

Comprehensive Immediate Policy Package

– Easing Public Anxiety –

(Summary by the Cabinet Office)

August 29, 2008

Joint Meeting of
the Government and the Ruling Parties Council on the
Comprehensive Immediate Policy Package
and the Ministerial Meeting on Economic Measures

Economic background

The Japanese economy, with its weak momentum for recovery, is facing difficult challenges as it is directly affected by global economic slowdown, which stemmed from the sub-prime mortgage loan problem in the US, and world-wide price hikes in raw materials, including oil, and foods.

Under such circumstances, it is important to encourage smooth adaptation of both producers and consumers to global changes in the cost structure and achieve new economic growth.

More specifically, it is necessary to;

- 1) Alleviate “pain” and “anxiety” of the people during the transitional phase,
- 2) Push forward structural reforms to realize a “sustainable society” as a global forerunner by fundamentally transforming the economic system and the way of people’s life,
- 3) Support positive and prompt actions by enterprises and households to adapt to a new cost structure.

Basic ideas of the Comprehensive Immediate Policy Package

Given current economic situation, this policy package aims at achieving three objectives; 1) removing anxiety of the people, 2) accelerating transformation to a “sustainable society”, and 3) facilitating adaptation to a new cost structure and boosting growth potential. It employs every policy tool to implement necessary measures continuously and seamlessly.

Basic ideas of this policy package are as follows:

- 1) Distinguish itself from traditional economic stimulus packages by maintaining the principle of “achieving two goals of economic growth and fiscal consolidation”, and concentrate fiscal resources on measures with the highest necessity,
- 2) Its targets should be well-focused and priority should be given to policies with a large impact with a view to front-loading medium- to long-term policy targets described in the “Basic Policies 2008” and

- other policy guidelines as much as possible,
- 3) Avoid expansionary fiscal measures mainly aimed at creating effective demand, since large scale macroeconomic output gap cannot be observed,
 - 4) When “pain relief” is provided against the impact of oil and food price hikes, it should be accompanied by structural reforms,
 - 5) Give priority on investment to facilitate adaptation to a new cost structure.

Objective 1: Removing people’s anxiety

The anxiety currently felt by the people stems not from traditional economic slowdown due to insufficient demand, but from the fact that a large number of consumers and enterprises find it difficult to catch-up with steep price hikes in raw materials including oil. In order to remove such anxiety and support people’s daily life, the government will strongly promote policies including comprehensive measures to cope with price hikes. Efforts will also be made to ease anxiety in people’s daily life including health care, pension, elderly nursing care, child care and education.

1. Supporting daily life and employment

1) Comprehensive measures against price hikes

- Monitor unfair exercises such as undue price increases and cartels
- Exceptionally suppress the increase in the government selling price of imported wheat
- Strengthen daily-life support measures against price hikes including:
 - Expanding living expense loan program for low-income people and single mother households
 - Supporting efforts by SMEs to maintain employment
- Create an environment for wage increases
 - Lifting legislative minimum wages, request business communities to raise wages

- Reduce highway tolls
 - Reducing highway tolls in an effective way, postponing the introduction of distance-based tolls for the metropolitan highways in Tokyo and Osaka

2) *Introduction of special tax cuts*

- Introduction of special tax cuts
 - In order to cope with changes in economic environment such as oil and other price hikes, special fixed-sum tax cuts in national income tax and local inhabitant tax (on individuals) will be introduced as a single year emergency measure in FY 2008 to support households. Details such as its scale and method will be further considered together with the availability of financial resources and in conjunction with discussions on a fundamental reform of the taxation system towards year-end.
- Introduction of temporary welfare special benefits
 - In connection with the introduction of special tax cuts, temporary special welfare benefits will be provided to the recipients of the elderly welfare pension as a single-year temporary exceptional measure. Details such as its scale and method will be further considered together with the discussion on special tax cuts.

3) *Fundamental reinforcement of consumer policies*

- Establish the Consumer Agency (tentative name)
- Upgrade consumer consultation services (creation of a nationwide network)
- Share information on consumer consultation services (creation of an accident information database)

4) *Policies for non-regular workers*

- Review legislations on the worker dispatching system (e.g. one-day dispatching system), exposure of illegal practices
- Support job-hopping part-time workers to become full-time regular workers (1 million jobs in 3 years)
- Provide support for women to find jobs (maximum 0.2 million jobs)

in 3 years)

- Provide support for elderly people to find jobs (1 million jobs in 3 years)
 - Reviewing the pension system for elderly people in work
 - Providing subsidies for companies employing elderly people above 65
- Provide support for persons with disabilities to find jobs

2. Upgrading health care, pension and elderly nursing care services

1) Remove anxiety in health care

- Expand measures to run the elderly health care system smoothly
 - Reducing insurance premium of the elderly health care system paid by low income people
- Ensure health care system
 - Increasing the number of medical doctor trainees (starting this year)
- Strengthen measures against new influenza (increasing reserves of treatment drugs and preventive vaccine)
- Create an environment for the introduction of the “Social Security Card” (tentative name) (early implementation of proof experiments)

2) Addressing pension record problems

- Check the records by mailing the “Pension Coverage Special Notice” to all insured persons and pensioners (mailing to be completed by the end of October 2008)
- Transform paper-based old records into electronic images and establish a check-up system

3) Ensure elderly nursing care services

- Secure and retain sufficient human resources for elderly nursing care services
- Strengthen support for people with cognitive impairment through the Regional Comprehensive Support Centers

3. Supporting child care and education

1) Support childbirth and child care

- Focused and selected implementation of the “New Plan to Achieve Zero-Waiting List for Nursery Schools”
- Promote establishment of approved nurseries by creating the “Grant for the Integrated Child Care Facilities”

2) Education support

- Provision of Special Local Allocation Tax to local governments which helps to lessen charges on parents for school lunch

Objective 2: Accelerating the transformation to a sustainable society

Grappling squarely with long-lasting structural problems such as tight demand-supply conditions of raw materials and foods on a global scale and global warming, the government aims at creating a sustainable society as a global forerunner by fundamentally transforming the Japanese economy and people’s daily life. For this purpose, efforts will be made to accelerate the introduction and development of energy-saving and new energy technologies and strengthen international cooperation in this area. Policies to redesign housing and disaster management and to create strong agriculture will also be pursued.

4. Creating a low carbon society

Promotion of the “Strategic Package for Creating a Low-Carbon Society”

Promote the strategic policy package for accelerating the introduction and development of energy-saving and new energy technologies to create a low carbon society

1) Promote substantial introduction of energy-saving and new energy technologies

- Accelerate the introduction of energy-saving and new energy equipments
 - Introducing solar power systems in households, enterprises and

public facilities

- Introducing large-scale regional solar power station (“mega-solar”)
- Tax incentives to encourage investment in energy-saving and new energy equipments
- Enhance energy efficiency in transportation systems and promote modal shift
- Promoting the introduction of “eco-cars” (one in every two new cars by 2020)
- Full launch of studies to realize a next generation high speed railway system based on superconducting MAGLEV, and develop technologies towards practical use of the Gauge Change Train
- Experimental introduction of an integrated domestic market of emissions trading

2) *Promote development of energy-saving and new energy technologies*

- Accelerate R&D of innovative technologies in environment and energy
- Next generation solar power technology with power generation efficiency of over 40 per cent
- CCS (Carbon Dioxide Capture and Storage) technology
- Promote the development of innovative technologies which directly enhance international competitiveness such as iPS cell technology (e.g. Innovative Technology Super Zone)

3) *Strengthen international cooperation to address commodity price hikes*

- Strengthen resource diplomacy, accelerate dialogue between producing countries and consuming countries, and promote resource development by utilizing ODA and trade insurance
- Increase transparency in crude oil and other markets
- Promoting cooperation with relevant national authorities for market surveillance
- Monitoring investments in the commodity futures markets such as crude oil and agricultural products
- Promote repatriation of overseas income (tax system which contributes to repatriation of overseas income from subsidiaries)

abroad)

5. Policies to redesign housing and disaster management

1) Redesign houses and towns

- Promote eco-friendly long-lasting houses
 - Extending and expanding housing loan tax cuts
- Secure accommodation which supports safe and comfortable life of elderly people (e.g. increase the share of barrier-free houses for elderly people towards 75 per cent by 2015)

2) School renovation to protect pupils and students from earthquakes and other disaster management measures

- School renovation to protect pupils and students from earthquakes
 - Accelerating the quakeproof renovation of 10 thousand school buildings, which could collapse in large-scale earthquakes
- Disaster recovery after earthquakes and localized torrential rain and other disaster management measures
- Create a safe society

6. Creating strong agriculture, forestry and fishery sectors

Create strong agriculture, forestry and fishery sectors (draw up a roadmap to achieve a food self-sufficiency ratio of 50 per cent)

- Expand production capacity and strengthen agriculture, forestry and fishery sectors
 - Securing and effectively using agricultural land, full use of rice fields
- Boost demand for domestic agricultural, forestry and fishery products
 - Encourage to serve rice at school lunches more frequently, promoting “local production for local consumption” initiative
- Create new markets
 - Cooperation among agriculture, commerce and industry, promotion of exports

Objective 3: Facilitating adaptation to a new cost structure and boosting growth potential

Following world-wide changes in cost structure caused by oil and raw material price hikes, the government aims at creating an environment which facilitates smooth adaptation of Japanese companies to such price changes. In particular, given that SMEs tend to face difficulty in passing on additional costs, full efforts will be made to ensure their financing while measures to protect sub-contractors with weak bargaining power will be strengthened. At the same time, growth potential will be boosted through enhancing vitality of enterprises by raising productivity through utilization of human resources and revitalization of regional economies.

7. Vitalising SMEs

1) Support SMEs and micro businesses

- Expand financing measures to facilitate cash-flow
 - Introducing a new guarantee scheme (emergency guarantee scheme to cope with material price hikes)
- Strengthen protection of sub-contractors
 - Expanding legal consultation provided at the “Sub-contractor Support Offices”
 - Establishing the “Sub-contractor Protection Information Network” (tentative name)
- Strengthen support for industries with heavy outlays on fuel (e.g. trucking industry, buses and taxis, construction industry)

2) Boost growth potential by raising productivity

- Raise productivity (implementation of the “Sector-by-sector Productivity Improvement Program”)
- Regional revitalization (e.g. accelerating reform of the “third-sector corporations”)
- Further accelerating shift from savings to investment

8. Supporting local governments

- Support local governments' cooperation with this policy package, provide financial support for the foregone local tax revenue earmarked for roads

The way forward—Step by step implementation of policies

Policy implementation will be forwarded step by step as follows by taking into account fund raising efforts through stocktaking of policies, eliminating unnecessary expenses and the progress in the discussion on a fundamental reform of the taxation system. Policies will be implemented continuously and seamlessly in connection with the formulation of the FY 2009 budget.

1. Urgent policies

Policies with extremely high degree of urgency will be implemented immediately based on front-loading of budget and urgent institutional reforms.

2. Policies to be implemented early

Policies with a need for additional budget will be implemented by taking into account their impact, priority and fund raising efforts, accompanied by necessary structural reform.

3. Tax reform

Policies concerning reform of the taxation system will be concluded together with the discussion on a fundamental reform of the overall tax system this year.

(Annex) Fiscal amount of the policy package

(trillion yen)

	Central government budget	Total amount (project cost basis)
Front-loading of the FY 2008 budget	0.1	0.2
Policies to be implemented early		
1. Removing people's anxiety	0.4	0.4
2. Accelerating the transformation to a sustainable society	0.9	1.9
3. Facilitating adaptation to a new cost structure and boosting growth potential	0.4	9.1
Local government	0.1	0.1
Sub-total	1.8	Around 11.5 (a)
FY 2009 initial budget	A	B
Total	2.0 +A	Around 11.7 +B

(a) Including addition of 0.2 trillion yen in the FY 2008 Fiscal Investment and Loan Program

This 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>

“Comprehensive Immediate Policy Package”

– *Easing Public Anxiety* –

3 Objectives

1. Removing people’s anxiety

2. Accelerating the transformation to a sustainable society

3. Facilitating adaptation to a new cost structure and boosting growth potential

8 Pillars

1. Supporting daily life and employment

2. Upgrading health care, pension and elderly nursing care services

3. Supporting child care and education

4. Creating a low carbon society

5. Policies to redesign housing and disaster management

6. Creating strong agriculture, forestry and fishery sectors

7. Vitalizing SMEs

8. Supporting local governments