

Establishing a Path for Growth of the Japanese Economy

— Realizing Prosperous Living for the People —

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Keidanren

1. Preface

- ◆ The Japanese economy continues to recover steadily.
- ◆ Now that Japan has found a bright outlook for the future and is regaining "confidence in growth," Japanese companies have golden opportunities to take the initiative in creating new chances for growth and realizing affluent national life.
- ◆ Positioning the years until the 2020 Summer Olympics and Paralympics in Tokyo as an intensive period to lay the foundation of sustainable growth, both the public and private sectors should strive to realize the continuation of robust economic growth thereafter.
- ◆ We therefore propose a set of measures to bring Japan to a new stage of growth toward FY2030.

2. The "four goals" Japan should pursue

- (1) Sustainable growth of 3% in nominal terms and fiscal soundness.
- (2) "Positive cycle" in which expansion of corporate earnings will lead to the improvement of employment and household income.
- (3) Truly global economy.
("Trade- and investment-oriented Country" and "Tourism-oriented Country.")
- (4) Leadership with cutting-edge science and technology.
("Scientific and technological innovation-oriented Country.")

3. "Six engines": growth-promoting reforms

It is necessary to induce forward-looking corporate activities for the sake of realizing the “four goals” by steadily implementing reforms summarized as the following “six engines.”

- (1) Advancing globalization of the economy.
- (2) Accelerating innovation.
- (3) Discovering new domestic demand.
- (4) Enhancing the quality of human resources.
- (5) Establishing foundation of growth.
- (6) Strengthening the competitiveness of Japan as business hub.

3. “Six engines”

(1) Advancing globalization of the economy

Specific examples

- Promotion of economic partnership pacts
 - Trans-Pacific Partnership(TPP), Japan-China-South Korea Free Trade Agreement, Regional Comprehensive Economic Partnership(RCEP), Japan-EU Economic Partnership Agreement, Free Trade Area of the Asia-Pacific(FTAAP), etc.
- Promotion of package-style infrastructure exports
 - Promote marketing by top executives and utilization of private-sector human resources, etc.
- Promotion of Japan's contents and software businesses overseas
 - Promote international standardization strategies, support for promotion of Japan's contents overseas, etc.
- Urban redevelopment to create attractive cities and promotion of tourism
 - Rebuild transportation infrastructure, promote MICE (Meeting, Incentive Travel, Convention/Conference and Exhibition) strategies, etc.

3. "Six engines"

(2) Accelerating innovation

Specific examples

- Promotion of scientific and technological innovation
 - Achieve target for raising total government budget for R&D programs to 1% of Japan's gross domestic product or 25 trillion yen, reinforce support for R&D activities to put innovation into practical and commercial use, etc.
- Utilization of information and communication technology
 - Use big data, open data, cloud computing, etc.
- Promotion of "Future City Model Projects" launched by Keidanren
 - Demonstration experiments using selected technologies are under way in fields such as environment and energy, medical care, transportation infrastructure, and agriculture in 11 cities and regions across Japan since 2011.
 - Pursue results that lead to solutions to social problems, regional vitalization and changes in industrial systems.

3. "Six engines"

(3) Discovering new domestic demand

Specific examples

- Development of compact cities and smart cities
 - Change the industrial structure by creating new demand while improving productivity of regional industries by enhancing effects of gathering people, goods and capital.
- Development of agriculture into competitive and growth industry
 - Expand and streamline large-scale agriculture by consolidating farmland, partnerships among agriculture, commerce and industry, develop agriculture into so-called "sixth industry," reinforce exports, etc.
- Sweeping deregulation and regulatory reform
 - Speedily implement of business-friendly "National Strategic Special Zones," "Special System for Corporate Field Tests" and "System to Eliminate Regulatory Gray Zone Areas".

3. "Six engines"

(4) Enhancing the quality of human resources

Specific examples

- Foster global-minded human resources and those highly competent in science and engineering.
 - Upgrade English education at elementary and secondary schools, guarantee academic achievements required for students at time of completing high school education, promote internationalization of universities, etc.
- Promotion of active roles played by women
 - Companies support that from both qualitative and quantitative standpoints.
- Widely acceptance of foreign human resources in areas of expertise and technology
 - Further upgrade "point system" to encourage acceptance of highly competent foreign human resources, improve comprehensive acceptance system to promote long-term stay of them, etc.

3. "Six engines"

(5) Establishing foundation of growth

Specific examples

- Securing of stable energy supply
 - Draw up and implement road map to realize stable supply of electricity at economical prices in next three to five years or so, accelerate process toward resuming nuclear power plants operations based on safety-first principle.
 - Drastically review tax measures against global warming and feed-in tariff system for renewable energy, etc.
- Reshaping of fiscal and social security systems
 - Ensure consumption tax hike to 10% in October 2015, prioritize and streamline social security benefits, further reform government revenues and expenditures to turn primary balance into surplus by FY2020, etc.
- Introduction of a regional government system called "Doshu-sei," etc.
 - Promote reform for decentralization of power to establish wider-area local administrative system at early date.
 - Adopt effective measures to address falling birthrate, promote electronic administration, create diversified and flexible labor market, etc.

3. "Six engines"

(6) Strengthening the competitiveness of Japan as business hub

Specific examples

- Cut in effective corporate tax rate
 - Secure path toward prompt cut in effective corporate tax rate to 25%, comparable to rates in neighboring Asian nations.
- Infrastructure improvements aimed at enhancing competitiveness and national resilience
 - Improve core basic infrastructure such as roads, harbors and airports, and promote nationwide disaster management measures.
 - Actively use information and communication technology for maintenance of existing infrastructure, utilize public- and private-sector partnerships(PPP) and private finance initiatives(PFI) for infrastructure investments, etc.

4. Vision and Keidanren's resolve toward FY2030

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- ◆ By steadily implementing reforms summarized as the "six engines," it is highly possible for Japan to achieve average economic growth of 3% and 2% in nominal and real terms, respectively, between FY2014 and FY2030. The nation's nominal gross domestic product, valued at about 480 trillion yen at present, will grow to around 850 trillion yen in FY2030.
- ◆ At the same time, Japan will be able to turn its primary balance into surplus in FY2020. The ratio of long-term government debt to GDP will also drop.

	FY2015	FY2020	FY2030	Avg. (FY2014~FY2030)
Nominal GDP growth rate (Amount)	2.4% (¥514T)	3.3% (¥613T)	3.5% (¥847T)	3.3%
Real GDP growth rate (Amount)	0.8% (¥544T)	1.5% (¥582T)	2.3% (¥711T)	1.8%
Primary balance to GDP ratio	▲3.2%	0.2%	5.2%	—
Long-term debt (% of GDP)	¥1,024T (200%)	¥1,155T (188%)	¥1,355T (160%)	—

- ◆ Keidanren is resolved to realize these outlooks by doing its utmost to accelerate innovation and create new growth opportunities in pursuit of more prosperous living for the people.