

# **Interim Report on Strategies to Revitalize Japan**

August 5, 2011

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## Introduction

Japan's economy has stagnated over the 20 years since the collapse of the bubble economy. Likewise, society is enveloped by the increasing feeling of stagnation. It is under these circumstances that the "crisis in the midst of a crisis" – the Great East Japan Earthquake – struck. Japan must exert every effort for reconstruction from the earthquake. At the same time, it is vital to revive Japan as a whole, and improve the capacity for growth. Surrounded by intensified global competition, many of the challenges that Japan now faces existed even prior to the earthquake, and the depth of the seriousness of these challenges grows every day. Following the earthquake, efforts to reinforce growth capacity aimed at overcoming these challenges and winning global competitions must now be enhanced even further. From this perspective, bold endeavors are more important than ever. The New Growth Strategy will be promoted even more strongly, and through the concept of "open reconstruction," the challenges presented by issues such as electricity restrictions will be turned into opportunities for innovation and catalysts for growth.

Based on the ideas above, the Guideline on Policy Promotion<sup>1</sup> proposed a policy to revitalize Japan that is commensurate with the reconstruction following the earthquake, one that can redesign and refortify national strategies towards new growth. The Government resumed meetings of the Council on the Realization of the New Growth Strategy and decided that the Strategy<sup>2</sup> should be reexamined by the summer of 2011 taking into account the impact of the earthquake so as to present a concrete image of the Strategy through a series of revitalization strategies formulated by the end of the year. Accordingly, in this document the Government presents a direction for new growth strategies compiled by organizing the contents of discussions in the resumed meetings of the Council and listing items to be discussed in a prioritized manner from autumn 2011 onward. This has been done with the aim of formulating Strategies to Revitalize Japan.

The Council identified the formulation of the Innovative Energy and Environmental Strategies as the most significant issue to be considered in light of the nuclear incident and subsequent electricity restrictions. The Council therefore conducted discussion accordingly. It organized an Energy and Environment Council to deepen discussion on the

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<sup>1</sup> Guideline on Policy Promotion ~For the Revitalization of Japan~ (Cabinet decision adopted on May 17, 2011)

<sup>2</sup> New Growth Strategy ~A Blueprint for the Revitalizing of Japan~ (Cabinet decision adopted on June 18, 2010)

issue. Methods to prevent the hollowing-out of industry and to develop overseas markets were examined against the backdrop of an increasing concern over hollowing-out due to damage to industrial infrastructures and the "Japan brand." The Council also discussed measures to be taken to realize a growth-oriented longevity society and regional revitalization so that the economy and the regions can maintain and enhance their vitality amidst the aging of society and diminishment of the population.

In the sections that follow, basic policies for economic and fiscal management and a macroeconomic outlook that takes into account situational changes after the earthquake will first be described. Following that is a presentation of area-by-area revitalization policies drawn from discussions at the Council and other sources. In the final sections, the results of inspections into the objectives and schedules of the New Growth Strategy, conducted in a consideration of matters such as the impact of the earthquake will be reported, and revised work schedules will be outlined.

## **I. Basic Policies for Economic and Fiscal Management and Macroeconomic Outlook**

### **1. Impact of the Great East Japan Earthquake on the Japanese economy**

The Great East Japan Earthquake had a tremendous impact on the Japanese economy. Industrial production activities and exports have decreased due to the damage to stock mainly in the afflicted region (approx. 16.9 trillion yen<sup>3</sup>), supply chain disruptions, and the power constraints in the jurisdiction of Tokyo Electric Power Company and Tohoku Electric Power Co., among other reasons. It has been more than four months since the earthquake occurred; while the employment situation remains severe, upward movements are observed in the Japanese economy, underpinned by factors such as the restoration of supply chains and improved consumer confidence. With regard to prices, although the Japanese economy is still in a mild deflationary phase, the pace of their decline has slowed. Partially supported by rising natural resource costs, the Harmonized Index of Consumer Prices has been increasing since April 2011.

### **2. Basic Policies for Economic and Fiscal Management and Macroeconomic Outlook**

To promote the reconstruction from the earthquake, the Government will fully implement the reconstruction measures outlined in the Basic Guidelines for Reconstruction in response to the Great East Japan Earthquake.<sup>4</sup> There is some fear that the earthquake will have a negative effect on medium- to long-term growth, which could be caused by the constraints of the electricity supply and the subsequent rise in costs, and outflows of companies and human resources. For these risks not to become actual, it is necessary to promptly take supply and demand-side policy measures. Also, economic downturn risks such as the deterioration of overseas economic conditions and appreciation of yen must be watched carefully.

Stability in the financial and capital markets and the exchange market is extremely important. Excessive fluctuations in the exchange markets will have a negative impact on economic and financial stability. The Government will continue to carefully observe trends in the exchange markets and take firm action when necessary. The Bank of Japan is expected to share basic perspectives with the Government with regard to macroeconomic

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<sup>3</sup> Estimated Amount of Damage from the Great East Japan Earthquake (June 24, 2011. Cabinet Office [Disaster Management])

<sup>4</sup> Basic Guidelines for Reconstruction in response to the Great East Japan Earthquake (Decision adopted by the Headquarters for the Reconstruction from the Great East Japan Earthquake on July 29, 2011)

management and to continue to prop up the economy through appropriate and flexible monetary policy management via the close exchange of information and cooperation with the Government.

In light of recent financial and fiscal situations in Europe and the United States, it is now all the more important to maintain market confidence. The Government will steadily carry out government revitalization efforts as well as the measures indicated in the Basic Guidelines for Reconstruction in response to the Great East Japan Earthquake and the Definite Plan for the Comprehensive Reform of Social Security and Tax.<sup>5</sup>

While the growth in FY2011 is expected to be low due to the impact of the Great East Japan Earthquake, the growth rate in FY 2012 is expected to be high for a steady increase in reconstruction demand generated by rebuilding the damaged stock. Despite the risk that the impact of the earthquake will dampen medium to long-term growth, it is believed that the average economic growth of approximately 3% in nominal terms and of 2% in real terms in the period from FY2011 to FY2020 should be possible as long as Japan promptly recovers from the earthquake and advances necessary reforms, which include the efforts to reinforce growth capacity that are outlined in this document ("Interim Report on Strategies to Revitalize Japan"), and laying out other foundations for self-sustaining growth.<sup>6</sup>

The inflation rate will gradually go higher in tandem with economic recovery and stabilize thereafter. The revising of the Consumer Price Index should, however, be noted.

With regard to employment, the Government aims to reduce the unemployment rate to the 3% range as soon as possible by taking scrupulous employment measures to ensure stable lives for the disaster affected people and by, in advancing efforts for new growth, implementing measures that are highly effective in creating jobs.

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<sup>5</sup> Definite Plan for the Comprehensive Reform of Social Security and Tax (Decision by the Headquarters of the Government and Ruling Parties for Social Security Reform on June 30, 2011)

<sup>6</sup> It is expected that the scale of the economy by FY2020 will be smaller than initially expected due to the decline of the current scale of the economy following the earthquake, among other reasons.

## **II. Policies of Strategies for Revitalizing Japan**

In terms of long-term stagnation, the Great East Japan Earthquake hit the Japanese economy. In order to revive the Japanese economy under the "crisis in the midst of a crisis" and achieve the macroeconomic objectives outlined in the New Growth Strategy, the measures specified in that Strategy must be implemented. It is also vital that the Strategy be redesigned and refortified in line with the situational changes in Japan following the earthquake. Area-by-area policies for the revitalization of Japan are shown below.

In order to achieve the targets set forth by the Strategy, it is necessary to make the most effective use of limited financial resources by prioritizing policies. To this end, in close coordination with initiatives for government revitalization, the Government will put top priority on policies and programs regarded as the most effective in creating demand, and on those expected to generate synergy effects when implemented in coordination with institutional reforms. In addition, the Government will likewise enhance the efficiency of policies and programs by reinforcing collaborations among relevant ministries and eliminating redundant projects, and enhance the transparency to ensure accountability to the public.

### **1. Innovative Energy and Environmental Strategies**

(A multifaceted approach to design strategy)

Innovative energy and environmental strategies will be implemented in a multifaceted manner. For the immediate future, in which concern exists over the tight supply-demand situation for energy, the Government will implement effective and urgent measures to prevent the hollowing-out of industry and stabilize livelihoods in order to minimize the extent of power shortage at the peak hour and curb rising electricity costs. For the mid- to long-term, the Government will develop a new best mix of energy sources centered on a reduced dependence on nuclear energy and the acceleration of Green Innovation, with the aim of developing distributed energy systems supported by new technologies.

(Measures to stabilize the immediate energy supply and demand situation and accelerate the implementation of structural reforms related to energy)

While the tight supply-demand situation for energy is an immediate concern, it will be difficult to make an immediate shift regarding energy sources. A recovery of energy

demand to 2010 levels without the resumption of operations at nuclear power stations would pose the risk that power supply may be short of by approximately 10% at peak hours next summer. Such a situation may also put electricity costs rising approximately 20% per annum. Rising costs of electricity not only restrain consumption and reduces company profits but also have a large effect on employment and the decisions companies make about where to locate their business operations in the mid-term.

In order to minimize these risks, the following five principles have been determined in the Measures to Stabilize the Immediate Supply of and Demand for Energy (Annex I) (Hereinafter referred to as "Immediate Supply-Demand Stabilization Measures").

- (1) To minimize the power shortages at peak hours and the rise of electricity costs even if nuclear power stations stop operations on a wide scale
- (2) To avoid as much as possible planned power outages, restrictions on the use of electricity, and thoughtless cost transfers
- (3) To fully promote sustainable and rational actions by the public through incentive measures and regulatory reform; to accelerate the implementation of energy structure reforms; and to promptly establish economic and social mechanisms in which peak power demand is restrained and electricity costs are cut in a sustainable manner
- (4) To promote measures to stabilize the energy supply and demand situation as an economic revitalization measure
- (5) To present a three-year schedule to for public participation

Based on the five principles, the Government will (a) reform demand structures; (b) diversify supply methods; (c) reform electricity systems and enhance the management efficiency of electric power companies; and (d) implement thorough safety measures while making use of the nuclear power stations where safety has been confirmed. In taking these responses, the Government will minimize the effect of power shortages at peak hours and the risk that electricity costs will rise. It will also establish mechanisms for the rationalization of energy demand and stable expansion of supply, reinforcing competitiveness in industries concerned by promoting energy conservation and renewable energy industries and creating jobs.

Around autumn 2011, the Government will materialize the items listed in the three-year schedule for the energy supply and demand situation, as outlined in the Immediate Supply-Demand Stabilization Measures, by implementing each and every policy of the third



supplementary budget for FY2011, the FY2012 budget and the reform of regulations and systems. In so doing, the Government will accelerate the implementation of structural reforms in the field of energy.

(The interim compilation of discussion points for the formulation of innovative energy and environmental strategies and the specification of these points)

The three basic philosophies for the formulation of strategy have been determined in the Interim Compilation of Discussion Points for the Formulation of an Innovative Energy and Environmental Strategies (Annex II) (Hereinafter referred to as "Interim Points").

Basic Philosophy I: Three principles for the realization of a new best mix of energy sources

Principle 1: Draw up a scenario of reduced dependence on nuclear energy

Principle 2: Utilize a clear and strategic schedule in order to avoid energy shortfalls and price rises

Principle 3: Conduct a thorough review of nuclear power policies and operate under a new framework

Basic Philosophy II: Three principles for the realization of new energy systems

Principle 1: Seek to realize distributed energy systems

Principle 2: Seek to make an international contribution as an advanced problem-solving nation

Principle 3: Take a multifaceted approach to the realization of distributed energy systems

Basic Philosophy III: Three principles for the formation of national consensus

Principle 1: Stimulate national discussion overcoming the confrontation between opposition to nuclear power generation and its promotion

Principle 2: Verify objective data

Principle 3: Formulate innovative energy and environmental strategies while maintaining dialogue with a broad range of national people

Based on these basic philosophies, the Government will draw up a scenario for realizing a new best mix of energy sources centered on a reduced dependence on nuclear energy and

the reinforcement and acceleration of the Green Innovation strategy.<sup>7</sup> It will replace centralized energy systems with distributed energy systems and build a society in which jobs are created in the new energy and environment industries. Strategy will also be considered taking into account the national discussion and verification of objective data.

The Government will make clearer the missions and prioritized items in each of the six issues identified in the Interim Points: energy conservation, renewable energy, resource and fuel, nuclear energy, electricity system, and energy and environmental industries.

Going forward, in accordance with the Interim Points, the Energy and Environment Council and ministries, agencies, and organizations concerned will cooperate with each other and formulate a basic policy on innovative energy and environmental strategies by around the end of 2011. National discussion will be further deepened based on this basic policy and in 2012 the Government will formulate Innovative Energy and Environmental Strategies composed of the Basic Energy Plan (a new best mix of energy sources), a strategy for the energy and environment industries, and the Green Innovation strategy underpinning the aforementioned plan and strategy.

## **2. Prevention of Hollowing-out of Industry and Development of Overseas Markets**

(Where problems exist: an unprecedented hollowing-out crisis)

The destruction of industrial infrastructures, electricity restrictions, and the loss of confidence in the "Japan brand" – issue all brought about by the earthquake – have severely impacted production activities in Japan and the flows of people, goods, and money among Japan and other countries. Moreover, Japan's attractiveness as a business location has been seriously undermined due to the continuing appreciation of the yen, the rapid growth of companies in emerging economies, and national commitments on the part of emerging countries to attracting companies from abroad, among other factors. Japan now faces an unprecedented hollowing-out crisis. Should the situation remain unaddressed, efforts to attract foreign demand, Japan's international competitiveness, and domestic job security will be severely affected, significantly obstructing Japan's growth. For this reason, it is necessary to make further efforts to prevent the hollowing-out of the economy, develop overseas markets, and reinforce the international competitiveness of Japanese industries.

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<sup>7</sup> This includes the reinforcement and acceleration of the strategy to become a environment and energy power (The New Growth Strategy [Cabinet decision adopted on June 18, 2010]).

(Immediate measures: alleviate concern, rebuild supply chains, restore the "Japan brand," etc.)

For the immediate future, the Government will concentrate on doing its utmost to alleviate any concerns caused by electricity restrictions and the nuclear incident. The earthquake has revealed the importance of companies in the Tohoku and northern Kanto regions to global supply chains. The Government will advance efforts to restore and reconstruct these supply chains. With the aim of facilitate flows of people, goods, and money more actively than before by overcoming the reputational damages and restoring/reconstructing the "Japan brand," the Government will establish a "Liaison Council between the Government and Organizations Concerned for the Reconstruction of the 'Japan Brand' and Measures to Reputational Damage." A system will also be developed to encourage the effective dissemination of information and collaboration among concerned ministries and organizations. Efforts will also be made for the early restoration of the damaged transport infrastructures that support industrial supply chains. In addition, with regard to the fact that the extent of the decrease in the number of foreign visitors to Japan is shrinking, it is vital to make efforts to reverse this declining trend and increase the number of foreign tourists to Japan.

(Mid- to long-term issues: preventing the hollowing-out of industry and shifting toward new industrial and market structures)

As for mid- to long-term issues, it is important to prevent the further hollowing-out of the economy and make a shift towards new structures for industries and markets in response to situational changes such as progressing globalization, the growth of emerging economies, and the increasing need for energy conservation.

(Strengthening the competitiveness of business locations and promoting Japan as an Asian Industrial Center)

From the perspective of preventing businesses, both at home and abroad, from hesitating about establishing their bases of operation in Japan, it is important to maintain and reinforce free trade systems through initiatives aimed at strengthening the competitiveness of business locations as well as bonds between countries (see below). For the improvement of the business environment and the prevention of company relocation to overseas, the Government will take steps such as implementing a review of domestic regulations and procedures; subsidizing companies that choose Japan as their bases for production, research and development (R&D) among other activities in the area of parts and materials and growth areas constituting the cores of supply chains; and securing the stable supply of resources. It will ensure that a 5% reduction in the effective corporate tax rate for

combined national and local taxes as specified in the FY2011 tax reform bill will be achieved following consultations between ruling and opposition parties. In addition, the Government will formulate (within 2011) and promote a Program for Promoting Japan as an Asian Industrial Center and Encouraging Inward Investment (tentative name), which will outline measures to establish an Bill on the Promotion of Japan as an Asian Industrial Center (a law that will facilitate company decisions to establish high value-added bases in Japan) and improve the business environment for foreign companies, among other matters.

(Fostering globalized human resources and the acceptance of highly skilled human resources, etc.)

It is necessary to foster those who are willing to challenge themselves to playing – and who in fact can play well – on the global stages. Such people will be a foundation for enhancing the global competitiveness of Japanese industries and strengthening the international bonds. In order to foster such talent, taking into account the Interim Report by the the Council on Promotion of Developing Globalized Human Resources, the Government will encourage more young people to go aboard to study and promote collaboration with talented foreign students in Japan, among other matters as well as promoting the globalization of Japan in each stage of primary, secondary, and higher education and in society in general. Specifically, Measures to enhance the foreign language communication skills of young people will be reinforced and opportunities to help the young deepen their understanding of their own culture and the mechanisms and attractiveness of Japanese society so that they may confidently step outside of Japan will be enhanced. Given that the population of Japan continues to decline, it is important to secure human resources without heed to nationality. The Government will accordingly introduce within 2011 a preferential treatment program for the immigration of highly skilled human resources. This program will utilize a point system and accelerate the acceptance of talented people into Japan.

(The development of overseas markets and support for overseas expansion)

Continuing to develop overseas markets with the aim at bringing overseas growth into Japan is important. There is an immense demand for infrastructure globally, especially in Asia. As such, the Government will promote Japan's infrastructure building efforts in foreign countries, bearing in mind matters such as the impact of the earthquake and global trends. At the same time, the Government will expand the frontiers of the Japanese economy through the strengthened Cool Japan strategy, a strategic approach to emerging and other markets, an international strategy for intellectual property, and an international

standardization strategy, among other measures. In addition, the Government will support the advancement of small- and medium-sized enterprises overseas and intake overseas demand to a wider extent.

(Shifting the structure of industries and markets, fostering vibrant small- and medium-sized enterprises)

It is important to make a shift toward new structures for industries and markets that respond well to situational changes in order that Japan not fall into protectionism and that production elements such as people, goods, and money flow smoothly into new and growing industries and markets. Therefore, the Government will promote the creation of labor markets in which people can easily move into new industries. It will likewise reinforce the functions of the financial and capital markets by putting the New Growth Strategy into practice.

Considering that the fostering and reinforcement of vibrant small- and medium-sized enterprises are important for the revitalization of Japan, the Government will strengthen the management ability of such enterprises and support those starting businesses. With the aim of fostering the seeds of new industries, it is also vital to develop environments in which cooperation among industry, Government, and academia, to support start-up businesses, and to accelerate venture business growth.

(Innovation to enhance industrial competitiveness, the use of information and communication technologies, and regulatory reform)

From the perspectives of mid- to long-term industrial competitiveness, enhancing added-value productivity, and renovating socioeconomic systems, the Government will reinforce strategic innovations such as Green Innovation and Life Innovation and promote systematic reforms to realize innovation as well as initiatives supporting basic research and human resources in science and technology. It will thereby expand the frontiers of technologies and new industries. To that end, the Government will work to strengthen a system promoting science, technology, and innovation policies. It will further promote the utilization of information and communication technologies, while ensuring information security. Specifically, the Government will continue examining and carrying out measures to utilize information and communication technologies effectively – and to create new markets – in a wide range of areas such as government administration, medical care, and education, and moreover improving the foundations of information and communication technologies. The Government will advance reforms of regulations and systems, looking

ahead and aboard, in order to promote the expansion of the frontiers of technologies and markets.

### **3. The Strengthening of Bonds between Countries**

(The strengthening of bonds between countries through such steps as the promotion of economic partnerships)

For the strengthening of bonds between countries, the Government will consider the basic policy for strengthening "*kizuna*" (the bonds of friendship) with other countries, such as promoting high-level economic partnerships based on the "Basic Policy on Comprehensive Economic Partnership"<sup>8</sup> and establishing economic security, taking into consideration factors such as the sentiments of the farmers and fishermen who have suffered enormous damage by the earthquake and the nuclear incident, the progresses in the international negotiations, and concerns of de-industrialization.

For a Japan-EU economic partnership agreement (EPA) in particular, the Government will accelerate scoping exercises and strive to launch negotiations promptly in light of matters such as the free trade agreement (FTA) between the European Union (EU) and the Republic of Korea (ROK) taking effect in July of 2011. Japan, China, and the ROK have agreed to complete a joint study on a trilateral FTA by the end of 2011 and to accelerate necessary work. The Government will ensure the completion of the study, aiming to reach an agreement in next year's Japan-China-ROK summit meeting on the launching of negotiations. In addition, efforts will be strengthened for the promotion of Japan-Australia EPA negotiations as well as for an early resumption of Japan-ROK EPA negotiations. The Government will also actively work to achieve an early conclusion of a joint EPA study with Canada, which started in March of 2011, to start EPA negotiations with Mongolia, and to launch promptly negotiations for a Comprehensive Economic Partnership Agreement in East Asia (CEPEA) and an East Asian Free Trade Agreement (EAFTA). Concerning the Trans-Pacific Partnership (TPP) Agreement, taking the point that the TPP is a matter affecting the reconstruction of agriculture in the afflicted region – as well as other points such as the status of progress in international negotiations and concern over the hollowing-out of industry – into account, the Government will discuss the matter thoroughly. The timing of a decision on whether to join negotiations for the TPP Agreement will be considered from an overall perspective and decided as early as possible.

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<sup>8</sup> Basic Policy on Comprehensive Economic Partnership (Cabinet decision adopted on November 9, 2010)

#### **4. The Revitalization of Agriculture, Forestry, and Fisheries**

The Government will promptly address the following issues.

(Efforts to revitalize Japan's food, agriculture, forestry, and fisheries)

The Government shall work intensively in the next five years to enhance the competitiveness and soundness of Japan's agriculture, forestry, and fisheries and to promote regional economies, based on the Interim Report for the Revitalization of Japan's Food, Agriculture, Forestry, and Fisheries,<sup>9</sup> thereby seeking to realize an early revitalization of them.

- Securing ambitious core farmers will be realized by, among other measures, increasing the number of newcomers to agriculture and thus securing human resources who will maintain Japan's agriculture in the future. Efforts to gather scattered farmlands for farming management will be made with an aim to realizing field crop agriculture for 20-30 ha per farming unit in case of flat land areas.
- The attractiveness and environmental-friendliness of Japan's agriculture, forestry, and fisheries, and the deliciousness and safety of their products will be reconstructed by turning these industries into growing and value-added industries, as well as by introducing more efficient distribution systems, among others..
- Resources in rural areas will be utilized for energy production; the "Forest and Forestry Revitalization Plan," which aims at a 50% wood self-sufficiency, will be promoted; and attractive fisheries will be created through modernization and resource management.
- Based on lessons learned from the earthquake and taking into account other matters, earthquake-resistant infrastructures for agriculture, forestry, and fisheries will be constructed, and effective countermeasures against nuclear disasters will be taken, among others.

(Making compatible high-level economic partnerships and the revitalization of agriculture, forestry, and fisheries)

Making compatible high-level economic partnerships and revitalization of agriculture, forestry and fisheries is an important issue. In order to realize this aim, it is indispensable to resolve issues specified in the Interim Report for the Revitalization of Japan's Food,

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<sup>9</sup> Interim Report for the Revitalization of Japan's Food, Agriculture, Forestry, and Fisheries (August 2, 2011. The Council to Promote the Revitalization of Food, Agriculture, Forestry, and Fisheries)

Agriculture, Forestry, and Fisheries, and secure the understanding of the people as well as stable financial resources in addition. Considerations will thus be made in a concrete manner on issues such as the shift of burdens from consumers to taxpayers, reforming direct payment schemes, and formation of benefit distribution mechanism accrued from opening up of the country.

(New timelines replacing the intended schedules for the basic policy in June and action plan in October)

Through efforts such as the ones mentioned above, for the basic policy that was to have been developed at around June and for the action plan that was to be drawn up at around October according to the "Basic Policy on Comprehensive Economic Partnerships," the new timelines will be considered to replace the intended schedules, taking into account the overall schedule for the revitalization of Japan and the progress in restoration and reconstruction.

## **5. Encouraging a Growth-oriented Longevity Society and Regional Revitalization**

(Where problems exist: regional revitalization and responses to the aging of society and diminishment of the population)

No other country in the world has ever had to grapple with an aging problem as serious as the one facing Japan. The downward population trend is expected to be strengthened going forward. The diminishment of the population, among other factors, is likely to continue to have a significant impact on Japanese society and the economy through the diminishment of the labor force, diversifying types of employment, changes in demand and in population segments in society, transformation of regional spaces such as towns and villages, and declining regional vitality.

It is important that new labor forces be created and that the rapid diminishment of the population be stopped in order to maintain sustainable growth and the vitality of Japanese society and the economy. Specific measures required in this respect include those to realize a society in which each and every person can play their roles by promoting the employment of everyone who is capable of working, including the young, women, the elderly, and persons with disabilities. It is also essential that the development of growing industries be promoted and that people enjoy their benefits in their daily lives by bringing about innovations contributing to Japan's longevity society. Such innovations can be realized by, among other steps, ensuring that each person can harness their abilities to the



fullest extent.

Longevity society issues manifest themselves clearer in local regions, including those affected by the earthquake. It is thus necessary to reinforce strategic efforts for regional revitalization using pioneering models from the afflicted region along with efforts to revitalize growth-leading large cities, thereby achieving growth in the nation as a whole.

(Creating a society in which everyone can participate by ensuring decent work and the fostering of human resources, etc.)

The Government will seek to secure stable youth employment by providing support tailored to the needs of each individual through job supporters and others and by implementing appropriate vocational training programs, among other initiatives. For the elderly, the Government will review wage and personnel treatment systems appropriately through labor-management consultation, consider employment measures befitting an aging society, and create more opportunities for the elderly, who are well-experienced, to work in their regions of choice and to participate in activities supporting society. For women, the Government will promote support for work-life balance and support for children and child-rearing as two wheels on the same axle, through activities including the unification of nurseries and kindergartens and other efforts to realize a new support system for children and child-rearing. It will likewise advance the creation of systems in order for labor and management to grasp the degree of gender equality and take positive action. Measures for persons with disabilities include the enhancement of assistance responsive to the characteristics of each disability and type of employment.

For non-regular workers, the Government will study systems concerning those working under term-limited contracts. It will also draw up a comprehensive vision of non-regular employment so as to stabilize each worker's employment status and improve their treatment in the workplace. For the realization of decent work, the Government will work to enable workers to choose the way they work by diversifying work styles, with the intent of ensuring work-life balance. This will be done by seeking to increase the minimum wage, restrain full-time employees' long labor hours, and reinforce the mental health care initiatives provided in workplaces, among other steps.

Some of the measures to harness to the fullest extent the human resources in Japan in order to foster and secure workers supporting growth are: support for vocational training conducted by companies; the utilization of job seeker assistance systems; the promotion of

practical vocational trainings and career-up strategies based on the ingenuity of educational and training centers in the private sector (to be carried out in collaboration with the business circle); and the utilization of the job-card system. It will also support workers with the potential to become a source of vitality in regions by assisting the self-employed and providing support for smooth business succession. The Government will furthermore accelerate its acceptance of highly skilled human resources aboard.

(Promotion of innovations contributing to the longevity society, etc.)

Regarding efforts in medical care, it is important to develop technologies necessary for intractable diseases such as cancers and dementia – the cases of which are increasing – and for regenerative medicine and to provide the people with the world's highest level of medical care. The Government will accordingly advance reforms of regulations and systems in accordance with the Basic Policy on Promotion of Medical Innovation<sup>11</sup> in order to put innovative pharmaceutical products and medical equipments in use, evaluate innovations appropriately, and respond to new technologies such as regenerative medical care. Policy resources will be injected in a prioritized manner. Specifically, the Government will inject them to promising technologies developed in cooperation among industry, government, and academia seamlessly from the stage of basic research to the stage of commercialization in a concentrated manner. Likewise, policy resources will be injected boldly and in a concentrated manner to the development of clinical trial systems that are commensurate with global standards and the development of large-scale, intensive common bases for responding to new technologies in genomic medicine and other areas which are lagging behind globally.

The Government will continue promoting medical interaction. It will also seek to create new services that utilize information and communication technologies and services related to medical and nursing cares not covered by public insurances.

It will furthermore aim to develop and promote products for the elderly, mainly in the area of livelihood. Measures to be taken to that effect include the development and promotion of elderly-friendly cars, development of robots and welfare equipments filled with unique ideas, commercialization of robots and other products in the areas of livelihood and social welfare, and effective use of assets of elderly people through the promotion of utilization of reverse mortgages.

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<sup>11</sup> Basic Policy on Promotion of Medical Innovation (Decision adopted by the Medical Innovation Council on June 16, 2011)

(Comprehensive support for regional revitalization filled with unique endeavors)

In order to revitalize regions, it is important that every local resident be united to build their towns. With an aim of contributing to the reconstruction of the afflicted region, the Government will first advance efforts to dispatch coordinators and other expert human resources and to develop database. It will also seek to establish a one-stop system supporting unique endeavors initiated by regions and networking of such endeavors in accordance with the assignments of roles between the private and public sectors. At the same time, the Government will consider assistance and other measures that utilize a wide range of tools including finance tools such as funds using money and know-how in the private sector, PPP (public-private partnerships) and PFI (private finance initiatives) methods, land trust methods, and public institutions.

The Government will comprehensively support pioneering efforts initiated by regions including the afflicted region. Such efforts include: promotion of world-leading compact cities and Eco-Towns; comprehensive care in regions in which services such as healthcare, medical care, nursing care, and welfare service are provided in an integral manner; measures to enhance mobility of elderly and other people, targeted at public transport systems and other means; establishment of regional medical care systems by way of the provision of medical care that utilizes information and communication technologies and the intensification and collaboration of medical functions, among other steps; comprehensive support for child-rearing families; collaboration among cities and regions aimed at building towns in which residents can meet their daily needs within a walking distance or towns that take advantage of their strengths as having places to learn (e.g. universities) or self-sustained attractive regions; promotion of tourism; and initiatives to enhance their self-sufficiency ratios and ability to create wealth. In this regard, the Government will fully utilize the newly introduced comprehensive special zone system, advance an Environmental Future City initiative, and review regional revitalization systems. It will thus promote the revitalization of regions and big cities.

It is also important that small- and medium-sized enterprises and other entities sustaining employment and economy be vitalized in order for regions to attain growth. From that point of view, the Government will promote initiatives to foster and reinforce second-tier companies and small- and medium-sized enterprises by helping them strengthen their management capabilities and taking other steps.

(Building of disaster-resilient regions and nation as a base for regional revitalization, etc.)  
It is precisely bonds of people that constitute a core of regional revitalization and a support in both times of peace and disasters. In light of this lesson learned from the recent earthquake, the Government will promote the creation of opportunities ("places") for attractive activities supporting local communities through measures such as revitalization of public spaces, which will be carried out in collaboration with non-profit and other organizations. It will also encourage each region to take preparatory steps for disasters. Japan needs to enhance safety against region-wide and nation-wide disasters. As such, the Government will promote measures to protect safety of the regions and the nation and the people's sense of reassurance against risks of nation-wide disasters such as tsunami. Specific measures include building of towns well prepared for the arrival of tsunami, strengthening of disaster-prevention measures for social infrastructures, and development and multiplexing of key networks covering a wide region.

### III. Revision of the New Growth Strategy

Factors related to the Great East Japan Earthquake, such as restrictions on electric power and fluctuations in the value of the "Japan brand," have made it necessary to make qualitative changes to policies and strategies for various strategic areas, to revise objectives and schedules, and to make changes to the schedules of items included within the New Growth Strategy for FY2010. The necessary revisions are outlined below.

#### 1. Strategy for becoming an environment and energy power ("Green Innovation")\*

- A qualitative shift is required from the perspective of comprehensively reviewing energy policy, without exception, while expanding the strategic scope to include an overall energy and environment strategy
- The basic policy of the Innovative Energy and Environmental Strategies based on the Guideline on Policy Promotion will be finalized by the end of 2011, and will be reflected in the report on the concrete image of a strategy for Japan's revitalization, to be drafted by the Council on the Realization of the New Growth Strategy; the Innovative Strategy for Energy and the Environment will be finalized in 2012
- The schedule for the existing strategy of becoming an environment and energy power within the New Growth Strategy has to be accelerated in principle, and will be revised in the Innovative Strategy for Energy and the Environment by considering each of the relevant situations

#### 2. Strategy for becoming a health power ("Life Innovation")

- Objectives and schedule are being adhered to

#### 3. Strategy for Asia

- Objectives and schedule will be adhered to in principle
- Necessary revisions (listed below) will be made
  - **Deployment of integrated infrastructure system (objectives and schedule revised)\***  
The deployment of integrated infrastructure is to be promoted to meet the growing demand for global infrastructure, particularly in Asia. The results of discussions at Ministerial Meetings regarding deployment of integrated infrastructure overseas, taking into consideration the effects of the Great East Japan Earthquake and global trends, will be reflected in the report on a concrete image of a strategy for Japan's revitalization.
  - **Encouraging domestic investment (objectives and schedule adhered to and content enhanced)\***  
In order to prevent the accelerated hollowing-out of industry caused by limited electric power and an unstable supply chain, it is necessary to promote domestic investment by Japanese firms and strengthen the response to the effects on manufacturing company's supply capacity from insufficient electricity, and construct a supply chain that is efficient and capable of responding to risks.

➤ **Promotion of Japan as an Asian Industrial Center (objectives adhered to and schedule revised)\***

In order to cope with the decreased motivation overseas to invest in Japan, several incentives will be provided through the early adoption of legislation that promotes Japan as an Asian Industrial Center (for Research and Development) by positioning related measures within the core strategy aimed at preventing a hollowing-out of domestic industry and exploration of foreign market. In addition, the tentative program to promote Japan as an Asian Industrial Center and promote foreign investment will be finalized by the end of 2011, and will include activities to make Japan a center of high added value by improving the environment and conditions for foreign firms and foreigners doing business in Japan.

➤ **300,000 foreign students in Japan and 300,000 Japanese students overseas (objectives and schedule adhered to and content enhanced)\***

Based on an interim report of the Conference to Promote the Fostering Global Talent, Japan will need to strengthen measures to encourage foreign students to return and to increase their number, while also providing Japanese students and young employees with more overseas opportunities, in order to cope with decrease in the number of foreign students following the Great East Japan Earthquake and to foster the sort of global talent capable of supporting national growth.

➤ **Doubling the number of highly-skilled foreign workers (objectives adhered to and schedule revised)\***

Given concern over foreigners leaving Japan because of the Great East Japan Earthquake, a "point system" is being prepared, with an eye to introduction in 2011, in order to offer immigration benefits to skilled foreign workers as a way of stepping up measures to attract global talent.

➤ **"Cool Japan" (objectives and schedule revised)\***

Based on the Intellectual Property Promotion Plan 2011, the initial objective within the New Growth Strategy of achieving ¥1 trillion in revenue from content sales in Asia will be modified to the broad goal of a Cool Japan related market on the scale of ¥17 trillion. In order to accelerate reconstruction efforts by promoting the Cool Japan concept, initiatives to regain confidence in the Japan brand will be strengthened through measures that include the provision of accurate information about the situation in Japan.

Note: The scale of the Cool Japan related market (including fashion, food, contents, and tourism) was around ¥4.5 trillion as of 2009.

#### 4 . Strategy of a tourism-oriented nation and regional revitalization

- At present a qualitative shift of strategy is required to contribute to reconstruction of east Japan through a growth strategy

- Reconstruction models for east Japan also to be expanded to include the entire nation

- Objectives and schedules are being adhered to in principle

- However, the following revisions are necessary:

➤ **¥1 trillion in exports of agricultural and fishery products (objectives and schedules revised)\***

The nuclear accident led to stronger need for securing food safety, restrictions of imports of Japanese food products and damage from harmful rumors, and the Japanese food industry face difficulties in terms of exporting products. To overcome this situation and achieve the ¥1 trillion export target for agricultural and fishery products, efforts will be made deregulate Japanese food, carry out promotions to restore an image of safety, and strengthen public relations based on a country-by-country marketing approach. Expected timing for achieving goals and the overall export strategy will be examined, and this will be reflected in the concrete image of the strategy for Japan's revitalization, taking into consideration the nuclear accident and the damage caused by harmful rumors, in line with the discussions carried out at the Council to Promote the Revitalization of Food, Agriculture, Forestry and Fishery Industries.

In addition, the future direction for food industries, including new post-disaster challenges, will be formulated in FY 2011.

➤ **Promotion of the 25 million annual visitors to Japan (objectives and schedule adhered to and content enhanced)\***

After the disaster, foreign tourists avoided visiting Japan, bringing about a major drop in the number of visitors to Japan. Restoring tourists' confidence that Japan is safe is essential to the active promotion of tourism in Japan. This will require the diffusion of precise and accurate information that is in tune with the perspective of people overseas, as well as immediate efforts aimed at restoring tourism to Japan that target tourism authorities, media, and travel agencies located overseas.

➤ **Boosting domestic tourism demand (objectives adhered to and schedule revised)**

Staggering vacation times will be introduced after taking into consideration people's lifestyles, post-disaster economic activities, and the national consensus.

➤ **Revitalization of big cities (objectives adhered to and schedule revised)**

Strategy for the revitalization of big cities will be considered on an ongoing basis, based on the final report of the National and Regional Policy Subcommittee of the Policy Committee of the National Land Council issued in February 2011.

## 5 . Science-and-technology and IT oriented nation strategy

● **Objectives and schedule are adhered to**

## 6 . Employment and human resource strategies

● Objectives and schedule are adhered to in principle

● Necessary revisions are being carried out for the following

➤ **New system for children and child care (objectives adhered to and schedule revised)**

The system is under consideration based on discussions of the Conference of the New System

for Children and Child Care.

## **7 . Finance Strategy**

- **Objectives and schedule are adhered to**

\* Asterisks indicate items related to the New Growth Strategy that require a strategic shift or a revision of objectives in order to cope with new challenges that have arisen in the wake of the March 11 disaster.