

New Growth Strategy Envisaged for the Post-Economic Crisis Period

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Nippon Keidanren

Main Points of the Growth Strategy

Five fields in which new demand is expected

1. Ongoing growth in Asian countries
2. Contributing to the resolution of resource, environment, and energy problems
3. Putting information and communications technology (ICT) to good use
4. Addressing the declining birth rate and aging society
5. Realizing the potential of regional areas

Three pillars of policy to support sustained growth

1. Further strengthening of internationally competitive industries
2. Creation and fostering of the development of wellsprings of growth capability
3. Utilization of a diverse workforce and the enhancement of its quality

Japan's Current Status and Issues to Address

1. Growth based on greater dependence on external demand

The Japanese economy was more heavily impacted by the global recession than any other major industrialized country. Consumer spending and housing investment are sluggish as a result of the deteriorating employment situation.

2. Inadequate growth capacity in domestic demand, and population decline

Japan's 2000–2008 nominal rate of economic growth averaged 0.2% annually, i.e., almost zero.

3. Raising of service-sector productivity

The raising of productivity in the service sector, e.g., by putting ICT to good use, must be addressed.

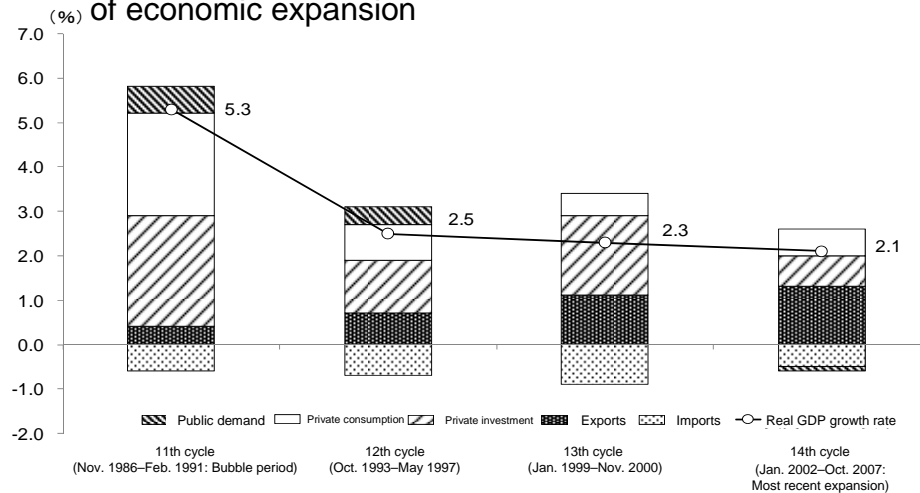
4. Relative decline in regional economies

The foundation of Japan's regional economies has been weakened by the transfer overseas of corporate production bases and government cuts in public works.

5. Lack of liquidity and flexibility in the labor market

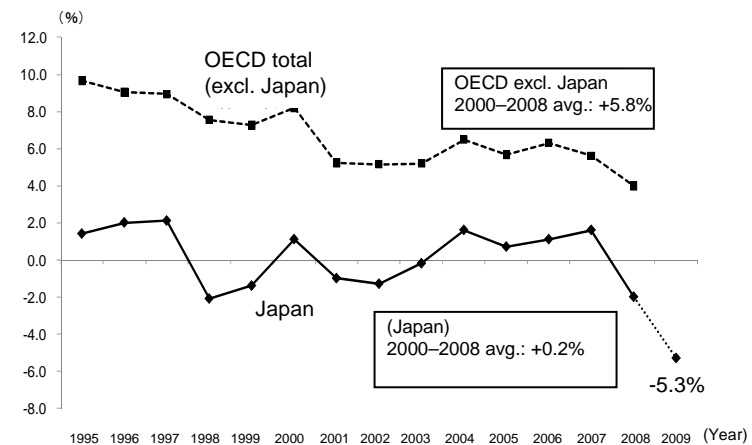
The declining working-age population makes it difficult to secure manpower necessary to maintain social and economic systems in the future, and at present there is increasing employment mismatching.

Contributions to the real GDP growth rate during periods of economic expansion



Note: Private investment = Private non-residential investment + Private residential investment + Private inventory
Source: Ministry of Internal Affairs and Communications

Japan's and other major countries' nominal economic growth rates



Note: The 2009 figure for Japan is a forecast.
Sources: Economic Outlook, OECD; National Accounts, Cabinet Office.

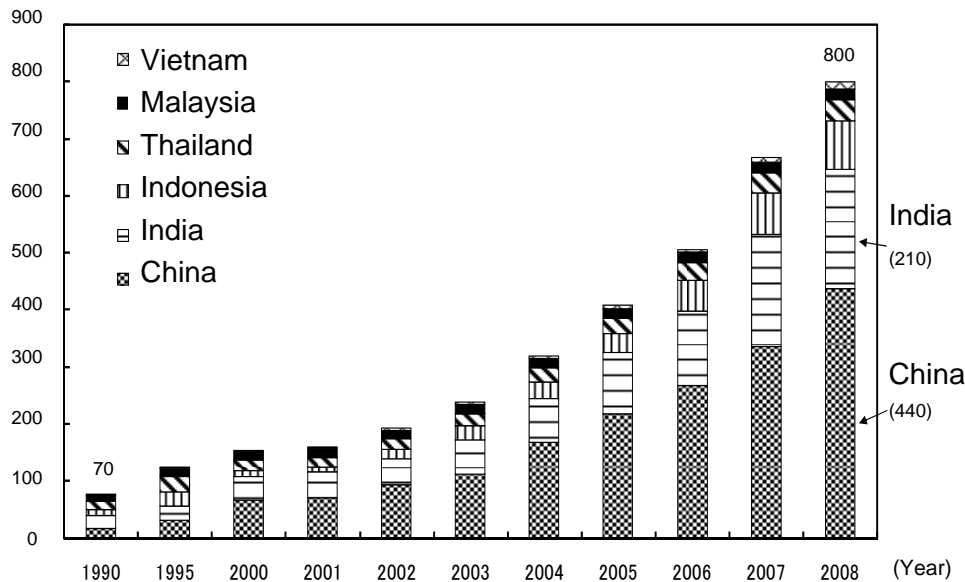
Verification of Fields in Which New Demand is Expected, and Necessary Measures

1. Ongoing growth in Asian countries

The middle income class in Asian countries is forecast to expand, increasing demand for consumer durables and other goods.

Necessary measures: The geographical expansion and quality enhancement of economic partnership networks formed by concluding EPAs/FTAs, development of wide-area logistics infrastructure, etc.

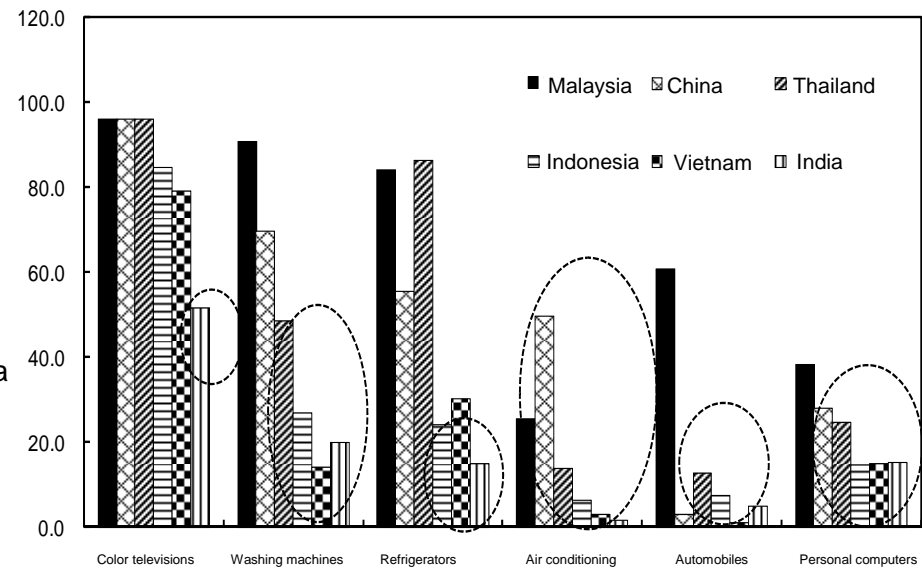
Trend of the middle income class in Asian countries
(Million people)



Note: Derived from "the ratio of households with household disposable income of between \$5,001 and \$35,000 x population."

Source: *World Consumer Lifestyles Databook 2009*, Euromonitor International.

Rate of diffusion of consumer durables in Asian countries (2008)
(Units/100 households)



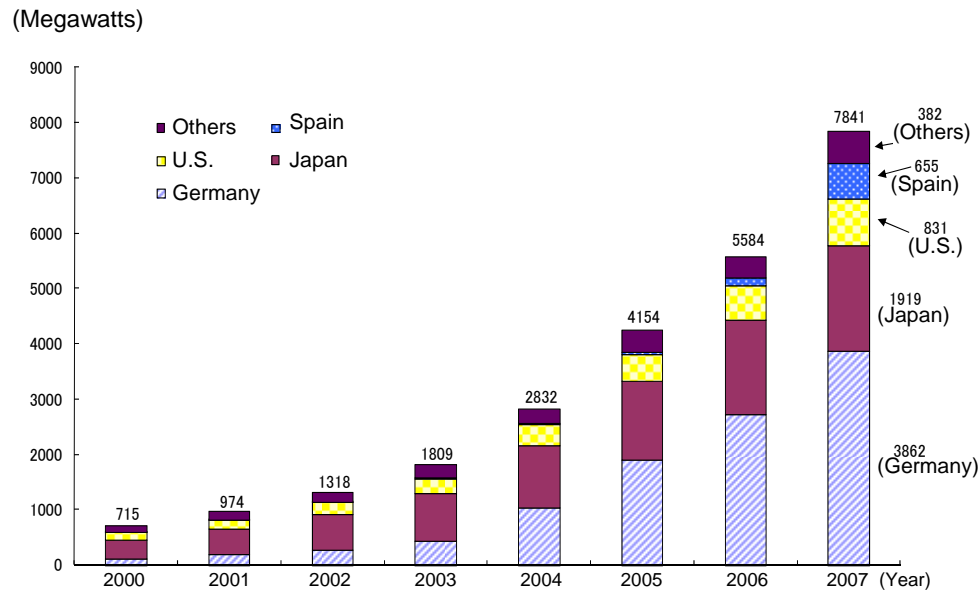
Source: *World Consumer Lifestyles Databook 2009*, Euromonitor International.

2. Contributing to the resolution of resource, environmental, and energy problems

In environment-related fields such as environmental equipment, solar power generation, nuclear power generation, energy-saving products and buildings, and water business, it is expected that the technical capabilities of Japanese companies will capture both domestic and overseas demand.

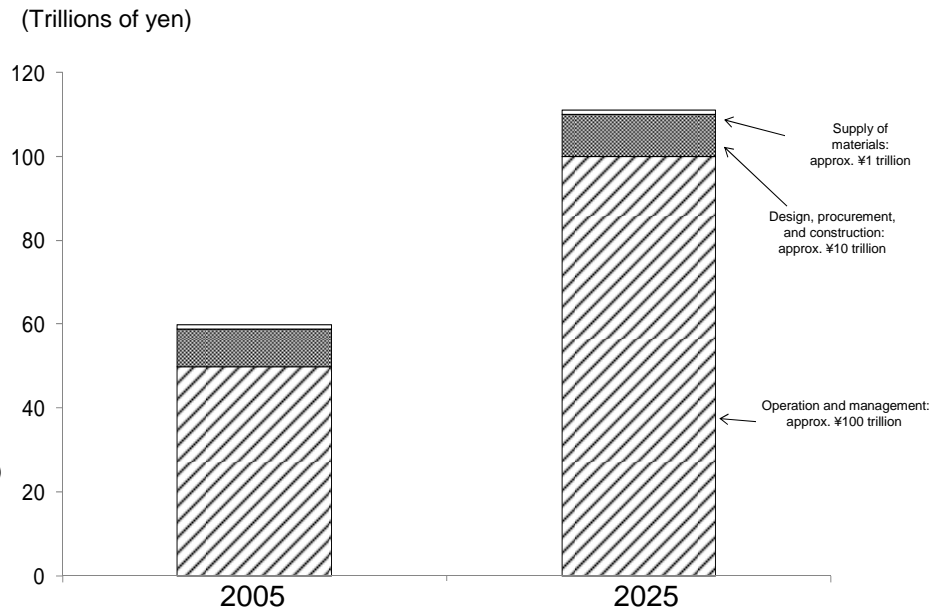
Necessary measures: The protection of intellectual property rights; R&D and human resource development through industry-academia-government collaboration; personnel and financial cooperation with, and assistance with infrastructural development to, countries that intend to introduce nuclear power generation; the implementation of measures to aid the diffusion of energy-saving products and buildings; the development of national strategies and promotional structures for the water business, etc.

Cumulative quantity of solar power generation systems introduced



Source: Trends in Photovoltaic Applications: Survey report of selected IEA countries between 1992 and 2007, IEA.

Market scale of water business



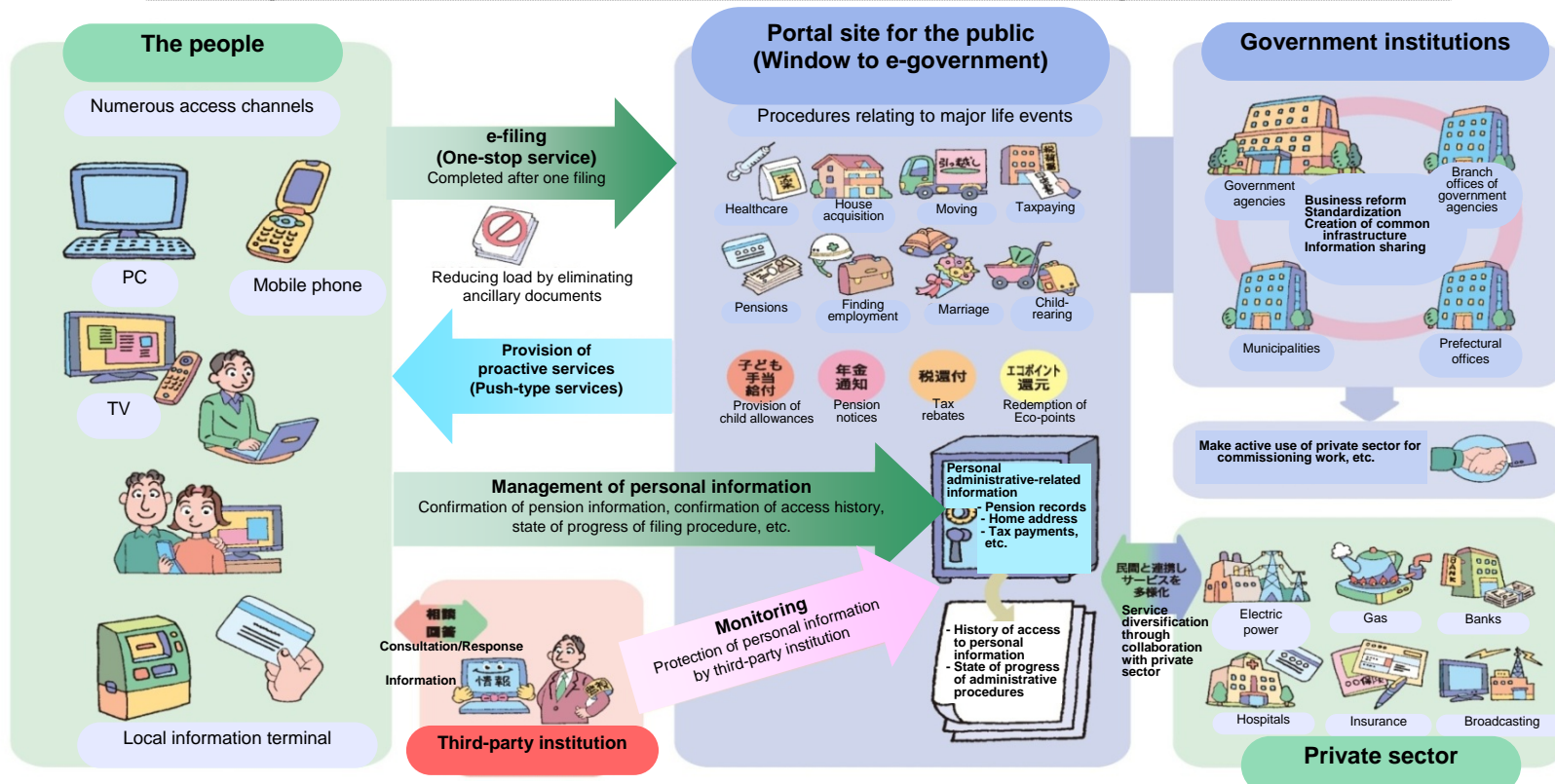
Source: Council on Competitiveness-Nippon.

3. Putting ICT to good use

To enhance Japan's competitiveness across the board, it is important to promote beneficial use of ICT and to take steps to increase productivity.

Necessary measures: The drafting and implementation of a comprehensive national strategy to achieve the development, effective use, and international deployment of technologies (including the promotion of e-government premised on the use of a system of common numbers for the tax and social security systems, and the digitization of medical care information).

Diagrammatic representation of e-government

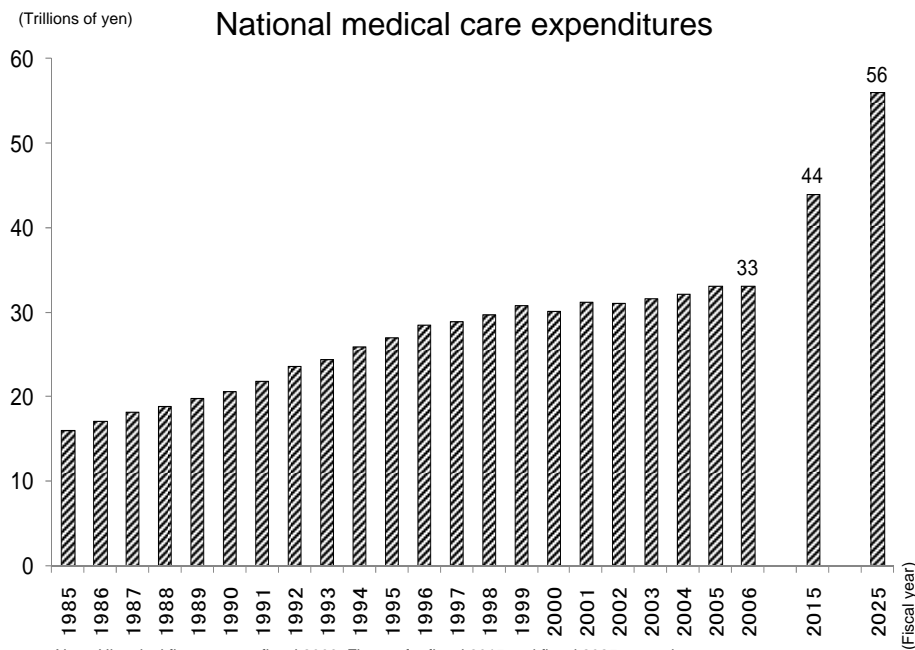


From the pamphlet *Denshi gyosei ga tsukuru kokumin honi no arata na seifu no sugata* [The configuration of the new people-based national government created by e-government], published by the Keizai Koho Center.

4. Addressing the declining birth rate and aging society

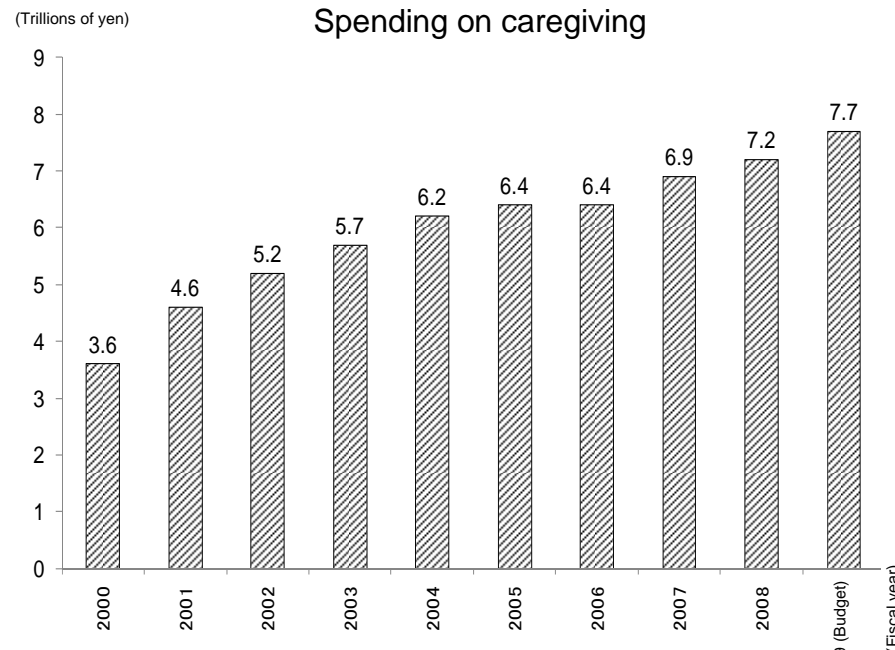
It is important to develop the service-provision structure effectively and efficiently to meet the forecast increase in demand in the fields of medical care and caregiving. Also, demand is expected to rise in fields such as business for the elderly, child daycare, and education, owing to improvements in social security, regulatory reform, and other factors.

Necessary measures: The resolution of the shortage of healthcare staff, improvement of the treatment of caregivers and their working environment, enhancement of social security so as to stimulate consumption by senior citizens, the revision of regulations governing entry into the field of child daycare, intergovernmental negotiations towards the easing of regulations governing foreign capital participation in the field of education, etc.



Note: Historical figures up to fiscal 2006. Figures for fiscal 2015 and fiscal 2025 are estimates.

Source: Ministry of Health, Labour and Welfare.



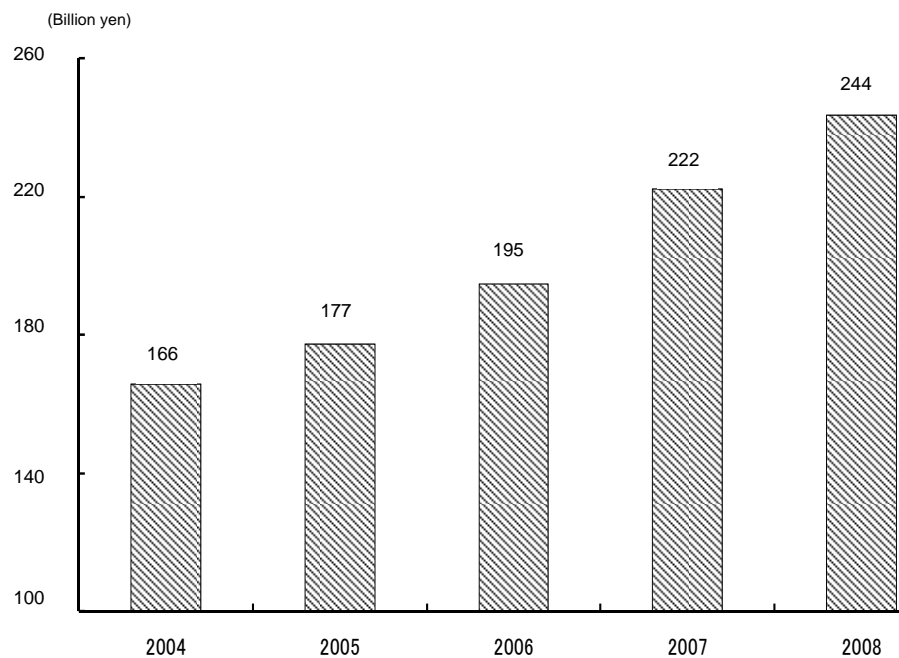
Source: Ministry of Health, Labour and Welfare.

5. Realizing the potential of regional areas

We should aim to generate greater demand in fields linked closely to regional communities, such as agriculture and tourism.

Necessary measures: The securing and effective use of agriculture land through the steady enforcement of the revised Agricultural Land Act, the upgrading and enhancement of the efficiency of agricultural management to increase value-added and reduce costs, the stimulation of tourism demand through the combination of agriculture, medical care, and other elements, the creation of attractive sightseeing areas and development of related infrastructure, etc.

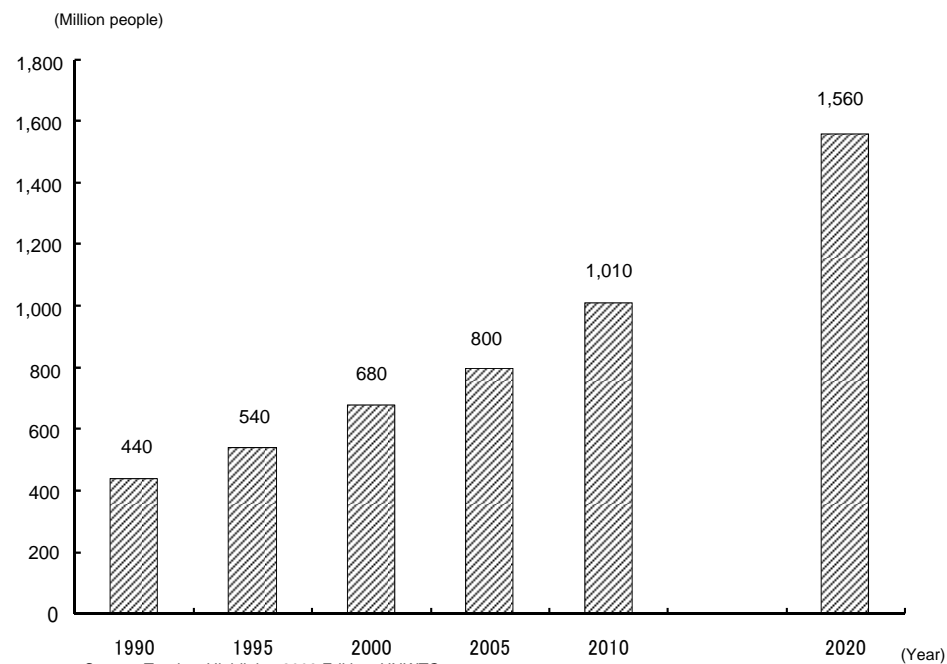
Japanese exports of agricultural produce



Note: Excluding alcoholic beverages, tobacco, and pearls.

Source: Ministry of Agriculture, Forestry and Fisheries.

No. of people globally undertaking foreign travel



Source: Tourism Highlights 2008 Edition, UNWTO.

Estimate of Job-Creation Effects

1. Effects of job-creation resulting from growth in Asia

If the GDP of 11 Asian countries and territories* rises by 1%, through an increase in exports, Japan will gain some 84,000 jobs.

As those countries and territories achieved GDP growth of 15.5% in 2008, some 1.3 million jobs are estimated to have been created in Japan as a result.

2. Job-creation effects in the medical care and caregiving field

If the service level in 2007 remains in 2030, approximately 1.7 million additional jobs would be created.

3. Job-creation effects in industries related to solar power generation

If Japan's production of solar cells increases its global market share from the current one-quarter to one-third in 2020, a maximum of some 110,000 jobs would be created (according to the report of the Ministry of Economy, Trade and Industry's Study Group on Solar System Industry Strategy).

* China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam, and India.

Sustainable Growth amid Global Competition

—Desirable Forms of Economic Policy—

1. Further strengthening of internationally competitive industries

- (1) Establishment of a tax regime that encourages economic growth
 - i) Lowering of effective tax rates on business corporations
 - ii) Strengthening of tax measures designed to promote innovation, etc.
 - iii) The development of an international taxation system to address the development of business activity internationally
- (2) Promotion of innovation based on knowledge-creation and innovative technological development
 - i) Priority investment in basic research and innovative technologies that contribute to the enhancement of industrial competitiveness under a strong national promotion structure
 - ii) The development of human resources capable of leading next-generation science and technology
- (3) Development of business infrastructure in other parts of Asia
 - i) The geographical expansion and quality enhancement of economic partnership networks formed by concluding EPAs/FTAs
 - ii) The elimination of inequality and development of infrastructure in emerging countries through such means as financing by private-sector financial institutions and governmental institutions
 - iii) The development and harmonization of relevant legal systems and strengthening of the protection of intellectual property rights
 - iv) The invigoration of consumer markets and enhancement of their presence within the Asian region

2. Creation and fostering of the development of wellsprings of growth capability—Nurturing new domestic demand into the next pillars of external demand—

- (1) The realization of people's and companies' potentialities by promoting regulatory reform
- (2) The eradication of people's unease about the future by means of radical measures to counter Japan's declining birth rate and of the building of a reliable social security system that gives peace of mind
- (3) The enhancement of the competitiveness of the service sector
 - i) The enhancement of workforce skills through selection and concentration and astute use of ICT
 - ii) The entire rebuilding of society by such means as infrastructure development and the revision of urban planning
 - iii) The use of wide-area alliances with the aim of establishing *doshu-sei* (integration of prefectures into regional government bodies that form a federation) in Japan
 - iv) The provision of information and financial support for the launch of business activity overseas
- (4) The development and invigoration of financial and capital markets
 - i) Promotion of efficient management of Japan's financial assets
 - ii) The mutual development of indirect and direct financial markets
 - iii) The improvement of financial and capital markets to enable them to cater to the demand for funds by Asian countries projected to achieve high growth

3. Utilization of a diverse workforce and enhancement of its quality

(1) Raising of the labor-force participation rate

- i) The implementation of radical measures to counter Japan's declining birth rate, e.g., by enhancing child-rearing assistance measures, and the promotion of labor market participation by women, elderly people, etc., through such means as steps to ensure an acceptable balance between work and private life
- ii) The acceptance of overseas personnel who have certain qualifications and skills

(2) Elimination of current mismatching in the labor market

- i) The development and implementation of public training programs
- ii) The creation of establishments for one-stop job-seeking

(3) Assurance of diversity in work styles

- i) Assurance of diverse job opportunities and job types
- ii) Flexible revision of safety-net measures such as social insurance and employment insurance systems, and of measures for public job training and capacity building, etc.