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Opening a Pathway to the Next Sixty Years through Innovation 2005 New Year Statement

Kakutaro Kitashiro
Chairman of Keizai Doyukai

Introduction: Pursuing Innovation on the Occasion of Postwar Japan's Sixtieth Anniversary

This year marks the passing of six decades since the end of the Second World War and welcomes the arrival of postwar Japan's sixtieth anniversary.* As we stand at this historic juncture, it is our duty to recapture the ambitious spirit and creativity our forefathers displayed as they rebuilt the nation and embark upon the pursuit of innovation to open a pathway to the next sixty years.

In the sixty years since the end of the War, Japan has risen from the ashes of defeat and transformed itself into a great economic power. Unfortunately, the domestic systems that supported Japan's growth throughout this period proved insufficient in terms of response to internal and external change and have lost their effectiveness. The systemic fatigue now found in all fields, including the tax system, social security system, and local administration and finances, is severe, and it is no longer possible to correct this problem with stopgap measures. As Japan faces the problem of population decline resulting from falling birth rates, the country's debt of over 700 trillion yen serves as a warning that calls for movement away from existing frameworks and the creation of new ones.

The Japan of the future must engage in global competition for resources, talent, capital, and technology. It must also join with the international community to tackle problems that transcend national borders, such as global environmental and energy problems and the threat of terrorism. If these future challenges are

*Traditionally in Japan, a person's 60th birthday is considered particularly special and to signal the beginning of a new phase of life.

not met, and domestic industries, firms, and regions persist in their protection of vested interests, not only will we squander the wealth accumulated by our forefathers, but we also risk undermining the very foundation of the next generation's prosperity.

Now is the time to restructure the shape of this country to revitalize it and foster growth for the next sixty years.

1. Correcting the Form of the Separation of Powers and Creating a Policymaking System That Is Based Upon the Choices of the People

Prime Minister Koizumi must recognize that the success or failure of structural reform constitutes a watershed event the outcome of which will shape Japan's future. It is my hope that he dedicates the remainder of his term to working to bring this process to a successful conclusion. To eliminate the source of future calamities, the Japanese government must set a firm course leading to the creation of a private sector-led society through "small, efficient government." This requires that it immediately formulate policy instruments, set parameters for final expenditures and revenues, and produce an implementation schedule that will enable Japan to achieve a primary balance in its public finances.

In attaining these goals, controlling the excessive influence of government administration in policymaking processes and establishing a separation of powers in Japan have become pressing issues.

In concrete terms, it is necessary to work quickly to accelerate the transfer of power from "government to the private sector" and from "central to local governments" as part of the core task of structural reform to reduce the size of the public sector. In a period of rapid change when predicting the future is difficult, bureaucratic protectionism will do nothing but harm. The entire country must be invigorated through reform of "government markets" in fields that have been protected by regulation, such as healthcare, nursing care, childcare, and postal services, and by promoting the transfer of authority to regional and local governments.

At the same time, in order to use limited resources effectively, a framework

should be created that places government administration under political control and fully utilizes the choices of the people and popular oversight in policymaking. To accomplish this, party politics based upon manifestos must be established and public trust restored. Along with this, it is also necessary to work to improve the policymaking capabilities of the Diet by strengthening its functions in terms of both quality and quantity, and lay a foundation for strong leadership.

Through a process such as this that reduces the role of government bureaucracy, expectations for judicial review functions will increase to levels not previously seen. I would like to see the judiciary fulfill its responsibilities as the guardian of law and not assume an irresponsible, passive posture as it has in the past. To this end, the judiciary must be given the authority and function to make rulings in a proactive, independent manner concerning the constitutionality of laws and administrative orders. Specifically, the creation of a constitutional court should be discussed in the context of ongoing constitutional debates.

2. Working to Improve Business Competitiveness through New Value Creation and Thorough Implementation of Corporate Social Responsibility

The mission of corporate executives is to support economic growth in Japan and lead the country's efforts to innovate. The source of business competitiveness lies solely in the creation of new value, products, and services, and the execution of high-quality management that takes into consideration the perspectives of a wide range of stakeholders. We corporate executives must promote the creation of new business projects and the rationalization of the entire industrial structure. Along with this, we must work while engaging in international competition to invigorate our enterprises and organizations through continuing innovation.

In the midst of an endless string of scandals and antisocial acts perpetrated by corporations, it is essential that efforts be made to gain society's trust through steady implementation of the management principles of corporate social responsibility (CSR). Such efforts are important to the promotion of a sustained

expansion of corporate value as well.

In this sense, an executive must consider it his or her personal responsibility to proactively address a wide range of issues related to management, such as the reinforcement of corporate governance and the establishment of compliance, to breathe life into systems and formats, and to achieve effective completion of all of these tasks.

3. Making a Shift to Educational Reform That Motivates Educators

Japan's vitality and appeal are fueled by the diverse personalities and talents of individual people. Especially for a country that lacks natural resources and faces the problem of a shrinking population, human resource development is a critical issue that influences the nation's competitiveness.

We must not be complacent about the alarming decline in Japanese children's academic abilities, physical fitness levels, and motivational levels that seems so ironic in light of our serious concerns about the future of Japan's human capital. There is no longer time to spend on empirically groundless debate concerning "relaxed education" versus "cram education." Instead, it is necessary to establish new reform guidelines that are formulated with "the development of human resources to lead Japan's next generation" in mind based on reflections on past experiences and exhaustive analyses of current conditions.

When this occurs, I would like the direction of reform to be focused on motivating teachers who are in direct contact with children and "invigorating the classroom." A standardized education system managed by government bureaucrats will not produce creative, diverse personalities. The role of the central government in education should be limited to the setting of basic policies for reform, with all other powers entrusted to regional and local governments and individual schools.

As members of society, we corporate executives as well will continue to contribute to ongoing efforts to develop and make good use of human resources.

Conclusion: Corporate Executives' Resolve to Assume Responsibility in a Private Sector-led Society

Japan has emerged from a long period of stagnation and difficulties and is now entering into a new stage that provides a vision for the next sixty years. To restore Japan to its former glory and bequeath it to the next generation, each of us must pursue bold innovations without being constrained by the past.

Finally, we executives resolve to be conscious of the fact that our corporations are society's largest taxpayers and to continue to recommend choices that are best for the nation's long-term interests.