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

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

*Source: Cabinet Office, Government of Japan*

*Dollar-denominated figures are calculated by the Bank staff, assuming 80 yen / US$.*
Balance of Payment

(Trillion Yen)

Source: Cabinet Office, Japan
Plant and Equipment Investment Plan in Foreign Countries by Japanese Major Firms

<table>
<thead>
<tr>
<th></th>
<th>FY2011</th>
<th>FY2012 (proj.)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td>21,340</td>
<td>27,517</td>
<td>28.9</td>
</tr>
<tr>
<td><strong>Non-Manufacturing</strong></td>
<td>8,314</td>
<td>11,480</td>
<td>38.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,655</td>
<td>38,997</td>
<td>31.5</td>
</tr>
</tbody>
</table>

Invested in:

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2011</th>
<th>FY2012 (proj.)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>4,603</td>
<td>6,402</td>
<td>39.1</td>
</tr>
<tr>
<td>Europe</td>
<td>2,960</td>
<td>3,553</td>
<td>20.0</td>
</tr>
<tr>
<td>Asia</td>
<td>14,526</td>
<td>19,338</td>
<td>33.1</td>
</tr>
<tr>
<td>(China)</td>
<td>(3,127)</td>
<td>(4,002)</td>
<td>(28.0)</td>
</tr>
<tr>
<td>Others</td>
<td>7,566</td>
<td>9,704</td>
<td>28.3</td>
</tr>
</tbody>
</table>

Source: Development Bank of Japan
Ratios of Overseas Production and Overseas Sales

Source: Japan Bank for International Cooperation
Is This Specific Movement in Japan?

The Share of the Domestic Manufacturing

Source: Cabinet Office of Japan
Is This Specific Movement in Japan? (cont’d)

The Share of the Manufacturing Exports in the World

Source: WTO, Cabinet Office of Japan
FDI Outflow from OECD Countries
(In percent of GDP, average 2005-2010)

Source: International Monetary Fund
Is Japan so Restrictive?

Huge impact of:

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

Source: OECD
Is Japan so Restrictive? (cont’d)

Rankings on the ease of doing business

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>3</td>
<td>NZ</td>
</tr>
<tr>
<td>4</td>
<td>US</td>
</tr>
<tr>
<td>5</td>
<td>Denmark</td>
</tr>
<tr>
<td>6</td>
<td>Norway</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
</tr>
<tr>
<td>8</td>
<td>Korea, Rep.</td>
</tr>
<tr>
<td>9</td>
<td>Georgia</td>
</tr>
<tr>
<td>10</td>
<td>Australia</td>
</tr>
<tr>
<td></td>
<td>20. Germany</td>
</tr>
<tr>
<td>21</td>
<td>Estonia</td>
</tr>
<tr>
<td>22</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>23</td>
<td>Macedonia</td>
</tr>
<tr>
<td>24</td>
<td>Japan</td>
</tr>
<tr>
<td>25</td>
<td>Latvia</td>
</tr>
<tr>
<td></td>
<td>90. Jamaica</td>
</tr>
<tr>
<td></td>
<td>91. China</td>
</tr>
<tr>
<td></td>
<td>92. Solomon Islands</td>
</tr>
<tr>
<td></td>
<td>93. Guatemala</td>
</tr>
<tr>
<td></td>
<td>94. Zambia</td>
</tr>
<tr>
<td></td>
<td>184. Chad</td>
</tr>
<tr>
<td></td>
<td>185. Central African Republic</td>
</tr>
</tbody>
</table>

Is Japan so Restrictive? (cont’d)

<table>
<thead>
<tr>
<th>JAPAN</th>
<th>OECD high income</th>
<th>GNI per capita (US$)</th>
<th>45,180</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of doing business (rank)</td>
<td>24</td>
<td>Population (m)</td>
<td>127.8</td>
</tr>
<tr>
<td>Starting a business (rank)</td>
<td>114</td>
<td>Trading across borders (rank)</td>
<td>19</td>
</tr>
<tr>
<td>Procedures (number)</td>
<td>8</td>
<td>Documents to export (number)</td>
<td>3</td>
</tr>
<tr>
<td>Time (days)</td>
<td>23</td>
<td>Time to export (days)</td>
<td>10</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>7.5</td>
<td>Cost to export (US$ per container)</td>
<td>880</td>
</tr>
<tr>
<td>Minimum capital (% of income per capita)</td>
<td>0.0</td>
<td>Documents to import (number)</td>
<td>5</td>
</tr>
<tr>
<td>Dealing with construction permits (rank)</td>
<td>72</td>
<td>Time to import (days)</td>
<td>11</td>
</tr>
<tr>
<td>Procedures (number)</td>
<td>14</td>
<td>Cost to import (US$ per container)</td>
<td>970</td>
</tr>
<tr>
<td>Time (days)</td>
<td>193</td>
<td>Enforcing contracts (rank)</td>
<td>35</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>28.5</td>
<td>Procedures (number)</td>
<td>30</td>
</tr>
<tr>
<td>Getting electricity (rank)</td>
<td>27</td>
<td>Time (days)</td>
<td>360</td>
</tr>
<tr>
<td>Procedures (number)</td>
<td>3</td>
<td>Cost (% of claim)</td>
<td>32.2</td>
</tr>
<tr>
<td>Time (days)</td>
<td>105</td>
<td>Resolving insolvency (rank)</td>
<td>1</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>0.0</td>
<td>Time (years)</td>
<td>0.6</td>
</tr>
<tr>
<td>Protecting investors (rank)</td>
<td>19</td>
<td>Cost (% of estate)</td>
<td>4</td>
</tr>
<tr>
<td>Extent of disclosure index (0-10)</td>
<td>7</td>
<td>Recovery rate (cents on the dollar)</td>
<td>92.8</td>
</tr>
<tr>
<td>Extent of director liability index (0-10)</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of shareholder suits index (0-10)</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of investor protection index (0-10)</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paving taxes (rank)</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments (number per year)</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time (hours per year)</td>
<td>330</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total tax rate (% of profit)</td>
<td>50.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Features of “Abenomics”

Three Pronged Strategies (Three Arrows)

1. Bold monetary policy
2. Flexible fiscal policy
3. Growth strategy for promoting investment
### First Step of the “Abenomics”

**Emergency Economic Measures for the Revitalization of the Japanese Economy**

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

**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

Equivalent to approx. 17 years of General Account Tax Revenues
Tax Revenues in FY2013 General Account Budget: Approx. ¥43 trillion

FY2013 Government Bonds Outstanding
Approx. ¥750 trillion (projection)
↓
Approx. ¥5.89 million per person
Approx. ¥23.56 million per family of 4

Average disposable income of a working family
Approx. ¥5.05 million
(Average family size: 3.42)

(Note) Disposable income and family size are based on the "FY2011 Survey of Household Economy" by the Ministry of Internal Affairs and Communications

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

Source: Cabinet Office of Japan
Personal Financial Assets by Age (FY 2004)

Source: Nomura Research Institute, Cabinet Office of Japan

1,415.8 Trillion Yen

770.7 trill. (54.4%)

1,105.1 trill. (78.1%)

1,415.8 Trillion Yen