



FOR IMMEDIATE RELEASE – July 16, 2014

Contact: James Fatheree 202-463-5673

PERMALINK

STATEMENT IN SUPPORT OF JAPAN’S REVISED GROWTH STRATEGY U.S.-Japan Business Council July 16, 2014

The U.S.-Japan Business Council (USJBC) commends the Administration of Japanese Prime Minister Shinzo Abe for the breadth and ambition of its revised comprehensive growth strategy released June 24.

The USJBC notes with approval the Abe Administration’s goal of putting Japan among the world’s most friendly places to do business. The USJBC is particularly encouraged by Prime Minister Abe’s stated willingness to follow through on implementation and to break through barriers to reform, both of which are necessary for Japan to meet the demographic challenge of an aging population and a shrinking work force.

The revised growth strategy builds on the Administration’s first round of growth measures released in 2013, and compliments a busy legislative agenda that is gaining traction with each recent session of Japan’s Diet. It contains specifics in areas ranging from corporate governance to labor, taxation, agriculture and healthcare. The package, when seen in the context of Japan’s overall reform program, has the potential to boost productivity, maintain investor confidence, enhance returns on investment, and encourage further economic restructuring that will make the Japanese economy more dynamic and able to meet growing competitive challenges in the years ahead.

In particular, the USJBC welcomes reforms in key areas including:

Corporate Tax Rate

- The Government has plans to provide a powerful investment and growth incentive by lowering the effective corporate tax rate from its current 35% to somewhere between 20% and 30%, with phased-in implementation of gradual reduction starting in fiscal year 2015.

Corporate Governance and Investment

- **Corporate Governance Code:** The Tokyo Stock Exchange, with government support, will draft a Corporate Governance Code outlining investor friendly principles with which

listed companies must either “comply or explain.” This will compliment earlier moves encouraging both outside corporate directors as well as active shareholders to engage through the adoption of an investor Stewardship Code. It also dovetails with the Exchange’s recent launch of the JPX-Nikkei Index 400, which requires its member companies to focus on return-on-equity (ROE). These measures over time will encourage management for shareholders rather than stakeholders, a shift that will help create the investment returns needed to finance an aging society.

- **Government pension investment:** The government formally committed to a more returns-based approach to pension fund management by strengthening governance of the roughly Y130 trillion Government Pension Investment Fund through both the hiring of professional fund managers and a revised asset mix, another significant step toward creating returns needed to meet Japan’s growing retirement obligations.

Labor Mobility

- **Women:** The package sharpens the Government focus on women, a vast reserve in Japan of underutilized labor and managerial talent. It sets targets for women in senior management roles, and requires corporate disclosure of progress toward those goals. It also mandates new measures supporting working mothers as well as tax and pension reforms that will eliminate disincentives for spouses to work. These measures together are a critical step toward addressing the labor and talent shortage resulting from a shrinking workforce as Japan ages.
- **Labor practices:** The Administration committed to submitting to the next Diet session new legislation that will prioritize performance over seniority or work hours. It promised to include in that legislation bold measures such as curtailing some forms of overtime pay, shifting the focus to the quality of work, rather than the quantity. The package also includes measures to ease restrictions on temporary foreign labor in areas including manufacturing, nursing, and home support. These measures, aimed at boosting productivity, are crucial to addressing a shrinking labor force that will require Japan to do more with less.

Agriculture

- The Government committed to a new legislative agenda over the next two years that will submit agricultural committees, agricultural production corporations, and agricultural cooperatives to more competition. The announcement, including governance reforms at these politically powerful regional institutions, signals a willingness to spend the political capital needed to remake Japanese agriculture into a growth sector.

Healthcare

- The government committed to further revitalize research and development and innovative healthcare-related industries as an engine of economic growth and to provide high quality

healthcare for Japan's aging society as a way to promote longer healthy lifespans. The government should preserve and further enhance the significant progress made to date to increase the attractiveness of the Japanese market as a destination for investment, to accelerate drug and device product reviews and provide incentives for the introduction of the world's latest, innovative medical products.

All told, the revised growth strategy makes an important contribution to Japan's *Abenomics* growth agenda. Along with ending deflation and fiscal rebalancing—the first two of Mr. Abe's "Three Arrows" of reform—the latest package lends momentum to the Third Arrow of structural reforms that will drive and sustain long-term growth. In addition to the measures discussed above, the package will help revitalize Japan's large and growing market for health care services; tap the potential of rural Japan and create more dynamic agricultural, forestry, fishery and tourism industries; and develop regional economies into vibrant platforms for innovation and venture businesses.

However, it is crucial that Japan's Government, bureaucracy, and corporations rise to the challenge of implementation and keep to specific timetables and performance indicators to meet the goals of the reform program.

It is also important that Japan accelerate engagement in the Trans-Pacific Partnership agreement (TPP), a critical part of the Third Arrow, by taking the bold steps on market access needed to help conclude an ambitious, high-standard, comprehensive agreement with the United States and the 10 other TPP partners.

The USJBC stands ready to support the Abe administration and the Japanese corporate sector in meeting this challenge with concrete ideas stemming from our members' extensive experience as active participants in the Japanese and global economies.

About the USJBC

The USJBC represents major U.S. companies doing business across a wide range of industrial, agricultural and service sectors, including aerospace and air transportation, agribusiness, chemicals, consumer products, financial services, information technology, medical devices and pharmaceuticals, travel and tourism. USJBC members collectively account for a large share of overall U.S. trade with and investment in Japan.

www.USJBC.org

###