

Japan: Hatoyama Says Recovery ‘Unpredictable,’ Unemployment May Worsen

By Sachiko Sakamaki and Takashi Hirokawa

Oct. 26 (Bloomberg) -- Prime Minister [Yukio Hatoyama](#) said Japan's recovery from the country's worst recession since World War II remains "unpredictable," and said unemployment may deteriorate from a record high.

"The financial and economic crisis has had a serious impact on the economy and unemployment, and things are still in an unpredictable state," Hatoyama said, according to the text of his first speech to parliament, which opened a special session today. "We're standing at a crossroads whether to go down a declining path by holding onto traditional thinking or find a new road fostered by new aspiration and ideas."

Hatoyama's [Democratic Party of Japan](#) in August ousted the [Liberal Democratic Party](#) from half a century of government control. The new administration inherited an economy struggling with soaring welfare costs, record government debt and an aging, shrinking population. Economists expect the [unemployment rate](#) to rise to an unprecedented 6 percent next year.

The new premier reiterated his pledge to implement policies to boost household incomes and make public high school tuition free. He has already frozen almost 3 trillion yen (\$33 billion) in spending that was part of an LDP-formulated extra budget, and won international praise for his pledge to cut greenhouse gas emissions by 25 percent.

'Most Important Agenda'

The administration's "most important agenda" will be to help regional economies and aid businesses to support the economic recovery, Hatoyama said. He pledged to submit a bill to help small and medium-sized firms gain greater access to business loans, he said.

"It's now clear that the idea to have the strong thrive and to pursue economic efficiency at the sacrifice of people's lives doesn't work," said Hatoyama. "I'd like to call for a shift toward 'an economy for human beings.'"

The DPJ won two parliamentary by-elections yesterday, underscoring Hatoyama's popularity and boosting his mandate ahead of a special Diet session that begins today.

His administration will face questions from the former ruling party on its decision to scrap plans to privatize the postal system, U.S.-Japan relations and Hatoyama's admission that his political fund-raising body falsified portions of campaign finance reports, which he apologized for today.

"I seriously accept public criticism regarding my political fund," Hatoyama said. "I sincerely regret the issue led to public mistrust of politics."

'Series of Challenges'

"Hatoyama started well by making changes the public wants, and people are committed to supporting the DPJ," said [Tomoaki Iwai](#), political science professor at Nihon University in Tokyo. "Now he faces a series of challenges starting from the parliament session where the opposition LDP will attack his fund issue."

Hatoyama and the DPJ have called for a more equal relationship with the U.S., and they disagree with the Obama administration over where to relocate an American military base on the island of Okinawa. Defense Secretary [Robert Gates](#) last week in Tokyo urged Japan to stick to the existing agreement to relocate the Futenma Air Base to another location on the island.

Hatoyama reiterated today that the government won't extend its naval refueling mission in support for the U.S.-led war operations in Afghanistan. Japan will consider other support such as agriculture aid, job training and measures to strengthen the Afghan police force, he said.

Hatoyama said he will deepen ties with the U.S. through a "multi-stratum alliance."

Popular Support

Hatoyama remains popular. Seventy-two percent of respondents support his cabinet, compared with 77 percent last month, the Mainichi newspaper said on Oct. 19. The paper polled 1,067 voters on Oct. 17-18, and didn't provide a margin of error.

In yesterday's elections, DPJ-backed Yoichi Kaneko won in the prefecture of Kanagawa, while Hirokazu Tsuchida defeated an LDP-supported candidate in Shizuoka prefecture, leaving Hatoyama's party one seat shy of an outright majority in the 242-member upper house. The DPJ in August won 308 of the 480 seats in the more powerful lower chamber.

Hatoyama maintains a coalition with the Social Democratic Party and People's New Party to ensure control of the upper house.

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