

*“Abenomics” 2.0:
Economic integration and
the Growth Strategies in
Japan*

Yukiko Fukagawa

Waseda University/ Yonsei University

Outline

- “Abenomics” 1.0 since 2013
- How far have we come?
- “Abenomics” 2.0 since 2014
- The Opportunities
- The Prospects as a temporary conclusion

Abenomics 1.0: Fighting back against deflation

- The Policy Package of Three Arrows

Arrow 1. Monetary easing (Inflation targeting & QQE)

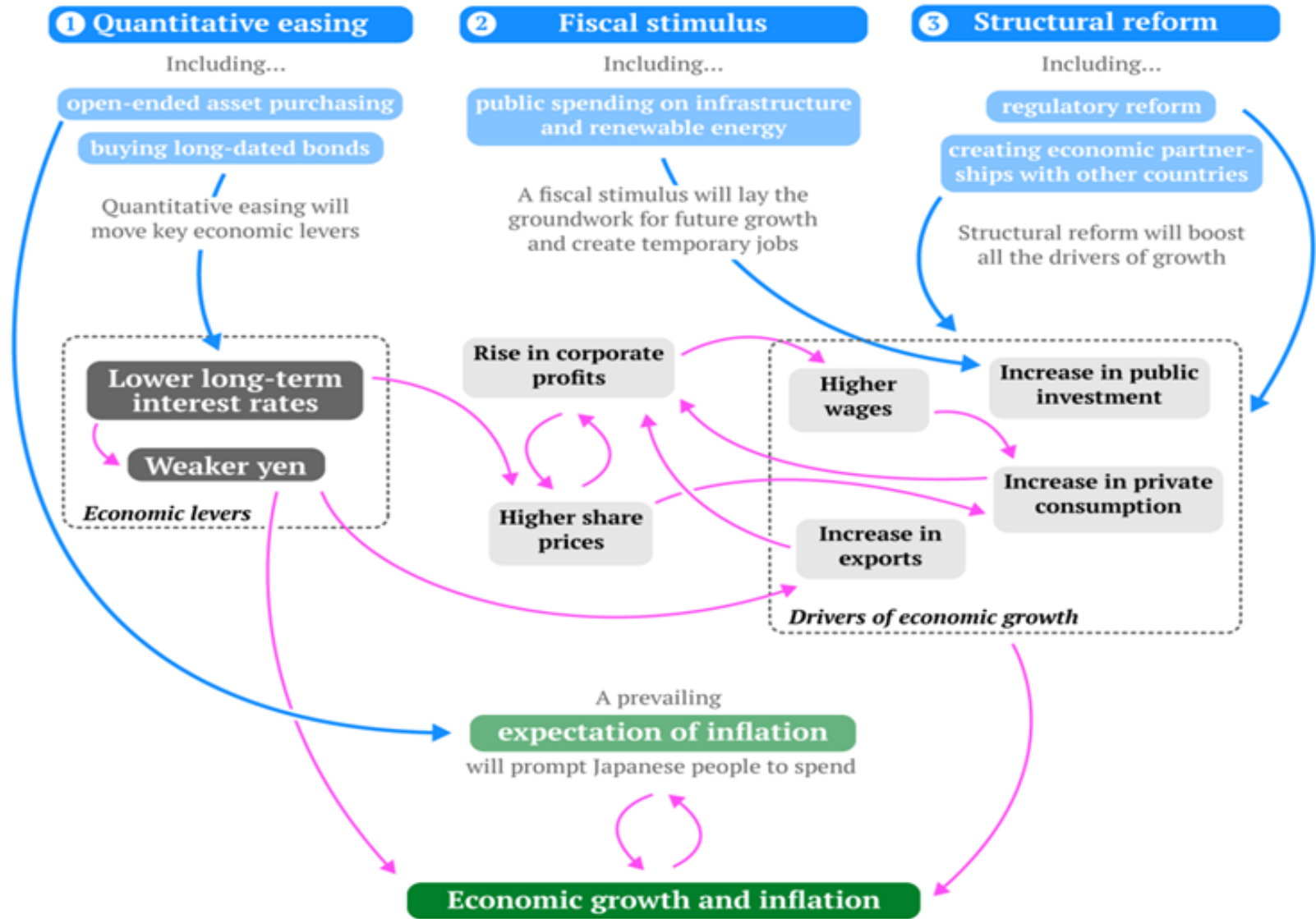
Arrow 2. Fiscal stimulus (2013Q1-Q2)+
VAT rate increase (Apr.2014)

Arrow 3. Growth policy (Serious reform and
Deregulations/Opening)

⇒ **Jump from deflation to normal equilibrium**

Abenomics

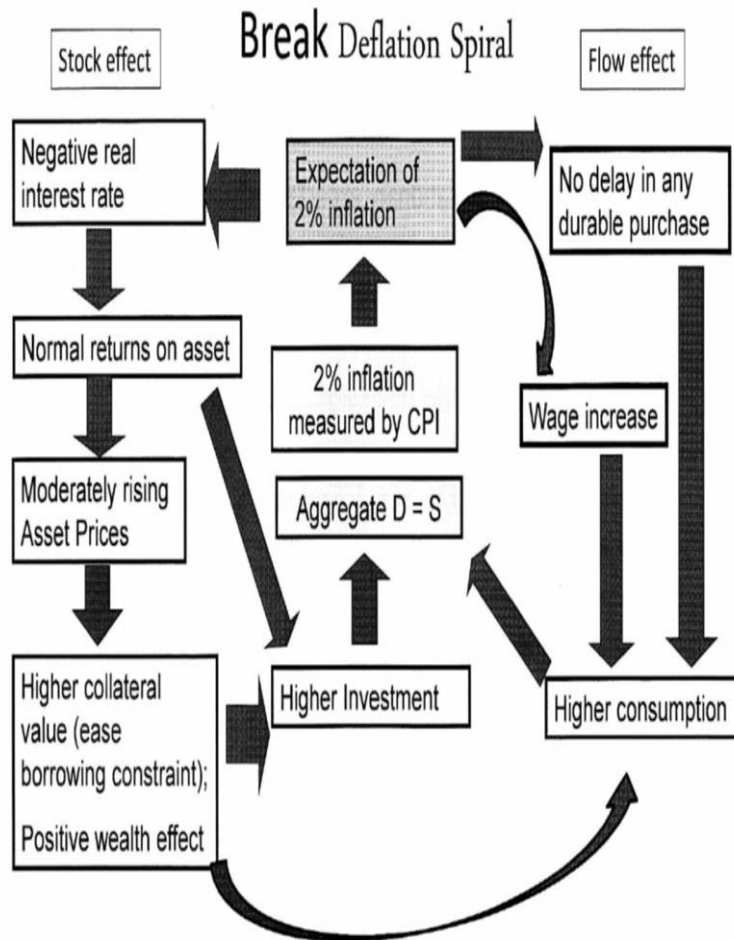
Prime minister Shinzo Abe's approach to breaking out of the deflationary spiral involves three major policy pushes—the so-called “**three arrows**.” Their effects are multi-faceted, but each is designed to ultimately spur economic growth.



Arrow 3: Growth Policy

- Mid to Long-term Japan needs: Consumption and Investment, Productivity gains, Wage increases, Market-driven growth
- The Direction: “Japan Revitalization Strategy” (Revised since Jun. 2013)
 - (1) Private sector dynamics (Structural reform)
 - (2) Mobilizing all human capital (Labor reform)
 - (3) Create new frontiers
 - (4) Global outreach
 - (5) Trickle down growth: Local economies

Abenomics 2.0: Achieving growth!



Growth by:
(1) Circulation
(2) Deregulation
(3) Integration

→ Focus on real economy

(1) Structural reform

- Promoting business restructuring
 - ← Trade liberalization
- Stimulating investment (Corporate tax cut, Energy reform, Corporate governance structure...)
 - ← Competition policy, Investor protection
- Reforming venture capital and venture business
 - ← IPR protection, Standardization
- Promoting inbound/outbound FDI
 - ← Trade liberalization, RoO
- Globalizing SMEs
 - ← Silicon Valley program

(2) Mobilizing human resources

- Enhancing labor mobility, Taking in foreign talents/ skilled labor
← Movement of persons
- Female labor empowerment, Labor participation by elderlies
← Promoting services
- Diversifying working styles
← Managerial change in human capital globalization

(3) Global outreach

- Pluri-lateral and Comprehensive agreements for Global supply chains: TPP, RCEP, CJK (\neq Bilateral FTAs)
→ Roo, Logistics, Enhancement, IPR, MRA...
- Participation in rule setting in FDI (ISDs), Competition policies, Movement of persons with (2)
- “Market pressures” for the reform

(4) Growth frontier: Promoting investment and ventures

- Reforms in national universities
(Local contribution/ Specialization/
Global competition)
- Research universities with venture platforms
- Flexible appointment among research organizations
- Silicon valley-Japan partnership

(4) Growth frontier: Gov.- Business partnership

- National health: Advanced treatment (Regenerative medicine)/ Healthcare business cluster/ Big data based care/ Outbound-Inbound care services/ Clinical innovation networks
- Clean energy: Batteries/ Home energy system/ Hydrogen society/ Methane hydrate development

(4) Growth frontier: Gov.- Business partnership (Continued)

- Advanced infrastructure system:
Sensor/ Robot monitoring/ ITS
system: ART on Tokyo Olympic
- Transportation for the seniors
- Robot society: Personal mobility,
Communication, Cleaning, Security
service (labor shortage)

(5) Local Abenomics

- Agriculture: Land reform/ Corporate investment/ Cost reduction (ex. 40% in rice) / Food business (¥10 trillion in 2020)/ Export promotion (¥1 trillion)
- Tourism: DMO(Destination Management Organization)/ Barrier-free infrastructure/ Big data/ Cultural exchange....
- Health care: Local care information system/ Data analysis/ Business cluster promotion/ Preventive care...

The Opportunities (1): Asia

- End of flying geese pattern (Flat relationship)
 - (1) End of hardware manufacturing
 - (2) Differentiation by Big data
 - (3) Interactive exchange: FDI, Talents, Ideas/ Knowledge, Experience
(Seamless integration: Outbound/
Inbound)

The Opportunities (2)

(Continued)

- New flying geese pattern in demographic change/ Complementarity
 - (1) Growth by efficiency (\neq labor input)
 - (2) Growth by geopolitics (connectivity, energy/ disaster security...)
 - (3) Growth with younger economies:
Anchor as the biggest institutional investor (GPIF reform), Down sizing innovation (infrastructure export)

The Prospects as a temporary conclusion: The Last Chance!

- No way to go back, Just keep doing
 - Luck: Less political distraction
 - Very narrow path: Fiscal sustainability for the Exit, BOP pressures
 - Threatened by time: Next VAT increase in 2017, Beyond Olympic in 2020?
 - Still mounting problems: Real wage, Falling saving, Slow welfare reform....
- ⇔ Positive interface in outside pressures
 (“*Gaiatsu*”)

Thank you!

(Struggles of Abenomics continue, China Daily, 2014-11-25)

