

*Emergency Economic Countermeasures
for Future Growth and Security
<Outline>*

December 8th 2009

Cabinet Decision

Emergency Economic Countermeasures for Future Growth and Security

<Outline>

I. Basic Concept

1. The Economic Assessment

(Current situation)

The Japanese Economy has bottomed out with consumer and business sentiments picking up. However, the unemployment rate remains high, while the nominal GDP has contracted for six consecutive quarters.

Recently, the economy has been in moderate deflation. The foreign exchange market has been showing volatile movements.

(Future risks)

Although the economy is expected to pick up gradually, the foundation of economic growth is weak. Risk factors include a deterioration of the employment situation, a slump in demand due to deflationary pressure, a rise in long-term interest rates and exchange rate movements. Excess volatility and disorderly movements in exchange rates have adverse implications for the economy. The government continues to monitor exchange markets closely.

2. Viewpoints of Economic and Fiscal Policy Management

<1> Immediate Steps — Seeking to secure economic recovery and overcome deflation

As immediate steps over the next spring, the government will take every possible measure to prop up the economy and employment and gather momentum for economic recovery at the same time.

(1) Emergency measures — Flexibility according to changes in the circumstances

- ✓ The government will take emergency measures flexibly according to changes in the economic and employment situations so as to address anxieties over employment and daily life. The government will also support the economy through financial measures on borrowings by enterprises.

(2) Coordinated Responses by the Government and the Bank of Japan

- ✓ The government will make united efforts with the Bank of Japan (BOJ) to implement powerful and comprehensive measures with a view to ensuring economic recovery by sharing the recognition of the importance to overcome deflation.
- ✓ The government hopes that the BOJ will continue to underpin the economy by conducting monetary policy in an appropriate and flexible manner, while sufficiently exchanging views and working together with the government so that its policy and the above-mentioned government's measures are mutually compatible.

<2> Medium- and Long-Term Steps — Pursuing a growth strategy and maintaining fiscal discipline

(1) Pursuing a growth strategy

- ✓ From the medium- to long-term perspective, the government will map out a growth strategy focusing on such as employment, environment, children, science and technology, and Asia. Through the growth strategy, the government will realize a society in which people together can live safely and raise children with a sense of security.

(2) Strengthening Japan's growth potential and maintaining fiscal discipline— Formulating a medium-term fiscal policy framework

- ✓ In order to achieve sustainable growth, pursuing both strengthening Japan's growth potential and maintaining fiscal discipline without passing the fiscal burden onto our children of the future is necessary. To that end, the government will create a medium-term fiscal policy framework with a multi-year perspective in the first half of 2010.

<3> This Emergency Economic Package —Emergency measures and preparation for a growth strategy

(1) Pillars of the emergency economic package — Employment, Environment and Economy

- ✓ The main pillars of the emergency economic package are Employment, Environment and Economy. Efforts will also be strengthened to enable people to live with a sense of security and to provide supports for local governments.

(2) Specific measures — three principles

(i) Top priority on measures which are “urgent” and of “immediate effects”

- ✓ Importance will be attached to “urgent needs” and priority is given to effective measures in underpinning the economy and employment and in reducing CO2 emissions.

(ii) Continued economic and fiscal policy management

- ✓ With the second supplementary budget for FY 2009 and the budget for FY 2010, the government will ensure continued economic and fiscal policy management.

(iii) Economic recovery with “people's potential power” based on “knowledge”

- ✓ The government will put priority on opening people's potential power in economic recovery without relying on fiscal measures as much as possible through changes of rules in institutional systems and regulations, and through the active participation of people.
- ✓ In particular, in order to create new demand, the government will tackle the task of institutional and regulatory reform, which has been slow or at a halt by strong resistance.

(3) Managing the progress of the policy implementation

- ✓ The progress in the implementation of individual measures is thoroughly managed based on the PDCA (Plan, Do, Check, Act) cycle.

II. Specific Measures

1. Employment To strengthen emergency measures and implement an employment-support strategy

<Emergency measures>

(1) Easing the conditions for the subsidies for employment adjustment

(2) Strengthening support for the poor and needy who are looking for a job

✓ Establishing a framework for effective support for poor and needy job applicants (a “second safety net”)

- (a) Support for the holding of the “One-Stop Service Day”
- (b) Enhancement of one-stop consultation service functions of the Hello Work job centers
- (c) Expansion of housing support measures
- (d) Improvement of the management of various support systems
- (e) Study on the possibility of establishing a job applicant support system that provides vocational training and living support for job applicants during the training period

✓ Civil legal aid for dismissed workers and people with multiple debts

(3) Strengthening support for new graduates

✓ Strengthening support for new graduates searching for jobs

- (a) Promoting the deployment of "Career counselor" at universities and other educational institutions
- (b) Quickly increasing the number of high school and college graduate “job supporters”
- (c) Strengthening cooperation between relevant organizations

✓ Promoting the “Job Search Support Campaign”

- (a) Actively holding job fairs and ensuring the awareness thereof
- (b) Accelerating efforts to identify companies that are eager to take on new workers
- (c) Requesting an increase in job offers

✓ Strengthening support for unemployed graduates

- (a) Establishing a program that provides new graduates with an opportunity for workplace experience
- (b) Providing vocational training to unemployed graduates and increasing subsidies for training and daily life support for such graduates
- (c) Providing employment support in priority business sectors

(4) Expanding emergency job creation programs

✓ Creating jobs in priority business sectors

✓ Establishing local community job creation programs

- (a) Social entrepreneurship incubation program
- (b) Social entrepreneur development and internship program

✓ Implementing measures to turn Japan into a tourism nation

(5) Supporting women's employment through the enhancement of child care services and other measures

- ✓ Measures to enable all children to be accepted by day-care centers
- ✓ Support for single mothers to work at home
- ✓ Appointment of "Child Care/Nursing Care Problem Prevention Advisors" (tentative name)

<Preparation for a growth strategy>

(1) Establishing employment and life security systems

- ✓ Establishing a trampoline-type, second safety net that provides poor and needy job applicants with an opportunity for a rebound from the social bottom
- ✓ Strengthening the functions of the employment insurance system

(2) Full-fledged promotion of an employment-support strategy (implementation of measures to promote an appropriate work-life balance and the participation of women, elderly people, people with disabilities, etc. in the labor market and ensure a diverse range of working styles, in addition to the establishment of the above-mentioned employment and life security systems)

2. Environment Aiming to implement global-warming countermeasures which contribute to economic recovery simultaneously

<Promotion of the three pillars of eco-consumption>

(1) Improving the home electric appliances eco-point system

- (a) Extending the period of the home electric appliances eco-point system (until the end of 2010)
- (b) Strengthening the energy conservation standards for home electric appliances to which the eco-point system is applicable
- (c) Promoting the use of LED light bulbs

(2) Extending the environmentally-friendly vehicle subsidy scheme, etc.

- (a) Extending the period of the eco-car subsidy scheme (until the end of September 2010)
- (b) Further improving fuel efficiency through fuel efficiency regulation based on the Energy Conservation Act (Act on the Rational Use of Energy)

(3) Establishing an eco-point system for housing, etc.

- ✓ Establishment of an eco-point system for housing
- ✓ Implementing a demonstration test program related to the promotion of the installation of a highly efficient solar thermal system in houses

<Preparation for a growth strategy>

(1) Accelerating the revitalization of forests and forestry

- ✓ Conducting human resource development with the aim to scale up the consolidation of forestry practices and the expansion of wood utilization sourced from forest thinning thereby improving the efficiency of forestry
- ✓ Implementing an “Action Plan for the Revitalization of Forests and Forestry” (tentative name)
- ✓ Promoting wood use

(2) Pursuing the development of cutting-edge environmental and energy technologies

- (a) Promoting green innovation
- (b) Promoting research on advanced environmental technologies
- (c) Improving the research platform for the establishment of a low-carbon society

(3) Promoting carbon emission reduction in the transport and industrial sectors as well as in local communities

- ✓ Supporting environment-conscious efforts in the transport and industrial sectors
- ✓ Supporting environment-conscious efforts in local communities

(4) Promoting global warming countermeasures through overseas deployment of systems (enhancing overseas global-warming countermeasures by promoting the overseas deployment of low-carbon, environment-friendly infrastructures and other systems)

(5) Supporting efforts to secure natural resources

- ✓ Strengthening support for efforts by Japanese companies to secure interests in upstream natural resource development projects
- ✓ Supporting efforts to secure the supply of rare metals

(6) Considering the introduction of a scheme for the purchase of all electricity generated by renewable energy

(7) Strengthening the standards for energy conservation and environment protection

- ✓ Revising the energy conservation standards based on the Energy Conservation Act (Act on the Rational Use of Energy)
 - (a) Revising the Energy Conservation Standard for Non-residential Buildings.
 - (b) Strengthening the energy conservation standards for home appliances to which the eco-point system is applicable (television sets) (already mentioned above)
 - (c) Strengthening the fuel efficiency standard for vehicles
- ✓ Enhancing the guideline for curbing emissions, promoting a shift from the production of incandescent light bulbs to the production of energy-efficient lamps by 2012, and considering a shift to a system of 200-volt power supply for households

3. Economy Aiming to underpin the economy through financial measures and achieve economic recovery by supporting housing and equipment investment, which have been curbed amid the deflation.

<Financial measures>

(1) Establishing a new emergency credit guarantee scheme, etc.

- (a) Extending the period, and changing the criteria for eligible types of business to enhance accessibility to the existing emergency credit guarantee scheme
- (b) Expanding the guarantee quotas

(2) Extending and expanding the safety-net lending scheme, etc.

- (a) Extending the period of the safety-net lending scheme and expanding its quotas
- (b) Continuing the preferential for the safety-net lending by Japan Finance Corporation, including interest rates
- (c) Extending the period of the safety-net lending and other financed facilities provided by the Okinawa Development Finance Corporation

(3) Facilitation of financing for small and medium-sized enterprises (SMEs), etc.

- ✓ Enforcement of the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. and implementation of necessary measures of the financial inspection and supervision to enhance the effectiveness of the act
- ✓ Supporting subcontractor construction companies
- ✓ Holding the “One-Stop Service Day” as part of the support for SMEs

(4) Measures to support financing for middle and large-sized enterprises

- ✓ Extending the period of the crisis response operations of Development Bank of Japan etc.

(5) Measures to deal with the high real interest rates amid the deflation

- ✓ Introducing a system that eases the effects of the high real interest rates resulting from deflation (reducing the borrowing interest rates as a temporary measure for companies that make long-term equipment investment by using Japan Finance Corporation lending facilities and the crisis response operations)
- ✓ Reducing the burden of repaying existing loans
- ✓ Supporting local companies and SMEs that are affected by exchange rate fluctuations

(6) Supporting financing for the overseas business operations of Japanese companies

- ✓ Extending the period of Japan Bank for International Cooperation’s emergency operations to support overseas business operations
- ✓ Additional provision of two-step loans by Japan Bank for International Cooperation to Japanese financial institutions
- ✓ Promoting Japanese companies’ advance into overseas markets through the use of trade insurance

<Housing investment>

- (1) Expanding housing financing (sharply reducing the interest rate on loans provided under the scheme to support the purchase of excellent houses (Flat 35S) as a temporary measure)
- (2) Revising the housing tax system (implementing a gift tax measure that promotes housing investment as part of the tax system reform for fiscal 2010)
- (3) Establishing an eco-point system for housing, etc. (already mentioned above)
 - ✓ Establishing an eco-point system for housing (already mentioned above)
 - ✓ Improving the management of construction certification and other procedures

4. Ensuring a Sense of Security in Daily Life Ensuring a sense of security in the people's daily lives with regard to medical care and other treatments

- (1) Easing the financial burden of the current medical care system for elderly people
 - ✓ Maintaining the measure to ease the financial burden of the current medical care system for elderly people
 - ✓ Supporting the people's daily lives through welfare and medical care services
- (2) Strengthening measures to deal with the new type of influenza (enhancing the production capacity for domestically produced vaccine, providing subsidies for vaccination against the new type of influenza and improving the facilities of medical institutions)
- (3) Improving the medical care system, etc.
 - ✓ Strengthening the functions of university-affiliated hospitals
 - ✓ Implementing measures to resolve the shortage of doctors
 - ✓ Promoting research on incurable diseases
 - ✓ Strengthening the identification system in view of the recent crime situation
- (4) Disaster Damage Restoration

5. Supporting local governments Supporting local governments that promote the implementation of measures included in the emergency economic countermeasures

- (1) Supporting carefully planned infrastructure improvement projects by local governments (establishment of a grant scheme to the local authorities)
- (2) Providing compensation for a decrease in tax grants caused by a decline in national tax revenues

6. Opening “People’s Potential Power” Aiming to achieve economic recovery by opening people’s potential power through changes of rules and the people’s social participation

(1) Institutional and Regulatory Reform Project (tentative name)

(i) Institutional and regulatory reforms

✓ Institutional and regulatory reforms in the day-care sector, including promotion of the comprehensive provisions for education and day-care

(a) Implementing fundamental reform to realize a user-friendly day-care system

(b) Promoting the participation of joint-stock companies and NPOs in the day-care sector on an equal footing

(c) Promoting the integration of the functions of kindergartens and day-care centers

✓ Institutional and regulatory reforms in the environmental and energy sectors

(ii) Use of special zones for structural reform

(2) “Project to Promote New Public Sector” (tentative name)

✓ Establishing local community job creation programs (already mentioned above)

(a) Social entrepreneurship incubation program

(b) Social entrepreneur development and internship program

✓ Conducting a study on the legal aspects of social entrepreneurship (including a study on a donation tax system)

✓ Holding a roundtable meeting for the realization of the “new public sector”

(3) “Project to Promote Holiday-Taking by Workers” (tentative name)

✓ Concluding a government-labor-management agreement on the promotion of holiday-taking and implementing measures to encourage holiday-taking

✓ Implementing measures to support the promotion of holiday-taking (e.g. revision of a relevant guideline)

✓ Promoting the staggering of holiday-taking

(Amounts of National Expenditures and Total Size of the Emergency Economic Countermeasures)

✓ Total national expenditures: Approx. ¥7.2 trillion

✓ Total size: Approx. ¥24.4 trillion

Financial Size of Emergency Economic Countermeasures for Future Growth and Security

	(Unit: ¥ trillion)	
	National expenditures	Total size
1. Employment	Approx. 0.6	Approx.0.6
<Emergency response measures>	Approx. 0.3	Approx.0.3
<Preparation for a growth strategy>	Approx.0.4	Approx.0.4
2. Environment	Approx.0.8	Approx.4.1
<Promotion of the three pillars of eco-consumption>	Approx.0.6	Approx.3.9
<Preparation for a growth strategy>	Approx.0.2	Approx.0.2
3. Economy	Approx.1.7	Approx.18.6
<Financial measures>	Approx.1.2	Approx.10.4
<Housing investment>	Approx.0.5	Approx.8.2
4. Ensuring a Sense of Security in Daily Life	Approx.0.8	Approx.1.0
5. Regional Support	Approx.3.5	Approx.3.5
<Grant scheme to support carefully planned infrastructure improvement measures>	Approx.0.5	Approx.0.5
<Compensation for a decrease in tax grants, etc.>	Approx.3.0	Approx.3.0
6. Exercise of “People’s Potential Power”	—	—
Total	Approx.7.2 (Note)	Approx. 24.4 (Note)

(Note) As the “establishment of an eco-point system for housing” is included in both “2. Promotion of the three pillars of eco-consumption” and “3. Housing investment,” the double-counted amount of this measure is subtracted from the total.