



International Policy Forum
20 May 2012



Japan's New Growth Strategy

Breakfast meeting with

Masaaki Taira

Parliamentary Vice-Minister for Economy, Trade, and Industry

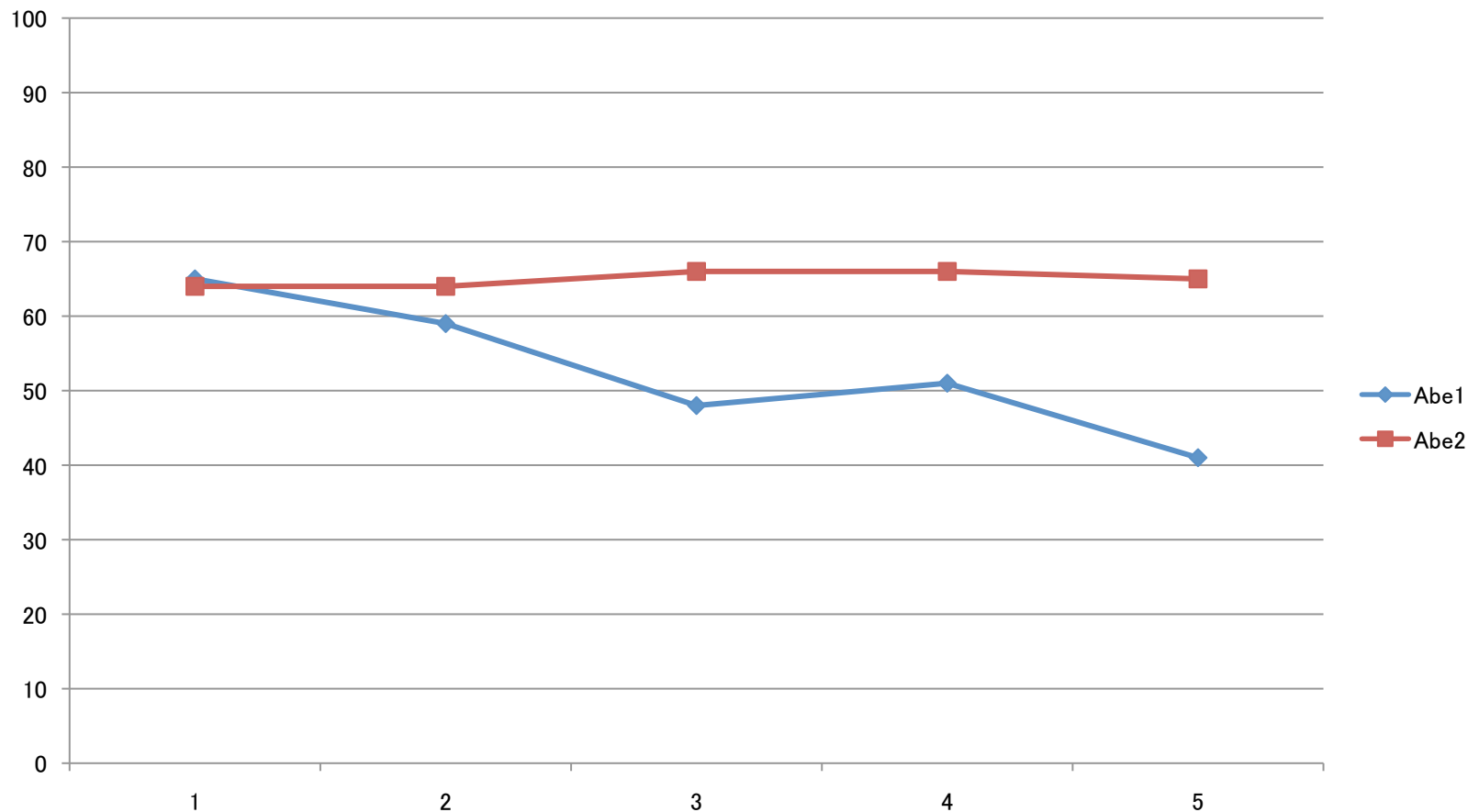


Snap-shot political analysis

- First Abenomics “arrow” – monetary easing – more effective than anyone expected, even in the LDP. Nikkei over 15,000 for the first time in 5 years, 4 months. Yen trading lower by the day.
- Sense of “governability” further strengthened by control of the policy agenda and well managed visits to Russia and the Middle East.
- Cabinet approval rates remain high and popularity of LDP still increasing.
- Nuclear Regulation Authority depoliticizing the energy discussion. Early negative judgments open the way for reactor restarts later.
- Second Abenomics “arrow” – fiscal stimulus – now safely on its way: FY2013 budget passed by the Diet on 15 May
- All focus is now on the third arrow...

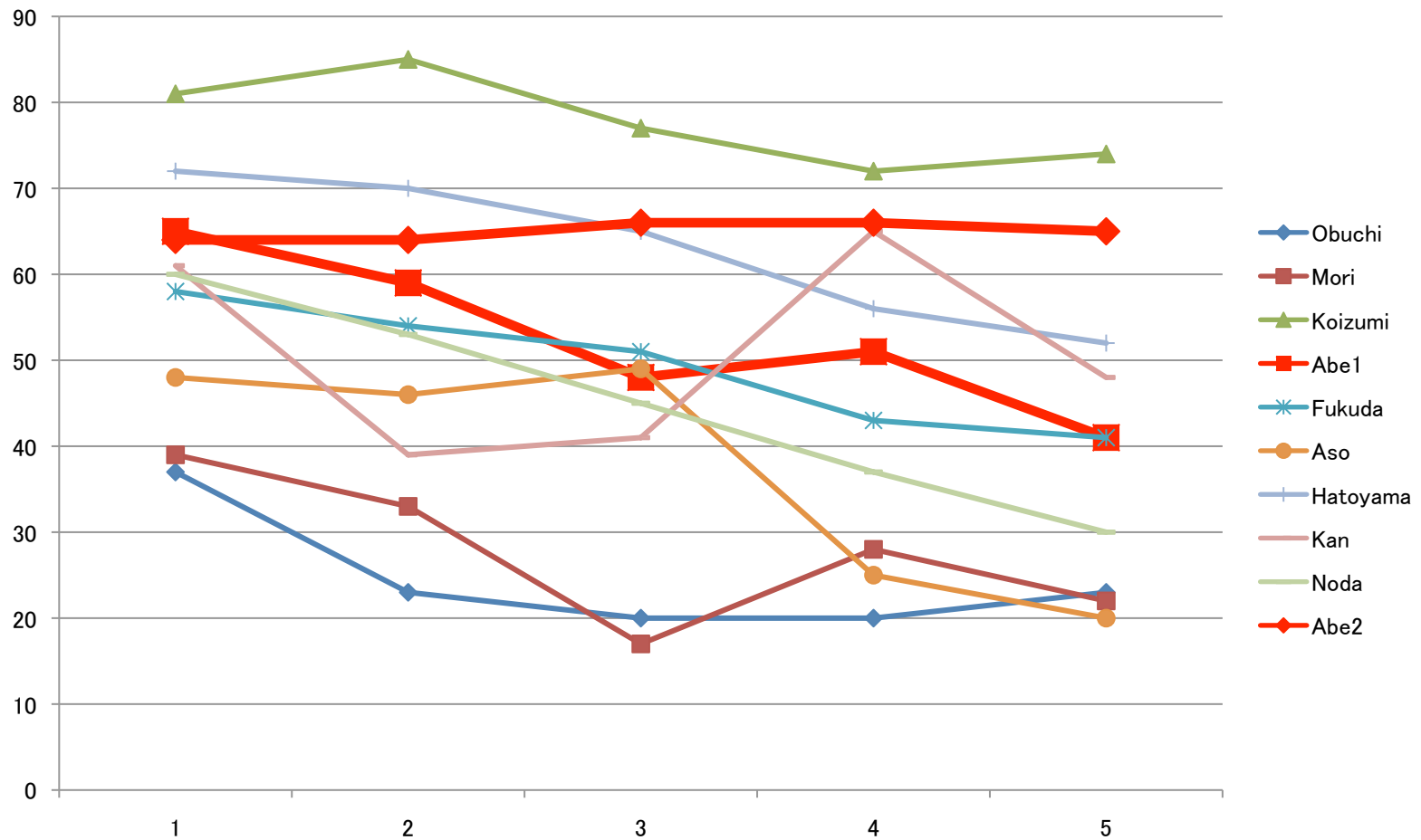


Abe's first 5 months: approval rates much better than last time

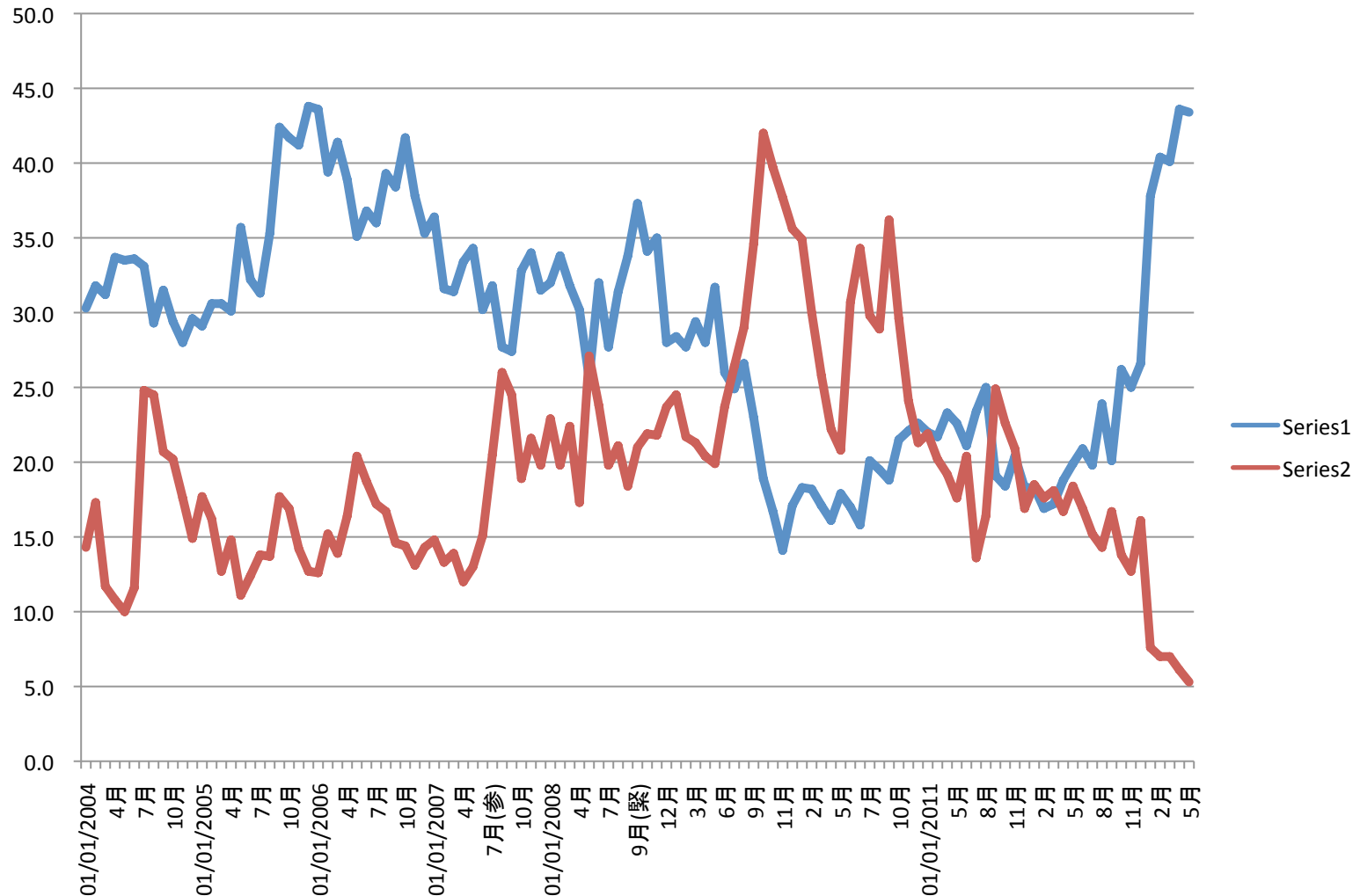


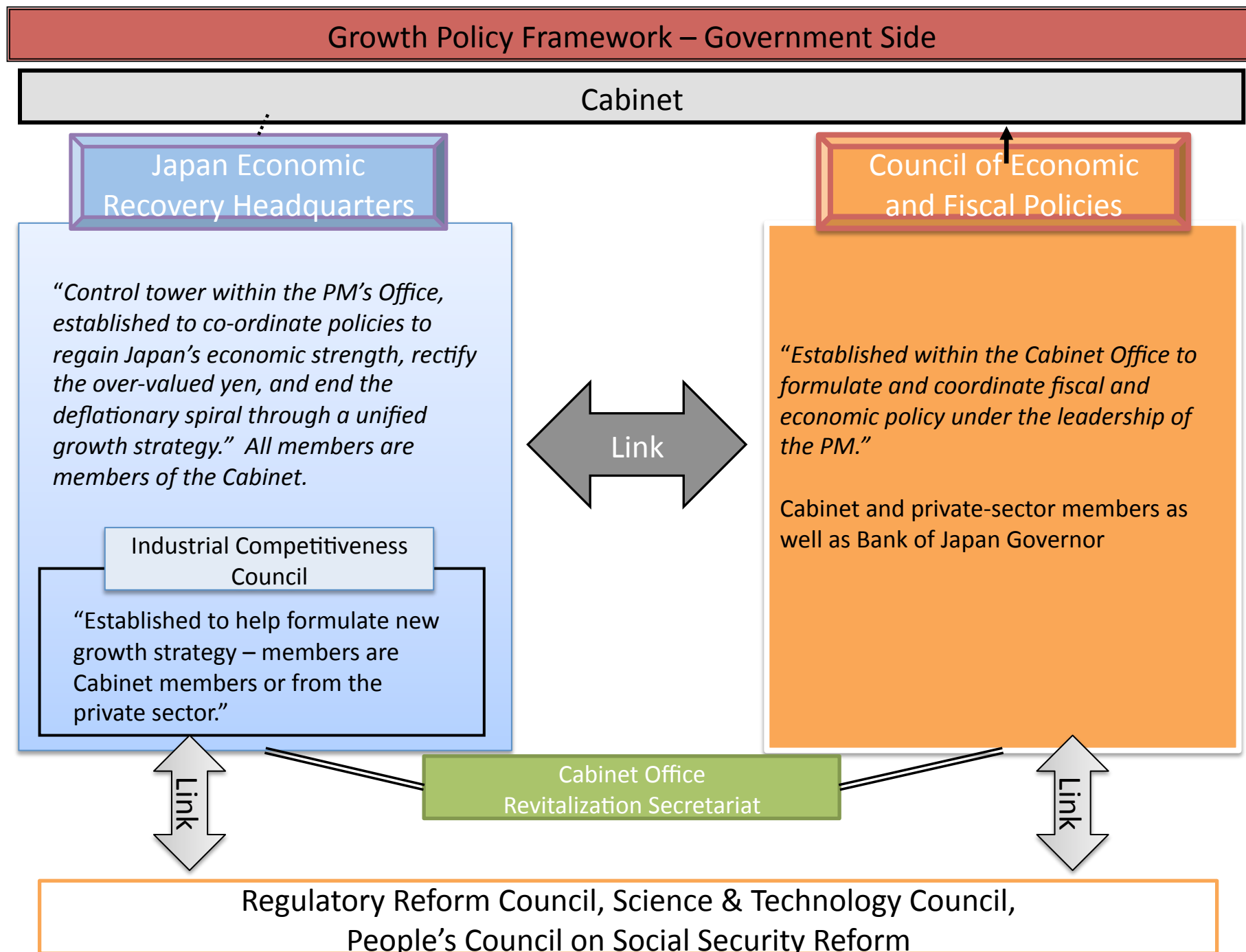


... stands out in comparison to
past prime ministers



Cabinet's popularity reinforces shift in fortunes between LDP and DPJ





Growth Policy Framework – Political Party Side

LDP Special Committee on Growth Strategy

Macroeconomics and finance (Leader, Kozo Yamamoto;
Deputies, Kiyoshi Odawara and Atsushi Koga)

Local economies (Leader, Kenichiro Ueno; Deputy,
Minoru Kihara)

Regulatory reform (Leader, Hideki Makihara; Deputy,
Hirotaka Ishihara)

Promotion of labour efficiency (Leader, Yoshihiko Isozaki;
Deputy, Yoshie Tanaka)

Reform to promote financial services market integration
(Leader, Seiji Kihara; Deputy, Takao Ochi)

Educational reform (Leader, Kentaro Sonoura; Deputy,
Yutaka Kumagai)

Industry strategy (Leader, Gaku Hasegawa; Deputy, Taku
Otsuka)

Research & development (Leader, Keisuke Suzuki;
Deputy, Gaku Hashimoto)

Growth Policy Framework - Government and Political Sides

Cabinet

Japan Economic
Recovery Headquarters

“Control tower within the PM’s Office, established to co-ordinate policies to regain Japan’s economic strength, rectify the over-valued yen, and end the deflationary spiral through a unified growth strategy. All members are members of the Cabinet”

Industrial Competitiveness
Council

“Established to help formulate new growth strategy – members are Cabinet members or from the private sector.”

Council of
Economic and
Fiscal Policies

“Established within the Cabinet Office to formulate and coordinate fiscal and economic policy under the leadership of the PM.”

Cabinet and private-sector members as well as Bank of Japan Governor

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Growth Strategy Committee

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Research & development (Leader, Keisuke Suzuki; Deputy, Gaku Hashimoto)

Cabinet Office
Revitalization Secretariat

Link

Link

Regulatory Reform Council, Science & Technology Council,
People’s Council on Social Security Reform

Industrial Competitiveness Council

current discussions

Industrial Revival

- Establish next 5 years as “urgent regulatory reform period”
- Corporate governance improvement
- Establish new forms of employment
- Extended childcare leave benefits
- Tax incentives for firms re-hiring after maternity/ paternity leave
- Strengthen IPR protection
- Facilitate entry of foreign skilled labor through revised visa point system
- Open private-sector use of “big data”

Innovation

- Establish a Japanese version of National Institute of Health and promote Japan as leader in clinical trials
- Revise the PAL and create a new “Regenerative Medicine Safety Law”
- Install incentive schemes for Individual citizens to undertake preventive care
- Allow sales of medicines and certain type of medical examination over the Internet
- Review Env. Assessment Law to allow swift deployment of “green” thermal plants
- Allow testing of new car models on public roads
- Facilitate introduction of hydrogen cars

Globalization

- Pursue free trade negotiations with RCEP, China Korea trilateral, ASEAN, EU and through TPP
- Promote export of agricultural products and establish new public body to force sale and accumulation of unused agricultural land
- Promote export of infrastructure projects
- Promote Japanese soft power through sale of food, music and culture

LDP Japan Phoenix Strategy

Innovation

- Investing ¥20 trillion in fuel cell technology, e-vehicle infrastructure, renewable energy promotion, health and medical treatment, urban agriculture
- Choose 10 areas where Japan can take the lead and invest ¥2 trillion in each over coming 2 years
- Establish new bonds to be used as part of PPPs with 10-year repayment period
- Increase competitive funds for research – pay only the most successful research projects as a “reward”
- Scale up the feed-in tariff, provide solar panels on all public schools
- Incentivize ICT for smart grids, medical care, and education
- Incentivize the construction of “eco houses”
- Facilitate use of skilled foreign labor
- Drastic education reform – 3 Japanese universities in world to top 10 by 2020

Openness

- FTA negotiations
- Japan to be “internationalized” to gather best people, things, and money from all over the world
- **Lower corporate tax to 20% global standard (0% tax rate in special zones)**
- New company law for public companies making independent directors mandatory. Introduce targets for women and foreign directors
- Align labor standards with global norms
- Promote regulatory reform (in agriculture and pharmaceuticals)
- Promote export of Japanese soft power
- Create Asian Bond Market and a new global regime to tackle climate change
- Super-JET program (50,000 teachers)
- Triple Japanese studying abroad
- Open Sky Agreements with ASEAN and EU. Allow cabotage. Eliminate foreign ownership restrictions
- Asian financial hub in Odaiba– Global 30 index to be introduced, Private Banking allowed, tax incentives to foreign fund managers
- Create the world’s largest SWF ¥30 tr

“Power up”

- Create local power-houses: centers for production and employment
- Establish 11 springboards for new companies in Japan with 0% corp. tax.
- 5-year tax holiday for new investment in Okinawa
- Triple the FDI to Japan in 5 years, from 3.6% of GDP today to >10% in 2015
- Promote decentralization through cloud computing
- Increase number of foreign tourists to 30 million annually in 2020
- Facilitate use of PFI in infrastructure projects
- Promote SMEs and venture companies through introduction of angel tax credits
- Make full use of the coming new ¥50 trillion medical care market
- Allow for mixed NHI and private insurance covered medical treatment
- Take full advantage of regenerative medicine
- Establish a Japan version of NIH and Japan FDA to promote clinical trials, and promote special administrative zones for the purpose
- Add urgently new child care facilities
- Create baby-sitter and “home care mama”-certification system

Regulatory Reform Council

Discussions

Health and Medical

- Allow for general drugs sales over the Internet
- Promote regenerative medicine – create rules for breeding and processing cells, rationalize treatment of genetic drugs, etc
- Introduce a labeling system for general health food products

Energy and Environment

- Revision of Assessment Law to promote new thermal power plants
- Promotion of renewable energy by establishing one-stop shop for wind power and solar development, operated by experts
- Allow same parking of gasoline and natural gas cars at gas stations and simplify rules on hydrogen fueling
- Promote recycling of plastic containers and wrapping

Entrepreneurship, etc

- Promote new ventures by setting rules, promoting cloud financing and rationalize internal financial disclosure
- Revise floor-area rules for new constructions and resolution requirements in partial ownership
- Promote test running on public roads of new car models
- Promote big data use by private firms
- Revise rules for industrial robots

Employment

- Introduction of specific employment types for certain locations and for certain types of occupation
- Re-evaluation of rules on fees for Hello Work-type services

Child-care

- Expand number of private actors providing child-care
- Provide financial support for non-authorized institutions
- Promote third-party evaluation
- Promote establishment of child-care facilities within firms for employees

Global best practice test

- Raise Japanese business practice to highest global level by international comparison
- Apply this to: health foods, natural gas fueling of autos, sales of drugs over the Internet, fee-based Hello Work services, private-sector use of “big data”, etc

Growth Policy Formulation process

