

**Economic Policy Speech by Yamagiwa Daishiro, Minister of State for  
Economic and Fiscal Policy, to the 208<sup>th</sup> Session of the Diet**

January 17, 2022

## **1. Introduction**

As the Cabinet Office Minister of State for Economic and Fiscal Policy, I would like to offer my opinions on the current state and challenges of the Japanese economy as well as the government's basic stance on policy management.

## **2. Economic and fiscal management for the Immediate Future**

Over the past two years, the global economy has been hit hard by the COVID-19, and we are still confronting the worldwide spread of the Omicron strain. We will stay on our guard and keep an eye on developments, and execute all possible measures, further strengthening our frameworks of prevention, testing and early treatment.

The Japanese economy is gradually recovering from the difficult circumstances it has faced since the COVID-19 outbreak began the year before last, but people's lives and the overall economy are still feeling the impact, especially industries offering face-to-face services and the persons working in or furloughed by these industries. First of all, we will do our utmost to support those who are in a severe conditions, and we will mend the bruised Japanese economy as soon as possible while the foundations for resuming and expanding economic activity are being put in place. Anticipating for the worst situation, we will make every effort to bolster the medical care provision system,

promote vaccination, and secure therapeutic medicines as we strive to build an environment that sustains economic and social activities as far as possible and ensure the nation's safety and security.

The environment surrounding the Japanese economy is replete with downside risks such as supply constraints through global supply chains due to semiconductor shortages worldwide and other factors as well as soaring global prices for crude oil and other resources and raw materials. We will keep a close eye on economic trends inside and outside Japan, pay careful attention to the effects of the pandemic and unexpected fluctuations in financial and capital markets, and engage in economic and fiscal management.

(Economic measures and fiscal consolidation)

From this perspective, the Cabinet last November decided “Economic Measures for Overcoming COVID-19 and Opening Up a New Era” amounting to 55.7 trillion yen in fiscal expenditures, and the supplementary budget for fiscal 2021 formulated based on those measures was passed by the Diet in December. While bolstering the medical care provision system and otherwise stepping up measures to combat the pandemic, providing comprehensive support to businesses and individuals in severe conditions,

and safely and securely resuming economic and social activities, we will be implementing future-oriented economic measures that Realize a [the] “Virtuous Cycle of Growth and Distribution” through the two-pronged approach of a growth strategy and a distribution strategy, with our eyes firmly fixed on economic and social considerations with- and post-COVID-19.

We will smoothly and steadily carry out these measures while paying close heed to the views of regional and local actors to ensure the benefits reach as many people as possible. By ensuring thorough economic and fiscal management through the execution of a “16-month budget” combining the supplementary budget for fiscal 2021 and the initial budget for fiscal 2022 without interruption, we expect the increase of the real GDP by approximately 2.6% in FY2021 and approximately 3.2% in FY2022, with GDP expected to reach its highest ever level in FY2022. We will do our utmost to put the Japanese economy on an autonomous growth path led by private demand, overcome deflation and achieve economic revitalization as soon as possible.

We will execute all possible measures, taking on without hesitation fiscal expenditures necessary to address the crisis. The economy is the foundation of public finance. We will faithfully rebuild the economy and we will also work on a fiscal consolidation. We

will also be pursuing appropriate and effective spending through the steady implementation of “the reform time schedule for the New Plan to Advance Economic and Fiscal Revitalization” and evidence-based policy-making.

### **3. Efforts for a “New Form of Capitalism”, “Virtuous Cycle of Growth and Distribution”**

After putting the Japanese economy on a growth path we will realize the Kishida administration’s aim of a “New Form of Capitalism”. This “New Form of Capitalism” seeks reforming to a robustly growing economy and society while protecting the middle class, which is the core of healthy democracy, and addressing climate change and other global issues. In making this reform, we will achieve a virtuous cycle of growth and distribution by having the public and private sectors play their respective roles rather than simply relying on competition and markets.

(Growth strategy)

Let me discuss our growth strategy first. We will make bold investments focusing on science and technology, innovation, responses to climate change issue, digitalization, and economic security. In doing so, it is vital that the government, private companies, universities, local communities, regular citizens and consumers all play their respective

roles.

In the areas of science and technology and innovation, we will put in place and begin operating the University Endowment Fund with a scale of 10 trillion yen by the end of this fiscal year. We also plan to submit related bills to the Diet on establishing a new university system in order to realize university reforms, ensure greater access to outside funding, and institute other reforms required of research universities that are competitive in the world. We will also enhance Japan's ability to develop cutting-edge science and technology in fields such as artificial intelligence, quantum, and life science.

In responding to climate change issue, we will formulate a clean energy strategy by comprehensively assessing not only energy supply but both supply and demand encompassing demand-side innovation and capital investment.

With respect to digitalization, we will seek to fulfill our "Vision for a Digital Garden City Nation" by implementing the frontier efforts of automated delivery, autonomous driving, drone home delivery and teleworking in rural areas. Accordingly, we will be submitting related bills to the Diet and pursuing structural reforms on automated

delivery services and autonomous driving mobility services.

To ensure our economic security, we will aim to submit new bills to the Diet and working to establish economic security based on consultations with the ruling coalition in order to make our supply chains more resilient and our core infrastructure more reliable.

(Distribution strategy)

Next, let me discuss our distribution strategy. Distribution is not a cost but rather an investment towards the future. Through the public and private sectors playing their respective roles together, we distribute the fruits of growth properly. At the same time, stimulating consumption leads to the next round of growth.

First of all, the Government will take the initiative and raise salaries in fields such as medical nursing, long-term care, child care, and early childhood education. We will then mobilize all the measures at our disposal to support wage increases at private companies, including revising taxes on wage increases and providing subsidies. We will further put in place an environment conducive to wage increases by encouraging efforts based on the “Measures to Facilitate Pass-on for Value Creation through

Partnerships” so that small and medium-sized enterprises can appropriately pass on increases in labor, raw material and energy costs.

The driving force that creates added value and gives rise to economic affluence and power is people. In order to make investments in human resources more active, we will implement a package of measures at a scale of 400 billion yen over three years.

The Council of New Form of Capitalism Realization this spring will be compiling the overall grand design for this approach and an action plan for implementing it.

#### **4. Promoting economic partnerships, etc.**

We will seek to strengthen economic partnerships such as the TPP11 Agreement. Japan has been leading the effort as a flag-bearer for free trade by promoting economic partnership agreements such as the TPP11 Agreement. As the Chair of the TPP Commission last year and vice-chair this year, Japan will continue to play a leading role in promoting free trade through this agreement and addressing new challenges such as digitalization.

The TPP11 came to a decision last June to commence its first accession process with the United Kingdom. The TPP11 establishes new free and fair rules for the 21<sup>st</sup>-century

and features high-level content in terms of both market access and rules. As the Chair of the Accession Working Group to negotiate the accession of the United Kingdom, Japan will work together with other TPP11 members to ensure that the accession process proceed maintaining the agreement's high levels. We will also carefully assess whether other economies expressing interest in joining are prepared to meet the agreement's high levels.

In addition, we will strategically promote foreign direct investment in Japan that would lead to our country's growth in line with our strategy.

## **5. Building a social security system for all generations**

We will build a social security system that can give peace of mind to all generations, from children and child-rearing generations to the elderly.

Raising salaries for people working in medical nursing, long-term care, childcare, and preschool education, as mentioned earlier, is a top priority issue in our distribution strategy. We have decided as our first step to take the necessary actions to implement ahead of schedule the wage increases contained in the economic measures approved by the Cabinet last November, prior to discussions on wage increases in the private

sector's spring wage negotiations. We will pursue initiatives in line with the interim report compiled at the end of last year to achieve further increases.

Aiming to create a society in which men and women can work in the way they wish and to control increases in the burden imposed by social security, we will engage in discussions at the Committee on a Social Security System Oriented to All Generations on revamping systems that restrict women's employment, achieving universal insurance for all workers, supporting child-rearing, reducing the burden of nursing care, and avoiding as far as possible the imposition of heavier burdens on young and child-rearing households.

## **6. Conclusion**

Despite the severity of the conditions accompanying the COVID-19, the seeds of a new era – digital and green technology, artificial intelligence, quantum, biotechnology and space – are beginning to sprout. As exemplified by the expansion of remote work, our lifestyles and consciousness have changed significantly. I look forward to working with you all to build a bright future in which these sprouts grow into large trees, the economy expands, and a distribution policy ensures that the fruits are enjoyed by the entire nation.

I would like to ask the Japanese public and all members of the Diet for their understanding and cooperation in this regard.