

(Provisional Translation)

## **Toward a Vibrant Decade Triggered by the IT Revolution**

(Summary of the Economic Council Report)

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Economic Planning Agency

Government of Japan

### **(Principal Message)**

Due to the influence of structural reforms as well as economic stimulus measures, the Japanese economy is showing a tendency toward gradual recovery. Recently, important movements for new economic growth at the beginning of the new century such as progress in the information technology (IT) revolution have emerged. Although several downside risks for the Japanese economy – large public debt and “three excesses ” (i.e. excess capacity, excess labor, and excess liability) -- remain, appropriate economic policy would enable the Japanese economy to move from the current economic recovery to a new growth path toward economic rebirth.

Based on this stance, the Japanese government must cope with the following policy issues immediately:

- 1. New economic growth triggered by the IT Revolution**
- 2. Creating an efficient cyclical socioeconomy**
- 3. Establishing a flourishing, anxiety-free, aging society**

### **1. New Economic Growth Triggered by the IT Revolution**

It is necessary for the government to regard the progress of the IT Revolution as a strategic issue with the highest priority. This will enable the Japanese economy to regain its economic dynamism and to secure new pathways toward new economic growth.

#### **(1) Basic Stance**

To promote the IT Revolution, the government needs to carry out policies based on the following basic principles:

**1) importance of speed**

**2) reform led by private sector**

**3) adaptation to new network society**

**(2) Strategies**

The IT Revolution brings dynamism and creativity to the socioeconomy. To make the most of it for new economic growth, we must introduce advanced information and communications technology, and to reform a wide variety of areas including corporate governance, employment, and legal systems that organize the framework of the market. Thus, the government must form a consensus on important policy issues and tackle them with emphasizing the principles cited below. In addition, it is necessary for the government to fix problems such as “digital divide” and the mismatch in the labor market caused by the IT Revolution.

**1) Concentrated allocation of budget and human resources, as well as utilization of existing network infrastructure**

- a) concentrated allocation of budget and human resources to important policy issues
- b) allowing commercial use of fiber optic network developed by public sector

**2) Construction of new market framework suitable for economic transactions in the network society**

It is important to establish a new market framework immediately as well as to improve the quality of information and communications networks. Faster and larger bandwidth should be developed. The price of Net access must be lowered and flat rates must be offered. Mobile terminals and digital broadcasts should be developed and actively used.

- a) Creating systems suitable for electric transactions over networks
- b) Strengthening safeguard and security aspects

**3) Improving global competitiveness**

To remain competitive internationally in this age of IT Revolution, Japan needs to be at the center of the IT Revolution. Thus, it is important 1) to promote development of technologies and technological systems, 2) to prepare an

environment for an increasing number of international enterprises in information and Internet fields to be located in Japan, 3) to contribute toward global governance of the Internet, and 4) to standardize IT in cooperation with other countries, including Asian countries.

#### **4) Speedup of distribution to make the most of IT Revolution**

- a) Promoting standardized, seamless, and paperless distribution systems
- b) Improving distribution efficiency by utilizing IT

#### **5) Constructing socioeconomic systems that respond to rapid change**

- a) Support for reforming corporate activity
  - \* Creating business environments that support changes in corporate administration and Organization
  - \* Support for venture companies that play a key role in reform
- b) Strengthening the function of the labor market and supporting capacity building of employees
- c) Securing global literacy in education

## **2. Creating an Efficient Cyclical Socioeconomy**

### **(1) Basic Stance**

If current economic activities -- mass production, mass consumption, and mass waste -- continue, the Japanese economy will face difficulty in achieving sustainable economic development in the near future due to a limit of sites for final waste disposal. Japan must create a cyclical socioeconomy based on the reduction, reuse, and recycle of wastes to avoid such a situation and to achieve long-term economic growth in harmony with the environment. Recently, some measures -- including the enactment of environment-related laws such as "The Basic Law Promoting the Formation of a Cyclical Socioeconomy" -- have been taken. These measures need to be reinforced to promote the formation of an efficient cyclical socioeconomy with the development of venous sectors<sup>1</sup> through market competition.

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<sup>1</sup> Venous sectors are waste disposal service providers and a variety of recycle industries.

## **(2) Issues and Measures for the Development of Venous Sectors**

### **1) Creating an appropriate market for cyclical resources**

In some cases, inadequate waste disposal service providers are selected because of offering unfair disposal prices, which leads to the elimination of good service providers with excellent technologies. Avoiding this adverse selection problem is the basic issue. To this end, it is important that surveillance and restraint on illegal activities are reinforced while the parties concerned share their information and fulfill their responsibilities. The government may if necessary participate in securing industrial waste disposal sites.

### **2) Dramatic increase of productivity in venous sectors**

To gain productivity in venous sectors, the following measures are indispensable; a) targeting wider areas for industrial location, facility arrangement, and development of industrial infrastructure, taking into consideration an appropriate range of material cycles, existing industrial infrastructure, and relations with urban and commercial facilities; b) developing efficient venous logistics through promotion of entries and efficiency improvement of intermediate waste disposal facilities; and c) supporting cooperation and mergers among companies toward improving business environments.

In addition, other measures are also important: a) designing and manufacturing products, taking into account their disposal process in advance; b) making collection of waste efficient so that it could be used as efficient input at the intermediate plants; and c) promoting "closed material recycle" :programs aimed at giving recycled parts and materials back to the manufacturer who uses them.

### **3) Other key measures**

- a) "Greening" of market
- b) Making use of IT
- c) Compiling data of cyclical resources

There are many problems to be solved before we can establish efficient venous sectors and a smooth cycle of resources. Relevant parties should assess ongoing systems and promptly improve them if necessary.

### **3. Establishing a Flourishing, Anxiety-Free, Aging Society**

#### **(Basic Recognition)**

The nursing-care insurance system that started in April 2000 offers a sense of security to a soon-to-be aging society. A comprehensive social security system, including nursing-care, pension and medical treatment, needs to be reliable and efficient and to correspond to the development of the population. In addition, it is of great importance to establish a system so that the elderly and the females who are able and willing would be able to work and participate in social activities; their potential ability has not been well utilized. The start of the nursing-care insurance system is one step toward establishing a foundation for a flourishing anxiety-free aging society before the labor force begins to decrease in the next several years.

#### **I. Comprehensive Examination Toward Constructing an Efficient and Anxiety-free Social Security System**

The national pension law was recently revised. To establish a reliable and efficient social security system that alleviates people's anxiety, a comprehensive examination of the social security system including pension, medical treatment, and nursing-care needs to be continued.

#### **II. Smooth Introduction of the Nursing Care Insurance System and Promotion of the Care Business**

##### **(1) Basic Stance**

The nursing-care insurance system was introduced in April 2000 to provide the sufficient care services necessary to the elderly through the market. Since the core of the nursing-care for the elderly is public care service (service to be paid by nursing-care insurance), easy access is urgently necessary. If the people come to believe that they can receive necessary care service, they will feel relieved, which may increase the currently low propensity to consume. In addition, care-related businesses are expected to grow rapidly; they will form a new market, and public care service will prime the pump.

## **(2) Policy Issues Concerning the Care Service Market**

It is important to secure easy access to care service by paying sufficient attention to the following characteristics : a) individual difference in evaluating the service is large; b) protection of privacy deserves utmost consideration; c) supply of the service might be carried out beyond the view of third parties; and d) consumer protection needs to be secured in supplying the service.

### **1) Securing the personnel to supply the care service**

Securing competent personnel such as home-helpers is the biggest issue to expand the market. The following policy options need to be taken: a) expanding the training curriculum for care personnel; b) securing appropriate staff treatment; and c) better working conditions such as improvement of nursery services.

### **2) Improving the system for users**

It is necessary to secure neutrality and impartiality of care-managers and to strengthen their functions. In addition, although users are generally in a disadvantageous position, it is important for them to make use of care service without suffering disadvantage and feeling anxiety. To this end, the following systems need to be quickly established.

- a) offering information contributing to users choice and fairly evaluating care service
- b) corresponding to users complaints and urging service providers to transact appropriately

### **3) Supporting service providers to enter the market**

Helping service providers to enter the market quickly is necessary to secure easy access to care service. To this end, it is important to take positive supporting measures, including: a) offering information concerning entry to the market; b) financial support by public financial institutions, and c) offering consulting service to would-be service providers.

## **III. Constructing a System Conducive for Elderly People and Women to Demonstrate their Caliber**

## **(1) Basic Stance**

In the years ahead, it is imperative to create a conducive environment that enables one, irrespective of age and gender, to participate in the community based on one's will and capability. This direction will, in turn, increase the number of people going out for work, and may contribute toward alleviating some burdens that the "aging economy" may have

## **(2) Measures for the Construction of a System Conducive to the Best Demonstration of One's Caliber**

### **1) For elderly people, irrespective of age:**

- a) To conduct a study on the suitability of each elderly person and to provide an appropriate working opportunity and work style.
- b) To support entrepreneurship among the elderly and to build a local community that fits them well.

### **2) Strengthening employability and making a solid foundation for a more flexible labor market**

- a) To strengthen various disclosure requirements that may contribute toward alleviating labor mismatches.
  - b) To assist the capacity building of workers.
  - c) To streamline the labor market by introducing appropriate evaluation mechanisms.
- \* To review the concept of avoiding discrimination on employment opportunity solely by age.

### **3) Promoting the participation of both sexes**

- a) To promote child rearing and nursing paid holidays.
- b) To initiate an active public awareness campaign designed around the purpose of the equal employment opportunity law.

In addition, part two of this report sheds light on five main areas of policy direction mentioned in the "Ideal Socioeconomy and Policies for Economic Rebirth", specifically by addressing the progress to date and the challenges ahead.

- 1. Creation of a society that put more emphasis on knowledge**
- 2. Preparation for the aging and lesser populated society**
- 3. Coordination with the environment**
- 4. Drive toward new world order**
- 5. Role of the government**