

On the New Growth Strategy (Basic Policies)

December 30, 2009

Cabinet Decision

The Cabinet hereby issues the New Growth Strategy (Basic Policies) as described in the attached materials.

The New Growth Strategy (Basic Policies)

Toward a Radiant Japan

December 30, 2009

Contents

1. DECLARATION OF LEADERSHIP FOR NEW DEMAND CREATION 1

A once-in-a-century opportunity 1

Two fallacies 3

The third Approach: A growth strategy to create new demand and employment 5

Two innovations toward becoming a problem-solving country 6

Regaining Japan's radiance 7

2. BASIC POLICIES AND TARGETED OUTCOMES FOR SIX STRATEGIC AREAS 9

Growth Driven by Japan's Strengths 10

(1) Strategy for becoming an environment and energy power through

“green innovation” 10

Putting Japan's world-leading technology to use 11

Toward becoming the world's top environment and energy power through a comprehensive policy package 11

Growth from green innovation and securing support resources 12

Lifestyle reforms through improving the comfort and quality of life 13

Creating green cities by promoting the rebuilding and remodeling of superannuated buildings 14

Model to reform the socioeconomic structure from local areas 14

(2) Health power strategy through “life innovation” 15

Turning medical, nursing care, and other health-related industries into growth-driving industries 16

Promoting research and development of innovative pharmaceuticals and medical and nursing care technologies from Japan 17

Boosting expansion to Asian and other overseas markets 17

Promoting the availability of barrier-free housing 18

Stronger foundations of medical and nursing care services to eliminate anxiety and for an enjoyable life 18

Realizing a secure life for the elderly in local regions 19

Achieving Growth by Pioneering New Frontiers 20

(3) Asian economic strategy 20

Japan: Growing as a “bridge nation” 21

Making full use of Japan’s strengths in Asian markets 21

Japan as a “bridge nation to Asia” 22

Creation of a seamless Asian market 22

Extension of Japan’s standards for “safety and security” in Asia 23

Spreading Japan’s “safety and security” technologies throughout Asia and the world 23

Domestic reforms to unify with the Asian market and doubled flows of people, goods, and money between Japan and the world 24

Expanding growth opportunities by doubling the income of Asia 25

(4) Strategies for promoting a tourism-oriented nation and local revitalization 26

Promoting a tourism-oriented nation 26

Tourism, a sure means of local revitalization at a time when the birthrate is declining and the

population is aging 26

25 million foreign visitors per year by the beginning of 2020 27

Staggering vacation times 28

Revitalizing rural cities and towns by utilizing regional resources; revitalizing big cities to serve as engines of growth 29

Changing the direction of regional policy 29

“Midori no Bunken Kaikaku” and other measures 30

Promoting the concept of Autonomous Settlement Regions and other measures 31

Revitalization of big cities 31

Strategically maintaining and managing social capital and other measures 32

Turning agriculture, forestry, and fisheries into growth industries 33

A host of challenges in agriculture, forestry, and fisheries 34

Activating latent capacity for growth by utilizing regional resources and developing technology 34

Revitalizing forests and forestry 35

Expansion of exports through negotiations on quarantine inspections, opening of new sales routes, and other measures 35

Formulating a future vision concerning food from a broad range of perspectives 36

A shift to housing policies that emphasize the housing inventory 36

Invigorating investment in housing 37

Improving the environment for markets for preexisting housing, remodeling, and the like 37

Promoting renovations to make housing and other buildings earthquake-resistant 38

Platforms to Support Growth 39

(5) Science-and-technology-oriented nation strategy 39

Japan, a nation brimming with know-how and human resources 40

Improving the capacity for growth by applying scientific and technological strengths 40

Improving the environment for research and conditions for fostering innovation and reinforcing systems to promote such efforts 41

Japan, an IT-oriented nation 42

Information and communications technology as a foundation for innovation 42

Improving citizens' daily lives and enhancing international competitiveness through the use of information and communications technology 43

(6) Employment and human resources strategies 44

Japan, a nation where everyone has a role to play and a place to belong 44

Employment to provide support for increased domestic demand and the capacity for growth 45

Citizen participation and support for a "New Public Commons" 46

Providing a "trampoline-style" safety net to support the capacity for growth 47

Generating local employment and ensuring "decent work" 47

Japan, a nation full of joyful children 48

Children as a source of growth 49

Maintaining vitality amid the population decline and super-aging of society 50

Expanding the pool of talent through high-quality education 52

**3. ECONOMIC MANAGEMENT AIMED AT IMPROVING THE PEOPLE'S LIVES
AND FUTURE MEASURES 54**

(1) Macroeconomic management 54

(2) Future moves toward the compilation of the New Growth Strategy 56

Specifying and adding goals and measures 56

*Setting a timetable for the "Growth Strategy Implementation Plan" and ensuring policy
realization* 57

The New Growth Strategy (Basic Policies)

1. DECLARATION OF LEADERSHIP FOR NEW DEMAND CREATION

A once-in-a-century opportunity

Japan is presently inside a long tunnel of decline. The Japanese economy has continued to stagnate for nearly 20 years since the collapse of the bubble economy at the beginning of the 1990s. Our growth rate has fallen far behind those of other nations of Asia, the United States, and other Western countries. The economy has been struck by a sense of impasse. The citizenry have lost their former confidence, and are withering under vague apprehensions about the future. The nation as a whole is losing its radiance.

Japan achieved miraculous economic growth in the postwar era. One reason for this was that we had the United States, an economic superpower, as a target toward which to strive. The people, firms, politicians, and government officials devoted all their strength toward this common goal, and as a result, Japan became the second largest economy on earth. In the 1980s, however, just as Japan surpassed the United States in terms of per capita gross domestic product, we entered an economic bubble, which subsequently burst. We had dreamed of “the cloud over the hill” and climbed up the mountain to reach

that promised goal, but the nation lost its purpose at the very moment we reached the summit.

Japan is now being pressed by major problems right before us. The Lehman shock, which resulted from reckless financial market activity, has left great scars in Japanese industry and the lives of individual Japanese. Tax revenues are below the amount of government bond issuances, and government finances have degraded to conditions similar to those at the end of the war 65 years ago. Moreover, we are rapidly becoming an aged society with a low birth rate.

What is the essence of these failures? They stem from a lack of political leadership and inadequate policy implementation. Over the past decade alone, former administrations have announced more than a dozen “strategies” that have all been buried and forgotten without implementation. Nevertheless, symptomatic treatments have continued under a structure of collusion among politicians, bureaucracy, and industry.

What is needed today above all is the political leadership to clearly present a future vision of the nation to the people, build a national consensus, and push forward with policies toward achieving the vision’s goals. Amid an economic crisis of the kind that is said to occur but once in a hundred years, the Japanese people have cast off their longstanding bonds through their own votes and

chosen the administration of the Democratic Party of Japan's Yukio Hatoyama. With its birth, this new administration has seized the rudder to turn the nation toward realizing an economy for the people. This is a once-in-a century opportunity.

Two fallacies

Two approaches that led to success came to bind Japan's economic policy.

The first approach was economic growth through public works. From the end of the war through the high-growth era of the 1960s and into the 1970s, nation building and town building via public works was effective as a growth strategy exhibiting future vision. Workers moved from low-productivity farm belts into urban areas, found employment in higher-productivity manufacturing industries, and increased consumption (demand), and the Japanese economy expanded. Amid this growth in the nation's aggregate demand, public investment in bullet trains, highways, and other transportation infrastructure had a great investment effect and itself made a large contribution to Japan's economic growth.

From the 1980s, however, as the infrastructure became more complete, the framework whereby tax revenues from the large cities were distributed to the countryside as construction budgets for uniform public works projects became established as the civil engineering and construction state model. This gave

rise to a structure of kickbacks on contracts paid for with taxes, with the money shared between politicians and bureaucrats. While these public works did uphold employment in farming districts and narrow disparities between urban and rural areas, they also deprived regions of their independent socioeconomic foundations. As a result, the public works did not lead to economic growth in Japan as a whole and left behind a massive government deficit.

The second approach was the supply-side growth strategy of improving productivity promoted in the name of “structural reforms” during the 2000s. The approach was to take advantage of market principles by advancing deregulation and labor market liberalization to boost enterprise productivity toward the goal of economic growth while simultaneously privatizing public financial institutions.

This did improve productivity at some companies, but wealth became concentrated only in the chosen firms and a growing number of small and medium-sized enterprises went out of business. It also failed to reinforce financial functions and did not serve to raise national income overall, resulting in empty growth with continued demand stagnation. Expanded economic disparity as represented by the so-called working poor became a social problem, and the nation’s growth potential declined.

The third approach: A growth strategy to create new demand and employment

We have decided to advance a third approach, which is neither the first approach of relying on public works and government spending nor the second of excessive market fundamentalism. This is the New Growth Strategy, which is primarily aimed at improving citizen's lifestyles, generating employment by creating over ¥100 trillion in new demand from the environmental, health, and tourism industries by 2020.

Unlike the old developing-country model of economic management aimed at "the cloud over the hill," the New Growth Strategy will manifest a Japan that can live together with other nations in Asia as a country that solves global-scale problems.

The financial crisis that began in the United States in 2008 has changed the structure of the world economy. Now that demand has evaporated in the United States and across the globe, even if efforts are made to produce and sell goods as in the past, the demand to absorb them no longer exists. We must respond to this new reality.

Looking at the present conditions of the Japanese economy, there is a definite domestic supply-demand gap. Japan's nominal GDP, which reached ¥515 trillion in fiscal 2007, is expected to decline to ¥473 trillion (in fiscal 2009). Yet when we look at the problems in the people's lives head on, we find there is

vast latent demand in their resolution.

Two innovations toward becoming a problem-solving country

The first area comprises global warming (energy) measures. By moving Japan toward becoming a world-leading low-carbon society, new demand will be generated across a wide range of fields including lifestyles, the transportation sector, and urban development.

The second area comprises measures that respond to the aging of society with a low birth rate. The goal is to make Japan a healthcare superpower, so the Japanese people can raise children with peace of mind and live long lives with good physical and mental health, which are the common desires of all humanity. Coming up with prescriptions for these issues will reform society, foster new value, and consequently create employment.

Making Japan a model country that leads the world in solving problems will be directly tied to strengthening the nation's research and development capabilities and the foundations of its enterprises. Generating a virtuous cycle of demand creation and strengthened supply capacity is essential in order to break away from deflation.

The role of government in creating such a system is a key to the Growth Strategy. In addition to supporting human-resource development and

technology development for “green innovation,” “life innovation,” and other areas as strategic innovation fields, government must generate demand while simultaneously moving to change the social rules from the standpoint of the users. Government must also support individuals who take on challenges in new fields. Rather than excessive reliance on fiscal policy, we must pursue a superior combination of rule improvement and support for market creation while promoting the use of domestic and foreign financial assets.

We will work to spread technologies and systems that lead to social reform throughout the Asian region and the rest of the world. This can be called the creation of demand in Asia through the export of problem-solving prescriptions (the export of systems) from Japan. Incorporating the vitality of Asia, which is the world’s growth center, and living together with other Asian countries will become sources of vigor for a new Japan. To change Japan into an attractive country open to the world, we must make selective concentrated public investments in our ports, airports, and other entrances to the nation for people, goods, and money.

Regaining Japan’s radiance

“Defeat in war itself is not necessarily a calamity. The issue is how this is received by the people and what awareness they bring as they stand anew.” When Shigeru Nambara, who was president of the University of Tokyo, welcomed students returning from battle in 1945 at the end of the Second

World War, he urged them: “Have hope, and do not lose sight of your ideals.”

He called on them to build a new Japan.

Sixty-five years later, as we once again face a grave ordeal, the time has come to return to the principle of enlightened rule for the relief of the people. We must re-establish security and true wealth in people’s lives. We are proposing happiness and satisfaction as new indices and values. In realizing the New Growth Strategy, we will foster individuals who can bear responsibility for a “New Public Commons” including community development, culture, and the arts, and a nation in which everyone has a sense of belonging.

We are proposing to the world the establishment of an “economy for the people.” This is the historical mission of the new administration.

History must create itself, so that Japan can once again regain its radiance.

We implement this New Growth Strategy looking ahead 10 years into the future, toward the year 2020.

2. BASIC POLICIES AND TARGETED OUTCOMES FOR SIX STRATEGIC AREAS

The Japanese people enjoy the longest life expectancy and best health in the world, and Japan is known as an environmental power, a nation of science and technology, and a country with outstanding public safety. There are ample opportunities for growth combining these fundamental strengths with the nation's individual financial assets (¥1.4 quadrillion) and its housing, real estate, and other tangible assets (¥1 quadrillion), by positioning other parts of Asia and regions inside Japan as growth frontiers. Japan also has extremely high potential as a tourist destination, with abundant resources including natural beauty, cultural heritage, and regional diversity. Moreover, science and technology as well as employment and human resources are platforms to support growth. A strategy founded on a long-term viewpoint is required for continuous growth.

Based on the above perspectives, Japan's New Growth Strategy clarifies the directions for the following strategic areas, centered on the principal measures and the targets to reach by 2020.

- Growth areas driven by Japan's strengths (environment and energy; health)
- Growth areas driven by pioneering new frontiers (Asia; tourism and local

revitalization)

- Platforms to support growth (science and technology; employment and human resources)

Growth Driven by Japan's Strengths

- (1) Strategy for becoming an environment and energy power through “green innovation”

[Targets to reach by 2020]

Create over ¥50 trillion in new environment-related markets and 1.4 million new environment sector jobs. Reduce worldwide greenhouse gas emissions by at least 1.3 billion tons of CO₂ equivalent (equivalent to the total emissions of Japan) using Japanese private-sector technology.

[Principal measures]

- Spread renewable energy by expanding electric power feed-in tariffs, etc.
- Turn homes, offices, etc. into zero-emission structures through the spread of eco-housing, heat pumps, etc.
- Speed development of innovative technologies including storage batteries, next-generation automobiles, and improved thermal power plant efficiency.
- Implement intensive investment project for realizing a low-carbon society via a comprehensive policy package including regulatory reforms and the greening of the tax system.

Putting Japan's world-leading technology to use

Japan overcame the pollution problem, a negative aspect of the high-growth era, and the two oil crises by using these challenges as opportunities for technological innovation, and the country acquired the world's highest-level environmental technologies.

Today, however, Japan is failing to capitalize on natural strengths in the environmental field under environmental policies that lack international competition strategies. This is symbolized by the fact that Japanese photovoltaic power generation, which was foremost in the world until a few years ago, is now lagging Spain and Germany.

Toward becoming the world's top environment and energy power through a comprehensive policy package

The climate change problem has already exceeded the range that can be addressed by individual element technologies. It is now essential to promote the creation of a low-carbon society through a comprehensive policy package including new systems design, systems changes, new regulations, and regulatory reform, and to support the rapid spread and expansion of environmental technologies and products.

Accordingly, we will spread and promote top-level environmental technologies in Japan by advancing "green innovation" (innovation in the

environment and energy sectors) and with a comprehensive policy package. We will also aim at making Japan the foremost global environment and energy power.

Japan will play a leading role in a low-carbon society, having set a Japanese target of reducing greenhouse gas emissions by 25 percent by 2020 compared to the 1990 level; this target is premised on the creation of a fair and effective international framework that includes all major economies and an agreement on ambitious targets by each of them. Under an initiative to be known as "Challenge 25," Japan will mobilize all possible policy tools to advance this initiative together with the Japanese people.

Growth from green innovation and securing support resources

Japan will be transformed into a low-carbon economy and society through measures to support the spread and expansion of renewable energies (solar, wind, small-scale hydroelectric, biomass, geothermal, etc.) by expanding the electric power feed-in tariff system, promoting low-carbon investment and financing, and expanding the use of information and communications technologies. We will also steadily pursue the use of nuclear power, while gaining the understanding and trust of the Japanese people, with safety as the top priority.

We will speed the development of innovative technologies including storage

batteries, next-generation vehicles, improved thermal power plant efficiency, and information and communications systems with lower electric power consumption. Moreover, we will realize comprehensive greenhouse gas emissions reductions in the transportation and household sectors by promoting modal shifts, encouraging the use of energy-conserving consumer electronics, and the like.

We will achieve efficient electric power supply and demand through a Japanese-version smart grid linking electric power suppliers and electricity users via information systems, and spark new demand through related equipment in households, promoting this as a growth area. We will also support the acquisition of share in related growth markets overseas.

We will realize complete cyclical use of domestic resources by promoting recycling, promoting technological development of rare metals and rare earth elements that can replace existing energy resources, and advancing a comprehensive strategy to secure resources and energy.

Lifestyle reforms through improving the comfort and quality of life

We will promote zero-emission homes, offices, and other facilities through the spread of eco-housing, the expanded use of renewable energies, the spread and expansion of heat pumps, and the 100% adoption of light-emitting diodes (LEDs), organic electroluminescent displays, and other forms of

next-generation lighting. This will also be directly linked to improving the comfort of living spaces and the quality of life, and it will constitute the start of a major voluntary shift toward low-carbon lifestyles.

An environmental concierge system providing advice to individual households will be established to promote the realization of zero emissions in the household sector.

Creating green cities by promoting the rebuilding and remodeling of superannuated buildings

To make Japan's urban areas into green cities with low greenhouse gas emissions, we will fundamentally revise the approach to urban planning, urban renewal, and urban redevelopment from an environmental and low-carbon perspective while clarifying the approach toward medium- to long-term environmental standards.

We will also devise the necessary deregulation and support measures to promote the redevelopment, rebuilding, and remodeling of superannuated office buildings and other structures that have problems relating to greenhouse gas emissions and safety.

Model to reform the socioeconomic structure from local areas

We will support initiatives to create an eco-friendly society. These will include

promoting the use of public transportation and other measures to create low-carbon urban and regional structures, advancing renewable energies and constructing a smart grid to support them, realizing thorough and appropriate resource recycling, utilizing information and communications technologies, and turning homes and other buildings into zero-emission structures. To such ends, we will implement intensive investment project with the environment, health, and tourism as the main pillars, making use of a comprehensive policy package including regulatory reforms and green tax reforms. This will be the first step toward the transformation to a sustainable socioeconomic structure originating from self-supporting local regions.

Through the comprehensive implementation of these measures, we will aim by 2020 to create over ¥50 trillion in new environment-related markets and 1.4 million new environment sector jobs, and to reduce worldwide greenhouse gas emissions by at least 1.3 billion tons of CO₂ equivalent (equivalent to the total emissions of Japan) using Japanese private-sector technology.

(2) Health power strategy through “life innovation”

[Targets to reach by 2020]

Foster industry growth to meet the demand for medical, nursing care, and other health-related services and create jobs: roughly ¥45 trillion in new markets and 2.8 million new jobs.

[Principal measures]

- Turn medical, nursing care, and other health-related industries into growth industries.
- Promote research and development of innovative pharmaceuticals and medical and nursing care technologies from Japan.
- Promote expansion of medical, nursing care, and other health-related industries to Asian and other overseas markets.
- Promote the availability of barrier-free housing.
- Strengthen the foundations of medical and nursing care services.

Turning medical, nursing care, and other health-related industries into growth-driving industries

Japan became the nation with the longest life expectancy and the best health in the world by providing citizens with low-cost, high-quality medical services under a universal national health insurance system. The aging of society in Japan, which has progressed farther than anywhere else the world, poses an opportunity for developing new manufacturing industries and service growth industries by vigorously promoting “life innovation” (innovation in the medical and nursing care sectors).

Accordingly, while clearly positioning medical, nursing care, and other health-related industries, which are expected to realize high growth and create employment, as growth-driving industries for Japan, we will promote the

market entry of private firms and other new service providers. We will also construct a system that can provide users with diverse services while securing safety and working to improve quality. We will advance the necessary changes to systems and rules while maintaining a structure whereby everyone is able to access required services.

Promoting research and development of innovative pharmaceuticals and medical and nursing care technologies from Japan

We will promote research and development of highly safe, superior, and innovative pharmaceuticals and medical and nursing care technologies from Japan. We will advance unified approaches among industry, government, and academia, foster drug development ventures, and promote research, development, and application in a number of fields. These include new drugs, regenerative medicine and other state-of-the-art medical technologies, remote medical treatment systems making full use of information and communications technologies, the use of manufacturing technologies to improve personal mobility for the elderly, and medical and nursing care robots. As prerequisites, we will work to resolve the drug and device lag as an urgent issue, improve the clinical testing environment, and expedite drug approval decisions.

Boosting expansion to Asian and other overseas markets

The medical, nursing care, and other health-related industries are also

projected to post high growth in other Asian nations as they become aging societies. We will promote overseas sales of pharmaceuticals, as well as medical diagnosis, treatment, and related services for wealthy Asians linked together with tourism. We will also work at collaboration with growing Asian markets (construction of joint clinical research and testing bases, etc.).

Promoting the availability of barrier-free housing

The number of elderly Japanese who will live alone or require nursing care is projected to increase, so promoting barrier-free housing is now a pressing need. This form of housing involves measures such as the installation of handrails and the elimination of indoor steps to ensure the safe movement of elderly persons inside their homes, prevent falling, and lessen the burden on caregivers. To these ends, while expanding support for the acquisition of housing with superior barrier-free functions and the promotion of barrier-free remodeling, we will place priority on encouraging the supply of barrier-free rental housing for the elderly by private sector enterprises.

Stronger foundations of medical and nursing care services to eliminate anxiety and for an enjoyable life

The sight of healthy, active elderly people is the sign of a sound society and a basis for economic growth. Our existing systems and supply infrastructure, however, have not adequately responded to the recent rapid aging of society and advances in medical technologies, the consequent heightened demand for

diverse, high-quality services, or other changes in the health care environment. We will strengthen the foundations of medical and nursing care services to eliminate the anxiety of the elderly about the future, and induce a change from savings for uncertainty to expenditures for an enjoyable life.

Specifically, we will increase the number of doctors trained, secure hospital doctors and medical and nursing care practitioners by improving working environments and compensation, and revise the division of roles between medical and nursing care practitioners. We will also divide functions among different medical institutions, centralize sophisticated specialized medicine, accelerate the increase of nursing care facilities and home-based care services, and establish a system for the stable provision of high quality medical and nursing care services.

Realizing a secure life for the elderly in local regions

Medicine and nursing care are essentially local service industries, and they support the economies and internal demand of local regions. Many elderly persons want to live their entire lives in the regions in which they are used to living. Working for the revival of local medicine, driven by local regions, will become an important issue for local communities. Specifically, through such efforts as advancing ties via the networking of medical, nursing care, and other health-related service providers and upgrading home-living support tools using information and communications technologies, we will create a society

in which the elderly can receive the services they desire where they live.

Making it possible for the elderly to live healthy lives without concern will create demand for new services for senior citizens, such as lifelong learning and travel for education and knowledge. This will also lead to the employment of the elderly, the establishment of businesses by the elderly, and the handing down of skills and knowledge by the elderly to the next generation. We will prepare an environment that facilitates this type of virtuous cycle.

While advancing these measures, we will establish a social system that can accommodate a super-aged society by advancing reforms aimed at realizing a sustainable social security system. By 2020, we will foster industry growth to meet the demand for medical, nursing and health-related services and create jobs with the targets of roughly ¥45 trillion in new markets and 2.8 million new jobs. We will work to build a society in which the elderly can live out their lives while maintaining ties to their families and society. We will also transmit Japan's new social system to other parts of Asia and the world as a leading elderly society model.

Achieving Growth by Pioneering New Frontiers

(3) Asian economic strategy

<i>[Targets to reach by 2020]</i>

Create a Free Trade Area of the Asia-Pacific (FTAAP). Promote domestic reforms to double the flow of people, goods, and money and incorporate Asian growth. Double the income of Asia to expand growth opportunities.

[Principal measures]

- Actively promote trade and investment liberalization as the 2010 APEC host economy, and prepare a roadmap toward completion of the FTAAP agreement.
- Promote international adoption, together with other Asian countries, of Japanese safety standards.
- Have the government and private sector support efforts to build infrastructure in such areas as rail transport, water supply, and energy, and develop cities in harmony with the environment.
- Make Haneda Airport into a 24-hour international hub facility, advance the “open skies” agreement, and carry out international container and bulk strategic port developments to accommodate post-Panamax ships.
- Boldly revise regulations that obstruct flows of people, goods, and money.

- **Japan: Growing as a “bridge nation”**

Making full use of Japan’s strengths in Asian markets

In recent years, other Asian countries have realized industrial integration with Japanese firms and achieved powerful and rapid growth supported by abundant and diligent labor. The nations of Asia have responded

appropriately to the recent financial crisis, which began from the subprime loan problem, and are now exhibiting solid economic recovery as the force pulling the global economy. In particular, the outstanding growth of the middle class in Asia and the fact that Asian nations are growing while encountering limiting factors and issues that Japan has already faced and overcome, such as urbanization and environmental problems, constitute major business opportunities for Japan.

Japan as a “bridge nation to Asia”

To further solidify the present remarkable growth of Asia and to tie such growth to that of Japan, we must share the many lessons learned during Japan’s economic growth process. We must also become a “bridge nation” to the growth of Asia, consolidate our unique strengths in such fields as infrastructure and the environment, and comprehensively and strategically develop business in the Asian region.

Creation of a seamless Asian market

First, Japan must work to remove all barriers to economic activities in the Asian region, in which Japanese firms are active. To such ends, we will work to realize a seamless Asian market by more actively liberalizing and facilitating trade and investment while building a system for the protection of intellectual property rights. Japan will take advantage of its role as the host economy of the 2010 Asia-Pacific Economic Cooperation (APEC) meetings and utilize the

APEC framework to prepare a roadmap toward the establishment of the Free Trade Area of the Asia-Pacific (FTAAP), with 2020 as a target year.

Extension of Japan's standards for "safety and security" in Asia

Japan's "safe and secure" approach can make large contributions toward the establishment of a stronger socioeconomic safety net in Asian nations, and can also serve as a foundation for economic growth. Japan can contribute to the realization of growth and the spread of the "safe and secure" approach in Asian countries while creating an easier environment for activities by Japanese firms. This can be achieved by working together with countries in Asia to jointly develop international standards using Japan's technologies, regulations, and mandatory and voluntary standards related to the environmental field and product safety issues. The results can then be proposed and transmitted to the international community. In particular, Japan will urgently advance strategic international standardization works in fields in which the nation enjoys technological superiority, such as smart grids, fuel cells, and electric cars. Japan will also actively contribute to the international standardization of food safety standards in partnership with Asian countries, considering the diversification and internationalization of food distribution.

Spreading Japan's "safety and security" technologies throughout Asia and the world

Building on the aforementioned efforts, we will develop and provide infrastructure that builds on the environmental technologies that are Japan's

strengths as a package throughout the Asian region. We will work to lessen the environmental burden accompanying the economic growth of Asian countries and make use of Japanese technology and experiences as a sustainable growth engine for Asia. Specifically, government and the private sector will work together to provide assistance in building infrastructure such as high-speed rail and urban transport, water supply, and energy, and in the development of cities that are in harmony with the environment. At the same time, we will expand business opportunities for Japanese enterprises that have sophisticated civil engineering and construction technologies. Additionally, we will advance the mutual recognition of architect qualifications and support the development of the Japanese construction industry in Asia. Via these efforts, Japan will create a virtuous cycle of synergistic growth through export and investment. We will promote the export of “safe and secure” Japanese products and work to strengthen infrastructure project contract, management, and administration expertise. These efforts will then be spread from Asia to the world.

Domestic reforms to unify with the Asian market and doubled flows of people, goods, and money between Japan and the world

Within Japan, it is also necessary to remove the impediments to the flow of people, goods, and money with Asian countries and the world to as great an extent as possible. With the goal of doubling the flows of people, goods, and money into Japan, Japan will actively advance intensive domestic reforms, for instance by boldly revising regulations that constitute impediments to such

flows.

Specifically, we will generate flows of goods and people, including foreign tourists and businesspersons, through such measures as making Haneda Airport into a 24-hour international hub facility, advancing the “open skies” agreement, and carrying out international container and bulk strategic port developments to accommodate post-Panamax ships. We will expand the acceptance of foreign exchange students, arrange domestic systems making it easy for foreigners to work in Japan as researchers and in positions requiring specialized expertise, further facilitate trade-related procedures, and make it easier for Japanese firms that have advanced overseas to repatriate their foreign profits. We will also work to strengthen Japan’s international competitiveness in finance, transportation, and other service fields and strive to facilitate flows in these areas. We will advance the training of Japanese personnel who are able to be active internationally, while promoting university, science and technology, culture, sports, and youth exchange and cooperation with Asian countries and around the world.

Expanding growth opportunities by doubling the income of Asia

Through these measures, as an Asian country, Japan will promote the vibrant development of Asia as a whole. While acting to unify with the Asian market by expanding trading activity therein and contributing to doubling the income of Asia, we will generate excellent growth opportunities for Japan. We will

export Japanese content, design, fashion, cuisine, traditional culture, media arts, and other creative industries to an expanded Asian market, which will lead to boosting Japan's brand power and diplomatic strength. In addition, we will cooperate with international efforts to prevent copyright violations.

We will also work together with other nations to address such global-scale issues as urbanization, global environmental problems, and global disparities.

(4) Strategies for promoting a tourism-oriented nation and local revitalization

- **Promoting a tourism-oriented nation**

[Targets to reach by 2020]

Increase annual number of foreign visitors to Japan to 25 million by the beginning of 2020 and to 30 million in the future. Economic ripple effect of 25 million foreign visitors: approximately ¥10 trillion and 560,000 new jobs.

[Principal measures]

- Ease tourist visa requirements for citizens of Asian countries.
- Study "local holiday systems" and other ways of staggering vacation times.

Tourism, a sure means of local revitalization at a time when the birthrate is declining and the population is aging

Japan has a wealth of resources for tourism, including natural beauty, cultural heritage, and regional diversity, and therefore has great potential as a tourist destination. People from Taiwan and elsewhere in the southern latitudes can travel to Hokkaido to enjoy the snow, while many Europeans are interested in Japanese culture, both traditional and contemporary, as well as the everyday culture exemplified by the morning scenes at Tsukiji Market. There are major differences among visitors to Japan from different countries in terms of the places they visit and the things they enjoy, and Japan's regional cities and towns offer resources for tourism that can accommodate such diversity. The entire country has a wealth of resources for eco-tourism, green tourism, industrial tourism, and other types of tourism. In fact, Japan has tourist attractions that appeal to Japanese people as well as foreign visitors. At a time when the prospects are dim for public spending to achieve local revitalization, regional cities and towns beset with declining and rapidly aging populations and falling birthrates can find surefire ways to invigorate the local economy and provide more opportunities for employment by increasing their nonresident foreign and Japanese populations through tourism and utilizing Japan's unique cultural assets, traditional arts, and other cultural heritage.

25 million foreign visitors per year by the beginning of 2020

Asia, which is experiencing rapid economic growth, and China in particular, have great potential for expanding the demand for tourism. Each year approximately 1 million Chinese people visit Japan, while around 3.4 million

Japanese people visit China (both figures are based on data for 2008); this is a major disparity. In light of the growth of Asia's population and the speed at which the region's economy is growing, the question of how to engage Asian tourists, including those from China, is a major challenge. By taking steps to attract more visitors from elsewhere in Asia and other foreign visitors to Japan, such as easing tourist visa requirements, creating appealing tourist attractions, improving the environment for foreign students studying in Japan, and undertaking publicity relations initiatives, Japan will increase the annual number of foreign visitors to 25 million by the beginning of 2020 and to 30 million in the future. It will also be necessary to make Japan more accessible in terms of transport routes and to cultivate safe and secure communities, since these elements are essential to a tourism-oriented country.

Staggering vacation times

Domestic travel is a ¥20 trillion market. There are intense fluctuations, however, due to the concentration of vacation times. Because demand is concentrated in specific periods—the Golden Week holidays at the beginning of May and the New Year holiday period—there is said to be a great deal of latent demand. For this reason, Japan will implement a comprehensive tourism policy that includes initiatives to activate domestic tourism demand through efforts such as studying “local holiday systems” and other ways of staggering vacation times and by developing attractive, internationally competitive tourist destinations. Japan will cultivate a tourism industry that will support local

communities, creating new jobs and generating new demand.

- **Revitalizing rural cities and towns by utilizing regional resources;
revitalizing big cities to serve as engines of growth**

[Targets to reach by 2020]

Utilize regional resources to the greatest possible extent and increase regional power. Make strategic, priority investments in airports, ports, roads, and other infrastructure in major urban areas.

[Principal measures]

- Promote the concept of Autonomous Settlement Regions and support autonomy for and the revitalization of underpopulated areas.
- Revitalize urban areas and regions through the use of special zones.
- Use private finance initiatives, public-private partnerships, and other such arrangements to provide infrastructure in urban areas.

Changing the direction of regional policy

Over the past decade, as the population has become increasingly concentrated in big cities, central cities in outlying areas have seen their commercial districts shuttered, and local economies have markedly declined. The deteriorating economic condition of regional cities and towns has exerted a negative influence on the nation's overall growth. The hollowing out of rural cities and

towns has occurred because the nation's previous regional development strategy, lacking the perspectives of selection and focus, placed too much emphasis on public works projects and failed to foster regional individuality and autonomy. Each region has its own indigenous history, culture, and arts. The French city of Nantes, widely regarded as the best place to live in France, was once an industrial city but has successfully been reborn thanks to a historical legacy embracing culture and the arts. Similarly, there must be a shift in Japan's future regional development strategy toward measures devoted to cultivating regional creativity and cultural strengths, through the use of special zones and other such devices in collaborative efforts by nonprofit organizations and other groups embracing a "New Public Commons."

"Midori no Bunken Kaikaku" and other measures

Local governments, acting in cooperation with citizens, NPOs, and other parties, will create mechanisms to maximize the utilization of respective regional resources, focusing on decentralization, autonomy, and local consumption of locally produced goods. In this way, regional models showing paths to growth will be constructed, and "Midori no Bunken Kaikaku," or green decentralization reforms, will be enacted to create autonomous regional societies that will enhance local self-sufficiency and the capacity to generate wealth.

In addition, Japan will enact "regional sovereignty" reforms to create vibrant

regional communities and ensure that regional affairs are decided by the inhabitants themselves.

Promoting the concept of Autonomous Settlement Regions and other measures

To help ensure that local development is appropriate to the locality, whether a city or a rural district, we will promote the concept of Autonomous Settlement Regions to protect the vital functions of each area and provide venues for settlement in rural areas. We will also faithfully support the autonomy and reinvigoration of remote islands, underpopulated areas, and other disadvantaged areas.

If interregional transport costs for people and goods are decreased by abolishing highway tolls, this can be expected to produce such economic benefits as expanded areas of demand for regional products, reinvigoration of regional tourism industries, and business expansion into rural areas.

Revitalization of big cities

In the past big cities have served as the engines for national economic growth. Efforts to increase national competitiveness have been undertaken in Seoul, Singapore, Shanghai, Tianjin, and other cities in Asia. Unless Japan has a strategy for its urban areas incorporating broad-based, international perspectives, even Tokyo will experience a loss of vigor, and this, together with the aging of the population and the low birthrate, will inevitably have a

negative impact on national growth.

It is therefore necessary to strategically proceed with priority investment in major-city airports, ports, roads, and other truly necessary, high-impact infrastructure that provides a foothold for growth, as well as to maintain hubs to enhance their attractiveness, and to strive to make our major cities hubs for interaction of people and exchanges of goods from all over Asia and the rest of the world. In light of Japan's severe fiscal situation, knowledge and funding from the private sector will be actively utilized to maintain these hubs, through the active use of systems of special zones, as well as private finance initiatives and public-private partnerships.

Strategically maintaining and managing social capital and other measures

Japan's highways were constructed mainly during the era of high economic growth. At present 8% of the country's bridges and 18% of its tunnels are at least 50 years old; in 20 years these figures will reportedly jump to 51% and 47%, respectively. Each year approximately 500 agricultural irrigation facilities will have to be updated. There is concern that Japan will no longer be able to renew its social capital in the future due to fiscal constraints affecting the nation and its regions. Given the fact that the social capital in which the nation invested heavily during the era of high economic growth will deteriorate rapidly in the future, strategic maintenance and management of social capital is needed, including upkeep and repairs as well as renewal and new

investment. Comprehensive risk management is needed to protect the public's safety and peace of mind. In light of the country's severe fiscal situation, private finance initiatives and public-private partnerships will be actively utilized in order to ensure that maintenance and management, as well as the provision of new facilities, are carried out effectively and efficiently.

- **Turning agriculture, forestry, and fisheries into growth industries**

[Targets to reach by 2020]

Increase the food self-sufficiency rate to 50%; increase the timber self-sufficiency rate to over 50%. Increase agriculture, forestry, fisheries, and food product exports by a factor of 2.5, to ¥1 trillion.

[Principal measures]

- Introduce an individual household income support system for farming households; utilize regional resources; promote sixth-industry efforts; turn agriculture, forestry, and fisheries into growth industries through partnerships among agricultural, commercial, and industrial interests.
- Improve road networks; cultivate human resources; revitalize forests and forestry by means including the utilization of timber and biomass.
- Expand agricultural, forestry, and fisheries exports and other exports through negotiations on quarantine inspections, the opening of new sales routes, and other measures.

A host of challenges in agriculture, forestry, and fisheries

The agriculture, forestry, and fisheries sector faces many challenges as it looks to the future. These include protecting food safety; a decline in the food self-sufficiency rate; the aging of people involved in agriculture, forestry, and fisheries and the difficulty of finding successors; and low profitability. At present, however, Japan lacks a specific position and concrete policies concerning food, and both producers and consumers are worried.

Activating latent capacity for growth by utilizing regional resources and developing technology

To eliminate such concerns, Japan will provide an environment that can adequately activate the latent abilities of rural districts, in which willing practitioners of agriculture, forestry, and fishing can carry on their work free from worry, thanks to measures such as the introduction of an individual household income support system for farming households. Japan will strive to revitalize the agriculture, forestry, and fisheries industries and increase the nation's food self-sufficiency rate to 50%. In the future Japan will pursue technological development while also integrating the respective resources of various regions—so-called regional resources—which include natural resources, traditions, culture, and arts, and this will activate latent capacity for growth and awaken new demand. Japan will also further encourage utilization of the abundant latent biomass resources that exist in rural districts.

In addition, Japan will create new industries and expose the latent demand proliferating downstream from the agriculture, forestry, and fisheries industries, by promoting so-called sixth-industry efforts (unification of production, processing, and distribution, and other such efforts) and partnerships among agricultural, commercial, and industrial interests, as well as revisions to vertical regulation schemes.

Revitalizing forests and forestry

In order to seriously and sustainably utilize artificial forest resources planted during the postwar era, Japan will promote a better understanding of the environmental benefits of using domestic timber. Japan will also work to revitalize forests and forestry, with the aim of increasing the timber self-sufficiency rate to over 50%, through efforts such as training specialists in forest management (foresters) and other personnel; expanding the use of domestic timber, including timber from forest-thinning operations; and utilizing woody biomass.

Expansion of exports through negotiations on quarantine inspections, opening of new sales routes, and other measures

To expand exports of Japanese agriculture, forestry, and fisheries products and food products, with particular attention paid to commodities and regions expected to generate high latent demand, Japan will focus on negotiations on

quarantine inspections and on opening new sales routes, with the aim of increasing sales by a factor of 2.5, to the ¥1 trillion level.

Formulating a future vision concerning food from a broad range of perspectives

Food is among the most important themes—indeed, perhaps the foundation—underlying Japan’s growth. Japan will establish a forum, incorporating the viewpoints of children, adults, and the elderly, with both producers and consumers represented and cross-sectional participation from industry, government, and academia, to consider measures to ensure safe, healthy, prosperous, and worry-free eating habits, as well as appropriate practices in rural districts to support such habits. In this way Japan will quickly formulate a future vision concerning food.

- **A shift to housing policies that emphasize the housing inventory**

[Targets to reach by 2020]

Double the size of the preexisting housing and remodeling markets. Reduce the percentage of insufficiently earthquake-resistant housing to 5%.

[Principal measures]

- Improve the environment for a market for preexisting housing and the like; actively utilize reverse mortgages and other such devices.

- Make thorough efforts to renovate homes and other structures to make them earthquake-resistance.

Invigorating investment in housing

Because investment in housing affects an array of housing-related industries and exerts a broad impact on consumption of furniture and other durable goods, among other areas, encouraging investment in housing is a crucial task in the effort to achieve economic growth led by domestic demand.

Japan will therefore work to stimulate money flows to expand investment in housing through such means as the utilization of the ¥1.4 quadrillion in financial assets held by individuals. Japan will also work to increase the supply of high-quality housing, including energy-efficient housing, through such measures as expanding home financing and the housing tax system.

Improving the environment for markets for preexisting housing, remodeling, and the like

Japan must change from a society that continually builds housing only to tear it down to one that creates high-quality housing, keeps it in good condition, and uses it carefully for long periods. From this standpoint, it is necessary to effectively utilize the nation's ¥1 quadrillion in housing, land, and other tangible assets. Japan will therefore create systems for the construction, appropriate maintenance and management, and eventual reuse of long-term,

high-quality housing that can be used by multiple generations. Japan will also work to provide a market environment in which consumers can, without undue concern, have their homes suitably remodeled. Japan will work to expand the supply of housing for elderly citizens, whose numbers are rapidly increasing, coupled with lifestyle support, medical care, and welfare services, and work to ensure that the assets of elderly citizens are used effectively, by such means as promoting the expansion and use of reverse mortgages. In addition, Japan will make efforts to promote the provision of housing and other buildings constructed with local materials and the like.

Through these measures, Japan will strive to double the size of markets for preexisting housing and remodeling and develop an inventory of high-quality housing by 2020.

Promoting renovations to make housing and other buildings earthquake-resistant

At present approximately 11.5 million homes, 25% of the 47 million homes that make up Japan's overall inventory of existing housing, are reported to be insufficiently resistant to earthquakes. There is said to be a 70% probability that an earthquake will occur directly below the Tokyo metropolitan area by 2036. In light of the damage caused by the 1995 Great Hanshin-Awaji Earthquake, in the current situation precious human lives are in danger from the total or partial destruction of homes and other structures. Japan will therefore strive to develop a safe and secure housing inventory by making

thorough efforts to ensure that homes and other structures are made earthquake-resistant, thereby reducing the proportion of insufficiently earthquake-resistant housing to 5% by 2020.

Platforms to Support Growth

(5) Science-and-technology-oriented nation strategy

[Targets to reach by 2020]

Lead the world in “green innovation” and “life innovation.” Increase the number of universities and research institutions that lead the world in respective fields. Ensure full employment for all those who have completed doctoral courses in science and technology. Encourage utilization of intellectual property possessed by small and medium-sized enterprises. Improve the convenience of daily life and lower production costs through the use of information and communications technology. Increase public- and private-sector investment in research and development to over 4% of GDP.

[Principal measures]

- Speed up reforms to universities and public research institutions and provide diverse career paths for young researchers.
- Reform systems and rules to foster innovation.
- Provide “one-stop” government services; reform regulations to encourage the utilization of information and communications technology.

- **Japan, a nation brimming with know-how and human resources**

Improving the capacity for growth by applying scientific and technological strengths

Progress in science and technology is what has helped human beings emerge in the course of history. In the face of common challenges for humanity, such as combating global warming, coping with infectious diseases, and preventing natural disasters, it is also science and technology that point the way toward future prosperity for the world.

Japan has achieved high growth in the past thanks to its scientific and technological capabilities, which are among the best in the world, and the high level of education of its citizens. As Japan rose to become the world's second largest economy, however, expectations and esteem for science and technology waned, and the nation has neglected to rigorously cultivate the talent to achieve new heights in these areas and failed to reform its research institutions. Japan must generate innovations and "soft power" in a sustainable way by fostering superior human resources and making a unified effort to improve the environment for research and promote its commercial applications, in order to develop new technologies to provide fuel for growth and open up new frontiers in industry.

Improving the environment for research and conditions for fostering innovation and reinforcing systems to promote such efforts

Japan will therefore speed up reforms to universities and public research institutions and provide an environment for autonomous research and a diverse range of career paths in order to help motivate young people to pursue ambitious careers in science. Japan will also prepare an appealing environment that includes funding and support systems for research, as well as desirable living conditions, to attract superior researchers from around the world. Japan will promote basic research as well as the opening of new R&D frontiers in fields including those concerned with outer space and the oceans. Through such measures as making funding and support seamlessly available at every stage from research on new concepts to their commercial application and by rationally revising regulations to facilitate verification testing, Japan will reform systems and rules to allow innovation to flourish and ensure that intellectual property is appropriately protected and utilized. Japan will promote the creation of venture projects revolving around scientific and technological strengths and encourage efforts, through industry-academia partnerships and other arrangements, that result in local utilization of the fruits of research at universities and research institutions.

Because anticipatory investment in science and technology is extremely important for the entire nation, Japan will increase public- and private-sector investment in research and development to over 4% of GDP by 2020. In order to vigorously and efficiently promote innovation and advanced research and development unrivalled by other countries, Japan will conduct a thorough

review of systems for implementing policies concerned with science and technology. Japan will also enhance “science and technology diplomacy” including the promotion of international joint research activities and scientific and technological cooperation with developing countries.

Through the collective implementation of such efforts, by 2020 Japan will engage in the world’s most advanced “green innovation” (innovation in the environmental and energy sectors) and “life innovation” (innovation in the medical and nursing care sectors), increase the number of universities and research institutions that lead the world in their respective fields, and strive to ensure full employment for all those who have completed doctoral courses in science and technology. Japan will also encourage the utilization of intellectual property possessed by small and medium-sized enterprises.

- **Japan, an IT-oriented nation**

Information and communications technology as a foundation for innovation

Information and communications technology transcends time and distance to connect people, goods, money, and information. In the interest of future growth, there must be a conceptual shift away from concrete toward fiber optics. Incorporating information and communications technology into all aspects of economic activity and everyday life will thoroughly improve the efficiency of economic and social systems and provide a foundation for innovation.

Improving citizens' daily lives and enhancing international competitiveness through the use of information and communications technology

In terms of the level of technology and provision of infrastructure, Japan has attained the world's highest level in its information and communications technology, but utilization has lagged behind that in other developed nations, so the potential impact of this technology has yet to be realized.

While securing peace of mind for the nation's citizens by implementing measures to protect personal information and improve security, Japan will make every effort to encourage utilization of information and communications technology, such as through improved training to provide people with a command of this technology. This will make daily life more convenient for the public, triple productivity in fields concerned with information and communications technology, enhance international competitiveness by lowering production costs, and foster the development of new industries. To improve efficiency in the provision of government services, Japan will promote computerization of various types of administrative procedures and provide "one-stop" government services. Japan will also speed up investigations into the provision and use of various types of identification numbers by linking them to resident code numbers. Information and communications technology will be used to improve the quality of medical, education, and other services, such as by facilitating collaborative education, in which children teach and

learn from each other. Japan will also promote further utilization of optical cable and other types of broadband services in order to provide greater convenience for all citizens. In addition, we will promote the utilization of information and communications technology in reducing emissions of greenhouse gases, making business activities more efficient, increasing overseas transactions, promoting employment for the disabled, and other areas. In keeping with these aims, Japan will revise systems and regulations to help promote the utilization of information and communications technology.

(6) Employment and human resources strategies

- **Japan, a nation where everyone has a role to play and a place to belong**

[Targets to reach by 2020]

Specific targets for the following efforts will be established through such means as the Employment Strategy Dialogue. Halve the number of “freeters.” Reduce the number of people not in employment, education, or training. Rectify M-shaped female employment. Promote employment for the elderly. Promote employment for the disabled. Increase the number of job-card holders to 3 million. Encourage the utilization of paid vacation time. Increase the minimum wage. Shorten working hours.

[Principal measures]

- Increase the employment rate for young people, women, the elderly, and the disabled.
- Create a “trampoline-style” safety net.
- Expand the job-card system to incorporate a national vocational qualification system.
- Generate regional employment and ensure “decent work.”

Employment to provide support for increased domestic demand and the capacity for growth

Employment will provide crucial support for an economy oriented toward generating demand, especially domestic demand. The provision of employment that offers people a sense of security and a chance to utilize their talents will enable them to secure income and increase consumption. Unless employment is maintained, it will be impossible to expand individual consumption, currently at a standstill, and eliminate deficiencies in demand.

These employment and human resources strategies will enable Japan to surmount the restrictions imposed by its low birthrate and the aging of its society and will support Japan’s capacity for growth. There is concern that the shrinking workforce caused by the aging of the population will undermine Japan’s latent capacity for growth. It is therefore essential to enact measures to address the declining birthrate and bring about a recovery, but it will take at least 20 years for this to result in any expansion of the workforce. Accordingly,

Japan must focus immediately on encouraging young people, women, the elderly, and other people with latent abilities to enter the job market. Japan must implement such employment and human resources strategies to cultivate abilities throughout society as a whole, through means including the development of occupational skills.

Citizen participation and support for a “New Public Commons”

Japan will become a society in which all citizens can enter the labor market and take part in a broad range of community activities in accordance with their individual desires and abilities (a society in which everyone has a role to play and a place to belong), and this will provide a foundation for increasing the capacity for growth.

For this purpose, Japan will utilize the full range of government policies to increase the employment rate in all strata of society and will thereby overcome the shrinking of its workforce. Policy goals will be established to increase employment among young people, women, the elderly, and the disabled. To this end, systems and practices that hinder employment will be rectified, and intensive efforts to improve the environment for employment, including the provision of childcare and other services, will be made over a two-year period.

We will hold roundtable discussions, eliciting the views of the private sector (including citizens, NPOs, and businesses), and mount a full-scale effort to

apply a “New Public Commons” under which the private sector can play an active role in education and childcare, community development, and nursing care and welfare services, and under which public assets and services will be provided not only by the government but also by citizens, NPOs, private businesses, and other parties.

Providing a “trampoline-style” safety net to support the capacity for growth

In keeping with the Northern European perspective toward active labor-market policies, efforts to establish a society that offers livelihood security and regards unemployment not as a danger but as an opportunity to master new occupational skills and abilities, will support Japan’s capacity for growth. Japan will therefore work to establish a “second-level safety net” (including systems to assist job seekers) and improve the functions of its unemployment insurance system. In order to establish a system for developing and evaluating occupational skills throughout society, including non-regular employees, we will also redevelop the current job-card system as a Japanese national vocational qualification system. (The national vocational qualification system was introduced over 20 years ago in Britain as a means of evaluating citizens’ occupational skills. The system objectively reviews training and achievements and helps people find new jobs or advance their careers.)

Generating local employment and ensuring “decent work”

In order to ensure the availability of employment that can offer citizens new

opportunities to participate and become active, Japan will work to quantitatively expand employment. We will therefore promote the creation of locally based employment, especially in growth sectors. From the standpoint of cultivating standard-bearers for the “New Public Commons,” Japan will also promote the creation of local community employment, to be led by NPOs, social entrepreneurs, and other parties involved in “social enterprises.”

The basis for economic growth fueled by domestic demand lies in improving employment stability and quality and eliminating people’s insecurity about their livelihoods. Improving the quality of employment will make businesses more competitive and lead to growth, and the appropriate allocation of the fruits of such efforts will expand domestic demand and lead to the next wave of economic growth. Japan will promote balanced and equal treatment to ensure “decent work” (rewarding work befitting human beings), which means equal pay for equal work. Japan will also study the introduction of refundable tax credits, raise the minimum wage, and work to ensure a healthy work-life balance (by promoting the utilization of annual paid vacation time and encouraging shorter work hours, the utilization of childcare leave, and other such benefits).

- **Japan, a nation full of joyful children**

<i>[Targets to reach by 2020]</i>

Stop the rapid population decline by achieving a sustainable increase in the birthrate through the establishment of an environment in which everyone can have and raise children without experiencing undue concern. Quickly eliminate classroom waiting lists for preschool and school-aged children. Enable every person who seeks employment to resume work following the birth of a child and infant care. Consistently attain the world's top level of academic achievement.

[Principal measures]

- Encourage the involvement of a diverse variety of businesses by integrating kindergartens and nursery schools and revising various systems and regulations.
- Make the length and manner of childcare leave more flexible (shorter working hours for parents with small children, etc.).
- Improve the quality of teachers and improve local systems for supporting education, including through the participation of private citizens.
- Improve higher education.
- Improve the social environment to ensure the safety of children.

Children as a source of growth

We derive happiness from the smiling faces of people around us, and this happiness gives us inspiration for our lives. The smiles on the faces of children spread to the rest of the family, and to the community and the workplace as

well. For Japan to recover its vitality and resume growth, an abundance of smiling faces is a necessary condition. The entire society must take part in raising our children, who are the guardians of future growth.

Maintaining vitality amid the population decline and super-aging of society

Japan's birthrate has been decreasing since the latter half of the 1970s. Since the 1990s, when it became clear that the nation's birthrate was in a critical decline, a series of countermeasures have been discussed, but no drastic measures have been taken to address public spending and reform systems and regulations, so the decline has not been checked. Japan's overall population began to decrease in 2005. Based on the current birthrate, the nation is projected to have an estimated population of 95 million in 2050. To provide a high-quality workforce in the future and enable Japan to maintain vitality, a major shift in policy is needed right now.

For this purpose, Japan must support the development of all children by moving to implement a child allowance and making public high school tuition effectively free. Since families who are raising children have a strong propensity toward consumption, this sort of support will have a major impact on the effort to expand consumption and generate demand, and it will also contribute effectively to growth in child-related industries.

Creating conditions in which everyone can have and raise children without

experiencing undue concern will entail not only ensuring continued employment for women but also providing dramatically increased opportunities for women to fully utilize their abilities, breathing fresh life into the workforce. This will help bring about a sustainable increase in birthrates and eliminate medium- and long-term concern over the rapid population decline. Japan will also improve the social environment to ensure that children can lead their lives in safety and with peace of mind.

We will therefore promote the integration of kindergartens and nursery schools, enact drastic reforms to establish user-friendly childcare systems, encourage the involvement of a variety of businesses through revisions to relevant systems and regulations, and expand the hours and target-age range of clubs that offer after-school activities for children. Through these and other measures, we will work to diversify and quantitatively expand childcare. We will also eliminate classroom waiting lists for preschool and school-age children by 2020. By taking such steps as making the length and manner of childcare leave more flexible (shorter working hours for parents with small children, etc.) and offering preferential consideration to business that take the lead in providing childcare leave, Japan will provide enhanced support for resumption of employment and reemployment following the birth of a child and infant care. By 2017 at the latest, we will enable every willing citizen to return to work following the birth of a child and infant care.

Expanding the pool of talent through high-quality education

The most essential source of driving force for growth is that the opportunity for every citizen to receive a high-quality education and thereby create a deep pool of talent extending across a variety of fields. We will ensure that all children can receive the education they desire and develop the abilities to provide a foundation for life, and we will cultivate human resources to support Japan and the world in the future.

To raise the quality of elementary and secondary education, we will improve the quality of teachers and enhance systems that support education at the local level through the participation of private citizens and other measures. By making public high school tuition effectively free, we will enable all children to receive a complete secondary education, with the support of all of society, and we will seek to attain the world's top level of academic achievement in international testing.

In the area of higher education, Japan will expand its scholarship systems, work to ensure the quality of universities and make them more international in nature, expand and improve graduate education, and promote vocational education, such as by cultivating students' entrepreneurial abilities. In these and other ways, Japan will expand opportunities for and improve the quality of higher education, thereby cultivating people who can be active on the world stage and are ready to meet the challenges of the future.

In addition, Japan will actively invite students from overseas and work to ensure the development of private-sector educational services in appropriate ways in order to generate demand for education and make education an area of growth.

3. ECONOMIC MANAGEMENT AIMED AT IMPROVING THE PEOPLE'S LIVES AND FUTURE MEASURES

(1) Macroeconomic management

The administration of Prime Minister Yukio Hatoyama will carry out management of the economy at the macro level aimed at realizing improved lives for the people at the same time that it puts the New Growth Strategy into effect.

Deflation has considerable negative effects on the economy, in particular on the people's lives. To overcome deflation, the government will work together with the Bank of Japan to implement measures aimed at bringing about positive growth in prices at the earliest possible date. Furthermore, we will carry out economic management that positions increasing household incomes and realizing nominal economic growth that the people can feel in their own lives as the most important issues. Specifically, we will aim to achieve average annual growth of over 3% in nominal terms and over 2% in real terms over the years through fiscal 2020, with the scale of the national economy (nominal GDP) in fiscal 2020 to reach the level of ¥650 trillion.

In the New Growth Strategy, the keys to bringing about new demand and expanding employment are the creation of "green innovation" and "life

innovation” that expand the frontiers of economic growth. Toward this end, there is a need to maintain and bolster industrial competitiveness to the world’s top level, and it is enterprises that will provide the drive for this. In addition, investing in human resources through education, jobs training, and the like and increasing participation in the labor market will play a particularly vital role. The government will underpin these developments with policies that shift the focus “from concrete to people.”

In the medium term, the aim is to reduce the unemployment rate, today standing at more than 5.0%, to the 3.0%–4.0% range through such steps as employment creation through the New Growth Strategy. At the same time, we will work to put in place an environment in which all people who wish to work, including young people, women, and the elderly, can obtain employment. We will furthermore manage the economy while giving due attention to income and other disparities.

We have marked a departure from the traditional growth strategies that pursued only numerical values for growth rates and quantitative expansion of the economy. What people living in Japan desire most fundamentally is improvement in their “well-being,” along with the economic and societal vigor that make this possible. From this perspective, we will develop a new index to express this “well-being” of the people and take steps toward improvements as measured by this index.

Political leadership is an indispensable element for the shift to an economy based on demand creation, the growth strategy of the Hatoyama administration. Through political leadership, we will take the steps that previous administrations were unable to in doing away with the vested rights of interest groups and the barriers between vertically divided fiefdoms in the bureaucracy. We will realize the “selection and focus” on those things that are truly necessary, thereby fulfilling the needs of the people that have gone unmet to date. The Hatoyama administration, launched through a change of government, will move forward unfettered by the chains of the past, with the will to break through the obstacles before us.

(2) Future moves toward the compilation of the New Growth Strategy

Based on these “Basic Policies,” from the beginning of the new year we will draw on opinions from learned persons as we flesh out the policies. Building on the results of this, we will aim to finalize the New Growth Strategy in June 2010 through the deliberations of the Council for the Formulation of a Growth Strategy.

Specifying and adding goals and measures

While paying heed to the voices of the public, we will examine the further setting of goals and specification and addition of measures for the strategic areas described in section 2 above from such perspectives as (a) their demand

effect, (b) their employment effect, and (c) their leveraging of know-how (whether they make effective use of fiscal resources). We will also give thorough consideration to measures aimed at resolving issues that have newly come to light.

Setting a timetable for the “Growth Strategy Implementation Plan” and ensuring policy realization

Policies have no meaning until they have been realized.

After carrying out the specification and addition of goals and measures described above, in addition to implementing the goals and measures outlined in these “Basic Policies,” the National Policy Unit will set a timetable for the “Growth Strategy Implementation Plan” when it finalizes the New Growth Strategy. At that time, a timeline of “early action items” for implementation in 2010, outcomes and items for implementation over a roughly four-year period, and outcomes to realize by 2020 will be clearly spelled out.

In addition, in order to make reliable progress on the timetable for the “Growth Strategy Implementation Plan” without allowing the plans to fall through, we will employ the evaluation and examination of progress toward achievement of each measure on the basis of a system for clearly stating policy-achievement targets (specified in the Cabinet decision of October 23, 2009, on reform of budget formulation, etc.).