

# What We Expect from the New Government

Taking on the challenge of DX and cutting through administrative sectionalism

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Japan is facing an array of challenges and difficulties. In steering the country, the new government must pursue, with sheer persistence, realization of reforms aimed at resolving the challenges, present specific numerical targets of each measure, their due dates, and relevant processes, and provide steady, quick results. These are what we expect from the “reformer government.”

## **1. Striking a balance between prevention of another COVID-19 spread and reviving economic activities**

### **(1) Robust COVID-19 testing capability and building of a society free from the disease-related prejudice**

- A society where people can live with peace of mind even when infected is a prerequisite for normalizing economic/social activities and reviving cross-border mobility of people. In this regard, drastic expansion of COVID-19 testing capability is an immediate issue to be tackled, with a focus on two measures as follows:
  - 1) Promotion of easier and faster tests such as by using antigen test.
  - 2) More support for increasing capability for development and production of diagnostic/therapeutic agents.
- Awareness-raising activities, on public-private partnerships, are necessary for building a society without discrimination and prejudice against infected people and healthcare workers

### **(2) Establishment of a system that enables effective response to a state of emergency**

- We must start, without delay, the establishment of a system that enables effective response to a state of emergency, based on the premise that today’s “new normal” requires a response to unknown infectious diseases, as well as to large-scale natural disasters.
  - 1) More efficiency in countermeasures in general to the infectious disease (e.g. digitalization of work at a healthcare center)
  - 2) Clarification of roles played by the national and regional governments in case a state of emergency is declared

- 3) Development of regulatory framework for measures such as business suspension orders with compensation and more authority for onsite inspection
- Thorough discussions are to be made at the Diet on the use of the reserve fund and the forthcoming supplementary budget, from a perspective of fiscal democracy.

## **2. Productivity enhancement through dissemination of digital transformation (DX) and promotion of structural reform in the economy**

### **(1) Establishment of government agency tasked with digitalizing Japanese society (the “Agency”), equipped with broad powers of authority**

- Effective functioning of the Agency is the real key to success of DX in public and private sectors. Measures in focus are as follows:
  - 1) The Agency should be given strong inter-ministerial powers of authority in planning and coordination for policymaking and administrative system budgeting.
  - 2) The head and staff of the Agency are to be professionals (users and players) in digital businesses from public and private sectors, for the Agency to realize world’s top-class technology and advanced user experience (UX) in the society.
  - 3) Posting of personnel to the Agency from ministries and agencies should be no-return basis, preventing the sectionalism of their home government organizations.
- Economic digitalization is drastically changing the industrial structures and making the conventional industry-linked regulatory scheme obsolete, necessitating an early establishment of a rule for data use. Thus, we request the Agency to address the issues as follows:
  - 1) To establish cross-industry competition rules that contributes to administrative reform
  - 2) To build a digital government that provides common administration systems for the government and the municipalities
  - 3) To establish transaction/competition rules for data and cybersecurity
  - 4) To demonstrate leadership in setting out global data flow rules in line with “Data Free Flow with Trust” and pursuing their global standardization
  - 5) To strengthen data governance and review regulatory framework of personal information protection, for creating added value through use of real data, which drives economic growth

## **(2) Overhaul of My Number System and dissemination of DX around the nation**

- Overhaul of My Number System to the one available for wide public/private use as social infrastructure in the “new normal” era. In-depth study of its wide use in disaster-stricken situations is of particular importance.
- DX in the government and the municipalities is a must to ensure public safety and peace of mind, by responding to a crisis in a swift and careful manner. We request the Agency for digital policies to cut through administrative sectionalism, while seeking a nation-wide dissemination of DX that includes information system standardization of the municipalities, and the launch of a digital government, by 2025.
- The following measures are necessary to promote the use of My Number Card.
  - 1) To revise the Act on the Protection of Personal Information, reflecting a balance between data security and the benefits of its use
  - 2) To ensure policies of “digital first,” “once only,” and “connected one stop” (e.g. effective use of a serial number of public personal authentication)
  - 3) To eliminate system bottlenecks such as low processing capabilities of the Internet servers and networks

## **(3) Labor legislation that enables highly diverse and flexible working style, and redesigning of safety net**

- Bringing the economy back to a sustainable growth trajectory requires not only funding support for continuing businesses, but also business turnaround/restructuring through debt restructuring and capital injection, as well as supporting business operators planning closure of their operations but with no successors.
- Creation of high value-added jobs by startups and through open-innovation oriented business generation, and transformation of the industrial structure in a swift, smooth manner while preventing the social instability—these are the two important challenges and in this regard, we request the government to implement the measures as follows:
  - 1) To build safety net that responds to higher labor mobility under the changing industrial structure, and provide recurrent education
  - 2) To break away from traditional Japanese employment practices, and shift to labor legislations that enable creative working style, free from restrictions on working hours, places, and forms
  - 3) To implement institutional reform that protects jobs and the benefit of workers with professional skills (e.g. introduction of a financial

compensation scheme for unfair dismissals and overhaul of the minimum wage system for each job)

### **3. Building sustainable society that contributes to public safety and peace of mind for the future generations**

#### **(1) Realizing the sustainable structure of public finances**

- We request the government to crystallize a path to realize the sustainable structure of public finances, as it secures the market confidence and a space for fiscal stimulus at the time of crisis in the future.
- An independent fiscal institution is to be founded, to explain the current fiscal status to the public in an objective manner, and to represent the benefits of the future generations.

#### **(2) Far-reaching reform of the benefit-and-contribution scheme that enhances sustainability of the social security system**

- Enhancement of sustainability of the social security system going forward crucially requires three pillar policy measures as follows:
  - 1) To overhaul the public insurance system in terms of its scope of benefits, reflecting a good balance among self-, mutual, and public assistance
  - 2) To implement “integrated reform of social security and taxation” that includes a shift from age-linked to ability-linked contributions
  - 3) To restrain growth of public expense by making healthcare and nursing services more efficient and effective through digitalization, and also by exercising private sector’s ingenuity such as selective nursing services.

#### **(3) Making local community more sustainable and commitment to resolving global environmental challenges**

- The increase of remote working triggered by the COVID-19 pandemic has given us the opportunity of regional revitalization, through correcting the excessive concentration of economic/social activities in Tokyo. We request the government to transfer its powers of authority and fiscal resources to local governments in line with the policy measures as follows:
  - 1) To apply various policy measures with a focus on area units—mostly local core cities with a solid economic and social infrastructure
  - 2) To overhaul the current scheme of the local public finances, including distribution of local allocation tax, so that the local governments have far more autonomy

- On another front, sustainability of global environment is a basis for economic and social activities. Thus, we request the government to pursue inter-ministerial, strategic climate change and energy policies, reflecting geopolitical risk (e.g. preparation for introducing large-scale renewable energy).

#### **4. Demonstrating leadership in creating new international order**

- Amid the rising global uncertainty such as escalating and protracted U.S.-China conflict, we expect government initiatives as follows:
  - 1) To enhance intelligence capability and study multiple scenarios as to Japan's position, based on "free and open Indo-Pacific" vision
  - 2) To demonstrate leadership in rebuilding economic order based on common values and principles of freedom, democracy, rule of law, and market economy (e.g. work with the U.K. and the U.S. for early participation in TPP and return to TPP, respectively)

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