

Panel 2:

Countermeasures and the Future of the Japanese Economy

February 20, 2013

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(discussant)

Estimate on the Economic Damage of the Great Earthquake

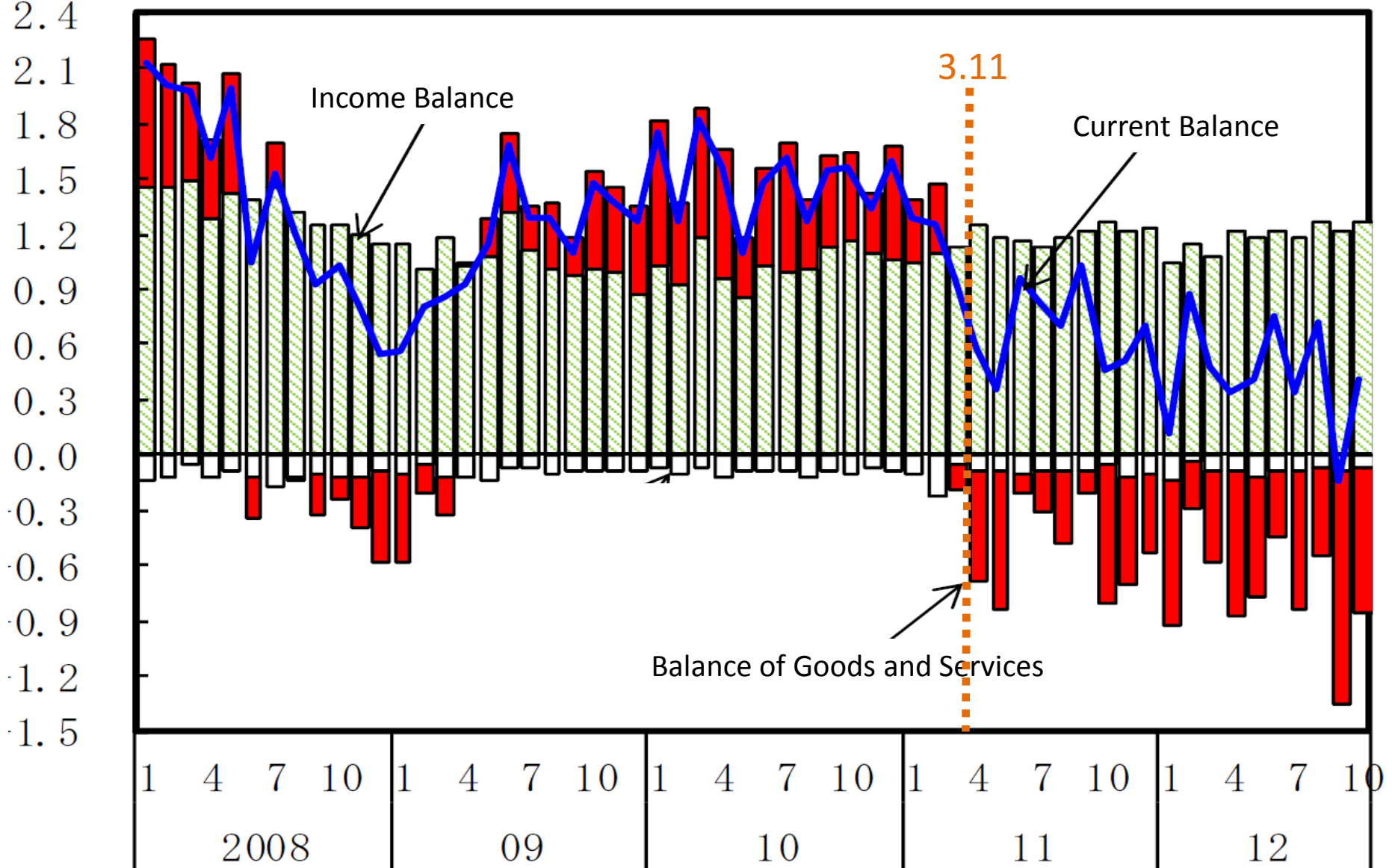
	Eastern Japan Great Earthquake (March 2011)	Kobe Great Earthquake (January 1995)
Buildings (housing, land, shop, office, factory, machinery)	JPY11 to 20 trillion (US\$138 to 250 billion)	JPY6.3 trillion (US\$78.8 billion)
Life-lines (water, gas, electricity, terecom, broadcast)	JPY1 trillion (US\$12.5 billion)	JPY0.6 trillion (US\$7.5 billion)
Social infrastructure (river, road, port, airport)	JPY2 trillion (US\$25 billion)	JPY2.2 trillion (US\$27.5 billion)
Agriculture (farmland/facility, forestry, fishery), others	JPY2 trillion (US\$25 billion)	JPY0.5 trillion (US\$6.3 billion)
Total	JPY16 to 25 trillion (US\$200 to 313 billion)	JPY9.6 trillion (US\$120 billion)

Source; Cabinet Office, Government of Japan

Dollar-denominated figures are calculated by the Bank staff, assuming 80 yen / US\$.

Balance of Payment

(Trillion Yen)



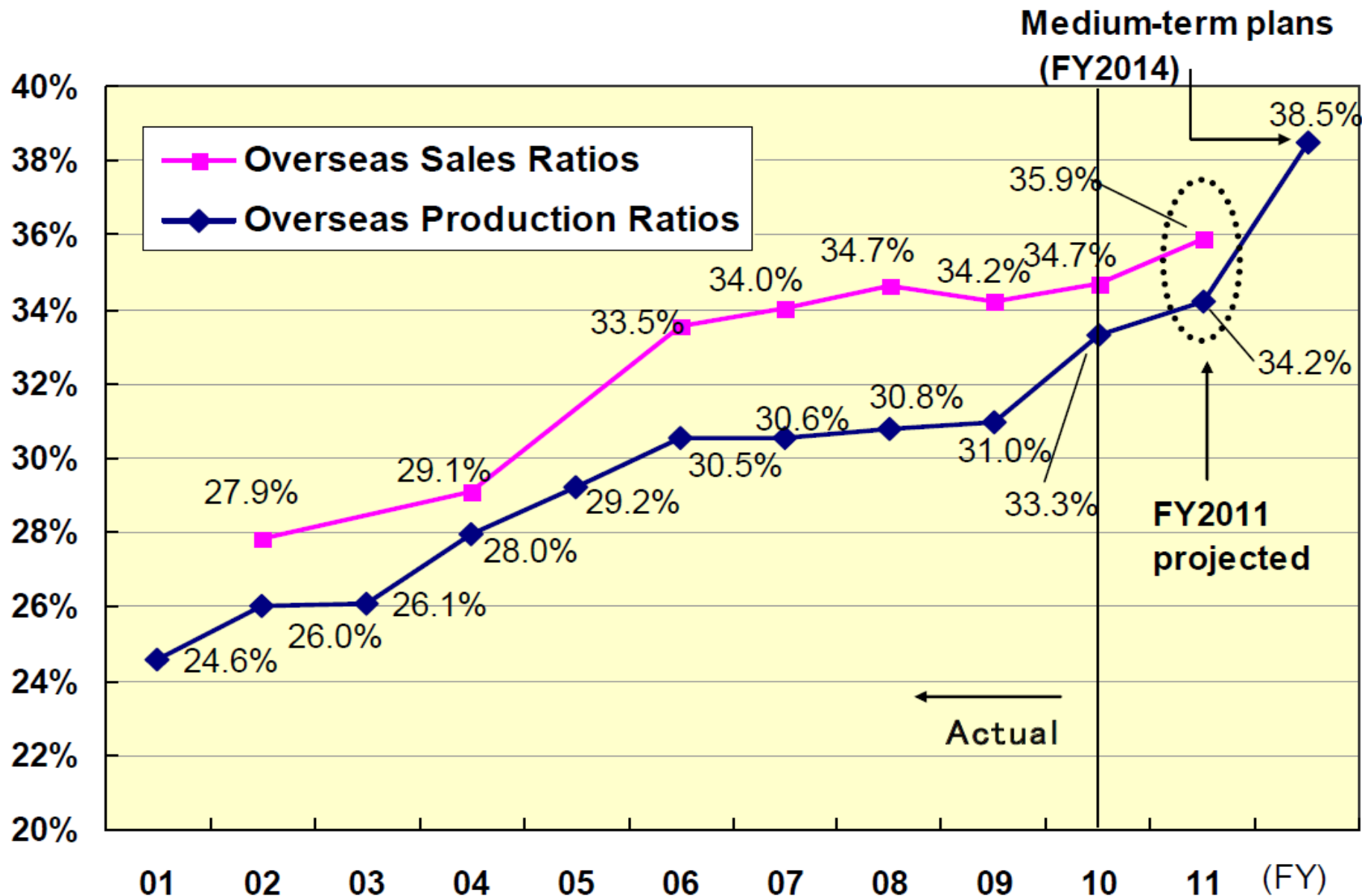
Plant and Equipment Investment Plan in Foreign Countries by Japanese Major Firms

(JPY hundred million)

	FY2011	FY2012 (proj.)	% Change
Manufacturing	21,340	27,517	28.9
Non-Manufacturing	8,314	11,480	38.1
Total	29,655	38,997	31.5
Invested in:			
North America	4,603	6,402	39.1
Europe	2,960	3,553	20.0
Asia	14,526	19,338	33.1
(China)	(3,127)	(4,002)	(28.0)
Others	7,566	9,704	28.3

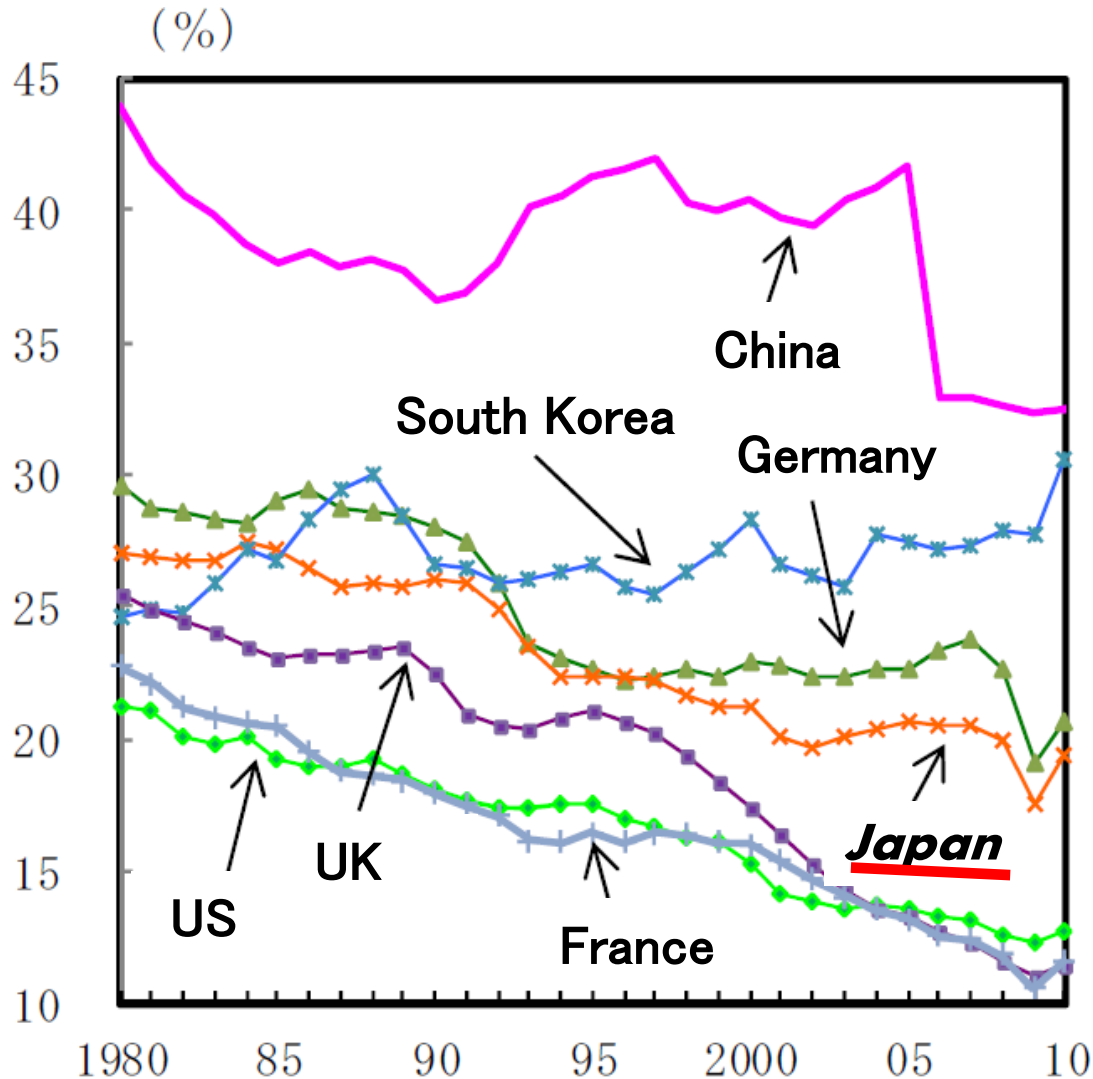
Source: Development Bank of Japan

Ratios of Overseas Production and Overseas Sales



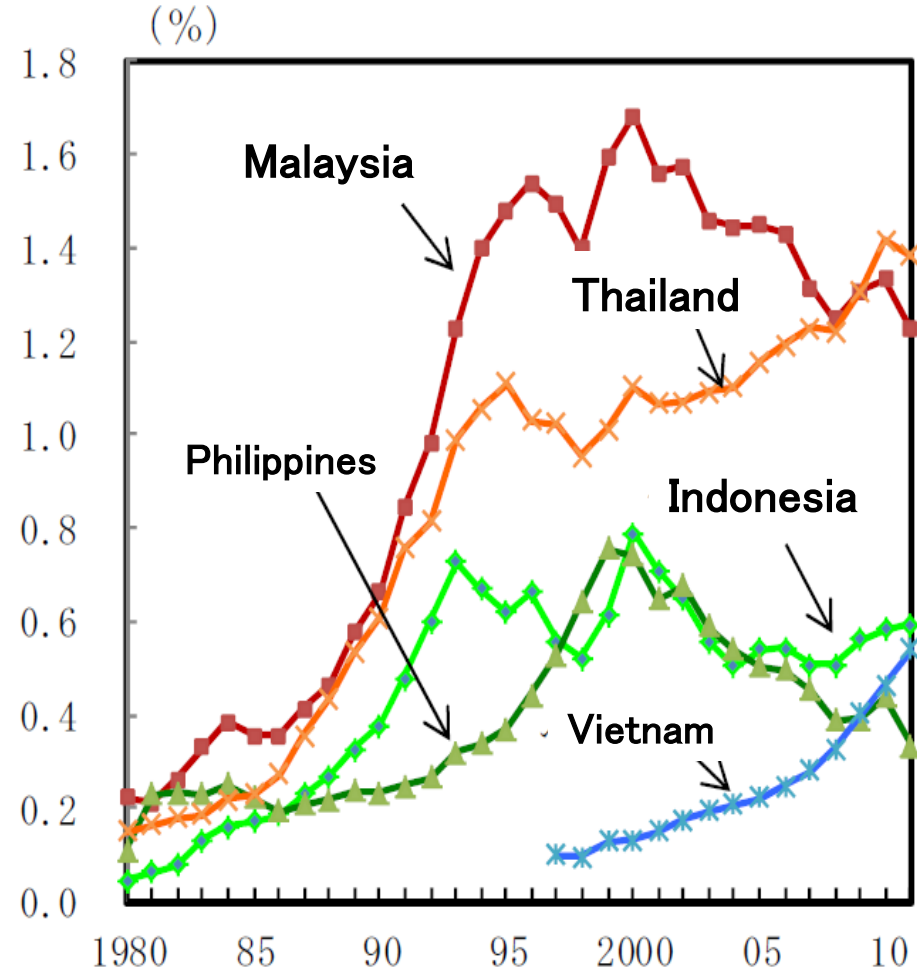
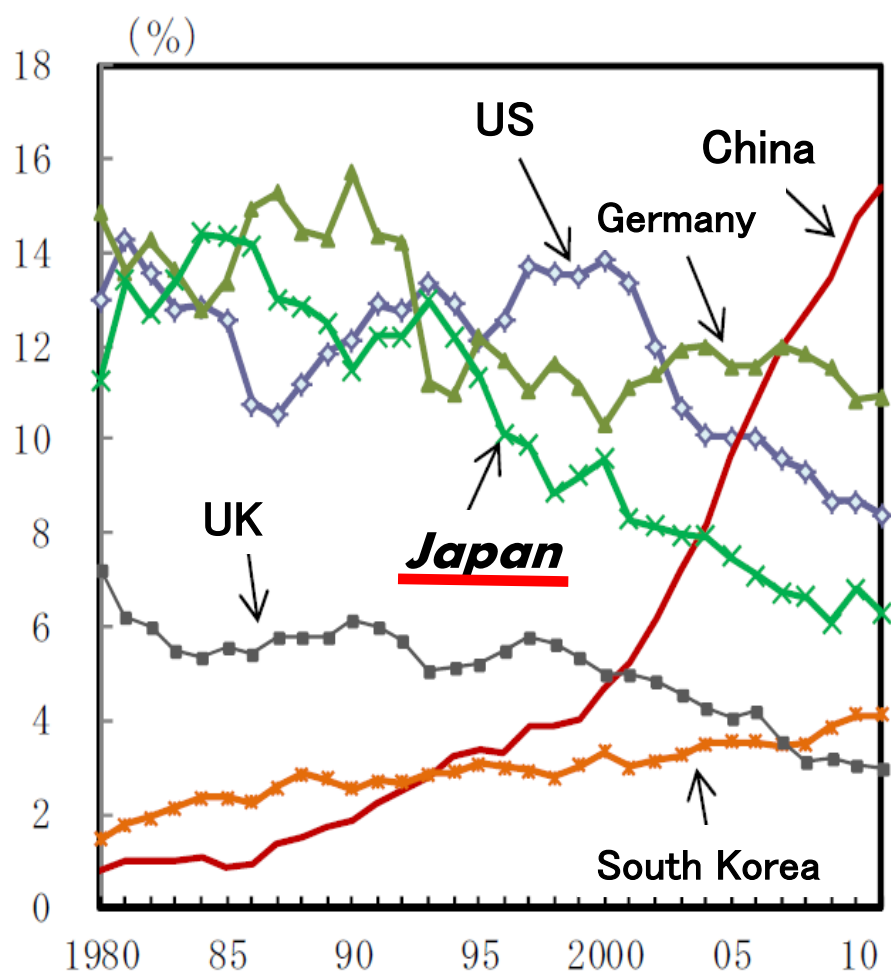
Is This Specific Movement in Japan?

The Share of the Domestic Manufacturing



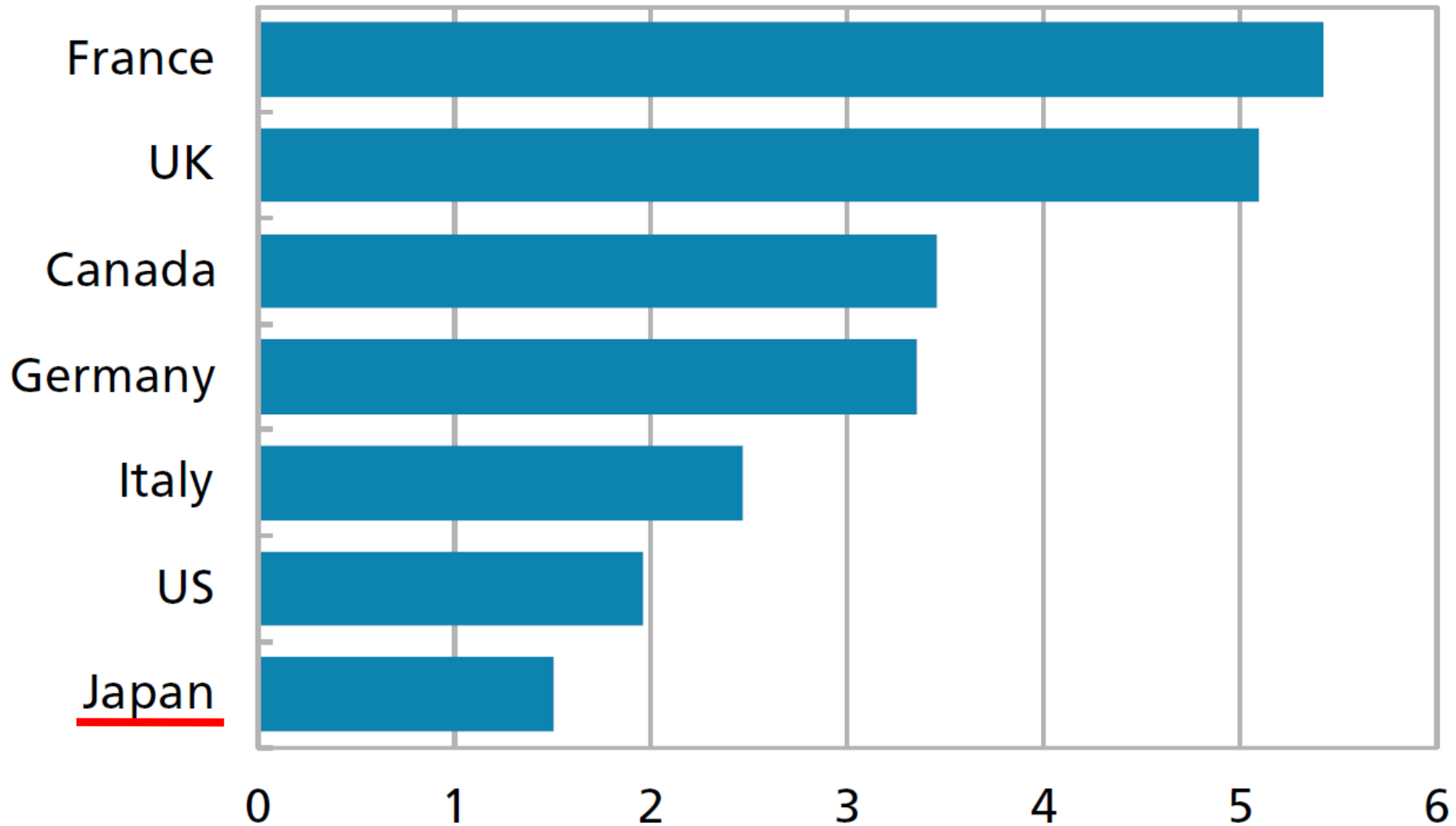
Is This Specific Movement in Japan? (cont'd)

The Share of the Manufacturing Exports in the World



FDI Outflow from OECD Countries

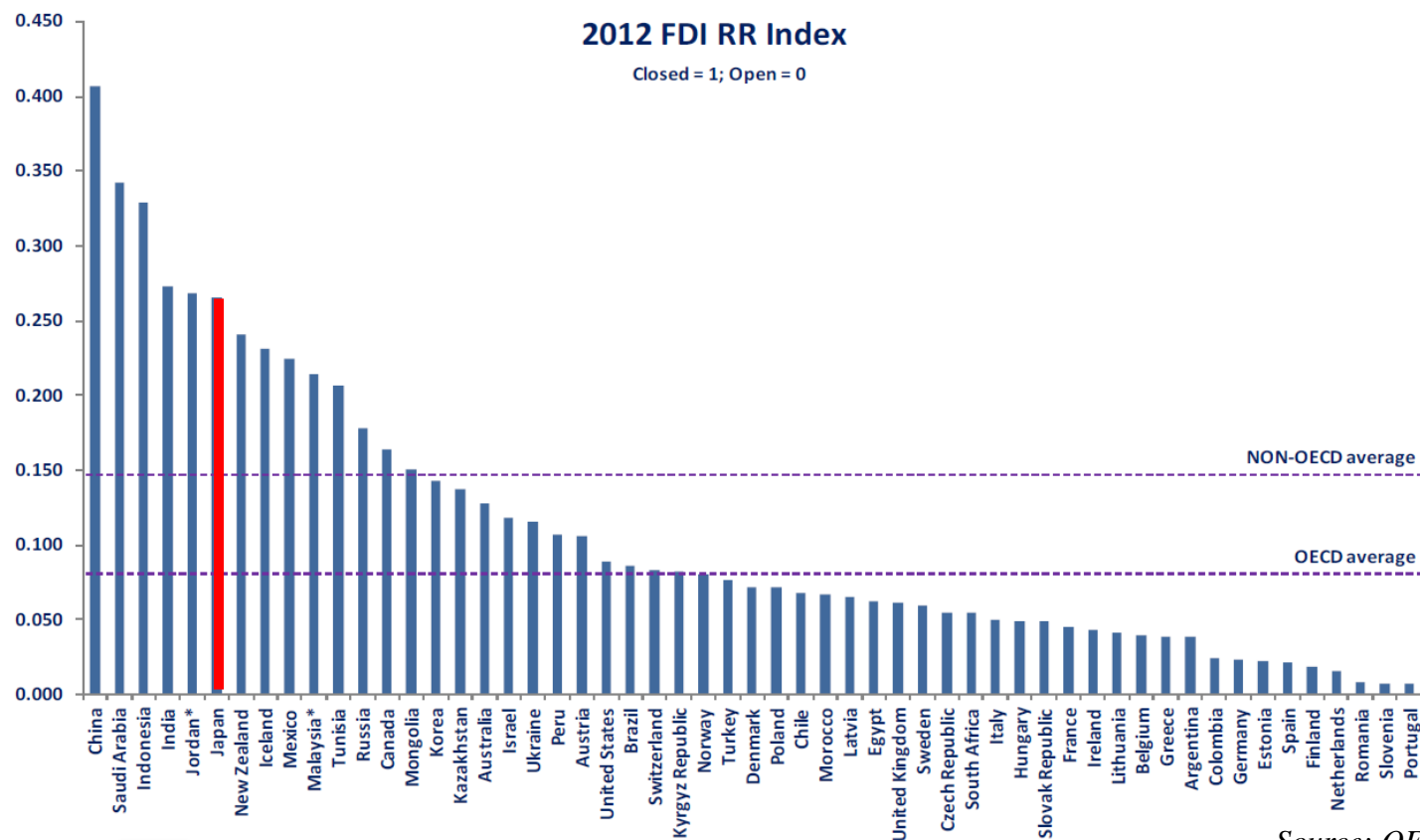
(In percent of GDP, average 2005-2010)



Source: International Monetary Fund

Is Japan so Restrictive?

FDI regulatory restrictiveness index, 2012



Source: OECD

Huge impact of:

Agriculture, Forestry, Fisheries and Mining
industries (1 % of total GDP)

Is Japan so Restrictive? (cont'd)

Rankings on the ease of doing business

1. Singapore	▪	▪	▪
2. Hong Kong	▪	▪	▪
3. NZ	20. Germany	▪	▪
4. US	21. Estonia	▪	▪
5. Denmark	22. Saudi Arabia	90. Jamaica	▪
6. Norway	23. Macedonia	91. China	▪
7. UK	24. Japan	92. Solomon Islands	▪
8. Korea, Rep.	25. Latvia	93. Guatemala	▪
9. Georgia	▪	94. Zambia	183. Congo, Rep.
10. Australia	▪	▪	184. Chad
▪	▪	▪	185. Central
▪	▪	▪	African Republic

Source: World Bank "Doing Business Report 2013"

Is Japan so Restrictive? (cont'd)

JAPAN		OECD high income		GNI per capita (US\$)	45,180
Ease of doing business (rank)	24	High income		Population (m)	127.8
Starting a business (rank)	114	Registering property (rank)	64	Trading across borders (rank)	19
Procedures (number)	8	Procedures (number)	6	Documents to export (number)	3
Time (days)	23	Time (days)	14	Time to export (days)	10
Cost (% of income per capita)	7.5	Cost (% of property value)	5.8	Cost to export (US\$ per container)	880
Minimum capital (% of income per capita)	0.0			Documents to import (number)	5
		Getting credit (rank)	23	Time to import (days)	11
Dealing with construction permits (rank)	72	Strength of legal rights index (0-10)	7	Cost to import (US\$ per container)	970
Procedures (number)	14	Depth of credit information index (0-6)	6		
Time (days)	193	Public registry coverage (% of adults)	0.0	Enforcing contracts (rank)	35
Cost (% of income per capita)	28.5	Private bureau coverage (% of adults)	100.0	Procedures (number)	30
				Time (days)	360
Getting electricity (rank)	27	Protecting investors (rank)	19	Cost (% of claim)	32.2
Procedures (number)	3	Extent of disclosure index (0-10)	7		
Time (days)	105	Extent of director liability index (0-10)	6	Resolving insolvency (rank)	1
Cost (% of income per capita)	0.0	Ease of shareholder suits index (0-10)	8	Time (years)	0.6
		Strength of investor protection index (0-10)	7.0	Cost (% of estate)	4
				Recovery rate (cents on the dollar)	92.8
		✓ Paying taxes (rank)	127		
		Payments (number per year)	14		
		Time (hours per year)	330		
		Total tax rate (% of profit)	50.0		

Source: World Bank "Doing Business Report 2013"

Key Features of “Abenomics”

Three Pronged Strategies (Three Arrows)



Bold monetary policy

Flexible fiscal policy

**Growth strategy for promoting
investment**

First Step of the “Abenomics”

Emergency Economic Measures for the Revitalization of the Japanese Economy

[Trillion yen (Approximately)]

	Central Government Expenditure	Total Size
<u><i>I. Measures for post-quake reconstruction and disaster prevention</i></u>	3.8	5.5
<u><i>II. Creation of wealth through growth</i></u>	3.1	12.3
-Stimulating private investment for stronger growth	(1.8)	(3.2)
-Measures for small and medium-sized enterprises, small-scale businesses, and measures for agriculture, forestry and fishery	(0.9)	(8.5)
-Facilitating the expansion of Japanese businesses in overseas markets	(0.1)	(0.3)
-Measures for human capital development and employment	(0.3)	(0.3)
<u><i>III. Ensuring a sense of security in daily life and revitalizing the regions</i></u>	3.1	2.1
Total amount of supplementary budget	13.1	



**Impact on Real GDP
= 2%**

**Job Creation
= 600,000**

New Growth Strategy (Mid-2013)

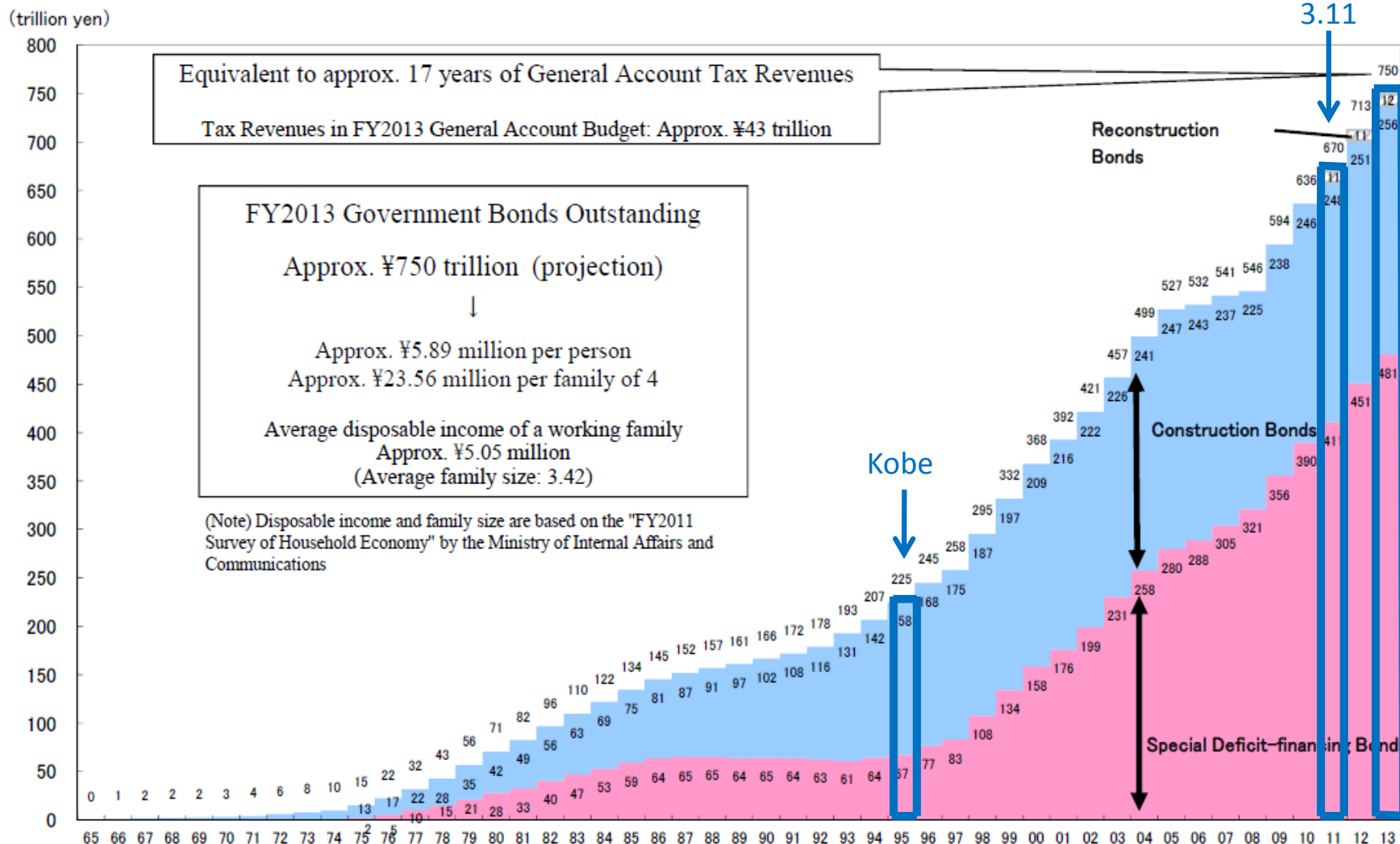
Statement by Minister (Economic Revitalization) Amari, at World Economic Forum in Davos (January, 2013)

*“Over the mid- and long-term, we will take measures to strengthen the competitiveness of the Japanese economy, to overcome energy constraints, and to enhance **the innovation platform** based on a well-defined growth strategy, while at the same time accelerating the removal of **domestic institutional obstacles, including regulation.**”*

*“(W)e have strongly committed ourselves to our growth strategy, which will utilize all the available policy tools including fiscal, **regulatory, and tax measures.** “*

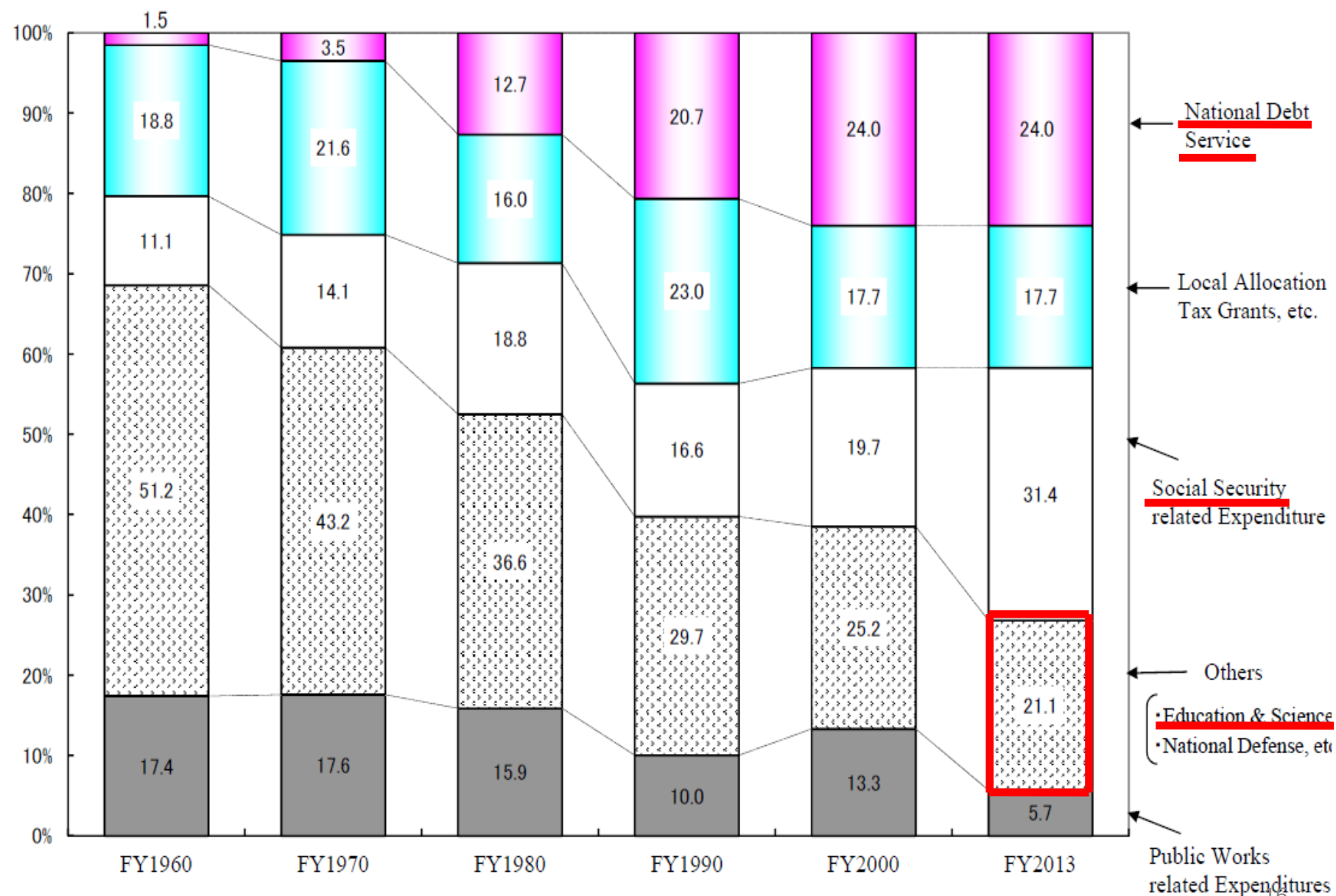
*“With regard to external economic policies, we will facilitate **the expansion of Japanese businesses in overseas markets**, further promote **high-level economic partnerships**, implement measures to secure energy and food, and encourage tourism and **internal investment.**”*

(4) Accumulated Government Bonds Outstanding



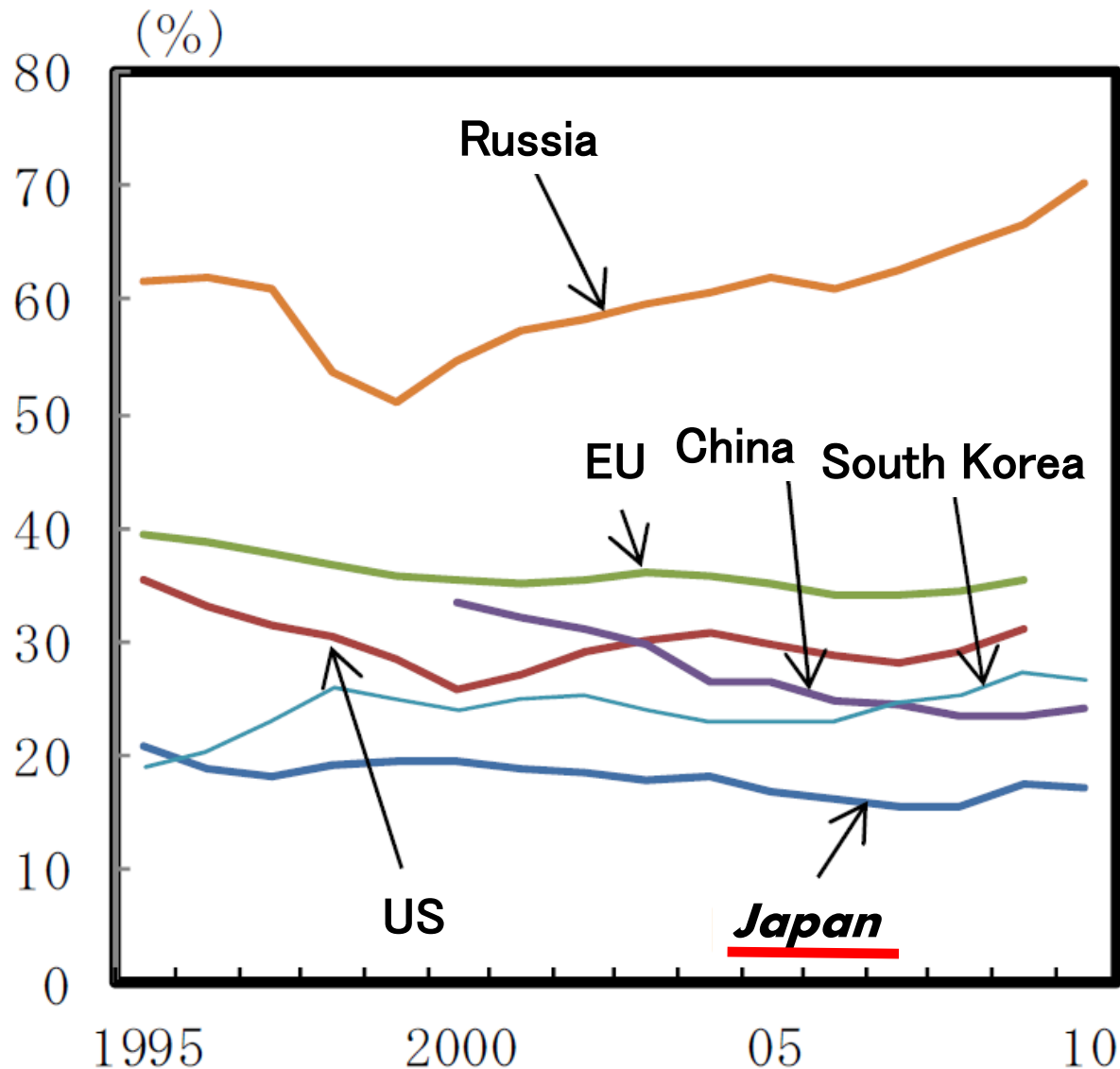
Source: Ministry of Finance, Japan

(7) Ratio of Major Expenditure Items in the General Account

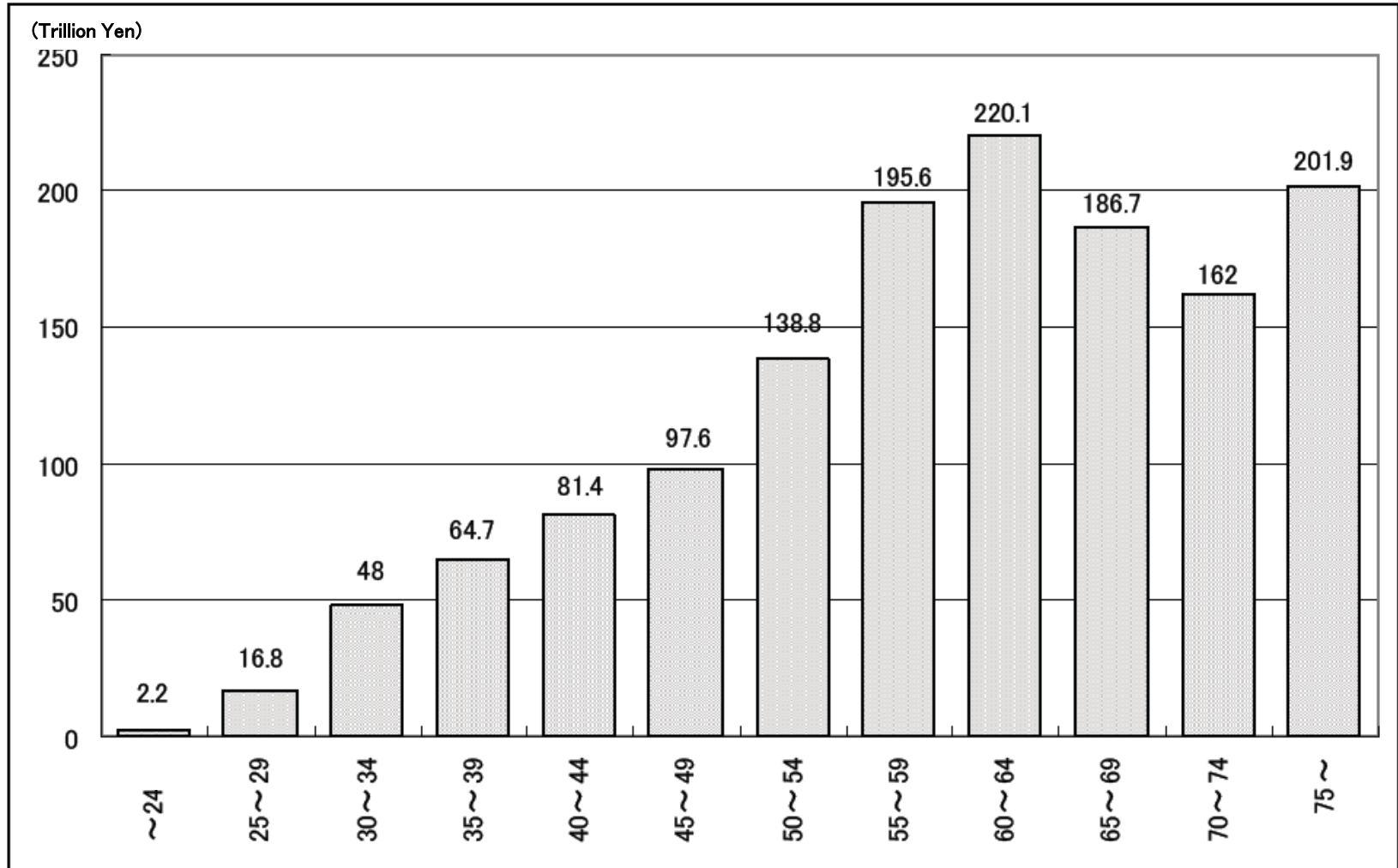


Source: Ministry of Finance, Japan

R&D Expenditures by the Government



Personal Financial Assets by Age (FY 2004)



Source: Nomura Research Institute, Cabinet Office of Japan

770.7 trill. (54.4%)

1,105.1 trill. (78.1%)

1,415.8 Trillion Yen