

Economic and Fiscal Reform 2009 (“*Basic Policies*”)
Security, Vitality and Responsibility

Summary by the Cabinet Office
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Economic and Fiscal Reform 2009 (“*Basic Policies*”) provides a roadmap for the simultaneous achievement of three goals (Security, Vitality and Responsibility), coping with “the economic crisis” and “a social crisis” at the same time.

1. Vitality: Overcoming the short-term and structural “economic crisis”

- Based on “measures against the economic crisis,” avoiding a deflationary spiral and ensuring bottoming out and recovery of the economy.
- Envisaging the global economy after the financial crisis, and ensuring new sustainable growth through transformation of industrial and employment structures

2. Security: Overcoming “a social crisis” including an aged society with a declining birthrate and persistent and widening income gaps

- Restoring and enhancing public confidence in the social security systems and in public services
- Realizing “a secure society centered on employment stability”

3. Responsibility: In line with the stance of “boldness in the short term and responsibility in the medium term,” promoting fiscal consolidation

- To ensure the sustainability of economic growth and of the social security system, setting new fiscal consolidation targets and clarifying the medium- to long-term policy direction toward fiscal consolidation

The Government will also identify “top priority issues” for “overcoming the economic crisis” and “realizing a secure society” and will address the issues accordingly. The Cabinet will promptly and comprehensively lead work toward the achievement of the three goals by establishing cross-ministerial project teams.

I. Enhancing growth potential

Strategically pushing forward investment toward the future to enhance Japan’s growth potential

Pushing forward the economic growth strategy

Prioritized and focused investment, implementation of strategic projects, fundamental institutional reforms, and implementation of “Future Development Strategy” and other policies for expanding demand in the short run and enhancing growth potential in the medium- and long- terms.

➤ **Low-carbon revolution**

- Pushing forward “Plan to become the world’s number-one Solar Power and Energy

Efficient Nation” (by increasing the proportion of renewable energy in the final energy consumption to 20%, the world’s highest level, by 2020, and increasing the solar power to 20 times the current level by 2020), “Plan to become the first nation to popularize eco-cars” (by increasing the share of eco cars in new car sales to 50% by 2020), low-carbon traffic and urban revolution, and “Plan to turn Japan into a resource-rich country”

➤ **Healthy longevity**

- Pushing forward “plans for strengthening aged care services (by creating 300,000 new jobs in the aged care sector over a three-year period), “plans for strengthening local medical care functions and creating healthcare industries,” and “medical and aged care new technology innovation plans” (including support for the development of unapproved drugs and for acceleration of the medical product evaluation process, support for vaccine development and for the establishment of production systems which can significantly shorten the production time against a new type of influenza)

➤ **Promoting the attractiveness of Japan**

- Pushing forward “plans for realization of potentials of agriculture, forestry and fishery” (tripling the number of plant factories within three years) and “plans for realization of Japanese soft power” (raising the export ratio of media contents to a level comparable to the United States by 2020), realizing the world’s leading tourism country (attracting 20 million tourists from overseas a year by 2020), and pushing forward “plans for enhancing human resources and realizing technological potential” and “the strategy for bringing out the fundamental power of Japanese information technology.”

Contribution to sustainable growth in Asia and the world

- “Growth Initiative towards Doubling the Size of Asia’s Economy,” contribution to working out the framework of the post-Kyoto Protocol period, acceptance of highly skilled human resources from overseas and promotion of foreign investment in Japan, strengthening of economic partnership and relations with emerging countries and resource-rich countries, and boosting of the country’s comprehensive diplomatic power

Agricultural reform

- Making “the New Agricultural Land Act (revised Agricultural Land Act)” prevail, accelerating the consolidation of farmlands, and facilitating the entry of a wide range of agricultural management entities into agricultural sectors and their partnerships
- To improve the country’s food self-sufficiency, discussing the way the policies on rice cropping and paddy agriculture should function
- Increasing agricultural income in rural villages through reforming the processes of production, distribution and marketing of agricultural products

Region-based growth

- Promoting the economic growth strategy within regions, restoring regional transportation, vitalizing sea routes and industries at remote islands, revitalizing local commercial districts, and promoting decentralization reform

Vitalization of small and medium-sized enterprises and enhancement of research and development

- Through development of core manufacturing technology, comprehensively supporting small and medium-sized enterprises, and taking all possible measures to support businesses which face funding difficulties
- Enhancing the basic science and promoting research and development with clear “exit” strategy, and enhancing the capacity for research and development through public assistance systems which give top priority to researchers

Regulatory and institutional reform

- Considering and supporting requests for regulatory and institutional reform for application of leading-edge technologies such as life science technology, reviewing the role-sharing between medical physicians and nurses, and implementing prioritized reviews of regulations and institutions discouraging the use of information technology
- Considering the creation of a successor body to the Council for the Promotion of Regulatory Reform and reaching conclusions by the end of fiscal 2009 to continuously push forward regulatory and institutional reform

II. Achieving a reassuring society

Enhancing and streamlining social security and reconstructing a reassuring society centered on employment stability which ensures security in people’s daily lives

Reconstruction of a reassuring society which ensures security in people’s daily lives

- Enhancing and streamlining social security to correct “gaps in social security coverage” since the existing social security coverage has so far mainly focused on the elderly, reconstructing social security coverage in the first half of one’s life for easing younger generations’ anxiety mainly through employment stability, and fundamentally improving and expanding countermeasures against the declining birthrate
- In line with the timetable for achieving a reassuring society, which consists of (1) the phase of reconstructing peace of mind (from around fiscal 2009 to fiscal 2011), (2) the phase of recovering peace of mind (from around 2011 to the mid-2010s), and (3) the phase of enhancing peace of mind (from around the mid-2010s to the early 2020s), pushing forward the reconstruction of a reassuring society
- Showing the details and costs of functional enhancement in social security systems before implementing fundamental reform of the tax system, to convince the public of the need

to shoulder additional costs

- To enhance administrative foundations in preparation for the realization of a reassuring society, discussing the possible reorganization of government organizations

Safety and livelihood security

- Establishing Consumer Affairs Agency
- Promoting measures to support livelihoods of persons with disabilities, assist their job placement, and maintain and expand employment for them

Defense, disaster preparedness and public security

- Responding to the present security environment, including North Korea's missile launches, and discussing the possible revision of "National Defense Program Guidelines"
- Implementing, in a prioritized manner, measures to enhance disaster preparedness and disaster reduction so as to prepare for major earthquakes and other disasters, and measures to improve drought management
- Pushing forward "Action Plan for the Realization of a Society Resistant to Crime 2008" to turn Japan into "the safest country in the world"

Rebuilding of education

- Offering higher-quality public education to realize the idea of "the Basic Promotional Plan for Education" and to ensure fair educational opportunities for everyone
- Promoting martial art education, and working hard to host Olympic Games and other sport events, enhancing Japan's international competitiveness in sports and encouraging local sport activities, to develop Japan as a sportive nation

III. Fiscal management in the future

Implementing fiscal management in line with the stance of "boldness in the short term and responsibility in the medium term"

Directions of the fiscal 2010 budget

- Based on "Basic Policies 2006" and other related policies, continuously working for the public expenditure reform including the eradication of wasteful spending, and taking necessary actions in response to the current economic and social situations so as to achieve both "security" and "vitality" through necessary restoration of social security and other policies that would ensure public sense of security and safety.
- Setting a different guideline on budgetary requests for FY2010 from that for the previous fiscal year and prioritizing budget allocation
- Addressing immediate "top priority policies" and putting into practice measures to "enhance growth potential" and "achieve a reassuring society," thus prioritizing and streamlining budget allocations and taking necessary actions in the process of budget formulation

Renewed administrative reform

- Ceaseless administrative reform and the continued, thorough elimination of waste
- Promoting “qualitative reform” as well as “quantitative reform” to create a lean yet caring government
- Formulating a new downsizing plan in line with administrative reform (to cut the number of employees by at least 10% over a five year period)

Fiscal consolidation targets

- Setting a ratio of public debt (of both central and local governments) to GDP as a basic target to achieve fiscal consolidation, and aim to stabilize the ratio in the mid-2010s and then steadily reduce it in the early 2020s
- Achieve a combined surplus of the primary balance of the central and local governments within 10 years’ time
- Put the economy back on the recovery track, and then reduce the primary balance deficit relative to GDP of both central and local governments, excluding temporary deficits incurred by economic stimulus packages, by at least 50% in less than five years’ time

This paper was prepared by the Cabinet Office as an explanatory material of the Economic and Fiscal Reform 2009. Please refer to the main text (Japanese-version only) for quotes.