



Kantei Economic Policy Conference

Renaissance of the Japanese Economy

Economic Revival and Challenges

“Business Community Perspective”

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A Few Positive Signs

- **6 Consecutive Quarters of Real GDP Growth & Recovery of Stock Prices**
 - Recovery of Capital Investment
 - Doyukai Survey: Growing Confidence in Near Term Prospect
- **Improvement of Business Performance**
 - Led by Foreign Demand, Restructuring and Competitive Products in Digital Electronics & Autos

However....

- **Recovery Confined to only a few Industries**
- **No Sign of Recovery for Consumption**
- **Few New Venture Firms**
- **Local Economy & SMEs remain Dim**

Structural Reform: First Step Forward

- **National Consensus on “Decentralization & Private Sector Driven Growth”**
 - **Clear Public Policy Direction**
 - **No More Private Sector Dependence upon Public Expenditure**
- **Stabilization of Banking System**
 - **Cleaning Up of Bad Loans & Corporate Debts**
 - **Promoting Corporate Restructuring & Re-engineering**
- **Progress in Deregulation**
 - **Corporations & Local Governments Willing to Exploit Opportunities at Special Zones**
- **The “Trinity Reform” for Decentralization**
 - **Transfer of Authority & Subsidies Reform**

Accelerate Effort for Decisive Actions and Substantive Results

- **Social Security Reform:**
Fundamental Reform covering Pension, Medicare and Elderly Care Systems
- **Structural Reform:**
Implementation of “12 Point Priority Items” Recommended by Council for Regulatory Reform
- **FTA**
Shift from Supply Control & Industry Protection to Market Driven Promotion of Competitive Industry
- **Reform of Public Institutions:**
Lead by Example: Bold First Step at Japan Post & Japan Highway Public Corporation
- **Decentralization:**
Comprehensive Reforms including Elimination of Subsidies & Transfer of Taxation Bases and Authorities to Local Govt

Challenges Ahead

- **Expand Japanese Economic Frontier**
 - **Advanced Industries**
 - Promote R&D and University Ventures
 - **Improve Productivity of Services Industry**
 - Deregulation and Liberalization
 - Elimination of Subsidies (Vouchers to encourage Initiatives of Private Sector & Local Authorities)
 - **Promote Venture Businesses**
 - Tax Incentives to help assist Venture Businesses

- **Reform for Japan's Bright Future**
 - Sustainable Social Security System
 - Path for Fiscal Reform (Timetable for Primary Balance)
 - Small Government (A Leaner & Meaner Welfare State by Reducing National Burdens)
 - Fundamental Tax Reform (Changes to Direct/Indirect Taxes)

Structural Reform: Decision & Execution

□ Japanese Economy Remain Under Difficulty

- Cyclical Recovery won't Last Forever
- Global Competition will Intensify (among OECD economies, with China & other Newly Industrializing Economies)
- Possibility of Further Fiscal Difficulties

□ Key to Successful Reform

- Mobilize Nation & Win their Support: Information Disclosure
- Speed
- Decisive & Bold Execution