

**Economy Policy Speech by Nishimura Yasutoshi, Minister of State for
Economic and Fiscal Policy, to the 204th Session of the Diet**

January 18, 2021

1. Introduction

I would like to offer my policy remarks as the Cabinet Office Minister of State for Economic and Fiscal Policy on the present state and issues of the Japanese economy and the government's basic stance on policy management.

2. Current state of the economy; economic and fiscal management

(Current state of the Japanese economy)

The Japanese economy faced very challenging circumstances in 2020 due to the novel coronavirus pandemic. Under a declared state of emergency, the economy experienced its largest postwar decline in April and May as economic activity was broadly and artificially halted. Although it has been on the rebound as policy measures have begun taking effect and economies overseas have improved, our economy remains below pre-coronavirus levels and recovery is only partially complete.

Particular attention should be paid to the downward risk to the economy posed by the recent spread of infections. The government just this month declared a state of emergency in 11 prefectures and, building on our accumulated experience and knowledge as well as expert analyses, we will be implementing effective countermeasures where infection risks are high during this latest declared state of

emergency. In view of our experiences last spring and with due consideration for those deemed “essential workers,” we would like to ask the public’s help in reducing the number of persons going into work by 70% through telework and in refraining from any unnecessary or non-urgent outings as we give top priority to containing the spread of infections in whatever ways we can. To encourage the public to come together in getting past this difficult situation, we will be taking steps to support those persons hit hardest by these measures, including using contingency funds to increase payments of cooperation money. To make our countermeasures even more effective, we will be soliciting views from a broad range of relevant parties on recommended revisions to the Act on Special Measures concerning Countermeasures against Novel Influenza, etc., and other relevant laws and submitting these to the Diet for consideration as soon as possible. We will be suitably disseminating information as we make good our commitments to infection control to ensure that we gain the public’s understanding and empathy.

(Policies on economic and fiscal management; economic outlook for next fiscal year)

Determined to never allow deflation to return, the Government last December decided “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods towards Relief and Hope” with fiscal expenditure of approximately

40.0 trillion yen and project scale of approximately 73.6 trillion yen.

While doing everything in our power to prevent the spread of novel coronavirus disease such as enhancing the medical care treatment system and developing vaccine distribution system, we will secure employment and livelihoods from the severe effect of the infection. At the same time, we will put the economy on a growth path led by private demand while attracting private investment into growth sectors. To achieve these two goals, we formulated comprehensive economic measures that mobilize all possible policy measures such as fiscal expenses, regulatory reforms and taxation and include acceleration of disaster prevention and mitigation and national resilience. We will integrate the third supplementary budget for fiscal 2020 that underpins these countermeasures with the initial budget for fiscal 2021 and implement thorough economic and fiscal policy in a seamless manner as 15 month budget. These measures should enable us to overcome the tough situation due to a state of emergency. We expect to achieve real economic growth rate of about 4.0% and nominal economic growth rate of around 4.4% next fiscal year, and thus the GDP is projected to return to its pre-coronavirus level by the end of next fiscal year. To these ends, we will be sparing no effort for the exit from deflation and the revival of the economy.

Under the basic policy “Without economic revitalization, there can be no fiscal consolidation,” we will continue to proceed with fiscal consolidation by taking all possible measures to get the economy back to the growth path led by private demand, and by working on wise spending thoroughly through the implementation of “the reform time schedule for the New Plan to Advance Economic and Fiscal Revitalization” and evidence-based policy making.

3. Looking to a post-coronavirus economy and society

We are being sorely tested by the ongoing coronavirus crisis, but we have learned that we can in fact succeed when taking on issues heretofore considered quite a challenge. More than 30% of employed workers, and nearly 60% in the 23 wards of Tokyo, have now engaged in telework to some degree, and interest in relocating to rural areas is on the rise. A survey conducted by the Cabinet Office shows that around 30% of Tokyo area residents are now interested in relocating to rural areas, a figure that climbs to 40% when looking just at young people in their 20s. This could offer us a chance to rectify the monopolar concentration in Tokyo that has long been an issue, and we are starting to see positive signs for the future in dual residence, smart cities and new work styles such as workations. Rather than pushing back against these trends, we will embrace the “New Normal Lifestyle” and extend it even further. This will help us achieve our dual goals of preventing the spread of

infections and improving economic productivity and undoubtedly help generate new growth during and after this coronavirus crisis.

The first step in bringing this about will be digitalization. We will push hard for a “Digital New Deal” and encourage private companies to pursue business innovation through digitalization by drastically accelerating our efforts to digitalize government functions, upgrading communications networks with an eye to 5G and beyond, and digitalizing transportation, logistics and other sectors.

Making society greener will also be crucial. To realize a carbon-neutral society by 2050, upholding high goals for each of the 14 industries expected to grow, the “Green Growth Strategy” have been formulated at the end of last year as a strategy covering comprehensive policies. Exploring these approaches more deeply, we will reflect these findings in this year’s growth strategy, and fully boost private-sector investment and efforts aimed at innovation through our “Green New Deal.”

Encouraging Japanese companies to break free of their organizational rigidities is also imperative. During one of my periodic visits to Silicon Valley, I was told by a certain venture firm that “many Japanese companies drop by for tours, but their reps are invariably men in their 50s attired in suits without neckties who always

ask the same questions and then head home, after which we never hear from them again”, and this firm wanted to know why there are no foreigners or women or young people at Japanese companies. This came as an eye-opening revelation on the low level of diversity in Japanese companies. The time has come to promote more diverse hiring to open the way to the future with a diversity of ideas. Encouraging corporate governance reform and increasing the opportunities for foreigners, young people and women to play active roles will lead to business innovation at companies and create a business environment that will foster GAFA-like global leading companies in Japan. We will be pursuing industry-university-government open innovation with partners ranging from large corporations to venture firms. We will also be creating business restructuring subsidies of up to 100 million yen to help small and medium-sized enterprises expand into new sectors or shift their business lines to support forward-looking efforts.

The most important investment we can make is in people. We need to cultivate individuals and their capabilities and train personnel who will produce innovations suited to a new age. We will be taking advantage of small class sizes and ICT to offer children optimal learning experiences, and helping working adults by enhancing career development support and recurrent education and by creating an environment conducive to a diversity of work styles such as telework, dual

occupations, side businesses and freelancing so a wide range of people can fully apply their capabilities and ideas. We will thus be investing in people as an integral part of our “Human New Deal.”

The Action Plan put together by the Growth Strategy Council spelled out the basic direction for major reforms as we look ahead to a post-coronavirus era. During the current Diet session we will be submitting proposed amendments to the Act on Strengthening Industrial Competitiveness and other bills, and giving further consideration to our growth strategy as we conduct our final discussions.

(Pursuing economic partnerships)

Attracting skilled human resources, advanced technology and abundant funds from overseas will be critical for innovation and regional revitalization. We will be making incorporation procedures available online in English to promote greater direct investment in Japan, and we will undertake tax reform and other measures to create a business environment prepared to accept skilled personnel as well as the digital investment and corporate restructuring needed to usher in a new age. By spring we will have compiled a medium- to long-term strategy that will include targets to be achieved in the next term.

Even as countries around the world increasingly adopt nationalistic policies, the TPP11 Agreement and similar approaches have reaffirmed the importance of free trade. As this year's CPTPP Chair, Japan will endeavor in particular to deepen discussions and promote cooperation on deploying digital technology and making supply chains more resilient. As one element in that effort, we intend to hold online international seminars on digital economies.

We will continue seeking to conclude agreements with signatory countries as soon as possible to extend such high-standard and balanced 21st century-style rules worldwide as we steadily implement and expand the TPP11 Agreement. In doing so, we will need to carefully assess whether economies expressing interest in joining have made preparations that satisfy the high levels mandated by the Agreement.

4. Ensuring people peace of mind in their daily lives

My heartfelt thanks go out to our medical and nursing care professionals and others providing support to those in difficult situations for holding fast on the front lines without even taking a break during the New Year's holidays.

The ongoing coronavirus crisis has brought various social vulnerabilities into high

relief, and Japan has its own share of non-regular workers, women and others confronting extremely challenging circumstances. We will be strengthening our safety nets and working to build an inclusive society that leaves no one behind by offering assistance to needy persons and single-parent households as well as providing re-employment support and wage subsidies for trial employment.

We will be putting together a comprehensive policy package to create an environment in which people can further improve their skills while working and to provide assistance for the smooth redeployment of labor resources into new areas, enabling individuals to engage in satisfying work and put their skills to maximum use while protecting livelihoods and jobs. We will also be there for the members of the “employment ice age” generation, to whom we will provide assistance carefully tailored to their respective circumstances.

Securing employment and continuing the trend of higher wages, including the minimum wage, will be essential for achieving a virtuous cycle of growth and distribution. I understand there are many companies in dire straits, and the government will be making an all-out effort to establish the conditions needed to maintain the momentum of rising wages by, for example, supporting efforts to improve productivity at small and medium-sized companies and elsewhere and

instituting tax breaks that promote income growth through increased employment and wage hikes.

(A social security system oriented to all generations)

With our society aging and birthrates declining rapidly, our generation has a responsibility to develop a social security system that permits people of all generations to enjoy peace of mind while doing our best to avoid imposing greater burdens on working generations, and then to pass this system on to the next generation so that as many people as possible can count themselves among “the supporters” rather than “the supported.” We will push ahead with further reform by intensifying our efforts to reverse declining birthrates and to revamp the cost-sharing mechanisms for elderly medical care in keeping with the “Guidelines for Reforming Social Security for All Generations” approved by the Cabinet at the end of last year. We will do everything possible to submit measures on determining appropriate out-of-pocket percentages for the old-old population and other necessary bills to this ordinary Diet session so that deliberation on these can begin quickly.

5. Conclusion

The novel coronavirus pandemic has again highlighted problems that have long

plagued our economy. The time has come to tackle such issues head-on, even as we engage in an all-out effort to contain the spread of infections. We will do our very best to institute the three “New Deals” – the Digital, the Green and the Human – to elicit ingenious approaches from the private sector and whet its appetite for investment in order to make ours a society in which the capabilities and imagination of a diversity of people can flower. The coronavirus pandemic has put us in a tough spot at present, but it may also have set the stage for opening the door to the future. This is what our three New Deals will accomplish. We must wholeheartedly encourage each and every person to be courageous enough to take a new step forward as we strive to reach the other side of that door.

Recognizing that 2021 could be our last chance to enact major social and economic reforms in Japan, we will do everything in our power to make this a year in which Japan takes a new and major step forward.

To this end, I would greatly appreciate the understanding and cooperation of all members of the public and of the Diet.