

Basic Policy on Economic and Fiscal Management and Reform 2020—Overcoming the Crisis and Moving Toward a New Future—Chapter 1

(Cabinet Decision of July 17, 2020)

The current economic and fiscal situation caused by the novel COVID-19 pandemic—The global COVID-19 crisis facing Japan

Current economic conditions in Japan resulting from the pandemic

The Japanese economy is currently in an extremely severe situation due to the huge impact of the COVID-19 pandemic:
 The impact is widespread, extending throughout both the manufacturing and service industries, with an employment situation of increasing numbers of workers furloughed or unemployed, and a slowdown in economies overseas, including in emerging countries
 The challenges facing Japan and Japan's tardiness in addressing them so far have reemerged

Challenges, risks, and tardiness in addressing them as demonstrated from the spread of the COVID-19

Lagging in digitization and moving online (especially in the area of government services) The risks of urban overpopulation and monopolar concentration A shortage of human resources who can use new technologies Difficulties for part-time workers and freelancers/SMEs and microenterprises Weaknesses in the global supply chain, etc.

International political, economic, and social conditions in the COVID-19 era: Disruptions to the international order

A wide-ranging plunge in the world economy and growing uncertainty
 Concern about maintaining the free trade system
 The obsolescence of cooperation on a global level and the growth of international divisions

Structural problems to date

The declining birthrate and ongoing aging of the population
 Low productivity
 Monopolar concentration in Tokyo
 Advent of the fourth industrial revolution
 Increased energy and environmental regulations
Frequent occurrence of large-scale natural disasters
 Sustainability of social security and government finances

Future of the post-COVID-19 world

Basic direction for the new socioeconomic format

= Achieving a high-quality economic society in the "New Normal Lifestyle"

A society in which individuals can flourish, and prosperity is accessible to all
 (Allowing flexibility, diversity, change, and failure—achieving work-life balance)

An inclusive society where all can feel that life is worthwhile and no one is left behind
 (Safety nets, human connection, and alleviating unease)

A nation regarded as essential and that garners the trust and respect of the international community
 (Maintain and expand free trade, make rules for the new world order, international cooperation and partnerships)

People's lives and livelihoods

Protecting jobs and businesses

Deal with the pandemic and gradually increase economic activity

Economic strategy during the COVID-19
 Strengthen the medical care supply system (Improve testing capability, speed up development of, and secure, a vaccine, etc.)
 Maintaining employment and support livelihoods (employment adjustment subsidies, consideration to new graduates, job matching assistance, etc.)
 Business succession and stable maintenance of the financial system (cash flow support, tie-ups with the Bank of Japan, etc.)
 Stimulate consumption and domestic demand (Promotion of innovation and private-sector investment linked to the creation of new goods and services, including GoTo campaigns, the Individual Number Card Points.)

Disaster prevention and mitigation - Strengthening national resilience

Coping with the high severity and frequency of disasters
 (Post three-year emergency measures)
Reconstruction and rehabilitation following the Great East Japan Earthquake
Reconstruction following other recent natural disasters
Reconstruction from recent natural disasters

Achieving the "New Normal Lifestyle": Going through a 10-year transition all at once

For major policy items, draft implementation plans for the post-COVID-19 era by the end of this year and implement them with **firm determination**

1. Preparing the groundwork for concentrated investment in and implementation of digitization, which is the driving force in constructing the "New Normal Lifestyle"

(The Digital New Deal)

All-out promotion of next-generation government services
 New workstyles and lifestyles (Measures dealing with the declining birthrate, women's empowerment, etc.)
 Promotion of the digital transformation
 Revising systems and practices to expedite change (Breaking away from the culture of paper documents, personal seals, and face-to-face meetings, etc.)

2. Creating communities where the "New Normal Lifestyle" is in effect

—Building a nation of multipolar partnerships and revitalizing local communities—
 Transitioning from a Tokyo-centric monopolar nation to a multipolar nation (smart cities, etc.)
 Invigorating industry and society through local initiatives (tourism, agriculture, forestry and fishery industries, middle-market companies, SMEs, etc.)

3. Ramping up investment in people and innovation

Supporting the "New Normal Lifestyle" through improved productivity
 —Developing human resources who will propel social reform and strengthening investment in intangible assets—
 Developing of human resources with creativity and the skills to identify and resolve challenges (educational reform, recurrent education)
 Expediting innovation, science and technology

4. Achieving an inclusive society that supports the "New Normal Lifestyle"

—Achieving an inclusive society in which no one will be left behind—
 Building social security for the new normal
 Promoting measures to raise incomes/preventing the widening of disparities (assisting the "employment ice age" generation/ the minimum wage)
 Fostering social partnerships and mutual aid

5. Achieving a vibrant Japanese economy in a new world order

—Toward a strategic, vital position in the midst of major shifts in the world order—
 An international economic system based on free and fair rules
 New global cooperation through stronger international cooperation and partnerships
 Building a resilient socioeconomic structure through supply chain diversification, etc.
 Contributing to environmental and global issues focused on SDGs

short term principles in and fiscal management and "Integrated Economic and Fiscal Reforms" in view of the pandemic

Prioritize protecting citizens' jobs, especially those who have been laid off or furloughed, and implement economic and fiscal management with the determination that deflation will never return. Overall, expedite moves toward achieving the "New Normal Lifestyle." Seize the opportunity to respond as needed by adapting to the circumstances and not wasting time. Indicate the basic policy and direction for formulating the fiscal 2021 budget. Implement "Integrated Economic and Fiscal Reforms" in response to the pandemic.

Protecting Citizens' Lives, Livelihoods, Jobs, and Businesses

Dealing with the pandemic and gradually ramping up economic activity: Economic strategy during the COVID-19

Strengthening the healthcare delivery system

- **Strategically improve testing capabilities** (prompt testing of symptomatic persons using **antigen tests**; **broad PCR testing** of asymptomatic persons in close contact with infected persons, **proactive testing** of healthcare workers, hospital in-patients, and people entering healthcare facilities if the potential for infection is present)
- Ascertain the **state of healthcare delivery quickly and comprehensively** secure **hospital beds and human resources**. Secure and stockpile **medical devices**/develop domestic production systems.
- **Make wide-ranging improvements** to the testing system at **quarantine stations** in advance of reopening Japan to international travelers.
- Build a system for the **prompt sharing of patient and other information** among concerned parties (prompt installation and usage of HER-SYS). Promote dissemination of contact tracing.
- Consolidate and conform mechanisms and systems for the gathering and management of COVID-19 information (**strengthen the public health system**, proactively expand epidemiological surveys and cluster countermeasures).
- Give immediate consideration to the necessary legal framework to create a mechanism that can quickly, flexibly, and conclusively deal with pandemics on the national level.
- **Strengthen the healthcare delivery system** (so that it can appropriately handle even a drastic increase in domestic suspected cases of COVID-19, fever, etc.).
- Promote pandemic-prevention measures with **impact analysis that uses artificial intelligence (AI) simulations**.
- **Further expedite research and development (R&D) into vaccines and efficacious treatments and medications** by mobilizing global expertise. Put a domestic production system in place as soon as possible. Secure the necessary supplies of vaccines and medicines. Create a vaccine administration system.
- Maintain **thorough enforcement of border measures** to definitively prevent the COVID-19's inflow from overseas as part of comprehensively monitoring the state of the pandemic at home and abroad within the context of pandemic prevention, in parallel with a phased reopening to international travelers, starting with those traveling for necessary business purposes.

Maintaining employment and supporting livelihoods

- **Make payments of employment adjustment aid as promptly as possible** by moving the application process online and taking other steps to **simplify procedures**.
- **Provide better job-hunting opportunities to new graduates**. • **Proactively urge business community to hire them not to experience second "employment ice age" generation**.
- Provide steady assistance to **high school and university students who are in financial difficulty** or face challenges in achieving educational security as children due to sudden changes in household circumstances.
- Promote **matching** of unemployed people and job seekers with **growth fields or occupations that have high demand** by training them in job skills and encouraging them to acquire knowledge.

Maintaining business continuity and financial system stability

- **Maintain the business continuity of SMEs and microenterprises and protect jobs and livelihoods** by mobilizing the budget, the tax system, financial policy, and other measures.
- **Pay sustainability benefits and rent support benefits** that contribute to reducing the burden of fixed costs as **promptly** as possible by putting the application process online.
- Strongly induce businesses to reopen by investing in **disease prevention programs in line with guidelines for each industry**.
- Smoothly administer crisis response loans and **unsecured loans with zero real interest rates**. Offer equity-like subordinated loans.
- **Strongly induce** digitization and other **new business developments** by startups and venture businesses through increased capital funding and loans.
- Strongly supporting business continuity through cash flow assistance while cooperating and sharing a sense of crisis with the Bank of Japan.

Stimulating consumption and other domestic demand

- Stimulate demand for tourism, especially domestic tourism, as economic activity gradually resumes, while implementing **thorough pandemic-prevention measures**.
- **Smoothly implement "Go To" campaigns** that have strong price incentives in response to new lifestyles, including with respect to eating and drinking out and events.
- Expand usage of the Individual Number Card and make improvements to its systems and setup, and steadily implement programs to resuscitate consumer spending through the card's **reward points program**.
- Further **reduce fees paid by participating merchants** per the guidelines created for operators of cashless businesses.
- Strongly encourage programs that **employ innovation and private-sector investment** to create new goods and services (speed up R&D in cutting-edge fields, etc.).
- Expedite digitization and smart applications in the infrastructure and distribution areas. Public investment and creation of a nation that will not succumb to disasters, in accordance with the Basic Plan for National Resilience.

Disaster prevention and reduction - national resilience—Coping with the high severity and frequency of disasters

- **Use digital technology in crisis management** and speed up reconstruction and revitalization in light of prior reconstruction.
- **Improve local disaster prevention capabilities** by training disaster prevention experts, etc.
- **Disaster-proof road network and the infrastructure lifelines for water supply and electricity**, e.g., move electric lines underground to prevent long-term power outages and communications failures; improve measures for large-scale wide-area evacuations, evacuations of the vulnerable, and **flood risk information**, including for small and medium rivers; **strengthen evacuation plans**, including strengthening the disaster prevention functions of schools; expedite forest maintenance, forest conservation, and **programs to repair aging infrastructure**.
- Mitigate damages by flood, landslide, high waves and storm surge considering on rainfall and sea levels by climate change, the responsible parties have implemented programs that cover **entire river basins**.

Reconstruction and rehabilitation following the Great East Japan Earthquake

- At the phase of **completing reconstruction of areas damaged by earthquakes and tsunamis and beginning true reconstruction and revitalization of areas damaged by the nuclear power disaster**. Heading for the completion of reconstruction.

Reconstruction following other recent natural disasters

- **Make all-out efforts for reconstruction and revitalization** following the 2020 July Heavy Rain and other disasters, to **bring relief and security to victims' lives as soon as possible, working with consideration for the victims' feelings**.

Achieving a “new normal”

Preparing the groundwork for concentrated investment in and implementation of digitization, which is the driving force in constructing the “New Normal Lifestyle” (The Digital New Deal)

- All-out promotion of next-generation administrative services
 - Revise the digital government implementation plan by the end of the year and speed up implementation of its programs. Set up a new headquarters function in the Cabinet Secretariat that includes experts from the private sector.
 - Make a radical overhaul of the Social Security and Tax Number System so that it will be convenient for people to use. As a legal consideration, provide lifelong health data by 2022.
 - Move as many administrative procedures as possible online and make them “one stop and once only.” Speed up and simplify electronic applications and other procedures and reduce documentation.
- Advancing the digital transformation (DX)
 - Expedite DX through the whole of society. Promote digitization of the supply chain and the use of AI and robots. Promote 5G, post-5G, and Beyond 5G.
 - Improve ICT literacy and information ethics so that everyone can benefit from digitization/implement programs to deal with digital disparities.
- New workstyles and lifestyles (Reforming workstyles, dealing with the declining birthrate, women’s empowerment, etc.)
 - To help telework growth and encourage its adoption by SMEs, offer them free consulting with experts and build a nationwide support system to support its adoption.
 - Resolving the decline in the rate of women who keep working as regular employees after childbirth (the L-shaped curve) by offering focused support for working as regular employees, eliminating tax traps for part-time workers, reducing the burden of childcare.
- Revising systems and practices to expedite change
 - Breaking away from the culture of paper documents, personal seals, and face-to-face meetings Rewrite industrial regulations so that they are premised on the use of digital technology and switch to a system that responds to technological advances quickly and flexibly



2. Creating communities where the “New Normal Lifestyle” is in effect—Creating a multipolar nation and revitalizing communities—

- Moving from a Tokyo-centric nation to a multipolar national model
 - Speed up the establishment of smart cities, especially core cities and government-designated cities, where populations will concentrate and universities locate.
 - Promote residences in dual locations. Strengthen aid for side or multiple jobs in local communities. Draw up a reform package by year-end for creating attractive local universities.
- Invigorating industry and society through local initiatives
 - Use the time until the flow of people among nations is restored to improve airports, CIQ, and multilingual signage and to improve the use of cultural facilities and national parks.
 - Maintain and strengthen the domestic production base in response to international export restrictions, improve food self-sufficiency, and ensure comprehensive food security.
 - Make the supply chain more efficient through the sharing of data and information among SMEs, and give focused aid to businesses formed through tie-ups between SMEs and universities, etc.
 - Create a long-term strategy for promoting direct investment into Japan. Build an open innovation platform for overseas startups and Japanese businesses.

3. Ramping up investment in people and innovation Supporting the “New Normal Lifestyle” through improved productivity

- Develop human resources who will propel social reform
- Bolster investment in intangible assets
 - Development of human resources with creativity and the skills to identify and resolve challenges
 - Reform of elementary and secondary education, etc.
 - Introduce small-group instruction and make use of information and communications technology (ICT).
 - Expedite the GIGA school concept. Promptly implement effective distance and online education.
 - Offer learning with depth that is diverse and personalized and adjusted learning and subject teaching system into elementary schools.
 - Reform of universities, etc.
 - Create a digital and remote environment for education and research.
 - Develop science, technology, engineering, and mathematics (STEAM) human resources, reform data sciences education and national universities, etc.
 - Recurrent education
 - Expand programs at universities, etc.
 - Develop programs to train value-creating human resources.
 - Consider strengthening incentive programs.
 - Expediting innovation/science and technology
 - Expand investment in R&D through public-private partnerships (PPPs).
 - Build a world-class research foundation by establishing a fund and using its operating profit for R&D.
 - Strengthen aid to young researchers, including doctoral candidates, by improving the management of programs, etc. Promote open innovation.
 - Strategically promote R&D in digitization, AI, robotics, etc. Prioritize the allocation of budgets and resources including humans for key technology fields that ensure the safety and security of our nation and its people—such as disease control measures and disaster prevention and reduction

4. Achieving an inclusive society that supports the “New Normal Lifestyle”

- Achieving an inclusive society in which
 - Building social security for the “New Normal Lifestyle”
 - Building a healthcare delivery system for the “New Normal Lifestyle”
 - Promote the building of a high-quality, efficient, and sustainable healthcare delivery system.
 - Reform data health, including the improvement of PHRs.
 - Promoting precautionary health measures, healthy lives, and serious disease prevention in response to the “New Normal Lifestyle”
 - Implement measures to deal with fevers and promote multidisciplinary partnerships for precautionary health measures and serious disease prevention.
 - Speed up the review and streamlining of medical exam content, and promote online health consultations.
 - Promoting measures to raise incomes and preventing the widening of disparities
 - Assisting the “employment ice age” generation
 - Adhere to the target of increasing the number of full-time workers by 300,000. Use grants to give aid in communities in line with the status and needs of this generation, and promote their hiring by private-sector firms and as civil servants.
 - Raise the minimum wage
 - As regards the minimum wage, our firm policy is a goal of achieving a national weighted-average of 1,000 yen ahead of schedule. At the same time, bear in mind the harsh circumstances of SMEs, etc., this fiscal year.
 - Fostering social partnerships and mutual aid
 - Promote the use of social finance that incorporates a broad range of private-sector donations, funds, and human resources.

5. Achieving a vibrant Japanese economy in a new world order

- A strategic and indispensable position during vast changes in the world order—
 - An international economic system based on freedom and the rules of fairness
 - International standardization of TPP11, Japan-European Union (EU) Economic Partnership Agreement (EPA), and other rules. Sign the RCEP by the end of the year and aim for its early enactment.
 - Promote international rules for the digital economy, including data flows.
 - New global cooperation through stronger international collaboration and partnerships
 - International expansion of clinical research on vaccine candidates and treatment medicines. Donate to CEPI and Gavi.
 - Building a resilient socioeconomic structure through supply chain diversification
 - Diversify and increase the resiliency of the domestic and overseas supply regarding concentrated production sites. Draft rules for economic security to improve supply flexibility with countries that share our values.
 - Consider and construct mechanisms and systems to enhance prevention of a technology drain.
 - Establish international financial cities that will be international financial hubs for the world and Asia.
 - Contributing to environmental and global issues
 - focused on SDGs
 - Strive for “Beyond Zero” initiative, which will reduce carbon dioxide (CO2) emissions retroactively