

# Economic Growth Initiative for Innovation and Growth in Productivity

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# Cross-Sectorial Policy Measures for Productivity Reform

- Aims at realizing Japanese Economic Growth Model that problems associated with the declining population to be overcome.
- Three essential points for economic growth shall be defined as “Productivity improvement,” “Technological innovation” and “Co-development of Asian countries and Japan.”
- Aims at establishing institutional environment that compares favorably with international standards in terms of five business essentials comprising Human Resource Development, Infrastructure Building, Financial Capability, Technological Development and Protection of Intellectual Property Rights

## Principal Policy Measures

- Accelerated investment in technological innovation (Investment tax reduction for investing in R & D, IT facilities, and Human Resource Development)
- Enhancement of legal framework to promote technological innovation (Innovation Promotion Act)
- Promotion of collaborative projects joined by industrial, academic, and administrative sectors (in such strategic business areas that include robots, semiconductors and tissue engineering)
- Expanded implementation of practical professional education under collaboration between industry and administration
- 50% reduction in logistics costs and lead-time in the regional production within ASEAN territory
- Establishment of educational framework to invite talented foreign students to Japanese universities and graduate schools ( “Foundation of Asian young leaders development fund initiative”)
- Formation of Regional Cluster

## Principal Policy Measures dedicated to Service Industry

To accelerate accumulation and diffusion of such intangible assets as technological expertise, professional knowledge and production know-how, efforts shall be exerted to establish research center facilities, introduce of technological know-how owned by industries, amplify educational capabilities, and provide creative investment incentive measures

- Establish “Council for Improving Productivity of Service Industry” (to discuss collaboration issues between industry and administration)
- Accelerate progress of service innovation (establishment of Service Engineering Research Center, Designing Research Road Map)
- Introduction of production control know-how
- Establishment of Benchmark System to evaluate service quality (“Customer Satisfaction Index”)
- Foster highly specialized human resources (amplification of postgraduate specialist courses, formulation of skill standards etc.)
- Create award granting system praising companies with excellent business models
- Implement sectorial policy measures to improve productivity—especially with respect to such service industry sectors as financing, healthcare, distribution, information services and contents development

# Economic Growth Initiative

## Basic Concept

*Efforts to enhance the growth potential and international competitiveness*

### (1) Realization of “affluent, strong, and attractive” Japanese economy

- Realize a “strong economy and secure society” in Japan by creating a virtuous circle of “Economic Growth Initiatives” and “Integrated Reforms of Expenditures and Revenues”

### (2) New growth to overcome a declining population

- To realize “ the Japanese Economic Growth Model” in which sustainable and stable growth is driven by private demand even amid a society with a declining population

Three essential factors for economic growth

- ① Productivity improvement
- ② Technological innovation
- ③ Co-development of Asian countries and Japan

<Target of growth in GDP>

Over 2.2% annual growth in the next 10 years

## Main Policies

1. Strengthen International Competitiveness

2. Improve Productivity  
(through IT and innovations in services industries)

3. Revitalize Regional Economies and SMEs  
(Regional Revitalizing Strategy)

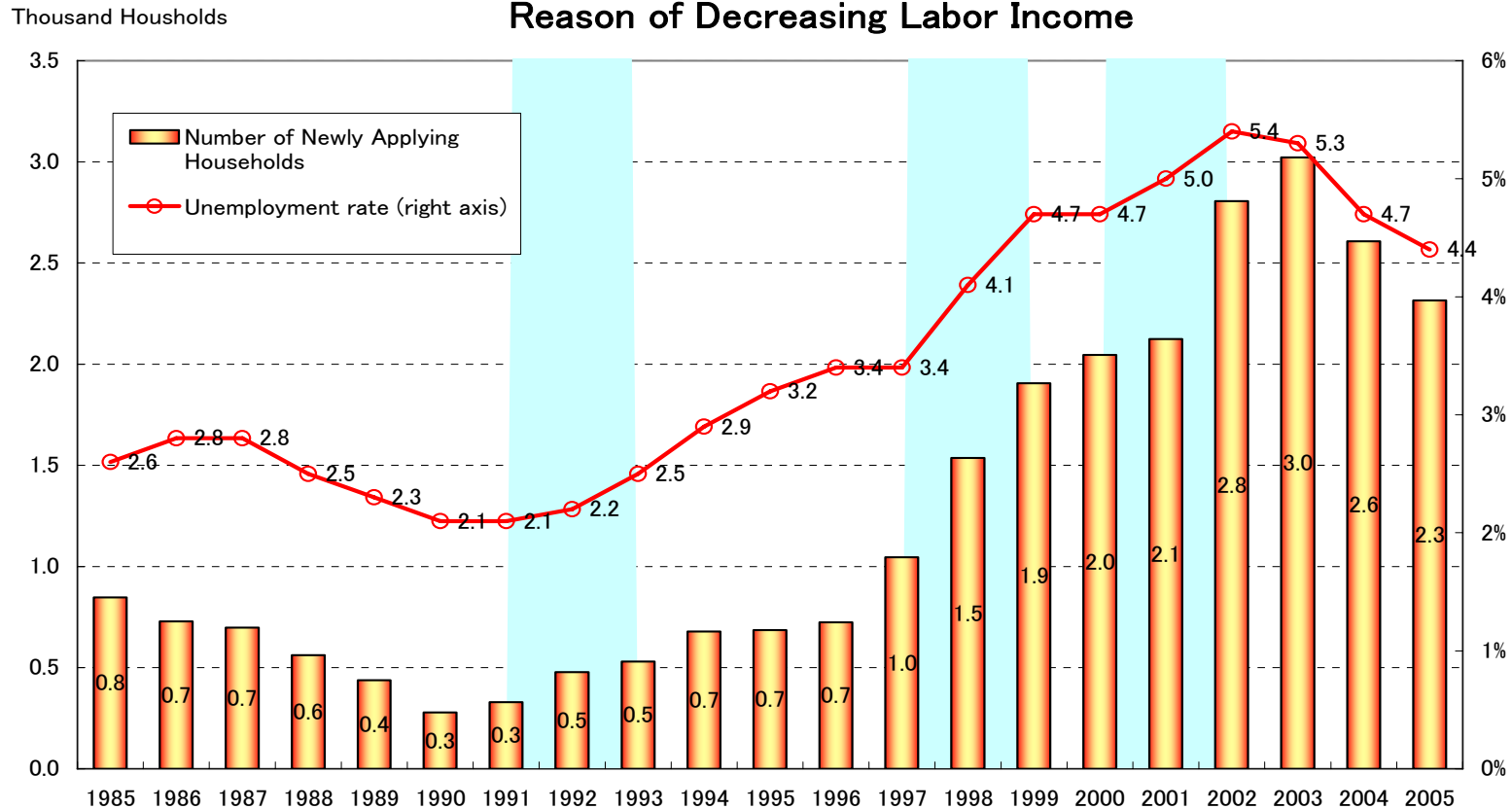
4. Create New Demand through Resolute Implementation of the Reforms

5. Establishment Institutional Infrastructures to Improve Productivity

# Economic Growth and Poverty- The Rising Tide Lifts?

- Sustained economic growth creates larger employment opportunity, and pulls up the life standard of most unprivileged classes. In the United States in 90s, the lowest 20% earning class saw about 15% increase in their earning level (Hines et al (2001)).
- In Japan, the number of households newly applying for Public Assistance for reason of decreasing Labor income has been reduced significantly since the beginning of current recovery process.

**The Number of Households Newly Applying for Public Assistance for Reason of Decreasing Labor Income**



Source: Ministry of Health, Labour and Welfare  
Shadow area corresponds to Recession period.