

Keidanren's Urgent Proposal to counter Coronavirus disease (COVID-19) Pandemic

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Keidanren

The COVID-19 pandemic has completely altered corporate activity and everyday life. Travel restrictions and production shutdowns aiming at controlling the spread of infection have hit the world economy by drastically hindering the movement of natural persons and goods, and thereby, adversely affecting the connectivity of global supply chains. In a situation requiring stronger global collaboration and avoidance of international discord, each country is now in the midst of a serious challenge of reconciling the trade-off between preventing the spread of infection and maintaining economic activity.

To resolve this dilemma, which is unprecedented in modern times, the Government of Japan should take fiscal measures on a scale equal to or greater than the measures taken in the event of the financial crisis of 2007-2008. In implementing such policy amid uncertain prospects, it is important that the measures are taken according to the circumstances, including the implementation of additional measures, as well as providing focused support to workers and businesses who are truly in need is essential. In addition, it is necessary to quickly realize Society 5.0 by intensively investing in digital transformation which is essential for the future of the Japanese economy, utilizing digital technologies and establishing regulatory frameworks. It should be noted that the consumption tax cut is not appropriate. Based on above principles, measures should be taken in line with the following policies.

Firstly, policies need to be prompt and effective. As an initial step, national and local governments should cooperate extensively in efforts to dispel people's unease and

encourage appropriate public action through day-to-day dissemination of scientifically-grounded information. Besides, it is necessary to bring the pandemic to an end by devoting ample resources to swift development and deployment of vaccines and therapeutic drugs. While government requests under the state of emergency are to be complied with, concrete criteria need to be set based on government views to avert any excessive contraction in economic activity which is essential in keeping the society functioning. International collaboration is also essential to stabilize finance and capital markets. Emergency measures during this period, including those outlined above, should fully mobilize policies to ensure safety and security in people's lives, and the public and private sectors should work together to return to normality.

Secondly, Japan needs to consider post-crisis policy initiatives to restore its potential growth rate. The government should implement comprehensive measures to stimulate consumption and increase investment at the best timing while considering the impact of postponing the Tokyo Olympic and Paralympic Games.

Thirdly, investment is required to realize Society 5.0 with a view to creating the society of the future. The government should constantly and steadily take steps to encourage investment in digital innovation and investment in the environment, energy, and achievement of UN sustainable development goals (SDGs) as well as policies to promote the transformation of society, including implementation of digital government at national and regional levels.

With full appreciation for the tireless efforts of medical practitioners and all others involved in controlling COVID-19, the business community will act on its own initiative in the aim of resolving this crisis as swiftly as possible. Based on the approach outlined in the preceding paragraphs, we will propose to the government measures to be taken in the individual areas listed below and disseminate information on business initiatives.

I. Request for Specific Measures

1. Countermeasures to the Current Crisis

Maintaining Employments and Business Continuity

- Expand and flexibly implement the exceptional employment adjustment subsidy program with a view to supporting business continuity in hard-hit industries such as tourism as well as SMEs, assisting people to establish career self-reliance, etc.
- Support for financing
 - Effectively remove guarantee fees charged by various guarantee agencies and systems (e.g., Credit Guarantee Corporations, safety net guarantee system) relating to new or existing loans.
 - Use interest subsidies to effectively provide interest-free finance under the COVID-19 countermeasures framework of the “Maru-kei” loan scheme for managerial improvement funds of small enterprises, etc., and local government financing schemes, etc.
 - Expand financing measures such as fund-raising support offered by public financial institutions (flexible arrangements including utilization of private-sector financial institutions matched to actual circumstances in given industries or regions).
- Flexibly enforce regulations such as postponement of periodic surveys and inspections conducted by administrative agencies and extension of deadlines for submitting notification documents (especially for businesses necessary to maintain social functions such as (1) stable supply of medical and pharmaceutical products, sanitary goods, foodstuffs, fuel, etc., (2) continuity of lifeline services including electricity, gas, water, public transportation, freight transport, finance, payment systems, media, and telecommunications, and (3) reliable provision of medical services).
- Exercise flexibility in operation of labor laws and regulations (extend exceptions for regular medical check-ups, introduce exceptional provisions for special medical

check-ups of persons other than those continually engaged in radiation and decontamination work, etc.).

- Address labor shortages (e.g., facilitate the career mobility of laid-off workers to the agricultural sector).
- Assist with procurement of essential materials such as face-masks, protective clothing, and disinfectants for medical staff, care workers, and those engaged in decontamination and cleaning, and subsidize the fully-automated equipment newly installed to promote the domestic productions.
- Take measures to maintain international logistics functions, including the relaxation of restrictions on quarantine measures for freight operators transporting essential goods (crews of ocean-going ships, international cargo aircrews) and ensuring smooth changeover of international shipping crews (including swift development of international guidelines).

| | |-------------| | Tax Support | |-------------|

- Steadily apply the Act on General Rules for National Taxes to extend filing and payment deadlines for corporate taxes, consumption tax, etc. Defer tax inspections based on extensions of filing and payment deadlines (waive interest tax and local arrears penalties when tax payments are deferred).
- Allow a two-year carry-back of losses for SMEs regardless of whether or not the definition of net operating loss caused by “disaster” applies and enable refunds for interim tax returns. Allow similar provisions for specified large corporations.
- Expand reduction of fixed asset tax for SMEs.
- Implement tax refunds, exemptions, and deferments for fixed asset tax, aviation fuel tax, etc. with a view to ensuring ongoing business operation in sectors which suffer rapid decline in demand, including airline and railway operators as well as tourism and other service industries (waive interest tax or local arrears penalties when tax payments are deferred).
- Take bold tax measures to support telecommuting at SMEs.
- Establish special tax measures to apply if sports and cultural events, etc. are cancelled.

- Implement tax exemptions for stamp duty relating to special loans for companies affected by the disease.

Promotion of Digitalization

- Expand equipment subsidy for introduction of telecommuting.
 - Offer support for IT solutions and digitalization to facilitate telecommuting.
 - Expand subsidies for improvement of overtime work, etc. (telecommuting schemes, workplace awareness-raising schemes) (including purchase costs for computers, tablets, and smartphones).
- Promote tele-medicine and ease relevant regulations (online diagnosis and medication guidance, including initial consultations), and support capital expenditure relating to tele-medicine.
- Encourage widespread adoption of remote working while ensuring compliance with labor laws and regulations, and support promotion of digitalization of labor management.
- Urgently provide an educational device to every pupil and student with a view to promoting distance learning.
- Subsidize the introduction of logistics robots and automated tracks, etc.
- Endorse delivery of live entertainment, sports events, etc. utilizing virtual reality and other technologies, and provide necessary financial support.
- Widely publicize the Guidebook for Utilization of Camera Images to promote analysis of passenger flows within train stations and visibility of congestion conditions, enhance examples, and establish governmental consultation system.

Trade Facilitation

- Encourage the international community to temporarily abolish tariffs on medical goods, etc. set out by the World Customs Organization (WCO).
- Facilitate movement of natural persons required to increase production of above medical supplies, etc. and to develop, test, manufacture, and distribute therapeutic drugs and vaccines.
- Urge the international community countries to quickly remove trade restrictions

adopted as COVID-19 countermeasures and ensure transparency in their trade measures.

International Cooperation

- Cooperate and support in the development of vaccines and therapeutic drugs, and contribute to the swift delivery of these to persons affected by COVID-19. Utilize Official Development Assistance (ODA) technological cooperation schemes to share best practices for preventing the spread of infection with emerging countries (support capacity building).
- Cooperate to establish critical infrastructure for medical and sanitation management in developing countries.

2. Post-Crisis Policies Aiming at Recovering Potential Growth Rate

Stimulating Consumption

- Stimulate private consumption (introducing discount schemes, cash disbursements, and vouchers) especially for the heavily affected regions and industries such as travel, accommodation, restaurants and bars, and entertainment sectors. To support the heavily affected regions, launch special discount packages (c.f., so-called Fukko-wari), which are also available to foreign visitors (e.g., providing travel coupons).
- Stimulate private consumption by lifting the upper limit for the rewards program using My Number (Social Security and Tax Number) Card.

Tax Support

- Establish tax breaks (tax credits, bonus depreciation, etc.) for investment in a wide range of machinery and equipment contributing to enhanced productivity. Reduce fixed asset tax on depreciable assets, including those of large companies (especially for new investment).
- Establish tax measures that will improve supply chain resilience.
- Expand loss carry-forward system and resume loss carry-back system for large

companies.

- Reduce automobile-related taxes to help bolster automobile demand.
- Swiftly extend policies supporting housing acquisition, including extension of moving-in deadline (December 31, 2020) for the purpose of housing loan tax credit in order to address delays in delivery of housing components, etc., which will help bolster housing demand.
- Expand gift tax exemption for funds to acquire housing.
- Consider reducing burden of fixed asset tax on land, buildings, etc.
- Ease conditions relating to return rate for travel vouchers, etc. offered as incentives under the *furusato nozei* hometown tax donation system for individuals.

Revitalizing Local Economies

- Support the retailers and distributors of SMEs, including local department stores.
- Implement joint public-private campaigns to enhance domestic tourism (including measures to counter reputational damages).
- Examine new quarantine schemes and obtain global support and cooperation to increase international flow of people.
- Promote greater consumption of domestic agricultural and fisheries products (strengthen production base, enhance distribution and logistics networks and boost their efficiency, promote cross-industry cooperation such as tourist farm-stays and providing vouchers redeemable at direct sales outlets, etc.).
- Promote compatibility with international standards and support acquisition of certifications to expand exports of agricultural, forestry, and fisheries products.

Expansion of Trade and Investment

- Realize free trade and investment by strengthening WTO functions, promoting Economic Partnership Agreements and Free Trade Agreements.
- Specify issues and propose solutions within the G20 framework to expand trade and investment.

Successful Hosting of International Events

- Foster momentum and implement a range of measures for the full implementation of Tokyo Olympic and Paralympic Games in 2021.

3. Investment towards Realizing Society 5.0

Promotion of Digitalization

- Promote digital government
 - Accomplish the three principles for digital government throughout national and local governments and unify personal data protection laws.
 - Accelerate widespread/mandatory use of My Number Card (including integration of driver's licenses) and implement full use of the My Number system as infrastructure (utilize for emergency supply measures and My Number point rewards).
 - Digitalize renewal procedures for license systems (including online courses).
 - Completely shift to digital and online application procedures of import/export.
- Digitalize the healthcare sector
 - Completely digitalize and standardize medical records.
 - Integrate personal medication data and medical examination records with My Number ID card system.
 - Build nursing care database.
 - Establish and utilize ID linked to personal life course data.
 - Build Personal Data Store and implement decentralized management of medical data using blockchain technology.
 - Establish Electronic Health Records and Personal Health Records (national network for health and medical care data).
 - Build platform for health and medical care data.
 - Promote open national database (for prescription data, metabolic-syndrome-specific health check data) and expand private use of the database.
 - Improve operation of the Act on Anonymized Medical Data (opt-out, etc.).
- Promote widespread use of EdTech
 - Construct and utilize mechanisms for delivering classes according to skill level and recording academic achievement.
 - Expand teacher training for EdTech.

- Develop systems for utilizing IT and securing human resources for inquiry-based learning (including use of outside human resources).
 - Develop rules for gathering, linking, and utilizing data required for individually optimized learning.
 - Disclose educational data such as national academic ability survey results.
 - Code educational credits and link data via learner IDs.
 - Support school administration via EdTech.
- Build infrastructure for data utilization
- Reinforce initiatives aiming for realization of “Data Free Flow with Trust” (DFFT) through the Osaka Track framework.
 - Open up access to public data and promote standardization at national and regional levels. (compile public data into machine-readable and secondary usable, format with open access, digitalize registers forming part of social infrastructure, and encourage further efforts and offer government support for opening up access to public data held by local public bodies).
 - Encourage distribution and re-use of pre-trained models (AI).
 - Construct infrastructure for data linkage.
 - Establish personal information protection legislation enabling companies to utilize personal data with the acceptance and trust of the relevant individuals.
 - Promote digital platform businesses.
 - Prioritize investment in human resources and technologies to strengthen cybersecurity measures.
 - Abolish data localization regulations.
 - Support digitalization of B2B transactions (especially shared electronic data interchange among SMEs).
- Enhance labor productivity in logistics through digital technologies.
- Swiftly build integrated supply chain platforms.
 - Enhance support for IT investment (introduction of robots, etc.).
 - Encourage R&D and infrastructure development aimed at deployment of innovative technologies such as vehicle platooning and drones.
 - Swiftly create AI-powered terminals in ports, etc.

- Drastically increase the public expenditure on Smart City model projects.

Tax Support

- Expand R&D tax schemes (upper limits for deductions, scope of eligible research and development expenses, etc.).
- Establish tax measures contributing to digitalization of the economy and society.
 - Establish support measures for investment in telecommuting and telemedicine equipment and facilities, etc.
 - Support infrastructure development underpinning digitalization of the economy and society.
- Introduce permanent rules for deferral of stock transfer losses and gains for shareholders resulting from mergers and acquisitions compensated with treasury stock, with a view to stimulating M&A activity even in the wake of an economic downturn.
- Expand support for urban redevelopment and revitalization projects.

Enhancing Investment towards Developing Social Infrastructures

- Promptly implement infrastructure development projects (ring roads around major cities, etc.).
- Resolve bottlenecks in traffic networks around major cities (build ring roads, use public funds for underground electricity and telephone cabling, eliminate rail crossings [using flyovers], develop Wi-Fi base stations, etc.).
- Accelerate replacement of aging social infrastructure with a view to disaster prevention and mitigation.
- Create an environment to expand investment in electricity infrastructure such as transmission and distribution networks.
- Promote public-private collaboration in innovation contributing to the creation of a decarbonized society.

Revitalizing of Regional Economies

- Promote local autonomies (remitting the administrative powers and revenues, allowing the flexible resource allocation) and Special Zones fostering local ideas.

- Encourage people to actively contributing to local communities regardless of their base and dual residency in different regions.
- Relocate government agencies outside the greater Tokyo Area.
- Accelerate building of Superconducting Maglev and new shinkansen lines.
- Create an environment conducive to promotion of MICE, travel mixing business and leisure, and “workcations (a combination of work and vacations)” (focusing on areas severely affected by COVID-19).
- Deregulate to advance technologies in the agricultural sector (drones, automated tractors, etc.).
- Accelerate the building of food value chains (encourage primary producers to diversify into secondary and tertiary industries such as processing and distribution [sixth-order industrialization] and expand support and promotion of technology and product development; improve advancement, efficiency, and productivity through digitalization of distribution and logistics networks; and support development of infrastructure for agricultural, forestry, and fisheries exports).

Encouraging Start-ups

- Develop an environment conducive to start-ups.
- Roll out measures to promote ties between large companies and start-ups.
- Expand public procurement, etc., strengthen support for overseas expansion, develop human resources with entrepreneurial skills, expand/continue corporate venture capital programs, and offer effective support leading to more start-ups securing risk money from overseas venture capital funds.
- Establish a start-up information database.

R&D Investment

- Steadily work towards goal of government investing 1% of GDP in R&D.
- To improve the quality of government R&D investment, shift from a “choice and concentration” approach to one of “strategy and serendipity.”
- Build an innovation ecosystem with a view to enhancing the “strategy and serendipity” approach.
- Ensure indefinite-term employment for young researchers.

II. Initiative by the Business Community

1. Maintaining Employment and Promoting the Practice of Flexible Working Style

Maintaining employment is our top priority. Even if employees' current work disappears, we will do everything possible to maintain jobs by reassigning them to other duties and utilizing the employment adjustment subsidy program to instruct them to take leave or undertake temporary transfers, etc. We will also encourage the use of down-time to invest in human resources by conducting proactive employee training and providing opportunities for people to hone their own strengths.

To prevent the creation of a second generation suffering "the employment ice age, a hard time for jobseekers" we will devote every effort to recruiting new graduates. While boosting transparency in the communication of recruitment information, we will do all we can to find ways of exercising maximum flexibility and enabling jobseekers to confidently apply for jobs, for example by extending application deadlines, conducting online seminars and screening, and adjusting schedules.

We will promote ways of working and training that are not constrained by time or place, such as staggered working hours and telecommuting. We will also encourage employers to build networks and use IT equipment to enable employees to work from satellite offices.

At the same time, based on the Keidanren Charter of Corporate Behavior, we will strive to deal reasonably with subcontractors and other business partners affected by the spread of COVID-19 infections.

2. Creating our Future Society (Realize Society 5.0)

While fully utilizing various resources including human and financial resources, companies will aim to realize Society 5.0 through drastic reform of economic and social mechanisms. According to estimates in the joint research report issued by Keidanren, University of Tokyo and Government Pension Investment Fund (“Expanding ESG, Realizing Society 5.0, and Delivering on SDGs,” March 2020), if Society 5.0 is realized through investment (totaling approximately 850 trillion yen over 15 years) in deployment of innovative technologies throughout society, it will generate new added value worth more than 250 trillion yen on an ongoing basis. Investment will be directed into a wide range of fields including smart cities, healthcare, mobility, manufacturing, FinTech, and energy and environmental technologies. Keidanren will devote all possible efforts to building the required social platforms and reforming regulations and systems to encourage companies to take up the challenge of creating new added value, and lead the creation of our future society.

3. Promotion of Public-Private-Partnership

Companies have already cooperated in various COVID-19 countermeasures in response to requests from the central and local governments public bodies. The business community will continue to act swiftly in collaboration with central and local governments.