inappropriate political donations from a construction company.



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#### 4. Japan's Kan unveils new cabinet

By Michiyo Nakamoto in Tokyo

Published: June 8 2010 06:11 | Last updated: June 8 2010 17:12

Naoto Kan, Japan's new prime minister, unveiled a cabinet line-up on Tuesday that emphasised policy stability even as he called for a debate on how to restore the country to fiscal health.

Mr Kan expressed his intention to make fiscal consolidation a theme of the new administration, stating that Japan's high level of gross government debt, which is approaching 200 per cent of gross domestic product, "is the biggest issue that we have to tackle as a nation".

"The fact that our fiscal situation is weak means that we cannot take bold measures [towards economic growth], so I believe rebuilding the public finances is an essential condition for economic growth," he said.

In a move designed to create continuity in government while also presenting a fresh image for the battered Democratic party ahead of crucial elections next month, the prime minister reappointed 11 ministers from the previous administration, including Katsuya Okada as foreign minister and Masayuki Naoshima as trade and economy minister.

Yoshihiko Noda replaces Mr Kan as finance minister, as widely forecast.

Mr Noda, who is highly regarded by finance ministry bureaucrats, is known to share Mr Kan's views on the need to cut government debt and repair the country's finances.

Among the more controversial appointments, Shizuka Kamei, head of the coalition government's minor partner, the People's New party, remains financial services minister and minister in charge of postal reform, highlighting the importance Mr Kan places on the PNP's co-operation in July's upper house elections.

Mr Kamei's strong support for public spending to boost the economy has previously attracted the ire of Mr Kan himself.

His stance on spending and the need to expand the role of the postal bank – policies opposed by some senior officials in the DPJ – has made him a divisive figure in the coalition government. Mr Kan's decision to retain most of the ministers who served under Yukio Hatoyama, former prime minister, highlights the need for the government to ensure a degree of stability as it seeks to pass legislation before the regular Diet session ends on June 16.

At the same time, his appointment of young DPJ members to the cabinet – such as Renho (who only goes by one name) as minister for administrative reform – and his choice for

key positions within the DPJ reflect Mr Kan's bid to rebuild the party's image as modern, clean and transparent, and assert the new leadership's independence from Ichiro Ozawa, the powerbroker who stepped down with Mr Hatoyama as secretary-general of the party.

"This is the face of the DPJ that the public actually voted for – younger people, who are professionals and seem to be very confident [and] clean," said Gerry Curtis, a Japan expert at Columbia University.

Both Yoshito Sengoku, appointed chief cabinet secretary, and Yukio Edano, who was named secretary-general of the DPJ, have been openly critical of Mr Ozawa, who has been dogged by fundraising scandals, and whose interventions in policymaking shattered the public's confidence in the government's leadership.

#### ONES TO WATCH

**Yoshito Sengoku (64) Chief cabinet secretary** A lawyer by training, Mr Sengoku is highly regarded for his firm grasp of issues and his outspokenness. "He's as far from wishy-washy as you can get," says Gerry Curtis, a Japan expert at Columbia University.

Mr Sengoku was yesterday described Naoto Kan, the prime minister, as "someone who can tell me what is wrong with things".

Mr Sengoku is not afraid to speak his mind and is famous for openly criticising Ichiro Ozawa, the former Democratic Party of Japan secretary-general, and calling for his resignation over a scandal involving alleged political contributions from a construction company.

**Yukio Edano (46) DPJ secretary-general** Formerly minister in charge of government revitalisation, Mr Edano became the public face of the DPJ's efforts to reduce wasteful public spending and is known for his support of small government. He has also been openly critical of Mr Ozawa's political funding scandal and as secretary-general he has declared he will not receive political funds from corporations.

**Shizuka Kamei (73) Financial services minister and minister in charge of postal reform** Head of a minor coalition partner, the People's New party, and the most controversial figure in the DPJ-led government. The DPJ believes it needs Mr Kamei's co-operation in forthcoming elections, but many senior DPJ officials oppose his stance that the government needs to boost spending to lift the economy.

To secure his co-operation, the DPJ aims to pass a bill that would stop the privatisation process of the post office and expand the businesses of the postal bank.

**Renho (42) Minister in charge of administrative reform** The former television anchorwoman gained fame and popularity for her sharp observations as a leading member of the team tasked with finding spending cuts at government organisations.

A first-year parliamentarian, whose father is from Taiwan and mother from Japan, Renho became a Japanese citizen in 1985. In a break with standard Japanese practice, Renho goes by a single name.

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## **5. Postal operators in Mediterranean discuss improving service**

By Sebastien Malo

Daily Star staff

Wednesday, June 09, 2010

BEIRUT: Postal operators in the Mediterranean region must integrate their markets in order to increase their overall efficiency and stimulate business; LibanPost's managing director Khalil Daoud said during the opening ceremony of a meeting at Beirut's Movenpick Hotel on Tuesday.

"The postal sector [in the Mediterranean] still lacks a regional policy, specific projects and initiatives, cooperation between neighboring postal unions and sufficient sources of funding," said Daoud.

The two-day meeting – which is attended by heads of postal operators from 15 countries in the Mediterranean – aims to push forward a plan that is as ambitious as it is necessary: to increase the efficiency of their postal services by unifying rules and procedures.

"During the coming two days, we will discuss how to improve the quality of service, which is the main defense line for the performance and development of our institutions," said Daoud.

Ultimately, the postal operators hope their efforts will give way to a pan-Mediterranean postal service they have termed "Postal EuroMed."

With the total revenue of the postal industry of EuroMed countries estimated at more than \$55 billion and a whopping growth rate of 10 percent, the market is ripe with potential for its partners, said Daoud.

EuroMed countries include MENA countries Egypt, Syria, Turkey, and Lebanon, but also European countries France, Spain and Italy, for instance.

"Historical, political, cultural and geographical proximity explain the high level of exchanged volumes of mail within the EuroMed," he said.

Studies, however, show that most of this profit eludes postal operators of the MENA region.

In Lebanon, a series of difficulties stemming from the seventeen-year long civil war have had a damaging effect on the country's postal service.

A LibanPost leaflet distributed during the event speaks of a series of seemingly daunting obstacles most Lebanese are familiar with, such as the fact that "no postal addresses existed" during the Civil War.

A recent report commissioned by members of the EuroMed initiative found that the French, Italian, and Spanish postal service providers currently generate the group's lion's share of revenues. In 2008, the three countries generated up to 90 percent of the region's total sales. They also produced 83 percent of the total flow of letters and packages.

Daoud argued that an enhanced postal service is not only in the interest of the customers and postal operators of the EuroMed, but that it can also benefit the business community at large by contributing to closer business ties between Mediterranean countries.

"The integration and the regional cooperation between countries can only take place within specific and concrete economical projects [such as] the Postal EuroMed," he said.

The task, however, will be easier said than done, since cooperation between the countries of the Mediterranean is only in its infancy.

The Union for the Mediterranean – a regional organization which promotes cooperation between 21 member states from Europe, North Africa, and the Middle East – was only launched earlier this year after a fifteen-year long negotiation process. The EuroMed postal service initiative, for its part, only goes back to a first meeting in Marseilles, France, in 2007.

During the Beirut meeting, a high-level committee – of which Lebanon is a party – is expected to make recommendations on ways to flesh out the cooperation initiative.

Daoud said that industry leaders present at the meeting would discuss reforms relating to the industry's regulatory, trade, and financial facets such as the signature of more "postal agreements between members" and the eventual creation of a "EuroMed label."

"We hope this conference will allow the EuroMed to activate [this] framework," he said.

The group will, however, only establish its final strategy during the next EuroMed postal meeting to be held in Alexandria, Egypt, in September.

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