

**Expectations of the New Cabinet
Japan Chamber of Commerce and Industry: Resolution of Members'
Meeting**

September 17, 2009
Japan Chamber of Commerce and Industry

The recent general election for members of Japan's House of Representatives resulted in a historic change of government. Citizens and businesses have great expectations that this will bring about a dynamic society capable of breaking free from economic and social stagnation, stabilizing and enhancing people's lives, and fostering hopes and dreams for the future. We would like to urge the new cabinet to reflect the mandate of the people by setting out a clear vision for the nation's future, including the kind of country it wishes Japan to be.

Although Japan faces many serious international and domestic policy issues, its economy appears to have come through the worst stage of the downturn, partly thanks to the series of emergency economic measures taken. However, a self-sustaining recovery driven by private demand has not yet been achieved. In particular, the small and medium enterprises (SMEs) that provide the bulk of regional employment have been driven into dire circumstances that clearly overwhelm their efforts at self-help, and battered regional economies are facing even more difficult challenges.

The most pressing issue for the new cabinet is to overcome the immediate economic crisis by steadily and flexibly implementing economic and employment measures. At the same time, with a view to meeting the challenges of globalization, addressing the problem of an aging population with a low birthrate, and creating a low-carbon society, the cabinet should formulate and implement a bold mid-term growth strategy to bolster corporate innovation and international competitiveness and achieve sustainable growth driven by both domestic and overseas demand. It is particularly vital to ensure strong and dynamic SMEs, which are a key source of growth in Japan.

As the new cabinet shoulders the heavy responsibility of government at this crucial turning point, we sincerely hope that it will devote all its energies to devising and implementing key policies aimed at creating a prosperous and vibrant economy and society based on clear political leadership and a sound understanding of views from all levels of society.

Accordingly, the Japan Chamber of Commerce and Industry (JCCI) presents the requests set out below as the consensus of its 515 constituent chambers of commerce and industry throughout Japan encompassing 1.38 million members, and eagerly anticipates the implementation of policies that will address these points.

I. A Clear National Vision

Japan faces structural changes such as an aging population with a falling birthrate, energy and environmental restrictions, globalization, and the rise of emerging economies. The new cabinet should set out a clear national vision, including what kind of nation it envisages for the future and how Japan should position itself in the global community. Based on this vision, the government should establish key objectives that will set overall direction.

In order to fulfill this national vision, it will be necessary to sort responses to key policy issues by timeline and by field, and to address the issues in order of priority. Major issues with complex implications for business activity and everyday life will need to be carefully reviewed from an overall perspective, based on wide-ranging opinions and discussions involving all levels of society.

A Nation of Scientific and Technological Innovation

In the environment of rapid change facing Japan, it is crucial to achieve comprehensive scientific and technological development and train human resources to drive such progress. The government should establish an education policy to strategically produce outstanding personnel and set out clear policies aimed at making Japan a world leader in scientific and technological innovation. It also needs to place much greater priority on R&D investment in environmental technologies, life sciences, and advanced manufacturing technologies.

Building Social Trust and Security

Social security systems based on stable employment and measures to address the falling birthrate are both essential to creating a secure living environment. In building sustainable social security systems, the government should carry out integrated reforms to pension, healthcare, and nursing care provisions through public debate of issues such as the balance between benefits and burdens, and make such systems the cornerstone of a secure society. Since measures to address the falling birthrate will help make the country stronger, we expect the government to implement long-term, seamless, and comprehensive measures suited to all life stages, including support for combining work and childrearing.

Public Finance and Tax System Reform

Sound public finances provide a platform for continual growth and a secure society. Promoting the steady recovery of the Japanese economy to assure tax revenues is fundamental to putting finances on a firm footing, and we eagerly anticipate thoroughgoing cutbacks in government expenditure

through measures such as elimination of waste and reform of special account budgets. At the same time, in consultation with citizens and companies, it will be important for the government to set specific processes and goals for placing public finances on a sound footing and to conduct a comprehensive examination of the tax system.

II. Rapid, Self-Sustaining Economic Recovery

1. Steady, Flexible Economic Measures

Paying scrupulous attention to domestic and international circumstances, the government should steadily and flexibly implement measures that will contribute to the sound growth of the economy and rapidly put it back on track for a self-sustaining recovery.

Given that the long economic downturn has resulted in growing numbers of SMEs suffering cash flow difficulties, we particularly look forward to further and more comprehensive financial support measures. In response to the deteriorating employment situation caused by rising corporate bankruptcies, we expect that the government will secure sufficient budgets for, and implement, broader employment safety nets.

Within the fiscal 2009 supplementary budget, solid measures should be taken without delay in areas necessary for economic recovery, including SMEs, employment, and regional revitalization.

2. Rigorous Countermeasures for New Influenza Strains

There are fears that new strains of influenza will spread further throughout the population from this autumn. Minimizing the spread of infection will require meticulous preparation and establishment of comprehensive treatment systems. To prepare for possible impact on economic activities, lessons will need to be taken from serious disaster preparedness provisions and special measures put in place.

III. Sustainable Private-Sector-Driven Growth Backed by Both Internal and External Demand

1. A Bold Mid-Term Growth Strategy

At the same time as addressing the immediate issue of overcoming the economic crisis, the government should swiftly formulate a bold mid-term growth strategy that will enable Japan to achieve sustainable economic growth backed by both internal and external demand in the face of globalization and a shrinking population. Drawing on the energies of the private sector, Japan needs to achieve actual growth of around 2 percent by

focusing on such areas as the creation of new industries through innovation and initiatives aimed at emerging Asian markets.

2. Basic Approach to Growth Strategy

In formulating and implementing a growth strategy, we believe it will be necessary to set out an action program clarifying policy objectives and processes. The following points are especially crucial to national growth, and we hope that strong measures will be taken in these areas.

SME Policies to Drive Economic Growth

Accounting for 99.7 percent of companies and approximately 70 percent of jobs in Japan, SMEs have been a source of Japanese economic dynamism through their tireless innovation. Thus we earnestly request that SME policy be given highest priority as a key to ongoing growth. To encourage further innovation, we urge the government to implement powerful new support measures finely tuned to the needs of SMEs in policy areas such as allocation of public funds, financing, and taxation.

Regional Revitalization to Create Vibrant Societies

Creating unique and dynamic regional societies is an essential part of achieving sustained growth for Japan. We believe that further decentralization of authority enabling public services to be provided promptly in accordance with local circumstances will be an important element in this process. Improving infrastructure helps to invigorate communities and redress imbalances between regions and is therefore essential to boosting industrial vitality, making everyday life more convenient, and reinforcing international competitiveness. After carefully weighing costs and ripple effects, the government should steadily push ahead with infrastructure projects. Regional revitalization requires compact and flourishing urban development, maintenance and regeneration of communities, and support for tourism promotion.

Next-Generation Industries to Underpin Sustained Growth

The government should energetically promote support for development of cutting-edge techniques in fields such as biotechnology and nanotechnology, and implement focused investment in and fostering of industries including environmental technology, energy, IT, healthcare, and nursing care, since such initiatives will underpin sustained growth. Japan's world-class environmental technologies constitute an especially promising growth industry for the 21st century. Moreover, we have high expectations that new industries and markets will be created around these promising growth fields, in which SMEs will play significant roles. The government therefore needs to address next-generation industries as a key policy priority.

Building Links in Asia to Expand External Demand

Japan should actively walk in step with economic growth in other Asian countries and achieve sustained growth together with the rest of the region. We urgently need to enhance and strengthen economic ties with other Asian nations and promote flourishing economic exchange in a variety of fields. We look forward to further support measures that will enable SMEs to expand their overseas sales networks targeting Asian markets.

3. Issues Requiring Comprehensive Review

The following three issues have complex implications for business activity and everyday life, and can become factors restricting economic growth. Accordingly, we request that the new cabinet carefully address these matters from an overall perspective, based on public discussions and the business community's views.

- (1) There are concerns that the global warming prevention target of reducing greenhouse gas emissions to 25 percent below their 1990 levels by 2020 will have a major impact on domestic production and employment. We believe it is important for three requirements to be met in terms of mid-range targets: (a) all major emitting nations should participate, (b) targets must be internationally fair, and (c) it must be possible to implement domestic policies that achieve both environmental and economic goals. We would like the government to adopt these precepts as the basis for formulating plans and conducting international negotiations.
- (2) Prohibiting in principle the use of temporary workers in manufacturing and registered temporary workers can hinder the securing and creation of employment. We are deeply concerned that excessive regulation in these areas could lead to job losses and the transfer of manufacturing to overseas bases. While comprehensive employment safety nets are of course necessary, we request that the government exercise care in formulating such measures.
- (3) As difficult economic conditions continue, it is feared that any increase in the minimum wage could accelerate job cuts, bankruptcies, and business closures. SMEs are suffering from increased labor costs, and we hope that care will be exercised in formulating wage measures to ensure that they safeguard both employment and business viability.