

Fiscal 2013 (28th) Summer Seminar

Tohoku Appeal 2013 Innovative Initiatives for Growth and Reconstruction

July 12, 2013
Keizai Doyukai

1. Decisive Action on the Stalled Reforms in Japan's Revitalization Strategy

In June the Cabinet approved the Japan Revitalization Strategy, and in July the government will take part in the Trans-Pacific Partnership (TPP) negotiations. To achieve real growth going forward, we call for decisive action on stalled reforms through close monitoring by the Plan-Do-Check-Act (PDCA) cycle to ensure that the key performance indicators of each policy are achieved, and through implementation of bold initiatives to address the remaining issues.

(a) Thorough implementation of the growth strategy, with no issues deferred

There are four important issues that the government should tackle after the House of Councillors election:

- In agricultural reforms, we call on members of the agricultural sector and on corporations, universities, and research institutes to cooperate in developing technology and turning agriculture into a “sixth-order industry (a Japanese term used to describe the combination of primary industries with secondary and tertiary industries; 1st +2nd +3rd =6th),” thus making it a growth industry able to attract and hold young people. Enhancing competitiveness in this way will also help boost Japan's agricultural exports.
To encourage corporate entry into agriculture, it is essential to ease the conditions governing agricultural production corporations and to rethink the agricultural commissions (municipality-level administrative committees that handle affairs related to farmland). Also, rather than a uniform strategy decided at the national level, it is important to promote creative ideas attuned to local characteristics; the active use of special structural-reform zones for deregulated agriculture is also effective.
- In healthcare and nursing care, productivity and quality must be improved. Active utilization of the private sector can make services more efficient and should be pursued, together with the active utilization of ICT in these sectors (by utilizing data to make the management of hospitals and commercial operators transparent, and to encourage care providers to improve the “level of care needed” status of elderly patients).
- In reforming the employment system, it is vital to create new jobs, in particular by revitalizing service industries where demand is expected to increase as the population ages, and by launching businesses in new industries. Systemic reforms to facilitate movement of human resources from mature industries to growth industries will be essential at the same time. It is in this way that we can create a world-class employment environment that strikes a balance between its benefits to members of the workforce and to the business community.

- The last of the issues is lowering the effective corporate tax rate. However, corporations, for their part, must be prepared to take decisive actions such as reinvesting the gains from a tax cut to make themselves more competitive. In this era when companies choose countries, making the conditions for location in Japan competitive will also help promote inward direct investment.

(b) Cooperation among major councils, and political leadership for decisive action on reforms

- Breakthroughs will be needed to solve the remaining issues. Rather than depend solely on the Prime Minister and the ministers responsible to provide the necessary momentum, Keizai Doyukai, many of whose members belong to major governmental advisory bodies such as the Council on Economic and Fiscal Policy, the Industrial Competitiveness Council, and the Regulatory Reform Council, will add its weight by seeking strategic cooperation among private-sector members of these councils, formulating concrete policies, and verifying progress.
- In deregulation, it is necessary to dislodge vested interests that have been likened to bedrock, and the Prime Minister will unquestionably need a firm will and strong leadership to bring about reforms in this area. Keizai Doyukai, for its part, will not be a mere onlooker, but will provide full support through various proposals and actions.
- Reforms in these areas cannot be achieved without political reform. As part of the process, a conclusion should be reached without delay on the long-deferred electoral reforms.

2. Making Every Effort to Stabilize Electricity Supply and Demand

To achieve sustained growth, we must have a stable supply of energy at competitive prices, while taking into account safety and environmental feasibility. To that end, we must steadily resolve the immediate issues that Japan has faced since the March 2011 earthquake disaster.

(a) Converting to highly efficient thermal power technologies, and practicing rigorous energy saving

- For the near future we are forced to depend on thermal power. In addition to regulatory reform to shorten the period required for environmental impact assessments needed to build new thermal plants, we should pursue a national effort both to diversify fuel sources and to develop technologies for highly efficient thermal power generation. This must be accompanied by rigorous energy-saving to curb total demand.
- The feed-in-tariff scheme should also be redesigned to promote the development of innovative renewable energy technologies, together with improving their economy and generation efficiency.

(b) Strengthening the nuclear power plant inspection system and clarifying the government's responsibilities

- To effectuate a restart of nuclear power plants based on new regulatory standards in a steady and timely way, the government should strengthen the inspection system, in part by increasing the number of employees who carry out inspection work, and should provide support for consensus-building with local governments.

- The experience of the Fukushima Daiichi Nuclear Power Station accident has shown that there are limits to the costs involved in nuclear power that a private-sector entity can be expected to bear alone, since, in addition to the costs of the cycle from plant construction to decommissioning, there are the questions of compensation in the event of an accident, cleaning up contamination, and intermediate storage. The allocation of responsibility for these matters between the government and the corporate sector must be redefined and clarified.
- Further, the collective wisdom of the world, including international cooperation at the Japanese government's initiative, should be brought to bear on decommissioning reactors, processing spent nuclear fuel, and developing innovative nuclear power technologies.

(c) Revision of the Electricity Business Act in the coming extraordinary Diet session

- The electric utility system should be reformed in order to quickly strengthen stable supply by making use of wide-area power interchanges and small-scale distributed energy sources, while also encouraging competition and entry into the sector by other industries. A bill to revise the Electricity Business Act was recently shelved at the end of the regular session of the Diet; we call on the Diet to enact this revision speedily in the autumn extraordinary session in order to enable the reforms to begin as scheduled in 2015.

(d) Contributing to the world on global environmental issues

- We should move quickly to review mid-term targets for the November 2013 meeting of the 19th Conference of the Parties to the United Nations Framework Convention on Climate Change, bearing in mind the target agreed among industrialized nations of an 80 percent reduction in greenhouse gases by 2050. In addition to reviewing its own targets, Japan should contribute to worldwide reduction efforts by actively utilizing the bilateral offset mechanism and by making excellent environmental technology, products, and services available overseas.

3. Decisive Action on Reforming Annual Expenditures to Restore Fiscal Soundness

To restore fiscal soundness, we must maintain fiscal discipline by simultaneously securing increased tax revenues as the economy grows, raising the consumption tax rate as planned, and implementing concrete measures to hold down annual expenditures.

(a) In the longer-term plan, map out a clear pathway toward the fiscal health targets

- In the medium- to long-term fiscal plan that the government is to draw up in August, it should map out a detailed pathway, through 2020, toward achieving its fiscal health targets, thereby clearly demonstrating to the upcoming G20 that it has the will to steadily fulfill what is an international as well as a domestic pledge. This plan must include steps to curb annual expenditures (including a radical reform of social security), with no sector regarded as a sanctuary, and an increase in tax revenues, as is anticipated when the consumption tax rate is raised and the growth strategies being implemented bear fruit.
- The optimal path for the reconstruction of public finances should be debated while quantifying the effects of policies on curbing annual expenditures and giving priority to those proven to be most effective.

- Efforts are also needed to make the relationships between benefits and burdens (including those on future generations) readily understandable to spur the interest of the younger generation in restoring fiscal soundness, and to improve turnout among young voters.

(b) Implementation of annual expenditure reforms with the focus on social security

- We must build a sustainable social security system without intergenerational disparities. If the National Council on Social Security System Reform is unable to reach a conclusion that a majority of the public can support, a new National Council composed of Diet members and experts should be established and radical reforms should be studied.
- The following measures should be taken to ensure greater efficiency in the area of social security benefit costs:
 - Raise the ratio of medical expenses borne by the patient for those aged 70–74, as already decided by law; also, consider raising this ratio for those aged 75 and over.
 - Promote further use of generic drugs.
 - Actively utilize healthcare data to help hold down healthcare costs.
 - Where local governments or companies have had success in increasing the efficiency of medical benefits or preventing lifestyle-related diseases, extend these initiatives to other districts and other companies.
 - Raise the patient’s deductible for nursing care costs.
- We are opposed to the complete introduction of premiums calculated on a total-income basis in the health insurance system and to the introduction of such premiums into the nursing care insurance system; this is a simplistic policy that merely goes after low-hanging fruit.

4. Commitment by Business Leaders to Management Reforms for Global Competitiveness

If we are to win in competition with the world’s global corporations, it is urgent that we embark on an entirely new dimension of management reforms. To ensure their success, corporate leaders must make a personal commitment and see that these reforms are reflected at the day-to-day management level.

(a) Reorienting toward greater diversity

- If more women are to be hired and to have careers that genuinely fulfill their potential, a change in mindset is needed at the individual level with regard to ideas about working and gender roles. We in the corporate community will pursue concrete initiatives such as promoting the wider adoption of diversity-oriented practices (including encouraging childrearing practices where fathers voluntarily take an active role to make true gender equality a reality, and encouraging men to take paternity leave) by sharing examples of companies that have implemented them successfully.
- If the active utilization of foreign-national workers is to be encouraged, we must put in place the necessary educational and other social infrastructure. As corporations, we will reform our personnel systems to enable us to hire and promote the optimal human resources from around the globe without regard to nationality, age, or gender. We will also actively promote hiring and advancement of foreign nationals who have studied in

Japan, and networking among these graduates and trainees both within Japan and abroad.

(b) The keys to innovation are “openness,” “ventures,” and “reading the future”

- In terms of innovation led by the private sector, we will take an active approach of open innovation through collaboration among industry, academia, and government, collaboration between large companies and smaller ones, and partnerships with ventures, without insisting on the principle of totally independent management.
- Corporations will accurately identify cutting-edge technological trends and the needs of clients, and will become essential to clients by proposing solutions for needs of which they themselves were not yet aware.

5. Facilitating support for reconstruction and startups of businesses in the earthquake- and tsunami-affected areas, and stronger business continuity planning for disasters

We will accelerate reconstruction by identifying moves by those affected by the disaster to reintegrate into the workforce or rebuild their businesses as early signs of self-sustained revival and nurturing them. Further, lest the memory of the disaster fade over time, the lessons learned must be shared and put to good use in business continuity planning.

- In the affected areas, resident-led initiatives are playing a significant role in revitalizing not only the local economy, but also communities. Accordingly, the focus of reconstruction work should now shift from the improvement of urban infrastructure to the provision of fine-tuned support (both tangible and intangible, including livelihood support programs) by local residents, NPOs, companies, and other organizations, with the aim of enabling the areas to become self-supporting.
- At the same time, as seismic events centered directly under the capital and in the Tonankai region, among others, are anticipated at some time in the future, we face the important challenge of drawing on the experiences and lessons of the March 2011 earthquake in order to minimize damage and increase livelihood and business continuity. For this reason, also, a “government–private sector collaboration platform” should be built to facilitate information-sharing between the public and private sectors and liaison of their activities, thus helping to bring together all the knowledge and insights available, both in Japan and across the globe.

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