

"Strategy for Rebirth of Japan"

〔 Cabinet decision dated  
December 24, 2011 〕

The cabinet decides the "Strategy for Rebirth of Japan" as attached.

# Strategy for Rebirth of Japan

Overcoming crises and embarking on new frontiers

December 24, 2011

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## **Introduction**

Japan is now facing a great crisis.

As Japan gets delayed in transforming its industrial structure to address new era of a matured society, the nation is facing the problem called "lost two decades" as well as a lot of unprecedented serious difficulties, such as the Great East Japan Earthquake, nuclear power plant accident, yen appreciation, and worldwide volatilities in financial markets. In this context, Japan is truly in the midst of "historical crisis." Indeed, in view of unprecedented aging population in the immediate future, Japan stands at a crossroads: Will it develop as a vigorous nation, or will it decline?

To restore hope and pride to Japan and revitalize the nation, it is absolutely necessary to solve problems by having a strong sense of crisis and selectively taking drastic policy actions on high-priority matters. Furthermore, Japan should also embark on new frontiers to overcome this crisis and open up new opportunities. To this end, the government will strive to transform industrial structure, including drastically reexamining the current regulations/programs, and will also work on reforming political and governmental mechanisms. At the same time, the government should steadily take these actions in a highly transparent manner to Japanese citizens.

Aiming to revitalize Japan, the government will at first devote maximum efforts for revival from the Great East Japan Earthquake and the nuclear accident. At the same time, it will restore economic foundation by taking economic policies that will achieve economic growth and improve fiscal balance. Furthermore, the government must work on growth strategies and restore a broad middle class to keep socioeconomic sustainability.

In addition, the current European government debt crisis cannot be considered someone else's problem because Japan also suffers extremely difficult fiscal positions. Failure to restore financial sustainability will directly lead to national crises. Improvement in fiscal balance is even more important to prevent fiscal crises from spreading out and revitalize Japan. At the same time, with financial crises such as the "Lehman Brothers shock" and the subsequent European government debt crisis occurring frequently, the regimes supporting the global trade/currency systems that have been constructed since World War II have been shaken. It is essential to push ahead with free trade so that proliferation of international financial crises will meet in contraction of international trade or enhancement of inward-looking attitudes.

True revitalization of Japan means restoring hope and pride so that Japanese citizens will feel, "I'm glad I was born in this nation." The government should show new frontiers (cultivating new opportunities) in diverse fields that should be opened up, suggest long-term policy directions, and make all-out efforts for opening up such opportunities, aiming to restore its hope and pride to Japan.

Furthermore, if Japan successfully solves its problems using new means rather than conventional methods, it will significantly contribute to the rest of the world as well.

### **1. The current crisis**

Since bubble economy collapsed in the early 1990s, Japan has been suffering from long-term sluggish economy, decreased growth potentials as well as further deteriorated fiscal balance. With its population decreasing and aging, the current socioeconomic systems will not provide appropriate solutions in the era of population onus, in which population factors will have negative impacts on economic growth. However, as policymakers do not clearly identify appropriate direction suitable for the new era of mature society, cooped-up feeling is getting stronger among Japanese citizens.

At the same time, the environment encompassing Japan's economy and society is also changing greatly. For example, despite significant structural changes on the worldwide scale, such as a rapid rise of Asian nations and economic globalization, Japan is still unable to make use of such dynamisms to drive up its own economic growth. The business environment for small- and medium-sized enterprises (SMEs) has been deteriorating further.

The fiscal balance is also getting severer. It is urgently necessary to improve the fiscal balance and reform the social security programs.

Moreover, wealth has been concentrating, while poverty is spreading out. People are feeling uncertain about their future. Unable to feel safe, secured, and stable, they are growing more anxious. Against this backdrop, the government will first revitalize the economy and restore confidence to middle-class people. Without a sound, broad middle class, Japan can have no future.

On top of the aforementioned "existing crises" that have already emerged even before the Great East Japan Earthquake, the earthquake has also brought about enormous damages, nuclear power plant accident and limited electric supply. Major economic changes, such as rapidly yen appreciation and anxieties over the European government debt crisis, further shook the Japanese economy. These "crises in the midst of crises," as it were, constitute major destabilizing factors.

Not only addressing these immediate, urgent crises, Japan will take appropriate actions on decreased population, aging society as well as past adverse legacies, such as massive government debts, well recognizing growth of Asian economies, and international business environment including limited resources availability. In addition, under political leadership, the government will make efforts for structural transformation as soon as

possible so that young people will be able to participate in society with hopes and dreams for their future.

## **2. Revival from earthquake damages and nuclear power plant accident**

### **(1) Reconstruction from the Great East Japan Earthquake**

#### **(i) All-out effort on early reconstruction and strengthening human bonds**

The Great East Japan Earthquake is an unprecedented national crisis. The government will make all-out efforts on recovery and reconstruction, aiming to revitalize the economic/social activities and restore people's daily life in quake-hit areas and to restore Japan's national vitalities. It will steadily implement concrete policy actions in accordance with the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake as adopted by the Reconstruction Headquarters in Response to Great East Japan Earthquake in July 2011.

As a lot of disaster victims in quake-hit areas are still feeling unsecured about their job opportunities, the government will make its maximum efforts to provide basic conditions for their life by enhancing employment support measures. The central government will also create strong bonds with the quake-hit areas by setting up Reconstruction Agency with strong coordination/implementation authorities to control and manage reconstruction-related projects of various government agencies, aiming at providing "one-stop" services to meet local needs of quake-hit districts. Concurrently, in accordance with the Act on Creating Tsunami Disaster Prevention Areas, which lawmakers have passed at the Diet from the lessons learned from the earthquake disasters this time, the government will strive to build natural disaster-resistant communities at quake-hit areas as well as on the nationwide scale.

The world's attention has turned to Japan's reconstruction and revitalization. Since the earthquake to date, Japan has received offers of assistance from 163 countries/regions and 43 international organizations. As for reconstruction from damages of the Great East Japan Earthquake, the Japanese government will work on enhancing human bonds with the international community and drawing on dynamisms of foreign countries, aiming at reconstruction open to the world rather than turning inward-looking.

#### **(ii) Revitalization from the nuclear power plant accident**

As for the nuclear power plant accident, the government has confirmed that Step 2 in the "Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO" has finished off, based on the concept: Japan will not revive without revitalization of Fukushima. It will also push ahead with decommissioning nuclear reactors in accordance with the "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1-4 TEPCO " decided by the Government and TEPCO's Mid-to-Long Term Countermeasure Meeting. At the same

time, to restore survivors' daily lives, the government will make its maximum efforts for decontamination works and health management services for local residents. In addition, the utmost efforts will be made for payment of compensations by providing necessary compensation-related funds through the Nuclear Damage Liability Facilitation Fund so that disaster victims will quickly receive appropriate compensations.

**(iii) Reconstruction of quake-hit areas as a pioneering example for rebirth of Japan**

In the process of reconstruction from the Great East Japan Earthquake, the government will put in practice the New Growth Strategy as quick as possible, including creation of new industries, by effectively utilizing reconstruction special zones as well as private-sector funds so that quake-hit areas will enjoy sustainable development that will serve as an example for rebirth of Japan.

In particular, the government will strongly push ahead with new projects for creating new industries or job opportunities from innovations in green, life, S&T (science and technology), information and communications fields. By doing so, the government will make efforts so that reconstruction projects that make use of strengths in local communities will serve as an advanced regional model for the rest of Japan.

The government will quickly make use of the "Special zones for reconstruction" program that allows unprecedented tax incentives (a five-year tax exemption for newly-established firms) and drastic deregulations, aiming to attract new corporate investment from corporations in Japan and abroad and accelerate the reconstruction process.

<Major forward-looking policy actions in quake-hit areas>

- Supporting adoption of renewable energies and enhancing R&D hubs
- Adopting electric, heat and other energy supply systems making use of regional resources
- Collecting, sharing, and using regional medical/health information in collaboration with Tohoku-area research activities mainly at Tohoku University (Tohoku Medical-Megabank Initiative)
- Pushing ahead with development projects on innovative drugs and medical devices
- Promoting reconstruction through adoption of PPP/PFI for public facilities
- Public-private cooperation on support for the recovery of damaged businesses
- Holding a Tohoku Tourism Fair (tentative name) and planning Tohoku Support Tours

**(2) Redesign of energy and environment policies**

To redesign energy and environment policies, at first the government will thoroughly investigate possible causes of the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station at accident investigation or fact-finding committees, and

then push ahead with setting up new nuclear safety programs in accordance with the accident causes identified. In accordance with the three-year-long Action Plan to Stabilize Energy Supply-Demand for avoiding the risk of peak-hour electricity shortage and electricity cost rising as much as possible, the government will concentrate all policy resources, such as budgetary, regulatory, and system reforms efforts, in order to accelerate energy structural reform.

As for examination from scratch of the medium- and long-term energy/environment strategies, the Energy and Environment Council, a subcommittee under the Council on National Strategy and Policy, will develop the "Innovative Strategy for Energy and the Environment", as pillars of Japan's revitalization, based on new technology framework in the summer 2012, along with global warming domestic countermeasures from 2013 onward. After that, the government will push ahead with these two types of policy actions in an integrated manner.

As the basis for developing new strategy, the Energy and Environment Council's Cost Review Committee has objectively reviewed power generation cost data to examine energy mix. By disclosing all assumptions and calculation methods, the committee has estimated by making full use of currently available knowledge and information. Consequently, the cost estimation has revealed the following points: Nuclear energy cost involves considerable social costs; Coal and LNG are cost-competitive, as base power sources, with nuclear energy which are added social costs; Renewable energies are expected to play certain roles suitable to their power source characteristics, because cost reduction is anticipated through improved volume efficiency, even though Renewable energies have some challenges; Distributed power sources, including customer-side cogeneration, as well as energy-saving products also have potential capabilities almost comparable to large-scale centralized power sources ; and Each power source has its own advantages and disadvantages.

Based on the aforementioned review findings as well as viewpoints derived from discussions from diverse perspectives, the Energy and Environment Council set forth "basic principles" calling for opening up new energy frontiers and pushing ahead with global warming domestic countermeasures, while reducing dependence on nuclear energy. Aiming to propose multiple options for the Strategy for Energy and the Environment in spring 2012, the Council indicated the following basic stances: First, from the standpoint of "reviewing policies from scratch," it is necessary to take all possible actions to surely manage nuclear power-related risks; Second, in order to reduce dependence on nuclear power generation, it is necessary to push ahead with both of energy security and global warming domestic countermeasures in a compatible manner, paying due attentions to international contexts; and Third, by creating new energy system in which customers and local communities can voluntarily select their energy options based on the axes of creating,

storing, and conserving energies, it is necessary to achieve new energy mix and take global warming domestic countermeasures. In addition, the Council also indicates the basic principles as follows: First, the related commission should propose draft options on nuclear power policies under the principle of intensifying nuclear risk management efforts; Second, the related advisory committee should propose draft options on energy mix under the principle of reducing dependence on nuclear energy; and Third, related council should propose draft options on global warming domestic countermeasures in the light of the way what Japan ought to be for the future and the contribution to reduce global emissions.

Based on these basic principles, the Japan Atomic Energy Commission, the Advisory Committee on Energy and Natural Resources, the Central Environment Council and some other related organizations will propose draft options on nuclear power policies, the energy mix, and global warming domestic countermeasures around spring 2012. Based on those draft options, the Energy and Environment Council will propose its own multiple integrated options for the Strategy for Energy and the Environment.

### **3. Achieving both economic growth and fiscal balance improvement**

#### **(1) Macroeconomic policies to enhance growth potentials and cope with yen appreciation and deflationary economy, and preparation for possible European government debt crisis**

The Japanese government is addressing yen appreciation and deflationary economy as urgently important matters. While reconstruction demand is estimated to rise in approximately two years, hopefully to terminate deflationary economy as suggested in the New Growth Strategy, the government will pay careful attentions to possible impacts of yen appreciation, work with the Bank of Japan to quickly attain stable and modest price level hike, and make efforts for smooth transition to economic growth led by private-sector demand, rather than depending on reconstruction demand. Furthermore, in combination with private-sector efforts, the government will actively work on policy actions as well, with determination to boldly embark on new frontiers. The goal of the policy efforts will be an average nominal growth rate of about 3 percent and an average real growth rate of about 2 percent for fiscal 2011 through fiscal 2020. As excessive fluctuations in currency values would have negative impacts on economic and financial stability, it is necessary to keep monitoring market trends and take appropriate actions.

In preparation for fluctuations in international financial markets, the government will work with foreign countries and international organizations to examine and push ahead with broad policy options that would contribute to stabilizing international financial markets. It will also share a sense of vigilance and closely work with Bank of Japan to

cope with international financial market destabilization and possible negative impacts on Japan resulting from the European government debt crisis.

## **(2) Steady implementation of comprehensive reform of social security and taxes**

As the current social security system fails to adequately cope with declining birthrate, aging population and other socioeconomic changes, growth of social security revenues do not catch up with increased payout of social security benefits. This factor, coupled with decreased working-age population and changes in employment conditions such as increased non-regular jobs, has mainly brought about deteriorated fiscal balance. In this context, it is necessary to strike a balance between social security burdens and benefits to keep sustainability of the social security system, while paying attentions to intergenerational and intra-generational equality. Additionally, through early preparation and utilization of the Number System, it is necessary to enhance necessary social security services by putting a higher priority on necessary social security benefits for people who genuinely need help, and to strategically put higher propriety on important benefits and provide social security benefits efficiently.

Due to European government debt crisis, analysts are paying increased attentions to credibility of fiscal positions of national governments. To enhance a sense of security and credibility of the social security system and fiscal position, the government aims to submit related bills in the next ordinary Diet session by examining the feasibility of possible policy actions in accordance with the Definite Plan for the Comprehensive Reform of Social Security and Tax (decided by the Headquarters of the Government and Ruling Parties for Social Security Reform on June 30, 2011), so that stable funding for social security as well as improvement in the fiscal balance will be achieved simultaneously.

In addition, the government will simultaneously push ahead with economic growth and improvement in the fiscal position in a compatible manner.

## **4. Accelerated implementation, enhancement, and redesign of the New Growth Strategy**

The government will steadily proceed with, and conduct necessary follow-up activities on, already specified in the New Growth Strategy in line with related schedule in order to achieve sustainable growth. Furthermore, it will also endeavor to accelerate the implementation of those projects as soon as possible ahead of initial schedule if it is desirable to do so.

To push ahead with structural reform in Japan and further enhance the nation's revitalization, the government pursues exploring three types of "frontiers" (new opportunities to be opened up); economic, social, and international frontiers

By clearly indicating the basic concept for each frontier category, the following sections will sort out policy measures related with enhancing new initiatives or redesigning the New Growth Strategy's initiatives as "Short-term major high-priority projects."

From now on, the government will further develop specific policy actions and identify numerical goals, target dates, time schedules and so on in the middle of 2012.

It will make use of comprehensive special zone system in various areas and encourage local-based innovative and voluntary projects, aiming at regional socioeconomic revitalization.

### **(1) Initiatives to further strengthen growth potentials (opening up economic frontiers)**

The Great East Japan Earthquake and yen appreciation are posing more imminent risks such as economic hollowing out. Rather than stoically allowing the economy to balance in a smaller size, Japan must turn the current crisis into an opportunity by creating new industries and adding new value to push ahead with economic expansion. What Japan needs today is creative innovation that looks to the world and to the future to renew economic/industrial structure rather than being caught up in the systems and politics that were successful in the past. It is necessary to recognize that there is greater risk in doing nothing than there is in embarking on something new. Japan must get ready to take actions.

For this reason, to accelerate the New Growth Strategy and enhance Japan's further growth potentials by paying attentions to post-earthquake conditions, the government will expand new initiatives that will effectively promote innovation, such as regulatory reform, public services reform through market test, and administrative reform including budget, tax, and legislative measures.

Japan must face up squarely to the reality that nations are continually engaged in severe competition to capture demand around the world. To win this competition, the government will foster internationally active and entrepreneurial human resources and strengthen elements of non-price competitive edge of Japan, such as Cool Japan and unique technologies, aiming at realizing dynamic growth through revitalizing the private sector. For the rebirth of Japan and enhancement of its growth potentials, it is necessary to foster and strengthen small- and medium-sized enterprises (SMEs) that underpin the Japanese economy. The government should maximize Japan's competitive SMEs' potentials and latent strengths, including technical capabilities of SMEs, and provide comprehensive support for enhancing their corporate managerial capabilities, such as providing support for enhancement/continuation of their technical abilities and for overseas business expansion taking advantage of Japanese expertise, skills, and sensibilities. In addition, aiming to address worldwide problems such as food, water, and energy issues resulting

from rapid population growth as well as declining birthrates and aging populations in developed countries, the government will make full use of Japan's competitive state-of-the-art technologies/knowhow/systems to bring about economic growth.

**(i) Promotion of economic partnerships and harnessing on the world's growth potentials**

<Overall concept>

Harnessing global demand, including stronger demand in Asia-Pacific region, is vital for Japan to continue and increase economic growth. To bring on the world's growth potentials in domestic economic growth and to contribute to the world economy, Japan need to proactively promote high-level economic partnerships and play leading roles in creating new trade and investment rules. From these perspectives, Japan will pursue strategic, multifaceted economic partnerships with key trade partners and a wide variety of other countries. In concrete terms, to actualize the Free Trade Area of the Asia-Pacific (FTAAP), Japan will push ahead with negotiations with South Korea and Australia, and aim to promptly start negotiations on Japan-China-South Korea, ASEAN+3, and ASEAN+6 regional economic partnerships. . Regarding the Trans-Pacific Partnership (TPP) Agreement, the government will proceed with consultations with nations concerned toward participating in the negotiations. It will also aim at early launching of negotiations on Japan-EU EPA.

Rapid yen appreciation involves a risk of accelerating overseas transfer of supply chains, even in the materials manufacturing sector that has seen relatively low overseas production ratio so far. This would pose serious concerns on rapid industrial hollowing out. The government should take policy actions and other effective solutions that will underpin economic growth by improving domestic business environment for SMEs in particular.

Capturing growing overseas markets is vital to Japan's development, but many corporations even with high technical capabilities/expertise are missing out business opportunities because of their poor access to overseas market. The government will seek maximum use of Japan's advantages fostered in the environment/infrastructure sectors as well as content and other "software" sections, and utilize public-private partnerships (PPP) and international standards to expand business activities on the global scale mainly in Asia, bring back overseas business outcomes to Japan, and foster Japan as one of the core industrial hubs. Additionally, by utilizing benefits of yen appreciation, the government will encourage overseas M&A projects and enhance resources procurement efforts through public-private sector partnerships.

<Short-term major high-priority projects>

- Selective and active promotion of investment agreements, tax treaties, and social security agreements

- Enhancing competitive edge through location subsidies
- Utilizing positive effects of yen appreciation to encourage overseas M&A projects and procure resources
- Utilizing "Comprehensive global strategic special zones"
- Implementing the subsidy program for projects promoting Asian site location in Japan and encouraging inward investment
- Protecting intellectual property rights by swiftly effectuating and expanding the participation in the Anti-Counterfeiting Trade Agreement (ACTA)
- Enhancing overseas deployment of integrated infrastructure systems
- Supporting SME's overseas business activities
- Promoting acceptance of highly-skilled human resources through prompt adoption of a point program
- Improving the nurse interns or care worker candidates acceptance programs based on economic partnership agreements (EPAs)
- Revising the Civil Code (regarding debts) in line with globalized economy
- Promoting Cool Japan

**(ii) Creation of new industries and new markets in response to environmental changes**

<Overall concept>

In Japan, the service sector accounts for 70 percent of GDP. The amount of labor and capital being invested in the service sector is increasing, but labor productivity is growth is stagnating. To enhance corporate value-added creation capabilities, it is important to cultivate potential demand for new services, such as healthcare and childrearing support. In Japan's highly-competitive manufacturing sector, it is important to promote technical development, create innovative materials/products, and bring about innovations. It is essential to push ahead with innovations in such growth fields and create new industries and new markets.

For this reason, the government will work on regulatory and systemic reform that will improve service sector's productivity in a suitable manner to declining birthrate and aging population and create new industries and new markets. In addition, it will also push ahead with creation of new growth industries through Life Innovation based on green innovations and the needs of senior citizens, strengthening SME's potential and management capabilities, development of S&T (science and technology) innovations through industry-academia-government cooperation, and use of ICT (information and communications technology) with due concern for enhanced security. The government will also work on support for new startup firms.

In addition, the industry and academic circles will take initiatives to push ahead with S&T innovations. The government will work to set up strategic framework to promote

development of marine resource-rich sea areas surrounding Japan, and promote/utilize outer space. Through cross-sectional collaborations, the government aim at creating economic structure that will actively generate new values in relation with Japan's accumulated cultural resources, knowledge, and information as well as new cultures and lifestyles in mature society.

<Short-term major high-priority projects>

- Market expansion by overcoming problems, such as declining birthrate, aging society, and energy/environmental constraints
- Drawing up "Green Growth Strategy" (tentative name)
- Developing world-class pharmaceutical and medical technology infrastructures
- Establishing world-leading framework based on next-generation medical services
- Drawing up new strategy to make Japan the world leader in drug discovery and medical devices development
- Strengthening SME's potential/management capabilities
- Setting up Strategic Headquarters for Science, Technology, and Innovation (tentative name)
- Overcoming the "valley of death" through industry-academia-government cooperation, and pushing ahead with industry-academia-government joint R&D projects
- Improving user-friendliness for Japanese citizens and creating new industries through utilization of ICT
- Further pushing ahead with regulatory reforms in conjunction with administrative reform initiatives
- Constructing new framework for strategically promoting development/use of outer space

### **(iii) Revitalization of financial capital markets through new capital flows**

<Overall concept>

To enhance growth potentials, it is important to stimulate growth-related demand through bold and effective regulatory reform for making growth seeds commercially viable. At the same time, it is also important to expand supply of growth money, which serves for launching new businesses, through a proper role-sharing between the public and private sectors. Risk capital is not sufficiently available to newly-launched businesses, preventing economic revitalization. Moreover, the financial and real estate industries that serve as intermediary for capital are themselves slumping. It is necessary to enhance growth potentials through proper fulfillment of brokerage function.

For this reason, the government will expand growth money supply for financing corporate growth, business revitalization,/reorganization and start-up of new businesses, appropriately check out commercial feasibility, and push ahead with enhancing the functions of financial capital markets so that necessary funds will be provided to new

growth industries/markets. Furthermore, it aims to strengthen growth potentials and competitive edge of the financial industry and revitalize the real estate investment market. Meanwhile, policymakers will analyze problems with Japan's money-flow structure and future direction of its macroeconomic and international BP (balance of payment) structure to set up appropriate framework for encouraging extensive investment by households and also enhance the functions of financial institutions/markets from the viewpoint of providing new fundraising environment and revitalizing industrial activities.

In the future, the government aims to set up appropriate money-flow structure in tie-up with Asian financial capital markets so that growth money is supplied to corporations, and outcomes of corporate growth will cycle back to corporations as growth money.

<Short-term major high-priority projects >

- Expanding the supply of growth money through public-private cooperation
- Promoting creation of comprehensive exchange (securities, derivatives, commodities)
- Strengthening growth potentials and competitive edge of insurance companies
- Ending asset deflation by revitalizing the real estate investment market
- Actively using “loan with capital characteristics”
- Strengthening the financial intermediary functions of banks, securities companies, etc.
- Establishing the Ministerial Council on Growth Finance (tentative name)

#### **(iv) Revitalization of food, agriculture, forestry, and fisheries**

<Overall concept>

Japan's food, agriculture, forestry, and fisheries are under serious circumstances, such as declining incomes, serious shortages of core farmers, and aging population. Enhancing competitiveness and soundness of food, agriculture, forestry, and fisheries is urgently necessary.

For this reason, the government will steadily work on reconstruction of East Japan's agriculture, forestry, and fisheries, and restoration of consumer confidence in Japanese agricultural, forest, and seafood products based on the “Basic Policy and Action Plan for the Revitalization of Japan’s Food, Agriculture, Forestry, and Fisheries” (Decided on October 25, 2011, by the Headquarters to Promote the Revitalization of Food, Agriculture, Forestry, and Fisheries). In addition, it will intensively strive to enhance nationwide competitive edge and soundness of agriculture, forestry, and fisheries, and regional development in the coming five years. By taking the aforementioned actions, the government intends to raise productivity of agriculture, forestry, and fisheries and expand their market size, aiming to attract young people to these industries in the process of globalization and actualize robust agriculture, forestry, and fisheries industries where young people will play very active roles.

To actualize high-level economic partnerships in a compatible manner with revitalization of agriculture, forestry, and fisheries, as well as improvement of food self-sufficiency, it is indispensable to resolve problems described in the Basic Policy and Action Plan for the Revitalization of Japan's Food, Agriculture, Forestry, and Fisheries, and to secure public understanding and stable financial resources in addition. Consideration will thus be made in a concrete manner on issues, such as a shift from the consumers pay principle to the taxpayers pay principle, reform of direct payment framework, and creation of benefits distribution mechanisms accrued from opening up the country.

<Short-term major high-priority projects >

- Realizing sustainable and robust agriculture
- Shifting to Sixth Industries, growth industries, and more efficient distribution
- Utilizing rural area's resources for energy production purposes
- Revitalizing forests, forestry, and the fisheries

#### **(v) Tourism promotion**

<Overall concept>

With the birthrate declining and the population shrinking and aging, it is important to encourage tourism business to underpin Japan's growth by clearly identifying domestic tourism demand and expanding the number of visitors to Japan from rapidly-growing Asia or some other areas. Because of the Great East Japan Earthquake, nuclear power plant accident, and yen appreciation, however, the number of tourists has fallen. There are signs that tourism in Japan would recover, but the situation remains difficult.

Revival of tourism, which shows the glory of a nation, is essential to Japan's revitalization. Reputational damages from the nuclear power plant accident must be overcome. Tourism travel access will be improved for an era of 30 million visitors to Japan via enhanced public-private partnerships on promotion of visits to all of Japan and examination of appropriate methods for smoother, faster yet stricter checks at immigration control. The government will also strive to disperse vacation schedules among workers and push ahead with tourism-oriented nation by creating high value-added or new brands on Japan's tourism.

<Short-term major high-priority projects >

- Working on increasing the number of tourist visitors to Japan and improving the environments for accepting visitors
- Pushing ahead with inviting/holding MICE (Meeting, Incentive, Convention, Exhibition/Event)
- Supporting regional initiatives to expand tourism demand and create job opportunities
- Supporting initiatives on new tourism
- Promoting market entries by low-cost carriers (LCCs)

## **(2) Revival of a broad middle class (opening up social frontiers)**

Japan's revitalization requires not only economic growth, but also social stability, growth clearly visible to the public, and creation of hope for the future. Incentives for success and a safety net in case of failure are also necessary. Today, income level for so-called the middle class (the middle-income class) is declining overall, There is a trend of falling into poverty, and the middle class is facing various problems and anxieties.

For this reason, the government will strive to revitalize the broad middle class through bringing about growth, creating job opportunities, improving job qualities and providing education so that a broad social range of people throughout the nation will enjoy outcomes of economic growth (i.e., inclusive growth). To this end, for revitalizing the current middle class, the government will work to provide attractive business environment at home, push ahead with fostering human resources capable of addressing industrial structural changes or new international role-sharing, and provide job opportunities serving for foundation for daily life, aiming to actualize a society where all citizens will participate. In addition, it will strive to revitalize community-based, sustainable, and vigorous local communities. Through these policy actions, the government aims to create a society in which everyone can participate and mutually support one another.

### **(i) Building up of social infrastructures and basis of living for everyone**

<Overall concept>

Industrial structure has been changing because of stiffer competition with overseas cheap labor forces due to globalization, as well as decreased demand for routine works through diffusion of ICT. In this process, low-income class with annual incomes below 2 million yen is expanding. At the same time, unstable employment is increasing, with non-regular employment accounting for more than 30 percent of workers. Consequently, it is getting more difficult to have a conventional vision of leading a better life by working. Amidst these circumstances, young people and the middle class, which have supported Japan to date, are growing increasingly anxious, inequality is growing, and there are concerns about overall impoverishment.

For this reason, aiming to realize a society with full participation, first of all, efforts should be made to revitalize the economy and create new industries and high-quality local-based job opportunities. At the same time, the government will provide educational support and hiring promotion for young people probably serving as new middle class in the future, provide support for children and child-rearing households, encourage women to play active roles, create appropriate learning/working environment for women and senior citizens, encourage employment of disable persons, and set up appropriate environment that will provide work-family balance as well as diversified working-style options. In addition, by eliminating employment mismatches and pushing ahead with creation of

trampoline-style new safety net, the government will strive to make all people get motivated and get the best out of their potentials, aiming to attain "decent work."

Government, labor, and business sectors will form a consensus so that young people can work with hopes and dreams and women and seniors are also able to play active roles. Policymakers are aiming at appropriate employment practices that both of regular and non-regular workers will be treated with fair working conditions based on the value of their labor. In addition, the government will strive to set up new social models, paying attentions to ever-changing family lifestyles as well as an increased number of dual income households. It will show new frontiers, aiming to create new society full of opportunities, without disregarding human power and hard-working spirits, which Japanese people should be proud of.

<Short-term major high-priority projects >

- Drawing up and implementing "Youth Employment Strategy" (tentative name)
- Providing support for schooling
- Realizing a new system for children and childcare
- Promoting participation by women and providing support for work-family balance
- Examining the feasibility of legislative measures so that everyone who wants to can work until age 65
- Creating new rules for non-regular workers
- Compiling a comprehensive vision to address issues with non-regular employment in a cross-sectional way
- Pushing ahead with initiatives to create local-based job opportunities
- Pushing ahead with social inclusion policies
- Drawing up a Livelihood Support Strategy (tentative name)

## **(ii) Development of human resources that will support Japan's economy and society**

<Overall concept>

With more than 50 percent of high school graduates moving on to college, students expecting to graduate in March 2012 will face extremely harsh hiring environment. The percentage of new university graduates with job offers stands at 59.9 percent (as of October 1, 2011), staying at the lowest level since 2010. With peoples' demand for goods and services changing, workers are expected to have vocational abilities capable of meeting ever-changing industrial structure, such as vocational ability to innovate in the face of such changes.

Amidst these circumstances, about 30 percent of newly hired college graduates and about 40 percent of newly hired high school graduates leave their jobs within three years. The number of university and graduate school graduates who are not in education, employment, or training is also increasing. There are some mismatches between what universities

emphasize in the education they provide and what corporations expect from universities. In addition, with international competition growing harsher and non-regular employment increasing, it is getting more difficult to acquire skills through internal corporate training alone.

It is necessary to show new frontiers linked to human resources development such as education that brings out young people's big ambitions to become pioneers of a new age and fosters their abilities to think and learn on their own. Based on the need for human resources who can handle industrial structure changes and new international role-sharing, the government will redesign human resources development framework through industry-academia-government partnerships in order to improve human resource qualities and train diverse personnel capable of meeting needs.

For this reason, aiming at inclusive growth of the Japanese economy, the government will work with industry and academia sectors to enhance vocational education/training programs in growth fields and skilled manufacturing fields as well as vocational education/training activities to foster highly-skilled or highly-technical/specialized independent self-employed people and sole proprietors and introduce new mechanisms for evaluation of practical occupational skills. In addition, it is also necessary to foster young human resources with international visions and to foster human resources capable of creating new values/businesses, including language ability and communication ability. The government will also work on education reform that leads in this direction. Through these initiatives, the level of the human resources that support the society and the economy will be raised, and high-level, internationally viable personnel will be developed and retained.

<Short-term major high-priority projects >

- Fostering the ability to survive in society
- Smooth connections between education and work
- Training globalized human resources
- Promoting reform of corporate hiring practices
- Enhancing vocational education/training programs through industry-academia-government partnerships

### **(iii) Creation of sustainable and vigorous nation and local communities**

<Overall concept>

How local communities can be maintained and developed, and how a rich national life can be insured in a society with a declining population are major issues for Japan. If population decline continues according to the current projections, in 2050, 60 percent of residential districts will see decreased residents to a half or less of their current size. (Calculated on a per square kilometer basis. About 20 percent of areas will become

depopulated.) In urban areas as well, an estimated about 20 percent will see populations of half or less their current size.

With population decline anticipated, in order to maintain the vitality of urban areas and local communities that serve as the basis for people's daily life and social activities and to increase the attractiveness of living spaces by appropriately responding to environmental and disaster-prevention issues, the government will work on expanding investment in urban cores and revitalize rural areas through maximum use of private-sector funds and expertise, and harness the "New Public Commons" concept, which means people voluntarily support society in various ways such as donations, exchanges, and volunteer activities, with a spirit of mutual support. By doing so, the government will solve various business and local problems and push ahead with affluent regional development supported by communities. In addition, development and retention of human resources capable of undertaking this kind of regional renewal will be promoted.

To promote prompt development of sustainable communities in the face of population decline, the government will deeply examine the feasibility of community planning for a new era. This will include pushing ahead with compact cities, improving public transportation, as well as working on health-conscious community planning to cope with aging population, versatility community planning capable of addressing population structure changes, and new community planning that utilizes ICT (information and communications technology).

Additionally, as demographic structure has been changing, the government will deepen discussions on what Japan should be from medium- and long-term perspectives. How should local areas be supported with human bonds or with local communities? What should the relationship between urban and local areas in national territory or between human and the nature?

<Short-term major high-priority projects >

- Realizing "low-carbon," recycling-oriented, sustainable society through promotion of "zero-energy housing," intensive urban renewal, etc.
- Improving disaster preparedness and environmental performance in urban areas
- Pushing ahead with the "FutureCity" Initiative concept
- Utilizing comprehensive special zones for regional revitalization
- Reexamining the feasibility of regional revitalization systems
- Promoting interactions between urban and rural areas, and enhancing regional strength through utilization of regional resources and internal cycles
- Revitalizing public spaces that harness the New Public Commons
- Expanding the markets for distribution and renovation of existing homes
- Promoting national territory/community building resistant to disasters

- Backing up the core functions of the Tokyo area, etc.

### **(3) Strengthening Japan's worldwide presence (cultivating international frontiers)**

<Overall concept>

The extension of Japan's social infrastructure towards Asia and the world is a contribution to the development and stabilization of the world economy, which would also facilitate Japan's own rebirth effort. Japan's rebirth cannot come about without international development. For this reason, Japan will work to break away from inward-oriented mind in the past and promote active international contribution/cooperation through providing to other countries Japan's outstanding technologies and systems, such as health and medical care, education, flood control, disaster risk reduction, environmental conservation as well as emergency relief when large-scale disasters occur, thereby contribute to actualizing human security through the world's inclusive growth. Achieving human security requires both improvement of government and administrative capabilities as well as empowerment of individual people. Japan will work to support this.

In this global era of historic change, the issues that Japan faces – coping with world economic structure changes, low-birthrate society, and decreasing and aging population and transitioning to green economy and energy policies that address global warming – are issues that the rest of the world are going to face as well. Japan will lead the way in finding appropriate solutions.

To strengthen Japan's presence in the United Nations and other international organizations/forums and to enhance Japan's image and recognition among ordinary citizens around the world, the government will examine possible policy actions to establish and send out Japan's national brand to the world, including diverse elements such as dissemination of the concept of human security, environmental technologies, world-class skilled manufacturing, national characteristics, and culture. In addition, Japan will demonstrate leadership in solving global issues and further examine possible policy actions for fostering human resources capable of contributing to the future of human beings.

Japan will strategically utilize official development assistance (ODA) to address these issues and show/present to the international community new growth models and international contribution.

<Short-term major high-priority projects >

- Developing resilient infrastructures
- Development of human resources who will support the economies of developing countries

- Expanding the foundation of human resources through support for basic education
- Improving health, medical care, and sanitation
- Using Japanese technologies to support disaster risk reduction in developing countries
- Providing support in the fields of agriculture and food, etc.
- Increasing Japanese staff serving for international organizations
- Registering Japan's food culture as an intangible cultural heritage
- Rebuilding Japan's national brand
- Contributing to the shift to a green economy (contributing as "Japan, an advanced problem-solving nation")
- Strategically and effectively making use of ODA funds

### **5. Embarking on new frontiers**

Intensified globalization has been accelerating modernization of emerging economies, especially in Asia. In the developed nations that are being rapidly overtaken, mechanisms that premised on the modernization that has taken place to date have begun to fall apart. The group most heavily impacted by this fact is today's Japanese middle class, especially its young people.

People's values that became homogenized and standardized in the process of modernization will likely diversify during the current and coming major changes in the world economy. People will demand diversity in lifestyles and work styles as well. There are two main directions for this. They need social mechanisms in which they are able to choose a kind of dual lifestyle and move freely between two lifestyles.

The first direction involves a lifestyle and work style that takes advantage of globalization, pursues its benefits to the extent possible on the world stage, and serves to drive the Japanese economy in the global economy. To achieve this lifestyle and work style, it is necessary to strengthen the New Growth Strategy, expand free trade areas, support the overseas expansion of Japanese-style systems, and develop international human resources capable of winning in international competition.

In this process, the values that Japan should assert in globalization process are important. In addition, it will be necessary to build functional and efficient cities and concentrate functions in urban cores to win in global intercity competitions. It will be necessary to work out policies that further spread global frontiers.

The second direction involves a lifestyle and work style that faces globalization, but reaffirms Japanese values and co-exists with local community as Japan matures. Achievement of these Japanese values and lifestyle/work style is intimately related with advancing decentralization from cities to local areas and creating economic zones with independent cycles based on local production and local consumption.

In this process, in a society with low birthrate and declining and aging population, it is important to create new frontiers in Japan that the world admires, in terms of medicine and caregiving, logistics, and other integrated services. In addition, it is also necessary to construct a society in which it is easy for a diverse, broad middle class to live. Furthermore, it is important to create New Public Commons for the 21st century, and set up society in which every member in the society can experience the joy of contributing to the society beyond their personal benefits, and can be certain of a place and roles. It will be the existence of such tranquil local communities in Japan that will enable people working on the frontlines of the global economy to play further active roles.

This means global corporations active in the world economy and SMEs that support local economies will be able to coexist and prosper together.

Free movement between these two states would strengthen regional ties to the world, creating synergies such as the uncovering of world-class regional appealing points and resources and expansion of mutual markets.

The new regional society of the 21st century will be connected to the world while enabling sustained development.

To restore hope and pride to Japan, it is important to suggest new frontiers and point out the direction to be taken over the medium and long term.

In the future, along with economic, sociological, and other specialized analysis, the government will deeply examine possible new frontiers from the aforementioned perspectives.

**Major examples of concrete measures in the New Growth Strategy policies to  
frontload in the quake-hit areas**

○ **Supporting adoption of renewable energies and developing R&D hubs**

Supporting introduction of renewable energies, setting up smart communities, testing the offshore floating wind power generation project off the coast of Fukushima Prefecture, and developing R&D hubs consisting of universities, research institutions, and corporations for industrial development and job creation purposes

○ **Adopting electric, heat, and other energy supply systems making use of regional resources**

Creating "low carbon" communities through the following activities: Supplying electricity, heat and other energies making use of earthquake debris, wood thinned from forests, small hydropower, and sewage sludge; providing support for developing business plans on diffusing renewable energies or adopting renewable energies at disaster preparedness centers; and improving energy use efficiency through support for installation of gas cogeneration systems

○ **Collecting, sharing, and using regional medical/health information in collaboration with Tohoku-area research activities mainly at Tohoku University (Tohoku Medical-Megabank Initiative)**

Reconstructing healthcare sector in the Tohoku area and setting up next-generation healthcare system by formation of a biobank that links biological samples to the health/diagnosis/genome information of residents in quake-hit areas, with Tohoku University playing central roles in research activities, by creation of basic foundation for drug discovery and personalized medicine, and by developing IT system network that connects local medical institutions

○ **Pushing ahead with development projects on innovative drugs and medical devices**

Relaxing regulations and setting up new clusters for R&D or commercial application purposes in special zones for reconstruction, to provide innovative drugs, develop medical devices and medical/caregiving robots through collaboration between medical and engineering sectors, and provide medical/caregiving peripheral services

○ **Promoting reconstruction through adoption of PPP/PFI for public facilities**

Drawing on private-sector funds and their expertise, such as introducing private-sector-led management approaches at public facilities through use of PPP/PFI

○ **Public-private cooperation on support for the recovery of damaged businesses**

Making use of the Great East Japan Earthquake Business Revitalization Agency and the Industrial Reconstruction Agency to provide forward-looking support on revival of corporations in quake-hit areas in collaboration with private financial institutions

- **Holding a Tohoku Tourism Fair (tentative name) and planning Tohoku support tours**

Revitalizing the Tohoku region by holding a Tohoku Tourism Fair (tentative name) to stimulate tourism demand in Tohoku as nationwide movement and encourage human interactions between tourists and Tohoku area residents

- **Pushing ahead with R&D on radiation and radioactive materials**

Pushing ahead with revival/reconstruction in Fukushima Prefecture by providing support Fukushima Prefecture's radiology R&D hub projects and radiation/decontamination-related information services

- **Building worldwide industry-academia-government cooperation**

Setting up industrial clusters in the Tohoku region through pushing ahead with industry-academia-government cooperation that consists of research institutions and the industrial circle with Tohoku University playing central roles, aiming to enhance commercial feasibilities of world-class technologies

- **Creating information-oriented local communities by making use of ICT (information and communications technology)**

Setting up disaster-resistant data-communications infrastructures and introducing regional clouds to create safe, comfortable and information-oriented local communities and improve operational efficiencies at the local government level

- **Building of robust supply chains for everyday necessities**

Pushing ahead with developing information collection systems on production/inventory information on food or other daily necessities or setting up new systems capable of sharing logistics-related information in case of a disaster, aiming to create disaster-resistant supply chains and improve industrial operational efficiency in a compatible manner

- **Turning agriculture into a Sixth industry and pushing ahead with agriculture-commerce-industry cooperation**

Providing support to cooperation between agriculture/forestry/fisheries business owners in quake-hit areas and food industry, tourism, and commerce/industry businesses and to innovative projects such as commercialization of advanced agricultural technologies

- **Creating business recovery-type and full participation-type job opportunities**

Providing support to employment of disaster survivors in projects that would serve core roles in job creation in quake-hit areas; and also providing support to local government's projects that commission corporations or NPOs to provide public services to actualize full-participation-type society

## **Short-term major high-priority projects in each area**

### **(1) Initiatives to further strengthen growth potentials (opening up economic frontiers)**

#### **(i) Promotion of economic partnerships and harnessing on the world's growth potentials**

##### **○ Pushing ahead with EPAs/FTAs**

Pushing ahead with negotiations on Japan–South Korea and Japan-Australia EPAs, striving to early launch negotiations on a Japan–South Korea-China FTA, ASEAN+3, ASEAN+6, Japan-EU EPA, and so on as soon as possible; and aim to compile joint study with Canada

##### **○ Dialogues with countries concerned toward participating in negotiations on the Trans-Pacific Partnership (TPP) Agreement**

Pushing ahead with dialogues with nations concerned toward participating in TPP negotiations, making efforts to collect information on what each country would expect Japan to do, and, having sufficient nationwide debates, to reach a conclusion on TPP from the viewpoint of national interests

##### **○ Selective and active promotion of investment agreements, tax treaties, and social security agreements**

In order to expand investment agreements from the point of view of securing and encouraging overseas investment by Japanese companies, negotiations will be strategically carried out with priority countries like resource rich nations. At the same time, repatriation of corporate earnings back to Japan will be facilitated. Additionally, negotiations on tax treaties that contribute to adjusting international double taxation and social security agreements that would facilitated the movement of people between the partner countries will be actively and intensively pursued.

##### **○ Enhancing competitive edge through location subsidies**

Making use of expanded location subsidies to enhance competitive edge and prevent industrial hollowing-out

##### **○ Utilizing positive effects of yen appreciation to encourage overseas M&A projects and procure resources**

Pushing ahead with overseas M&A by making use of expanded government backing through the Emergency Yen Appreciation Response Facility and Innovation Network Corporation of Japan, and enhancing resources procurement through expanded funding (related legislative measures) of Japan Oil, Gas and Metals National Corporation (JOGMEC)

##### **○ Utilizing "Comprehensive global strategic special zones "**

The government will shortly announce selected projects. The projects will include measures such as comprehensive packages of regulatory exceptions, lower corporate taxes, financial support, and interest subsidies.

- **Implementing the subsidy program for projects promoting Asian site location in Japan and encouraging inward investment**

The subsidy program for projects promoting Japan as an Asian industrial center and encouraging inward investment will render Japan as a world-class business and living environment. The government will seek the swift passage of the Bill on the Promotion of Japan as an Asian Industrial Center. Comprehensive special zones will make an important contribution to the Asian industrial center.

- **Protecting intellectual property rights by swiftly effectuating and expanding the participation in the Anti-Counterfeiting Trade Agreement (ACTA)**

Strengthening of intellectual property rights will be pursued through promotion of early execution and promotion of the Anti-Counterfeiting Trade Agreement (ACTA) and promotion of international intellectual property strategy and international standardization strategy. Creation of a system for the proposal of new international standards and obtaining and utilization of international standards by SMEs and venture corporations will be supported.

- **Enhancing overseas deployment of integrated infrastructure systems**

Along with adding space and environmentally conscious cities (smart communities, etc.) to high-priority projects, the government will identify other fields in which Japan has international competitive edge, such as disaster preparedness. Along with these initiatives, the public and private sectors will join in strategically addressing the securing of resources.

- **Supporting SME's overseas business activities**

Support will be provided for SME's trade and overseas investment through strengthening profit-earning capabilities of SMEs that use capital for overseas expansion, providing support for cultivating overseas sales channels in a wide range of sectors including skilled manufacturing industries and service industries, thorough utilization of EPA and FTA agreements, joint investment funds such as the Japan Bank for International Cooperation's (JBIC) two-step loans through Japanese banks, development of human resources capable of working on overseas expansion, and utilization of ODA.

- **Promoting export of agriculture, forestry, and fisheries products**

Considering impacts of TEPCO Fukushima Daiichi Nuclear Power Station accident, exports of agriculture, forestry, fisheries, and food products in 2020 are targeted to rise to about 1 trillion yen. To attain this target, the government will steadily work on export strategies, including encouraging import deregulation in other countries and strategic marketing of the Japan brand. Comprehensive special zones will make an important contribution to agriculture.

- **Promoting acceptance of highly-skilled human resources through prompt adoption of a point program**

The relevant ministries are to reach a decision during 2011 on point-based immigration control preferential program for highly-skilled human resources and to make public announcement on an early date.

- **Improving the nurse interns or care worker candidates acceptance programs based on economic partnership agreements (EPAs)**

Appropriately taking actions for smooth, sustainable acceptance of candidates to become nurses and care workers based on EPAs by further examining the feasibility of improving their Japanese competency skills and appropriate national qualifying test framework

- **Revising the Civil Code (regarding debts) in line with economic globalization**

Paying attentions to globalized economy, the government will compile an interim proposal on revision of the Civil Code at the beginning of 2013 at latest in order to make contractual rules highly transparent internationally.

- **Promoting Cool Japan**

Through promotion of Cool Japan, the government will work on cultivating growth markets mainly in Asia, and create new local industries by drawing on foreign demand.

## **(ii) Creation of new industries and new markets in response to environmental changes**

- **Market expansion by overcoming problems, such as declining birthrate, aging society, and energy/environmental constraints**

Taking legislative actions or other supportive actions on creating new markets or job opportunities, such as manufacturing energy-saving products, promoting energy management, and pushing ahead with healthcare industry and childrearing support industry under partnerships between medical institutions and private-sector businesses

- **Drawing up "Green Growth Strategy" (tentative name)**

The government will draw up "Green Growth Strategy" (tentative name). Premised on the realization of the next-generation energy technology paradigm, it will work on energy shift for reducing dependence on nuclear power as well as conversion to decentralized energy system, aiming to revitalize Japan and bring about green growth in the world including Asia. Comprehensive special zones will make an important contribution to green innovation.

- **Pushing ahead with recycling of small electrical/electronic equipment**

Through promotion of recycling of useful metals from small electrical/electronic equipment, the government will push ahead with the formation of a recycling-oriented society, and take appropriate actions for stabilize energy supply and foster venous industries.

- **Developing world-class pharmaceutical and medical technology infrastructures**

The government will push ahead with creating world-class infrastructures to develop innovative pharmaceuticals and medical technologies. Regarding the commercialization of new drugs in particular, relevant ministries will examine and reach conclusions on as early as possible an appropriate form for the nationwide system of a "drug discovery support agency."

- **Enhancing the review framework of the Pharmaceuticals and Medical Devices Agency**

The government will enhance the Pharmaceuticals and Medical Devices Agency so that innovative pharmaceutical products, medical devices, and regenerative medicine products

will be made available as early as possible based on review process using the most advanced knowledge.

○ **Establishing world-leading framework based on next-generation medical services**

The government will provide appropriate environment for next-generation medical services, including the Tohoku Medical-Megabank Initiative, to move towards commercialization of world-class personalized medicine. At the same time, development of a hub for the overseas expansion of Japan's outstanding medical care services and technologies will be undertaken.

○ **Drawing up new strategy to make Japan the world leader in drug discovery and medical devices development**

Regarding Life Innovation, the government will develop a medium-term strategy for Japan to lead the world in the fields of drug discovery, medical device development, regenerative medicine, and personalized medicine by spring 2012. Stakeholders will cooperate and do their utmost on this. Comprehensive special zones will also make an important contribution to Life Innovation.

○ **Strengthening SME's potential/management capabilities**

Comprehensive support will be provided to enhance SME's manufacturing skills through their R&D and prototype production, hand down technologies/skills by making community-wide efforts for fostering human resources, and solve funding and human resources problems for encouraging new businesses.

○ **Setting up Strategic Headquarters for Science, Technology, and Innovation (tentative name)**

The government aims to set up the Strategic Headquarters for Science, Technology, and Innovation as early as possible by submitting in the next ordinary Diet session a bill that reorganizes the Council for Science and Technology Policy and strengthens planning, inter-ministry coordinating or other "control tower" capabilities.

○ **Overcoming the "valley of death" through industry-academia-government cooperation, and pushing ahead with industry-academia-government joint R&D projects**

By making use of world's top-level basic research hubs and research infrastructures, the industrial sector, including financial industry, and universities will work together to overcome "valley of death" in connecting university's research outcomes to corporate innovations, foster creative and innovative human resources and push ahead with joint industry-academia-government R&D and partnerships in various areas, such as Tsukuba Innovation Arena. From a medium- to long-term perspectives, the government will push ahead with creating new industries by transcending government agency boundaries and mobilizing all outstanding human resources and technologies. Comprehensive special zones will make an important contribution to science and technology.

○ **Improving user-friendliness for Japanese citizens and creating new industries through utilization of ICT**

The government will strive to make effective use of ICT in a wide range of fields such as government, healthcare, and education. This will include promotion of a national ID system being considered in accordance with the Number System in the New Growth Strategy. In addition, it will also work on creating new industries through diffusion of cloud computing that will contribute to raise medical service productivity, further effective utilization of radio waves through system revisions, and multi-industry/multi-sector integration through utilization of ICT.

○ **Enhancing information security to address cyber attacks, etc.**

The government will set up appropriate framework for sharing and internationally collecting/coordinating cyber attack-related information under industry-academia-government cooperation. In addition, Japan will develop an environment that enhances its competitiveness by working with other countries to make global rules for the appropriate use of the internet.

○ **Constructing information and communications networks resistant to disasters**

Based on experience with the Great East Japan Earthquake, the government will set up information and communications network resistant to disaster to ensure the ability of the public to communicate in the event of a disaster.

○ **Further pushing ahead with regulatory reform in conjunction with initiatives on administrative reform**

To further advance innovation and market expansion, regulatory reform will be promoted in conjunction with administrative reform, with a target of mid-2012.

○ **Constructing new framework for strategically promoting development/use of outer space**

During the next ordinary Diet session, the government will submit a bill to set up appropriate framework for strategically promoting space policies based on the principles of Basic Act on Space.

**(iii) Revitalization of financial capital markets through new capital flows**

○ **Expanding the supply of growth money through public-private cooperation**

To fully utilize private-sector funds and expertise and expand the supply of growth money that finances corporate growth and business revitalization, reorganization, and startup through public-private partnerships, the government will push ahead with utilizing Innovation Network Corporation of Japan and creating Agriculture, Forestry, and Fisheries Growth Industrialization Fund (tentative name) as well as PFI Project Promotion Public-Private Infrastructure Fund (tentative name).

○ **Promoting creation of comprehensive exchange (securities, derivatives, commodities)**

Working towards creation of comprehensive exchange, the government will compile debatable points, including appropriate regulatory/supervisory approaches on such an exchange and then prepare for submitting the necessary bills to 2012 ordinary Diet session.

○ **Strengthening growth potentials and competitive edge of insurance companies**

To encourage overseas expansion and more efficient operation by insurance companies, the government will mitigate regulations on business of affiliates related to the purchase of foreign insurance companies, lift prohibition on insurance companies in the same group recommissioning insurance solicitations, and review regulations on transferring insurance contracts.

○ **Ending asset deflation by revitalizing the real estate investment market**

To attract funds to the real estate investment market, increase the liquidity of deals, raise real estate value, and improve urban capabilities, the government will push ahead with creating appropriate framework for increasing market transparency, revitalizing the J-REIT market, and expanding real estate securitization.

○ **Actively using “loan with capital characteristics”**

Policymakers will push ahead with active use of “loan with capital characteristics” as stipulated in the financial inspections manual to improve balance sheet and corporate management of corporations that face capital shortages.

○ **Strengthening the financial intermediary functions of banks, securities companies, etc.**

Measures necessary to enhance financial intermediary functions will be taken from the perspectives of strengthening the international competitive edge of banks and securities companies, providing needed financial services, and contributing to regional economic revitalization.

○ **Establishing the Ministerial Council on Growth Finance (tentative name)**

To expand the supply of growth money that finances corporate growth and business revitalization, reorganization, and startup, ministries and agencies will closely work together to take coherent actions and maximize policy effect in creating public-private partnership funds, utilizing ¥1,400 trillion household financial assets, diversifying fund-raising approaches and examining possible approaches on financial intermediation service providers.

**(iv) Revitalization of food, agriculture, forestry, and fisheries**

○ **Realizing sustainable and robust agriculture**

Along with securing human resources to maintain Japan’s agriculture in the future by increasing newcomers to agriculture, policymakers will work on concentration of farmland to achieve 20-30 ha farmland per farming unit in flat land areas.

○ **Shifting to Sixth Industries, growth industries, and efficient distribution**

The "delicious, safe, and environmentally friendly" identity of the Japanese agriculture, forestry, and fisheries and their products will be reconstructed through promotion of a shift to Sixth Industries, growth industries, and efficient distribution, including use of the Fund to Make Agriculture, Forestry, and Fisheries into Growth Industries (tentative name).

○ **Utilizing rural area’s resources for energy production purposes**

Legislative measures will be taken at an early date and models will be introduced in order to utilize the resources in rural areas and to promote supply of renewable energy that is locally-led in a balanced manner with the food supply and national land conservation.

○ **Revitalizing forests, forestry, and the fisheries**

The government will push ahead with the Forest and Forestry Revitalization Plan, which aims at 50% wood self-sufficiency, and also work on creating attractive, state-of-the-art and resource-management-style fisheries.

**(v) Tourism promotion**

○ **Working on increasing the number of tourist visitors to Japan and improving the environments for accepting visitors**

A nationwide "visit Japan" program that strengthens ties between the private sector and local governments to attract visitors to Japan will be promoted. In addition, the government will evaluate and improve visitor-friendly environment to provide secure and comfortable, travel, stay, and sightseeing environment.

○ **Pushing ahead with inviting/holding MICE (Meeting, Incentive, Convention, Exhibition/Event)**

The government will work on promotional activities to raise awareness of Japan for inviting/holding international conventions and exhibits and other MICE elements. It will also make efforts to enhance marketing strategies and increase the competitiveness of businesses and organizations that attract and hold MICE.

○ **Supporting regional initiatives to expand tourism demand and create job opportunities**

To encourage tourist stays, policymakers will promote creating regional platforms that serve as markets and contact points, and push ahead with planning/sales of local souvenirs, and human resources development efforts.

○ **Supporting initiatives on new tourism, etc.**

The government will promote new tourism, which provides tourism making use of local features and meeting diverse tourist needs through eco-tourism, green tourism, health tourism, tourism in partnership with medical care, and so on.

○ **Promoting market entries by low-cost carriers (LCCs)**

The government will double human flow at home and abroad by encouraging LCC's market entries, stimulate new aviation demand and increase user benefits through easing technical regulations to contribute to lower costs for airlines while still ensuring safety.

**(2) Revival of a broad middle class (opening up social frontiers)**

**(i) Building up of social infrastructures and basis of living for everyone**

○ **Drawing up and implementing "Youth Employment Strategy" (tentative name)**

To strongly encourage hiring of the young people who will serve as the middle class of the future, the government, labor circle, and industry sector will discuss and compile a unified "Youth Employment Strategy" (tentative name) that transcends interagency barriers. Focusing on smooth transition from school to work and expansion of hiring, it will be completed and implemented by mid-2012.

○ **Providing support for schooling**

The government will continue steady efforts on mitigating the burden of educational fees for high school so that motivated and talented young people may proceed to higher education regardless of economic their conditions. It will also take appropriate actions to improve educational loans, exempt low-income households from tuition, and improve scholarship programs.

○ **Realizing a new system for children and childcare**

In accordance with the "Interim report on the new system for children and childcare" (decided by the Council on the Aging Society with a Declining Birthrate in July 2011), the government will submit the necessary bill to the Diet at an early date to put in practice the new children/childcare program on full-scale basis financed with permanent revenue sources, along with drastic taxation reform. Until permanent revenue sources are secured, after passage of the bill, a "Children and Childcare Council" (tentative name) will be established probably in fiscal 2013, and other possible steps will be taken.

○ **Promoting participation by women and providing support for work-family balance**

The government will push ahead with creating appropriate environment in which people can harmonize work and family life and make a choice from diverse work styles. Along with promotion of the new system for children and childcare, it will also set up new systems to enable corporate labor and management to grasp levels of gender equality and take positive action to encourage women to play active roles.

○ **Examining the feasibility of legislative measures so that everyone who wants to can work until age 65**

The government will take necessary legislative measures based on deliberations at the Labor Policy Council so that anyone who wants to can work until age 65.

○ **Creating new rules for non-regular workers**

Based on deliberations concerning fixed-term employment contracts at the Labor Policy Council, the government will take necessary legislative measures to achieve stable employment and fair treatment for non-regular workers.

○ **Compiling a comprehensive vision to address issues with non-regular employment in a cross-sectional way**

Based on examination of possible approaches on fixed-term employment contracts and so on, the government will compile a cross-sectional, comprehensive vision dealing with non-regular employment issues during fiscal 2011, and push ahead with unified efforts for the stable employment and better treatment of non-regular workers.

○ **Pushing ahead with initiatives to create local-based job opportunities**

In order to address various regional employment issues, the government will push ahead with support for local-based voluntary, independent initiatives on job opportunity creation.

○ **Examining the feasibility of reviewing the Act to Promote Employment of Persons with Disabilities in advance of ratification of the Convention on the Rights of Persons with Disabilities**

The government will examine necessary actions in the field of employment of disabled persons in preparation for ratification of the Convention on the Rights of Persons with Disabilities.

○ **Pushing ahead with social inclusion policies**

The government will examine the feasibility of creating "personal support service" program to support people facing various difficulties in their daily life and will work towards a society in which everyone is included and no one is rejected.

○ **Drawing up a Livelihood Support Strategy (tentative name)**

To set up a second safety net, policymakers will push ahead with creating framework for supporting needy persons, and examine possible approaches for systematically providing life-support services. At the same time, the government will review the livelihood protection system, with the target of drawing up a comprehensive livelihood support strategy in autumn 2012.

○ **Using government-owned land to develop social welfare facilities**

To enhance local framework for providing welfare services, the government will push ahead with facility development by employing government-owned land fixed-term leasehold program.

**(ii) Development of human resources that will support Japan's economy and society**

○ **Fostering the ability to survive in society**

In partnership with local communities, policymakers will enhance elementary and secondary education through fine-tuned, high-quality instructions and achievement of collaborative learning, and strengthen higher education that transcends the borders of academic fields.

○ **Smooth connections between education and work**

To foster vocational consciousness, the government will push ahead with job-related education beginning in elementary and secondary school. In higher education, ideal human resources and capabilities will be clarified. Industry cooperation will be obtained to ensure smooth connections between education and work.

○ **Training globalized human resources**

Along with encouraging globalization of higher education institutions, policymakers will push ahead with fostering international perspectives among young people by accepting international students and encouraging young people to study abroad.

○ **Promoting reform of corporate hiring practices**

Policymakers will form industry-university common understanding by making use of the Joint Industry-Academia Human Resources Development Roundtable, and encourage reforms of corporate hiring practices, such as launching year-round recruitment, treating anyone within three years of graduation as a new grad, disseminating/promoting gap years, and correcting earlier and longer hiring activities.

- **Enhancing vocational education/training programs through industry-academia-government partnerships**

To develop the necessary human resources in terms of both quality and quantity in growth fields and skilled manufacturing fields, the government will enhance vocational training programs including on-the-job training through partnerships between industry and educational institutions, push ahead with regional initiatives to carry out vocational training programs through local-based industry-academia-government collaboration, and enhance vocational education, including development of human resources in core specialties.

- **Promoting practical career development strategies**

Based on previous study of practical career development strategies, the government will push ahead with improving mechanisms and human resources development programs that will contribute to advancing regional industries and to fostering specialized human resources in new industrial fields.

### **(iii) Creation of sustainable and vigorous nation and local communities**

- **Realizing "low-carbon," recycling-oriented, sustainable society through promotion of "zero-energy housing," intensive urban renewal, etc.**

To push ahead with "zero-energy housing" project and other pioneering, cutting-edge initiatives in urban planning, housing or transportation areas as well as intensive community building projects, the government will take legislative actions at an early timing in a way to encourage shorter moving distance through closely-positioned hospitals, workplace and home, as well as low-carbon buildings, and also enhance housings and public transportation for senior citizens.

- **Improving disaster preparedness and environmental performance in urban areas**

Based on the lessons from the Great East Japan Earthquake, the government will push ahead with creating distributed energy-style model urban districts, paying due attentions to disaster preparedness and environment-friendliness.

- **Pushing ahead with the "FutureCity" Initiative**

The government will support the "FutureCity" Initiative, which seeks to create success examples in coping with the environment or ultra-aging society, disseminate and develop them at home and aboard, and achieve innovation in socioeconomic systems.

- **Utilizing comprehensive special zones for regional revitalization**

Policymakers will further push ahead with utilization of comprehensive special zones for regional revitalization, which will comprehensively support independent local initiatives through exemptions from regulations.

- **Reexamining the feasibility of regional revitalization systems**

The government will reexamine applicable laws so that specific policy actions, such as support to nursing-care, medical services or life support for the elderly, or community building projects that make use of renewable energies, will revitalize local communities.

- **Promoting interactions between urban and rural areas, and enhancing regional strength through utilization of regional resources and internal cycles**

The government will encourage human interactions, such as adoption of mechanisms for corporations and consumers to support rural areas and urban-rural partnerships through promotion of independent residency areas concept. In addition, it will push ahead with independent community building projects to improve regional capabilities through utilization of ICT such as cloud computing, enhancement of self-sufficiency and wealth-creation abilities, and the acquisition and sharing of knowledge.

- **Revitalizing public spaces that harness the New Public Commons**

To create attractive venues for activities that support communities, the New Public Commons will be harnessed to revitalize public spaces that play various roles.

- **Expanding the markets for distribution and renovation of existing homes**

By enhancing/collecting information on aseismic capacities or energy-saving performance, improving consumer support programs, strengthening stakeholders' capabilities and supporting refurbishing services of private-sector rental housings, policymakers will push ahead with creating attractive/reliable market for consumers and encourage safe housings in terms of sales and renovations of existing homes.

- **Promoting national territory/community building resistant to disasters**

Efforts will be made to promote disaster-resistant community-building projects, enhanced crisis management in the event of a major disaster, and making schools, hospitals, homes, and so on earthquake resistant. At the same time, prioritized, effective mismanagement and renewal of social capital will be promoted.

- **Backup up the core functions of the Tokyo area, etc.**

Policymakers will work on basic study of ensuring backup of the Tokyo area's core functions in the event of an earthquake directly under the capital. Additionally, the government aims to submit to the next ordinary Diet session a bill setting forth legal framework for confirming safety of visitors in the event of a major earthquake and taking comprehensive disaster prevention actions both on the software and hardware side.

### **(3) Strengthening Japan's worldwide presence (cultivating international frontiers)**

- **Developing resilient infrastructures**

The government will develop "International Competitiveness Improvement Program" (tentative name) that calls for further enhancement of public financial support, including trade insurance, and enhancement of competitive edge of Japanese infrastructure corporations. In addition, it will push ahead with overseas infrastructure development packages with public-private partners using ODA and private-sector funds, and provide

comprehensive support for creating resilient infrastructures that will contribute to disaster prevention or economic growth in emerging nations, especially in Asia.

○ **Fostering human resources who will support the economies of developing countries**

The government will support training and securing of human resources who will serve as a driving force for growth by inviting international students, training specialists, encouraging human interactions among young people, constructing networks among universities and research institutions, disseminating Japan-style education program, and expanding Japanese language education.

○ **Expanding the foundation of human resources through support for basic education**

Through providing support in the basic education sector, such as fostering teachers for science/math education, the government will promote the expansion of the foundation of human resources in developing countries.

○ **Improving health, medical care, and sanitation**

The government will contribute to improving the situation of health, medical care, and sanitation in developing countries through support for development of health and medical care systems as well as for supply of safe water.

○ **Using Japanese technologies to support disaster risk reduction in developing countries**

In addition to providing active support to Thailand, which suffered severe flood damage, based on Thailand's needs such as a revision of its flooding master plan, the government will help Asian nations vulnerable to disasters by providing packages for construction/operation of disaster risk reduction systems through industry-academia-government cooperation. Additionally, the government will push ahead with the ASEAN disaster prevention network initiative to construct a disaster risk reduction network that employs satellite systems and other Japanese technologies. Through hosting high-level international conferences and the third United Nations World Conference on Disaster Reduction, Japan will play leading roles in the disaster risk reduction in the international community.

○ **Providing support in the fields of agriculture and food, etc.**

To protect citizens in developing countries from dangers such as poverty, hunger, conflicts, and terrorism, Japan will continue its efforts to provide support in the area of agriculture and food, emergency-relief and humanitarian assistance, and peace-building.

○ **Promoting support for developing legal framework that will serve as a foundation for inclusive growth**

Japan will push ahead with providing support for development of legal framework that will attain the rule of law in developing countries and create socioeconomic infrastructures in order to ensure growth.

○ **Increasing Japanese staff serving for international organizations**

The government will work on augmentation and retention of Japanese employees at international organizations through enhancing the Junior Professional Officer (JPO)

dispatch program for young specialists and providing information on job opportunities at international organizations.

○ **Registering Japan's food culture as an intangible cultural heritage**

To encourage understanding of Japan's proud food culture and increase its attractiveness and to send out Japanese cultures, the government will work on registering Japan's food culture as UNESCO intangible cultural heritage.

○ **Rebuilding Japan's national brand**

Through appropriately sending out messages on Japan's revival at the Davos Forum and other international conferences, pushing ahead with Cool Japan strategy, and making contributions to a shift to green economy in the world, Japan will overcome its international reputational damages, and actively work on revitalizing/improving Japan's national brand and sending out information on Japan's diverse appealing points.

○ **Contributing to the shift to a green economy (contributing as "Japan, an advanced problem-solving nation")**

In view of the June 2012 Rio+20 meeting and international development goals after 2015 (post-MDGs), Japan will play leading roles on the shift to a green economy for achieving sustainable development by paying due attentions to environment-friendliness and society, aiming to encourage worldwide dissemination of Japan's outstanding environmental and energy technologies.

○ **Strategically and effectively making use of ODA funds**

Aiming to break away from inward-looking attitudes, and pay due attentions to achieving human security, providing environmental technologies and other advanced Japanese technology overseas, and supporting overseas business expansion of Japanese firms, including SMEs, Japan will push ahead with strategically and effectively making use of ODA funds, including review of various ODA schemes.