



# Sasakawa USA | Quick Facts on Japan

## ABENOMICS

**Abenomics** is the informal name used for “Emergency Economic Measures for the Revitalization of the Japanese Economy,” a set of economic policies introduced by Prime Minister Shinzo Abe when he came into office in January 2013. The plan consists of a three-pronged strategy known as the “three arrows.”

### FIRST ARROW: Dramatic Monetary Easing

In October 2014, the Bank of Japan decided to flood the market with cash to increase price levels and to spur consumers to stop saving and start spending. As an effect, the **value of the yen decreased** and **Japanese exports became less expensive**.

### SECOND ARROW: Robust Fiscal Policy

The Government of Japan **increased spending** while also trying to **reduce its debt**.

**Where does most of the money go?** To welfare programs to pay for Japan’s aging population: in FY2014, 31.8% of the budget went to Social Security.

The GOJ **raised the sales tax** from 5% to 8% in 2014. While it was scheduled to rise again in October, PM Abe decided to delay the hike for 18 months.

**Japan’s debt** is the largest of any developed country. In June 2015, PM Abe announced a plan to limit rises in spending without a binding cap.

### THIRD ARROW: Structural Reform

The third arrow is a combination of structural reforms that are meant to secure Japan’s long-term economy prosperity by **spurring private investment**.

1. **To address Japan’s labor shortage**, “Womonomics” boosts female workforce participation by reforming the tax system and expanding childcare centers among other initiatives.

2. **To entice businesses**, Japan lowered the corporate tax rate from 39.5% to 38.01% in April 2014. The U.S. now has the world’s highest corporate tax.

3. **To attract highly-skilled foreigners**, Japan is lowering the period of stay requirement to obtain permanent residency status from 5 years to 3.

4. **To increase tourism**, Japan has relaxed its visa restrictions for some visitors, including those from Southeast Asia. This led to a 30% increase in tourists from 2013 to 2014.

5. **To expand international opportunities**, Japan joined the Trans-Pacific Partnership, a free trade agreement between 12 countries across the globe.

6. **To make industries more competitive**, Japan has pursued agricultural reform to boost global competitiveness and created a Japanese version of the NIH to encourage medical research.

### OUTLOOK

Most experts agree that the long-term effect of Abenomics will depend on the success or failure of the Third Arrow. Prime Minister Abe faces stiff opposition to structural reforms by lobbying groups who wish to maintain high barriers to trade and competition. The faster and deeper the reforms, the more likely Abenomics will succeed in securing Japan’s economic prosperity.