

RIETI International Symposium

**Information Technology and
the New Globalization:
Asia's economy today and tomorrow**

Handout



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Research Institute of Economy, Trade and Industry (RIETI)

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THE SECOND PHASE OF ABENOMICS

by

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Japan, Sharing tomorrow.

ABENOMICS

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For future growth, for future generations,
and for a future Japan that is robust.

We should look to the future, rather than
worry about the present. Japan may be aging.
Japan may be losing its population. But, these
are incentives for us.

– Prime Minister Shinzo Abe



THE GOVERNMENT OF JAPAN

THREE MAJOR ISSUES CONFRONTING JAPAN

Productivity Growth In Japan Has Stagnated since 1995 with a Brief Revival from 2004-2008 Before the Financial and Economic Crisis.

Japan's Labor Force Has Fallen in Size since 1999 and the Japanese Population Began to Decline in 2010.

Government Revenues Will Rise in Relation to the GDP to Finance Needed Expenditure and Support an Aging Population.

FIRST PHASE OF ABENOMICS

First Arrow: Aggressive Monetary Policy

Second Arrow: Flexible Fiscal Policy

Third Arrow: Growth Strategy

GROWTH STRATEGY

The Traditional Approach to Growth Strategy in Japan Is to Subsidize Favored Industries.

When Industries Mature They Try to Block Competition through Government Regulations.

The New Industrial Policy Is to Drill through “Bedrock” Regulations to Stimulate Competition.

IMPLEMENTING THE GROWTH STRATEGY

Reform Agriculture by Diminishing the Influence of Agricultural Cooperatives and Participating in Free Trade Agreements

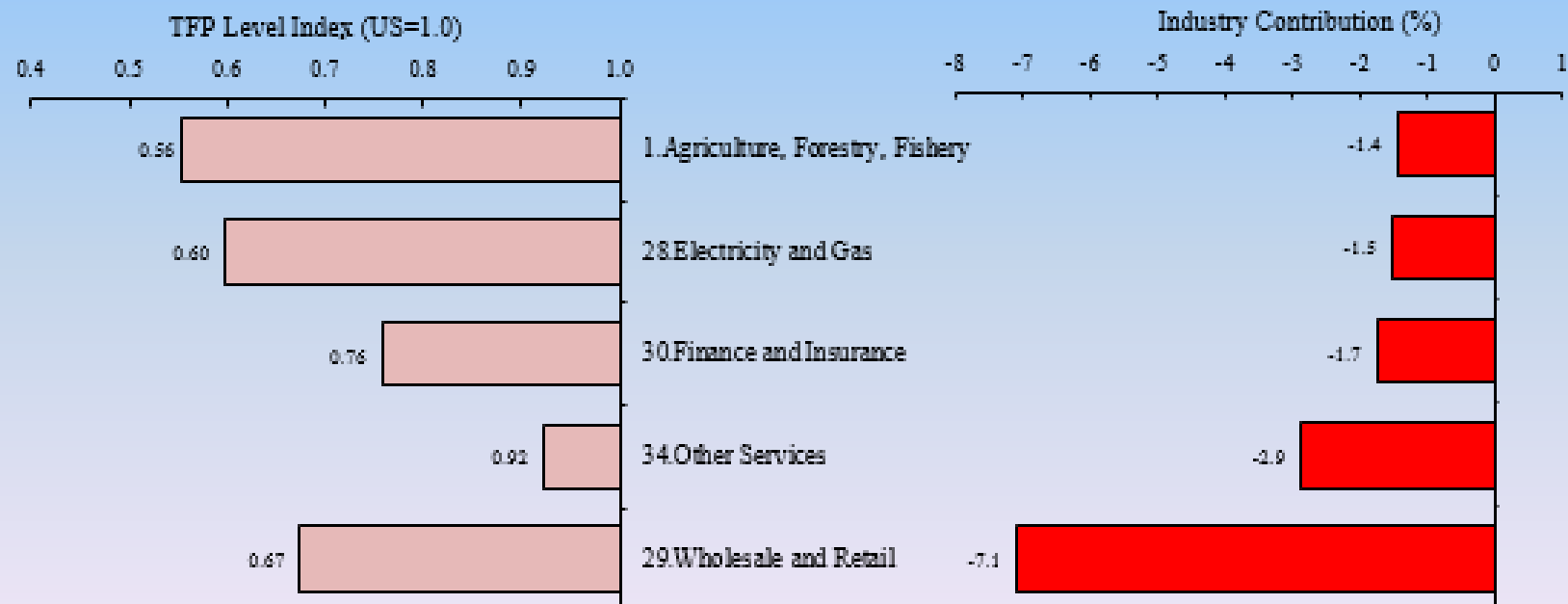
Increase Competitiveness for Current Energy Sources While Exploring New Energy Sources

Stimulate Competition by Eliminating “Bedrock” Regulations for Wholesale and Retail Trade, Other Services, and Finance and Insurance

PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.

Closing the TFP Gaps

- Closing the gaps in five nonmanufacturing industries would eliminate the gap of 15% in the aggregate level for 2015



Source: Jorgenson, Nomura and Samuels (2017)

SUMMARY OF THE FIRST PHASE OF ABENOMICS

Deregulation of entry in trade and services is necessary to stimulate innovation and investment in information technology.

Japan already has the highest quality labor force in the world in terms of workplace skills measured by literacy and numeracy.

Japanese labor laws for employment protection have resulted in an inefficient allocation of a shrinking labor force.

Trade agreements reduce protection and increase incoming and outgoing foreign investment.

A PRODUCTIVITY REVOLUTION AND JAPAN'S REVITALIZATION

by
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Presentation at the Agenda for the Second Stage of Abenomics Productivity Improvement
and Working Style Reform: Key Policy Measures to Realize “the Dynamic Engagement of All
Citizens”

Tokyo, Japan – March 16, 2016

 **Japan Center for Economic Research**

The World Economy:

Growth or Stagnation?

Edited by Dale W. Jorgenson,
Kyoji Fukao, and Marcel P. Timmer





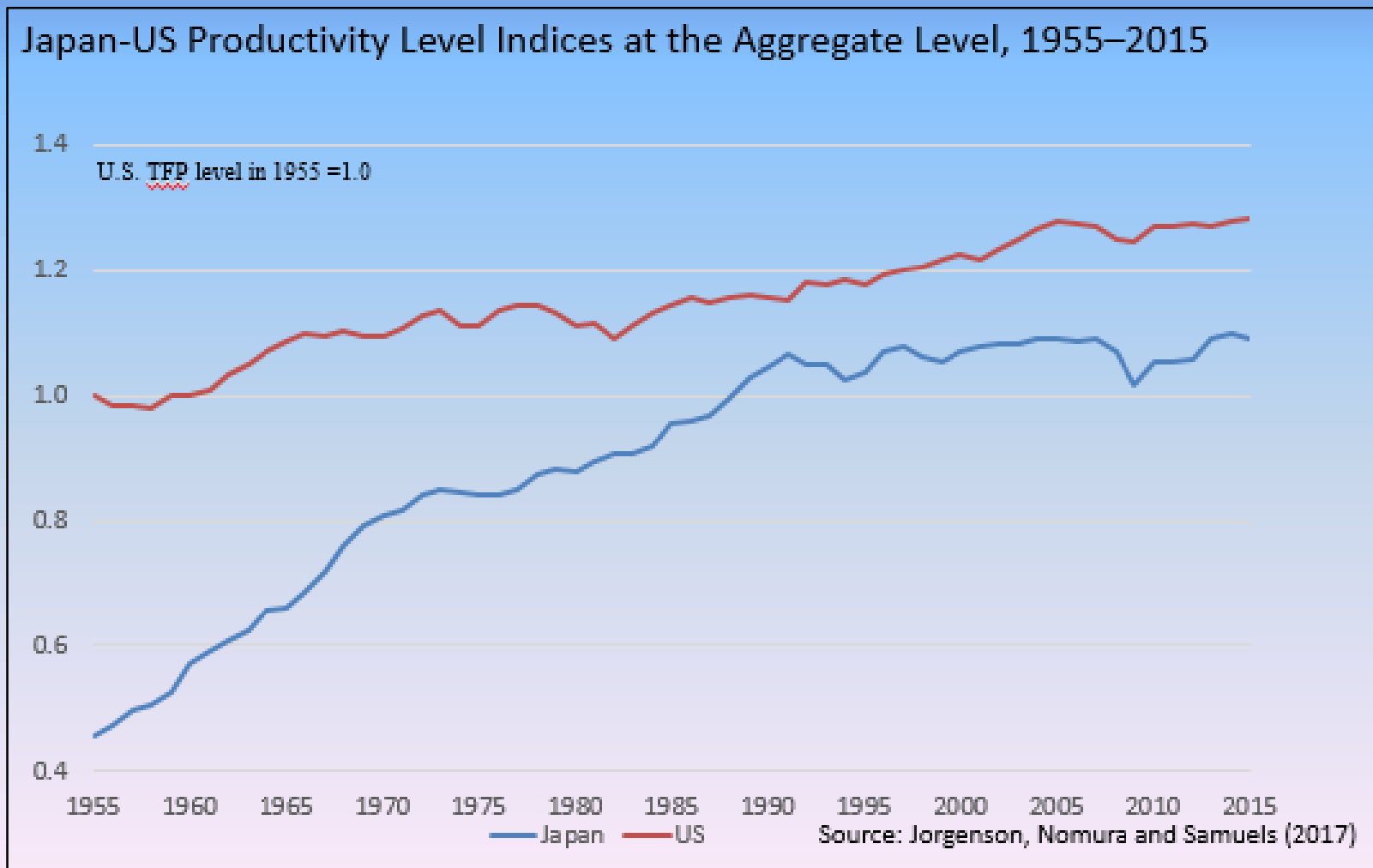


GROWTH STRATEGY 2017

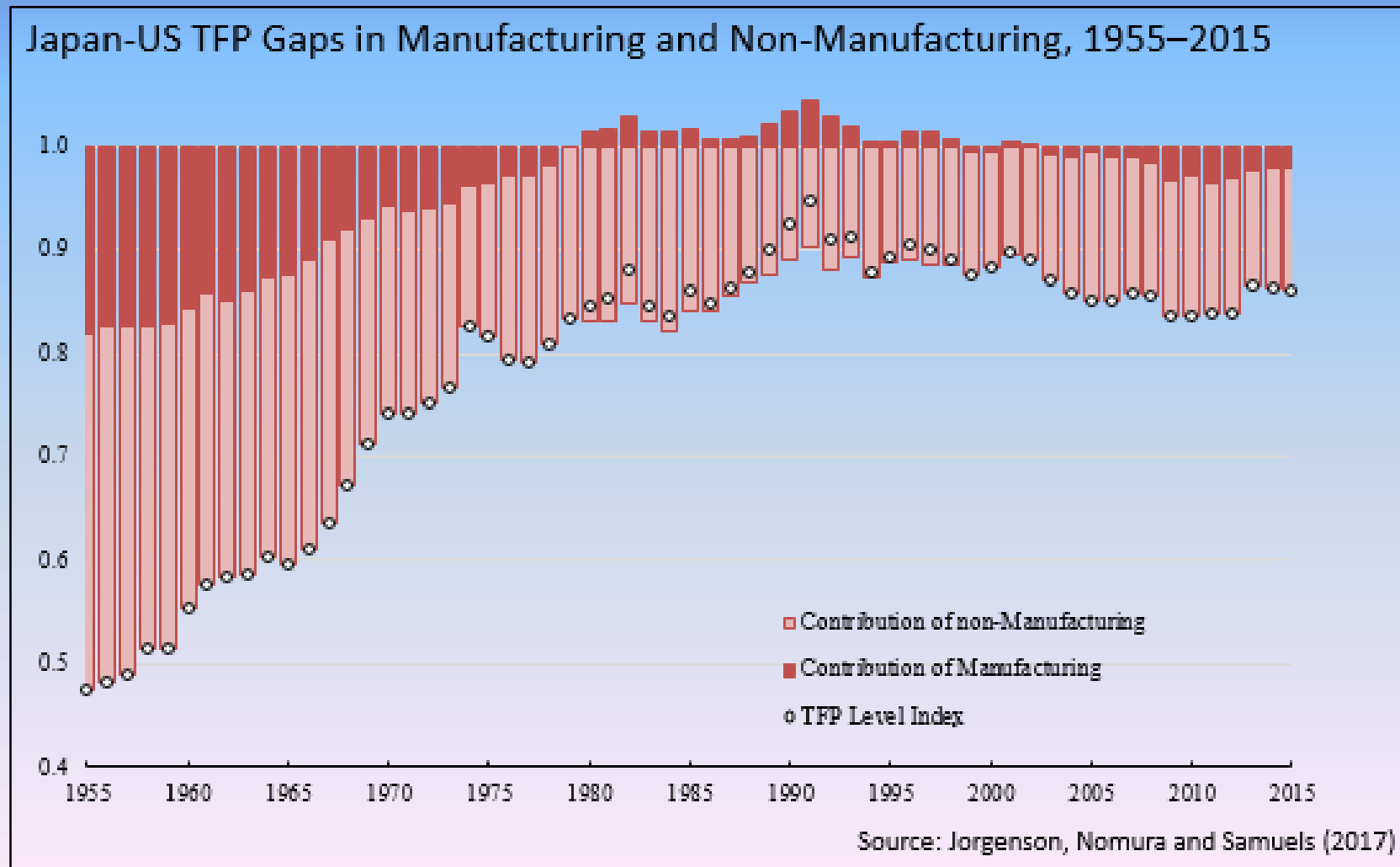
Adopted June 9, 2017

1. Boost Productivity.
2. Drive Innovation and Trade.
3. Energize Corporate Activities

PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.



PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.



BOOST PRODUCTIVITY

Reform the Traditional Work Style

Invest in Human Resources

Embrace Diversity in the Labor Force

DRIVE INNOVATION AND TRADE

Provide Personalized Medical Care

Provide Faster Distribution Services for Business

Increase Productivity in the Infrastructure Business

Promote Development of Financial Technology
in Japan

ENERGIZE CORPORATE ACTIVITIES

Corporate Tax Reduction

Strengthen Investor Confidence in
Corporate Governance

Drive Inward Foreign Direct Investment

SUMMARY OF THE SECOND PHASE OF ABENOMICS

How Abenomics 2.0 works

In order to achieve sustainable growth and reach a nominal GDP of 600 trillion yen, we will accelerate our efforts towards comprehensive reforms in three vital areas: ① boosting productivity, ② driving innovation and trade, and ③ energizing corporate activities. Through these efforts, we will strive to create a positive environment for the private sector to boost their creativity and speed in economic activities, and to keep the virtuous economic cycle going.

