

Five women join Abe's cabinet

New team preserves conservative hue

Finance minister stays in post

By Jonathan Soble in Tokyo

Shinzo Abe refreshed his cabinet line-up yesterday for the first time since he returned to the Japanese prime minister's office in late 2012, appointing more women ministers even as he preserved the dominance of cultural conservatives in the top decision-making body.

Mr Abe appointed five women to the 18-member cabinet, equalling the largest number on record and more than doubling the number from the previous roster, which featured two female ministers. The move was seen as an effort to appeal to female voters, whose support for Mr Abe's government has lagged behind that of men.

Abe has made improving career opportunities for women a pillar of his revival strategy

Mr Abe kept six cabinet members in place, including, as expected, his ministers of finance and foreign affairs, and the influential chief cabinet secretary, Yoshihide Suga, who serves as the government's primary day-to-day spokesman.

For investors, his appointment of Yasuhisa Shiozaki, proponent of deregulation and freer markets, to the post that oversees the national pension fund appeared to signal his determination to shift more of the fund's \$1.3tn assets from low-risk bonds into stocks.

The Nikkei share average ticked up by 0.4 per cent and the dormant 10-year

government bond yield recorded its largest rise in a year, though it remained near record low levels.

The party's new secretary-general – the number two behind Mr Abe, who is its president – is Sadakazu Tanigaki, a former finance minister and one-time party leader.

The appointment could signal a determination to raise taxes: Mr Tanigaki favours allowing Japan's sales tax to rise to 10 per cent next year, the second of two increases passed into law by a previous government.

The first increase, in April, struck a harder blow to the economy than the government predicted and there have been calls to delay or cancel the second rise.

"The basic approach should be to go ahead as the law prescribes, though we should consider ways to mitigate the impact on low-income people," Mr Tanigaki said.

Mr Tanigaki's predecessor as secretary general, Shigeru Ishiba, was moved into the cabinet as minister in charge of revitalising Japan's regional economies. Mr Ishiba is Mr Abe's closest rival for the party leadership.

The regional economies post could allow Mr Ishiba to tend to his political base in rural areas: he garnered more support from rank-and-file LDP members in the countryside than Mr Abe did in a leadership contest in 2012.

Mr Abe has made improving career opportunities for women a pillar of his economic revival strategy. Appointing five women to the cabinet meant passing over more senior male politicians, a choice that may cause resentment in the LDP, but one that analysts said Mr Abe felt compelled to make in order to display leadership on the issue.

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New look: Japanese premier Shinzo Abe introduces his new cabinet members in Tokyo yesterday

Bloomberg

Japan set for final budget blowout before tackling debt mountain

It was an odd sort of rallying cry. Just after Sadakazu Tanigaki's appointment as secretary-general of Japan's ruling Liberal Democratic party yesterday, the former finance minister said that taxes on consumption should go up again next year, according to the law passed two years ago, **writes Ben McLannahan in Tokyo.**

Higher taxes "contribute to fiscal stability and help expand policy options", he said, noting only that "side-effects" should be monitored.

If hawks such as Mr Tanigaki get their way, the second chapter of the Shinzo Abe administration will be known for something unusual in Japan: a sense of

fiscal discipline. The budget for the next fiscal year is set to be the biggest to date, with initial requests topping ¥101.7tn (\$969bn), the Ministry of Finance confirmed yesterday. But this could be the final blowout before Japan gets serious about reducing the world's biggest gross debt burden, now approaching two-and-a-half times the size of the economy.

Since Mr Abe returned to power in December 2012, he has boosted infrastructure spending while providing further stimulus to offset the first consumption tax rise – from 5 per cent to 8 per cent – in April this year.

The extra revenues should mean Japan meets a long-standing pledge to

reduce its primary deficit – the gap between revenues and expenditure, excluding debt payments and bond issuance – to about 3.2 per cent of gross domestic product in the 2015 fiscal year.

But even with the most optimistic assumptions for growth over the following five years – and with a second increase in the consumption tax, to 10 per cent – the government says it will fall well short of the second part of that pledge: to cut the primary deficit altogether by 2020.

As Japan prepares to enter the third year of "Abenomics", MoF officials say it is time to weigh serious cuts.

"We'll make every effort to

slash wasteful spending in order to achieve a balance of economic growth and fiscal rehabilitation," said Taro Aso, finance minister, last week.

However, ministries are still clamouring for cash. Planners at the defence ministry, for example, want a record ¥5tn for stealth fighters, drones and high-tech submarines.

Foreign affairs mandarins are asking for a 10 per cent rise, to about ¥740bn, to bolster a global public relations campaign on territorial and other diplomatic disputes. The finance ministry itself wants a record ¥25.8tn to service the ¥1,039tn debt mountain.

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Venezuela reshuffle hits reform hopes

By Girish Gupta in Caracas

Hopes that Venezuela would take a more pragmatic turn were dashed in a cabinet reshuffle on Tuesday night in which oil and economic tsar Rafael Ramirez lost his top jobs, one of which has been filled by a cousin of the late president, Hugo Chávez.

Mr Ramirez was removed as the country's oil minister and as head of state oil company Petróleos de Venezuela (PDVSA), a role he had held for a decade. His position as vice-president for the economy has also been axed.

The country's top economic role, the newly created vice-presidency of economy and finance, is to be held by Rodolfo Marco Torres, a former brigadier-general and participant in Chávez's failed 1992 coup attempt against the then government.

"We must begin a new stage in the revolution," said President Nicolás Maduro during a three-hour televised speech on Tuesday.

Mr Ramirez, who will become foreign minister, was seen as the figurehead of a pragmatic faction within the government, whereas Mr Maduro has remained staunchly loyal to his predecessor Chávez.

The country suffers from shortages of a range of staple goods, annual inflation of more than 60 per cent and a currency that in the past week has slid to a record low on the black market of more than 90 bolivars to the dollar, more than 14 times the highest of Venezuela's numerous official exchange rates.

Economists largely put these problems down to price and currency controls.

In June, Mr Ramirez told investors in London that unifying the various official exchange rates was on the cards in government plans to improve growth. He said his aim was to "re-establish communication with financial markets".

The same month, the ousting of Jorge Giordani, architect of the country's economic controls, had been seen as a victory for pragmatists.

No announcements were made on Tuesday on a devaluation of the currency nor any changes to generous petrol subsidies that allow Venezuelans to fill up their tanks for just a few pence.

Chávez's cousin Asdrúbal Chávez is to take over the oil ministry while geophysi-

>60%

Annual inflation rate in Venezuela

cist Eulogio Del Pino will lead PDVSA. Venezuela has the world's largest oil reserves, according to Opec.

Alberto Ramos, a senior analyst at Goldman Sachs in New York, said the reshuffle would not be enough to bring about the broad economic change the country needed.

"What we see is policy paralysis," he said. "We do not see the adoption of the measures necessary to address the growing sources of macroeconomic pressures."

He added that Mr Ramirez carried some blame for the current state of affairs.

"Ramirez was perceived to be more pragmatic and less dogmatic than others in the government but he was not an outsider," Mr Ramos said.

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