

Economic and Fiscal Reform 2008 (“*Basic Policies*”)

—A Country Welcoming the World, Growth by and for All,
Harmony with the Environment—

June 27, 2008

Cabinet Decision, Government of Japan
(Summary by the Cabinet Office)

The role of the Economic and Fiscal Reform 2008 (“*Basic Policies*”) is to indicate a road map for economic and fiscal reform, with focus on the following four challenges and from the following three points of view on the reform, to enhance the country’s economic growth and to realize people’s lives where they can enjoy affluence and feel safe.

Four challenges

1. To strengthen Japan’s economy by undertaking a comprehensive strategy for economic growth in order to play an active role in the world
2. To build Japan’s economy that coexists harmoniously with the global environment
3. To review entirely the social safety net that supports the foundations of people’s lives, and to create a social security system that leaves no one behind
4. To implement overall policies from the standpoint of recipients, that is, to construct a government in which people and consumers play leading roles

Three points of view on the reform

1. Establishment of an economic system receptive to the world
2. Institutional reforms from the standpoint of recipients of policies
3. Responsibility for the future

1. Implementing a comprehensive strategy to enhance growth potential

The Economic Growth Strategy: Sustaining growth with new ideas of “networking ability” and “environmental prowess”

◆ **Addressing globalization: Pursuing further openness**

- Boosting the trade with EPA partner countries to 25% or more of the total value by 2010
- Liberalization of “sky” keeping up with the world (Enhancing the international aviation functions in the Tokyo metropolitan area, etc. and revising the aviation liberalization timetable by the end of 2008)
- Revising “The Program for Acceleration of Foreign Direct Investment in Japan (FDI Acceleration Program)”
- Comprehensively studying foreign direct investment regulations
- Enhancing international human resource by realizing the “Plan for 300,000 Exchange Students” in Japan and enlarging to accept more skilled foreign workers
- Realizing an “Asian Economic and Environmental Community” initiative
- Steadily implementing results from G8 Hokkaido Toyako Summit and TICAD IV

(Japan will double its ODA to Africa over the next five years.)

◆ **Realizing an “economy by and for all” by making better use of human resources and enhancing productivity**

- Enhancing 2.2 million jobs by FY 2010 for younger generations, women and elderly people
- Dramatically expanding public child care services to realize a “zero-waiting list for nursery schools” (The percentage of children under three years old in nursery schools in 2010 increased to 26%)
- Improving productivity of the services industry and SMEs (small and medium-sized enterprises) by implementing the “sector-by-sector productivity improvement program”
- Promoting development of industries directly linked with people’s lives, including medical and health care services and other sectors closely related to people’s safety and reassurance, by reviewing regulations and with the help of information technology, robot technology and other expertise
- Establishing an e-Government which is user-friendly and helpful in increasing efficiency in governmental works

◆ **Achieving economic growth by performing technological capability where Japan has its strength**

- Firmly maintaining the country’s presence as a top runner in environmental and energy technologies (Promoting innovative technology plans)
- Establishing “super special zones” (As the first step, establishing super special zones for supporting the development of cutting-edge medical care)
- Establishing an emergency reserve budget for national projects to promptly support innovative technology

Regional vitalization: Vitality of local areas, fostering agriculture, forestry and fisheries industry and SMEs with strength

- ◆ Based on the “the Strategy for Regional Revitalization,” the central government will fully support projects which are initiated by regions through “the Program for Regional Revitalization” and other programs.
- ◆ Establishing the “Regional Revitalization Corporation of Japan” from the viewpoint of revitalizing regional economies and supporting local employment
- ◆ Promoting cooperation among agriculture, commerce and industry (with an aim of creating 500 new businesses in 5 years)
- ◆ Developing an agricultural reform plan, which aims at agricultural land reform (Making more effective use of farmland and concentrating farmlands by separating ownership and use of farmland) and “expansion of corporation management in agriculture,” by the end of 2008 and implementing institutional reforms
- ◆ Supporting new business development of SMEs under the leadership of “cooperation bases for coordinating regional power” which have been established at 316 locations nationwide

2. Making every effort to establish a low carbon society

Accelerating measures at home and abroad to build an economy and society coexisting with the global environment

- ◆ **Formulating an action plan and clarifying a road map for transition to a low carbon society ahead of the rest of the world**
 - Beginning an experimental introduction of an integrated domestic market of emissions trading in fall 2008
 - Setting a quantified national target in a post-Kyoto Protocol framework along with other major emitters, and announcing Japan's quantified national target in 2009
 - Supporting developing countries' efforts in mitigating and adapting to climate change by establishing a new financial mechanism "Cool Earth Partnership" (on the scale of US\$10 billion in a five-year period) and creating a new multilateral fund (Japan will contribute up to US\$1.2 billion.)

- ◆ **Transforming the life-style and social system (including urban life and housing) into a more sustainable one**
 - Expanding economic assistance and regulatory measures to introduce new energy and to promote energy-saving including the adoption of photovoltaic panels, insulated walls, double-glazed windows, energy-efficient equipment and next-generation vehicles
 - Selecting cities taking the lead in establishing a low carbon society, visualising CO₂ emissions (beginning the experimental introduction in FY 2009), and declaring July 7 as "Cool Earth Day"

3. Reforming public finance and administration in the best interests of people

Implementing institutional reforms from the standpoint of recipients of policies to give a first priority to people and consumers

- ◆ Abolishing the earmarked revenues for road construction in 2008 when the fundamental reform of the taxation system is implemented and shifting them into general revenues in FY 2009, and reviewing the budget spending from the viewpoint of people
- ◆ Establishing an agency for consumer affairs in FY 2009 as a "pilot of an administration that acts in the best interests of the consumers" to monitor entire policies from the viewpoint of consumers
- ◆ Based on recommendations from the Committee for the Promotion of Decentralization Reform, formulating a plan for implementing the fundamental reform of the central government's local branch offices by the end of FY 2008
- ◆ Reviewing of government expenditure on public interest corporations closely related to administrative bodies and entirely reexamining special accounts of the government budget to decisively achieve a "zero waste" government in an

unprecedented scale

- ◆ Firmly maintaining the “*Basic Policies 2006*” and “*Basic Policies 2007*” and strictly promoting the Integrated Reform of Expenditures and Revenues
- ◆ Promptly realizing the fundamental reform of the taxation system including the consumption tax

4. Establishing sustainable social security system and improving quality of life

Establishing a social security system that leaves no one behind and making people's life safe and sound

- ◆ Reviewing an entire system to deliver social security for checking any wasteful or inefficient practices, and making necessary efforts to deal with important issues in social security such as a national shortage of physicians and the declining birthrate
- ◆ Promoting education which opens the way to the future in accordance with “Basic Plan for the Promotion of Education” which is to be newly formulated
- ◆ Making efforts to prevent juvenile delinquency and to protect children from crimes, tightening restriction on firearms, and eliminating “*furikome* fraud” (remittance-soliciting fraud) and illegal sales techniques to create a lawful society
- ◆ Facilitating measures to make school buildings more earthquake-resistant for realizing a society with strong disastrous resistance
- ◆ In the face of soaring crude oil prices, implementing measures to support SMEs, those by industry and those for people living in local areas including remote islands
- ◆ To deal with soaring global food prices, enhancing food supply capability, and strengthening the monitoring of food safety

This summary was prepared by the Cabinet Office for an explanatory purpose. Please refer to the full text (Japanese-version only) for quotes.