

June 15, 2018

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On Cabinet Approval of “Basic Policy on Economic and Fiscal
Management and Reform 2018,” “Growth Strategy 2018,” and “Integrated
Innovation Strategy”**

1. Today, the Cabinet approved “Basic Policy on Economic and Fiscal Management and Reform 2018,” “Growth Strategy 2018,” “Integrated Innovation Strategy,” and “Regulatory Reform Implementation Plan.”
2. Our assessment to the latest “Basic Policy on Economic and Fiscal Management and Reform” is positive in terms of the tax increase policy clearly mentioned, including the consumption tax rate hike to 10% in October 2019. Meanwhile, it is regrettable that a quantitative goal to control growth of social security expense is not set, and its interim goal newly established for FY2021 is fairly modest. We do not see government’s firm commitment to the fiscal consolidation. The goal of a primary surplus should be achieved before FY2025 when all the postwar baby-boomers become the elderly aged 75 or over. For that to happen, we expect the government to review the cost-sharing structure of the social security expense composed of self-payment, social insurance premiums, and tax, in a drastic manner, and to start discussions without delay on the additional consumption tax rate increase after the hike to 10%.
3. We welcome the establishment of the new residential status for foreign job-seekers with certain professional skills as a significant conversion from Japan’s conventional policy on foreign workers. We consider that highly effective systems in this regard are necessary to address the prior challenges in ensuring the workforce, caused by the labor shortage due to aging population and declining birthrate as well as the competition to recruit foreign workers intensified on a global basis.

4. The “Growth Strategy,” as a potential leading driver of the global digital revolution, endorses the government’s commitment to pursue the reform of conventional systems/practices and social structure in one fell swoop, looking to the technological-innovation-driven solutions of social issues and productivity enhancement. A matter of the utmost importance is the speed of action as the global race for innovation is escalating.
5. The enhancement of the innovation power is the key to increase of the “national value.” We appreciate the “Integrated Innovation Strategy,” approved for the first time by the Cabinet, which presents a series of concrete measures toward creation of innovation ecosystems through university reform and realization of the world standard start-up environment. Going forward, we hope for further strengthening and integration of the government’s leadership role, leading to appropriate, cost-efficient measures that will be steadily implemented.

###