

Summary of the  
***“Policy Package to Address Economic Crisis”***

(Provisional translation by the Cabinet Office)

April 10th, 2009

A decision by the Joint Meeting of the Government and the Ruling Parties Council  
concerning the Policy Package to Address Economic Crisis  
and the Ministerial Meeting on Economic Measures

Government of Japan

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This English summary was prepared by the Cabinet Office for explanatory purposes. Please refer to the full text (Japanese-version only) for quotes available on the Cabinet Office’s Internet site: <http://www5.cao.go.jp/keizai1/mitoshi-taisaku.html>

## **Chapter 1: A Path for Overcoming the Economic Crisis**

### *1. The Japanese economy is facing “twin crises”*

#### (1) The short-term crisis (the risk of a negative spiral)

Amid the deepening “global financial crisis” and the “synchronized global recession”, the Japanese economy is facing a rapid contraction of exports and a severe financial environment. Under these circumstances, the risk of a negative spiral, including the case that the deterioration of the real economy destabilizes the financial system further, which in turn will aggravate the economic condition, is growing.

#### (2) The structural crisis (responding to a “great adjustment” of the global economy)

The Japanese economy is also confronted with a “structural crisis.” Over the past decade or so, the global economy continued to grow strongly under global imbalances, while Japan enjoyed an economic recovery mainly led by exports. The current financial and economic crisis makes it inevitable for the global economy to undergo a “great adjustment” as countries around the world explore a new balance. In addition, it is likely that common challenges facing the world such as achieving a shift to a low-carbon society and ensuring health and longevity will become increasingly important when the global economy recovers from the crisis.

### *2. Basic principles for overcoming the economic crisis*

In order to overcome the “twin crises,” we will take policy measures based on the following three basic principles.

#### *Basic principle 1: Nationwide cooperative actions*

The current crisis is likely to exceed the oil crisis in depth and extent, so the nation must come together and address the challenges it presents.

#### *Basic principle 2: Actions suited to various economic phases*

An upturn in the economy is expected by FY 2010 by steadily implementing policy measures suited to each of the following phases, together with a swift implementation of the FY 2008 supplementary budgets and the FY 2009 initial budget. At the same time, we will reform Japan’s economic and industrial structures. In doing so, we will ensure that fiscal sustainability is maintained.

Phase 1: Top priority placed on avoiding a negative spiral of the economy (until around the latter half of FY 2009)(\*)

We will boldly implement emergency measures to prevent the economy from falling into a negative spiral.

Phase 2: Ensuring a bottoming-out and turnaround of the economy (from the latter half of FY 2009 to around the latter half of FY 2010)(\*)

We will place top priority on infrastructure investments that will enhance Japan's growth potential and measures effective in stimulating domestic demand.

Phase 3: Getting on a new growth path (from around the latter half of FY 2010)(\*)

We will achieve "twin-engine" economic growth led by both domestic demand and exports by exercising Japan's ability to address common global challenges, such as a shift to a low-carbon society and ensuring health and longevity.

(\*) These timeframes are rough estimates and subject to significant changes depending on economic conditions and other factors.

*Basic principle 3: Taking a comprehensive approach over a multi-year time horizon*

In light of the need for Japan to tackle the "twin crises", we will not only take measures to achieve the government's goal of realizing economic recovery within three years starting FY 2008 but also launch this comprehensive policy package.

In doing so, we should keep the following points in mind:

- i) This policy package should be carried out over a multi-year time horizon, i.e., it is necessary to encourage private-sector investment, human resource investment and R&D investment in a systematic manner.
- ii) Some degree of flexibility should be allowed in implementing this policy package, particularly for the emergency measures, so that it can respond to unexpected global developments.
- iii) In line with this policy package, a new "growth strategy" will be published by the end of this month.

The measures included in the policy package should be rigorously selected ("wise spending") and prioritized from the viewpoints of:

- whether they are well targeted (maximizing benefits)
- whether they are timely (quick implementation and early appearance of effects)
- whether they are temporary (temporary measures)

Through the implementation of these measures, we will encourage an autonomous recovery in private-sector demand and ensure consistency with fiscal sustainability.

In order to secure fiscal sustainability, following the consecutive economic policy measures, necessary revisions are to be made to the "Medium-term Program" (December 24, 2008) as early as possible.

### 3. *Size and impact of the policy package*

This policy package will be supported by national government expenditure of approximately 15.4 trillion yen (total size approximately 56.8 trillion yen) by formulating a supplementary budget from a viewpoint of avoiding a negative spiral of the economy, participating in the international coordination of fiscal effort, and curbing an expected rise in the unemployment rate, over a multi-year timeframe for implementation. It is important to ensure that the fiscal expenditures fully produce multiplier effects.

This policy package is expected to boost real GDP growth rate by around 2 percentage points in FY 2009 and create around 0.4 to 0.5 million jobs (in one year) from increased demand.<sup>1, 2</sup>

However, it should be kept in mind that there is high uncertainty over the stability of the global financial system and economic developments abroad.

## **Chapter 2: Specific Measures<sup>3</sup>**

### *I. Immediate measures – Avoiding a negative spiral –*

#### 1. Measures to support employment

*Expansion of emergency employment measures including the creation of a new safety net for non-regular workers and maintenance and creation of jobs.*

(1) Increasing the subsidies for employment adjustment

(2) Measures to support re-employment and develop vocational skills

- Comprehensive support for vocational training and re-employment as well as daily-life support through the “Emergency Human Resource Development and Employment Support Fund” (tentative name)
- Enhancement of support for the development of vocational skills
- Employment support for people with disabilities
- Enhancement of the Public Employment Security Offices

(3) Measures to create new jobs

(4) Measures to protect dispatched workers, measures to prevent withdrawals of job offers and support for foreign workers

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<sup>1</sup> It is anticipated that approximately 3.9 million jobs will be created or maintained in three years until FY 2011 by implementing employment support measures.

<sup>2</sup> In the “New Growth Strategy”, it is anticipated that 1.4 to 2.0 million jobs will be created in the coming three years (on an accumulated basis).

<sup>3</sup> Please refer to the Japanese full text for a complete list of measures.

- Enhancement of the protection of dispatched workers, including the prevention of premature termination of temporary work contracts

(5) Housing and daily-life support measures

## 2. Financial measures

*Promotion of the smooth exercising of financial intermediary functions and facilitation of corporate financing.*

- Promotion of smooth exercising of financial intermediary functions
- Support for financing for small and medium-sized enterprises (SMEs)
- Support for financing for medium and large companies
- Support for financing for overseas business projects undertaken by Japanese companies
- Utilization of the Banks' Shareholdings Purchase Corporation
- Measures to support the stock market
- Response to the disclosure systems and the accounting procedure and clarification of the tax treatment
- Facilitation of financing for mortgages and land transactions
- Support measures for developing countries, mainly in Asia, in which Japanese companies are operating
- Monetary policy

## 3. Front-loading of public works projects

*Front-loading of public works projects in the first half of FY 2009.*

# *II. Growth strategy – Investing for the future –*

## 1. The low-carbon revolution

*Establishing a “low-carbon, recycling-oriented society” through the development and introduction of the world’s top-class technologies in the fields of solar power, fuel-efficient vehicles and energy-efficient equipments and the innovation of transportation, traffic and physical distribution infrastructures, and turning Japan into a resource-rich country by developing “urban mines” and pursuing a strategy for securing stakes in natural resources abroad.*

### (1) Solar power generation

- “Schools’ New Deal” plan (promotion of the prompt reinforcement of school buildings against earthquakes, the eco-friendly renewal of school buildings through the installation of solar panels, etc., and the creation of an ICT-friendly environment)
- Introduction of a new system for power companies to purchase electricity generated from solar power such as residential sector (the price of solar power generation system to be

reduced by half in three to five years through the combined effects of existing measures, technology innovation and an expansion in demand)

- Promotion of the introduction of solar power generation in public buildings and houses

(2) Fuel-efficient vehicles and energy-efficient equipments

- Support for environmentally-friendly vehicles
- Acceleration of the dissemination of environmentally-friendly home electric appliances (TVs, air conditioners, refrigerators) by utilizing the “eco point” scheme
- Acceleration of development of zero emission buildings (development to achieve zero emission in new public buildings by 2030)
- Acceleration of the dissemination of energy-efficient, environmentally-friendly houses and promotion of long-life houses
- Promotion of fuel cells, heat pumps and building CNG stations
- Establishment of “Local Green New Deal Funds”

(3) Revolution in transportation and infrastructure

- Innovation of transportation and physical distribution infrastructures based on low-carbon technologies (establishment of the superconducting MAGLEV technology for practical use [by FY 2016], evaluation of the Gauge Change Train technology for practical use [by the summer of 2010])

(4) Turning Japan into a resource-rich country

- Establishment of a system for recycling products that contain rare metals and other resources (utilization of “urban mines”)

## 2. Health, longevity and child-rearing

*Revitalizing local health care services, accelerating the development of new medical care technologies and strengthening the long-term care service, thus expanding domestic demand and creating new jobs by taking advantage of ageing. Expanding the fund for child-rearing and taking measures to ensure that children can attend school irrespective of family economic conditions.*

(1) Local health care services and new medical care technologies

- Support for initiatives to strengthen the local medical care functions based on the “Local Health Care Revitalization Plan”
- Support for the development of cancer drugs and drugs for children, accelerating the screening process of such drugs and enhancement of the clinical trial infrastructure
- Drastic enhancement of the development and production systems for vaccines for new types of influenza

(2) Improvement of working conditions for long-term care workers and enhancement of long-term

care capacity

- Provision of subsidies, over a three-year period, to businesses that improve the working conditions and skill development of long-term care workers
- Extension of subsidies and loans, over a three-year period, for the establishment of long-term care facilities and local long-term care centers

(3) Support for child-rearing and education

- Support to the child-rearing generation (provision of the Special Allowance for Child-rearing of 36,000 yen per child between 3 and 5 years old as a temporary and exceptional measure in FY 2009 (extension to the eldest child))
- Enhancement of local support for child-rearing (enhancement of child-care services)
- Financial support to cover education expenses (waiver of school fees and provision of scholarships for pupils and students)

3. Realization of the potential of the Japanese economy and development of infrastructure to deal with the challenges of the 21<sup>st</sup> century

*Promotion of the agricultural, forestry and fisheries sectors, strengthening the development of advanced technologies and human resources and supporting SMEs so as to enhance the medium- to long-term growth potential. Strengthening cooperation between regions, strengthening the competitiveness of regions and enhancing convenience for the people through the development of infrastructures, including roads, harbor facilities and airports, and the full utilization of IT. Promotion of the contents business, culture, arts, sports and tourism.*

(1) Realizing the potential of the agricultural, forestry and fisheries sectors

- Implementation of the farmland reform and securing core farmers
- Revitalization of rural areas and regeneration of forests and forestry (e.g., carbon sink measures, measures to reduce pollen dispersion)
- Revitalization of the fisheries sector

(2) Development of cutting edge technologies, enhancing human resources and support for SMEs

- Invitation of world-leading researchers and renovation of infrastructure for the world-class cutting edge research and enhancement of university education and research infrastructure
- Enhancement of industry-academia-government collaboration
- Adaptation to the new national curriculum standards
- Promotion of the acceptance of foreign students and support for young researchers to study abroad
- Support for researchers including multi-year research funds

(3) Development of infrastructure for cooperation between regions and for the enhancement of the competitiveness of regions

- Completion of “missing links” of the highway network (e.g., construction of ring roads in the three major metropolitan areas)
- Enhancement of harbor and airport infrastructures

(4) Realizing the potential by utilizing IT

- Expansion of measures to ensure a complete transition to digital terrestrial TV broadcasting in 2011.
- Bridging the “digital divide” (including the elimination of areas without a broadband network)
- Accelerated introduction of electronic administrative services by the national and local governments
- Regional vitalization utilizing ICTs (including the development of Ubiquitous Towns)

(5) “Soft power” and tourism

- Support for the contents businesses in overseas markets, promotion of regional contents
- Development of world’s leading tourism destinations
- Drastic improvement of access from abroad (e.g. improvement of transportation between Narita and Haneda airports, revision of the visa system, streamlining of airport immigration procedures)

### *III. Easing anxiety and enhancing vitality – Employing every policy tool –*

#### 1. Revitalization of regions

- Revitalization of regional transportation
- Promotion of support for regional development and revitalization
- Promotion of the reinforcement of houses and buildings against earthquakes

#### 2. Safety and security

(1) Social security

- Measures to address the problem of pension records

(2) Drastic enhancement of consumer policy

- Establishment of the Consumer Affairs Agency

(3) Disaster management and safety measures

(4) Improvement of systems for safety and security

#### 3. Support for local governments

- Fiscal support for local governments (creation of the “Special grant for revitalization of regions and public investment (tentative name)” and the “Special grant for revitalization of regions and the policy package to address economic crisis (tentative name)”)”)”)

#### *IV. Tax reform*

- Reducing gift tax for purchasing houses as a temporary measure
- Reduction in tax on social expenses of SMEs
- Expansion of tax incentives for R&D

#### *Size and fiscal resources*

##### 1. National government expenditure and the total size of the package

See the Annex attached.

##### 2. Fiscal resources

This policy package will be financed by reserves in the Special Account for the Fiscal Investment and Loan Program, construction bonds and the special contingency budget to cope with changes in economic conditions. If those funds are insufficient, special deficit-financing bonds will also be issued.

## Annex: Size of the “Policy Package to Address Economic Crisis”

	(Trillion yen)	
	National Government Expenditure	Total Size
I. Immediate Measures – Avoiding a negative spiral –	4.9	44.4
1. Measures to support employment	1.9	2.5
2. Financial measures	3.0	41.8
II. Growth Strategy – Investing for the future –	6.2	8.8
1. The low-carbon revolution	1.6	2.2
2. Health, longevity and child-rearing	2.0	2.8
3. Realization of the potential of the Japanese economy and development of infrastructure to deal with the challenges of the 21st century	2.6	3.8
III. Easing anxiety and enhancing vitality – Employing every policy tool –	4.3	5.0
1. Revitalization of regions	0.2	0.4
2. Safety and security	1.7	2.2
3. Support for local governments	2.4	2.4
IV. Tax reform	0.1	0.1
Total	15.4	56.8 (Note 1)

Note 1: Additional fiscal investment and loan program of 7.8 trillion yen has been included.

The overlap in the grant for local governments on their contribution to public works and facilities expenses in the “total size” is eliminated.

Note 2: In addition to the above, the government guarantee concerning measures to support the stock market amounts to 50 trillion yen.

# “Policy Package to Address Economic Crisis”

April 10<sup>th</sup>, 2009

## A Path for Overcoming the Economic Crisis

### 1. Japanese economy is facing “twin crises”

- ◆ Short-term crisis – the risk of a negative spiral
- ◆ Structural crisis – responding to a “great adjustment” of the global economy

### 2. Basic principles for overcoming the economic crisis

1. Nationwide cooperative actions

2. Actions suited to various economic phases

3. Taking a comprehensive approach over a multi-year time horizon

### 3. Size and impact of the policy package

- Size:  
National government expenditure: 15.4  
Total size: 56.8 (trillion yen)
- Impact on real GDP growth in FY2009: 2%
- Employment: 0.4 to 0.5 million jobs (in one year)

## I. Immediate measures – Avoiding a negative spiral –

<National gov. expenditure: 4.9, Total size: 44.4> (trillion yen)

### 1. Measures to support employment <National gov: 1.9, Total: 2.5>

Subsidies for employment adjustment, support for re-employment and development of vocational skills, creation of new jobs, protection for dispatched workers, housing and daily-life support measures, etc

### 2. Financial measures <National gov: 3.0, Total: 41.8> SMEs, stock market, housing and land transactions, etc

### 3. Front-loading of public works projects

## II. Growth Strategy – Investing for the future –

### 1. The low-carbon revolution <National gov: 6.2, Total: 8.8>

<National gov: 1.6, Total: 2.2>

- i . Solar power generation    ii . Fuel-efficient vehicles and energy-efficient equipments
- iii . Revolution of transportation and infrastructure
- iv . Turning Japan into a resource-rich country

### 2. Health, longevity and child-rearing <National gov: 2.0, Total: 2.8>

- i . Local health care services and new medical care technologies
- ii . Improvement of working conditions for long-term care workers and enhancement of long-term care capacity
- iii . Support for child-rearing and education <National gov: 2.6, Total: 3.8>

### 3. Realization of the potential of the Japanese economy and development of infrastructure to deal with challenges of the 21<sup>st</sup> century

- i . Realizing the potential of the agricultural, forestry and fisheries industries
- ii . Development of cutting edge technologies, enhancing human resources and support for SMEs
- iii . Development of infrastructure for cooperation between regions and for the enhancement of the competitiveness of regions
- iv . Realizing the potential by utilizing IT    v . “Soft power” and tourism

## III. Easing anxiety and enhancing vitality – Employing every policy tool –

<National gov: 4.3, Total: 5.0>

### 1. Revitalization of regions

<National gov: 0.2, Total: 0.4>

- Revitalization of regional transportation
- Support for regional development and revitalization

### 2. Safety and security

<National gov: 1.7, Total: 2.2>

- Social security
- Drastic enhancement of consumer policy
- Disaster management and safety measures
- Improvement of systems for safety and security

### 3. Support for local governments

<National gov: 2.4, Total: 2.4>

- Financial support for local governments

## IV. Tax reform

<National Gov: 0.1, Total: 0.1>

- Reducing gift tax for purchasing houses as a temporary measure
- Reduction in tax on social expenses of SMEs
- Expansion of tax incentives for R&D

## Size and fiscal resources

### Size of the policy package

National government expenditure: 15.4  
Total size: 56.8 (trillion yen)

### Fiscal resources

- Reserves in the Special Account for the Fiscal Investment and Loan Program, construction bonds, special contingency budget
- Special deficit-financing bonds if those funds are insufficient