



US-Japan Form 2015

Session 1

Hideo Suzuki

September 25 2015

Table of Contents

- 1. Japan Revitalization Strategy (Growth Strategy) 2015**
- 2. Real Challenge Facing Japan**
- 3. Recommendation by OECD April 2015**
- 4. Political Calendar and Abenomics in its Second Stage**
- 5. Recommendation by Council of Economics and Fiscal Policy in September 11, 2015**
- 6. Challenges to Global Economy for both US and Japan**

Japan Revitalization Strategy (Growth Strategy) 2015

- **Priority of Abenomics in the first 2.5 years**

- overcome the deflation
- tackle the lack of demand, with three arrows
- corporate tax rate reduction

FY2014 34.62% ⇒ FY2016 31.33% and down to the twenties ASAP

- **Outcome up-to date**

- **A virtuous economic cycle in motion**

- corporate profits at its highest level
- wage hikes for the two consecutive years
average wage increase In July 2015 : 2.20%, highest in 17 years
- a sign of recovering consumption
- labor market (supply and demand) tightened,
1million employees has increased in 2.5 years, unemployment rate: 3.4%
- rapid decrease in GDP gaps

- **Economy expected to overcome the deflation**

- **Investment on upward trend but not sufficient**

FY2012 JPY64.9tril ⇒ FY2014 JPY69.3tril

Real Challenge Facing Japan

- Mid-long term constraint of workforce
- Increasing government debt
- Which areas to earn profit for Japanese business
- Necessary to overcome the supply constraints in order to realize a sustainable growth
- Key to overcome this challenge:
improvement of productivity
- Now is the time for action:
investment of the private sector for the future

Recommendation by OECD April 2015

- ***Delay the decreasing trend of workforce***
 - supporting child care
 - encouraging women in to work
 - increasing foreign workforce
- ***Join high level FTAs including TPP***
- ***Improve Business environment in order to enhance productivity***
 - enhancing corporate governance
 - more flexible labor market
 - favorable environment for venture challenge
 - support for corporate restructuring
 - reducing support for SMEs
 - reform of agriculture cooperatives
 - creating more efficient and market oriented agriculture industry

Political calendar and Abenomics in its second stage

- PM Abe was reelected as the LDP leader on 8 September 2015 for 3 years
- Approval of national security laws
- The House of Councilors election in July 2016
- PM Abe will focus on economic policy (Abenomics second stage) to win the election
- TPP and other Mega-FTAs (EU,RECP,CJK)
- Abenomics in its second stage is prepared focused on realization of a productivity revolution or “4th Industrial revolution” by investment in the future and promotion of “Local Abenomics”

Recommendation by the Council of Economics and Fiscal Policy in September 11, 2015

4 Priority agenda indicated by the Council

- Revitalizing household economy and consumption through improvement of employment and income, support for child-rearing and increase of birth rate
- Enhancement of potential growth rate through realizing a productivity revolution by investment in the future and fostering new key industries
- Creating environment for women, young and elderly people to work by exercising their capabilities (skills and career) well
- Attracting money and human resources to local areas and enhance capability of local communities to create values

Challenges to Global Economy for both US and Japan

- Slow-down of Chinese economy:
possibility of bubble economy and structural problems
- Slow-down of world economic growth
- Low prices of energy and natural resources
(+&- effect on world economy)
- Tapering of QE3
- Presidential election and sharp political divide in the US
- Can Abenomics in its second stage address long-term structural reform?