

April 27, 2011

## **Commitment to Growth**

### **Recovery from the Great East Japan Earthquake: An Opportunity for Reforming Japan**

Chairman's Address for the 2011 Annual Meeting

Yasuchika Hasegawa  
Chairman, Keizai Doyukai

#### **Introduction**

I express my heartfelt condolences to the families and friends of the victims of the Great East Japan Earthquake and extend my sincerest sympathies to all who have suffered in this disaster and continue to face many difficulties and discomforts. I also wish to express my deepest respect for all who are diligently and selflessly laboring in the rescue and restoration efforts throughout the disaster zone. Finally, I take this opportunity to convey my feelings of gratitude for the warm and reassuring expressions of support received from more than 140 countries and regions of the world and from 39 international organizations.

The current situation in Japan is such that all attention is turned toward the unprecedented destruction wreaked by the massive earthquake and tsunami, and to the clear and present danger posed by the troubles at the Fukushima Daiichi Nuclear Power Station, solutions for which are not yet in sight. At the same time, Japan is also confronted with numerous complex and multilayered problems that have for many years been neglected and postponed. It is no exaggeration to say that Japan today faces its greatest crisis since the period immediately after the end of World War II.

It is in such a time of crisis that I have been appointed chairman of Keizai Doyukai, an organization so rich with tradition. While it is not for me to tell whether the timing of my appointment was coincidence or an act of fate, I am painfully aware of the weight of the

responsibility that comes with this appointment. Quite literally, I am bracing myself for the responsibilities that I have assumed.

I come to this office with a solemn commitment to make the best possible effort, and with a belief that it is only through the constant support and cooperation of many colleagues that I will be able to perform my duties. With this in mind, I pause here to make a sincere appeal to all the members and stakeholders of Keizai Doyukai for their abiding support and guidance.

As chairman of Keizai Doyukai, there are two objectives that I am determined to achieve. The first is for Japan to overcome the current crisis and to rebuild itself as a nation brimming with energy and hope so that real improvements can be made in the safety and security of our lives and the people of this land can look to the future with a sense of hope. The second is for Japan to win the confidence and trust of the countries of the world as a nation that plays a key role in contributing to peace and prosperity throughout the globe.

## **1. Overcoming the Disaster to Create New Vistas of Hope for the Future**

The Great East Japan Earthquake has caused destruction on an unprecedented scale. In witnessing the suffering of those whose lives have been destroyed by this disaster and the ongoing difficulties faced by the affected areas, one is made to realize before all else the importance of mounting a united and all-out effort for supporting the recovery and reconstruction of the disaster-stricken areas. These efforts no doubt must be led by strong political leadership and supported by all organizations and agencies throughout Japan, as well as by all individual citizens. To light the torch of hope for the people in the affected areas, these efforts must involve the formulation and implementation of a well-timed series of medium- and long-term recovery and restoration plans.

Thus far, Keizai Doyukai has issued two Urgent Appeals and formed the Project Team for the Reconstruction from the Great East Japan Earthquake. The project team has already launched studies aimed at formulating proposals for restoration and reconstruction and has initiated a series of activities for verifying and making recommendations regarding preparedness for other massive earthquakes that may

occur at any moment, including a near-field quake in the Tokyo Metropolitan Area and a Tonankai earthquake.

At the beginning of this year, Keizai Doyukai published its *Vision of Japan 2020*, a presentation of the comprehensive vision that we have developed for the future of Japan. Soon after the release of this document, Japan was visited by the recent natural disaster. But we do not feel that the disaster has made it necessary to make major changes in this vision. Needless to say, recovery and reconstruction projects in areas affected by the disaster will require additional fiscal spending, which will very probably delay the achievement of a primary fiscal balance. Taking such factors into consideration, some minor adjustments may be unavoidable. However, our position is that a blueprint for recovery and reconstruction should be drawn up in line with our vision for the future of Japan. In fact, we believe that the recent disaster has added greater urgency to the realization of this vision.

We should not allow ourselves to overlook or forget the impact that this disaster has had on global society. In particular, we must be mindful of the international implications of the accident at the Fukushima Daiichi Nuclear Power Station. Not only has the clumsy response to the accident and mismanagement in disclosure and transmission of information critically damaged global society's trust and confidence in Japan, but widespread distrust in the information provided on radioactive contamination has led to a mass exodus of foreigners living in Japan, a dramatic drop in the number of foreign visitors, and excessive and unreasonable measures for the stoppage of shipments of agricultural and fishery products and refusal to market such products. The direct economic losses generated by these reactions are enormous.

The disaster-stricken areas are home to a large number of manufacturing facilities specializing in advanced industrial parts and components. Many of the facilities were destroyed and forced to suspend production and shipment. The interruption of supplies became a source of grave concern not only for domestic manufacturers but also for manufacturers located throughout the world. However, in order to restart production in these critical facilities as soon as possible, recovery support teams were sent in without delay from other divisions of the affected companies and from companies that rely on these manufacturers for their supplies of parts and components. This form of cooperation among private businesses, drawing on our experiences from past earthquakes and natural disasters, is something that Japan can be proud of.

Nonetheless, any stoppage of supplies or adjustment of shipment schedules makes it very difficult to maintain the trust of overseas customers, and we must be aware that the process of regaining trust will be a time-consuming one. Once the current situation settles down a little, it will be extremely important for the central and local governments and businesses to carefully analyze this disaster and to draw lessons that can be put to use in preparing for and responding to future natural disasters.

## **2. Commitment to Growth — Why Growth is Necessary Now**

### **(1) Japan Contributing to the World**

The population of the world will surpass the 7 billion mark during this year. Current projections indicate that global population will continue to grow and peak at about 9 billion in 2050, after which it will gradually decline. Most of this growth is expected to take place in Africa and Asia, including the Middle East. It is very clear now that actions will have to be taken over the next 40 years, particularly in these regions, in response to such global challenges as climate change and shortages in food, water, and energy caused by rapid population growth.

Advanced industrialized countries which have faced these challenges must cooperate with the newly industrializing economies to provide the developing world with their accumulated knowledge, technologies, and funds to contribute to the solution of the problems that hamper the growth and development of these countries. I believe this to be the most realistic strategy available to the world. Judging from this perspective, the reduction of Japan's ODA budget to help finance the disaster-recovery effort would be a very questionable policy choice.

We should bear in mind that Japan's contributions need not be limited to the sharing of knowledge, technologies, and funds. Over many centuries, Japan has fostered lifestyles that are in harmony with nature, and the spirit of thrift and frugality that is encapsulated in the uniquely Japanese phrase of *mottainai* finds ample room for expression in the contemporary concepts of the 3Rs (reduce, reuse, recycle). I believe that these are values truly worthy of being shared with the rest of the world. To be able to perform this important role, it will be necessary for Japan to take the lead in innovation and to continue to grow.

## **(2) Japan Contributing to the World**

The tireless endeavors of my predecessor, former chairman Masamitsu Sakurai, during his two terms of office covering four years were brought together in *Vision of Japan 2020*, and the task of realizing this vision has now been entrusted to me. It is my conviction that the realization of economic growth holds the key to the solution of all challenges and must remain my top-priority goal throughout my tenure.

Keizai Doyukai is committed to pursuing a certain vision for the future of Japan. To express this vision in my own words, I have organized our vision into two broad categories of objectives. As the first aspect of our vision, our objective is to create a country brimming with vitality and energy. This is predicated on the assurance of safety and security, and an environment allowing all members of society to enjoy a measure of stability in their lives. For the achievement of this purpose, the people, businesses, and government must commit themselves to the pursuit of both qualitative and quantitative affluence. The second aspect of our vision is for Japan to emerge as a country that the world simply cannot do without. This entails mobilizing all the wealth, knowledge, technologies, human resources, and values that we have been blessed with to contribute to world peace and prosperity.

Japan faces a special challenge in that it must break through the limits of growth under conditions of decreasing population. Success hinges on our ability to achieve dramatic improvements in per capita productivity. If they are to survive the 21st century, countries and businesses alike must cope with the same key tasks of responding to globalization and diversification, and pursuing innovation. The forces of globalization cannot be avoided. To respond effectively to globalization, Japan must rid itself of its inward orientation and make a conscious effort to capitalize on the vitality of other countries. Japan must strive to foster creativity, not in a homogeneous setting, but in an increasingly diverse environment. Its energies must be channeled toward human resources development and R&D. Creativity and entrepreneurial spirit must be greatly encouraged and supported to bring about continuous innovation. These are the requirements for the achievement of higher productivity and growth, and these tasks mark the one and only available path for building a new Japan.

## **(3) Japan Contributing to the World**

To realize these goals and objectives, we must take decisive steps in areas where reform has thus far lagged behind. Here, we are reminded of former US Vice President

Al Gore who criticized those who ignored the signs of impending global warming and failed to take preventive action, proclaiming that for such people, global warming was nothing but an “inconvenient truth.” In much the same way, we find that many difficult problems that face Japan have been for too many years shunted away as inconvenient truths. These include the upheavals in our social and economic environment, such as the declining birthrate and the aging of society and the inexorable march toward globalization. They also include such incontrovertible realities as the enormous volume of long-term debt that has come to burden our central and local governments, the unsustainability of our social security systems, and the serious disparity in the value of ballots cast in elections. I feel that we have for too long turned our eyes away from these inconvenient truths and have remained ensconced in our existing systems and mechanisms.

It is we, the corporate managers of Japan, who bear the heaviest responsibility in translating the hope of economic growth into reality. Therefore, we must be the first ones to look directly at these inconvenient truths and engage in a process of constant and uninterrupted reform.

I see that there are three specific steps that we must take as corporate managers. As our first step, we must enhance our presence in the fast-growing markets of the world and endeavor to globalize our management. To engage in intensive and excessive competition within the confines of our shrinking domestic markets is futile and can only lead to mutual attrition. It is far more important and necessary for us to reorganize and integrate our industrial structure so that we can compete head-on with the leading global players, for it is through this process that we can enhance our presence in the fastest-growing markets of the world. There are many concrete tasks that must be performed if we are to be successful in these undertakings. Specifically, we must make our corporate organizations more responsive to the processes of globalization, strengthen our mechanisms for risk management, and take bold action in recruiting and training human resources.

As our second step, we must address the challenges of acquiring and effectively utilizing highly diverse human resources. Organizations characterized by homogeneity are unable to accurately gauge diversifying market needs, nor can they hope to survive in an environment of intense global competition. What we must do now is to recruit and to utilize outstanding human resources gathered from not only within Japan but also

from all corners of the world with no regard to age, gender, and nationality. In the case of Japanese companies, how to promote the greater involvement of women stands as the most critical challenge. The government has established the goal of increasing the level of women in leadership positions to 30 percent by 2020. But it is up to the business community to take the initiative in accomplishing this goal.

The third step that we must focus on involves the promotion of innovation and the creation of new businesses and industries. Needless to say, constant innovation is the wellspring of corporate growth. We must continue to innovate and endeavor to stay half a step or a full step ahead of the competition at all times. Today Japanese society and the countries of the world are confronted with a myriad of problems, such as declining birthrates and the aging of society, poverty, illness and infectious diseases, global warming, and encroaching shortages of food, resources, and energy. However, within the needs that must be met for solving each of these problems there are new frontiers of growth. Businesses must become actively engaged in innovations that are focused on solving these and other problems and take on the challenge of creating new businesses and new industries. In a rapidly changing environment, the risk of doing nothing is often larger than the risk of undertaking new challenges. Now is the time for us to reflect on this.

Only after businesses are emboldened with firm determination and take speedy action in these areas will it be possible for Japan to make a true recovery from the recent disasters and to rebuild itself as a nation full of vitality.

#### **(4) Government Commitment to Growth**

The role that the government must play in the realization of economic growth must be to have faith in the activities of the private sector and to create an environment conducive to the maximum development and expression of its energies and initiatives. Therefore, we look forward to the government promoting general regulatory reform backed by a strong political commitment and taking action in the following areas: contributing to the successful conclusion of the WTO Doha Round; promoting the conclusion of free trade agreements and economic partnership agreements, including the Trans-Pacific Strategic Economic Partnership Agreement; expanding the intake of highly skilled human resources from abroad; encouraging foreign direct investment in Japan by lowering corporate tax rates and creating a more attractive environment for corporate activities; and introducing a *doshu* (super-prefecture) system based on

regional autonomy. In pursuing these initiatives, we earnestly hope that the government will make the greatest possible effort to establish the foundations for growth and to make a firm commitment to the realization of economic development.

We must recognize that we live in an age when serious mistakes can be made if we respond to these challenges as purely internal and domestic matters. In a world of ever-accelerating globalization, countries are turning to strong political leadership to formulate and implement national strategies in response to these challenges. It is essential for us to realize that Japan cannot be the only country hesitating to take this path.

From this perspective, we are issuing a forceful call to our politicians to stop averting their eyes from these inconvenient truths and to exercise strong leadership in confronting these problems directly. Many of Japan's social systems were created on the premise of population growth and accelerated economic expansion, and in many cases this proposition has remained unchanged. As a result, the deadlock is most evident in our social security systems, including our public pension, long-term care, and healthcare systems. It is indeed a source of extreme regret that no fundamental solutions have been proposed for dealing with these critical problems. ID numbers would serve as the basis for the social security systems, and it represents nothing other than negligence on the part of politicians and the political system that the government has so far failed to assign ID numbers to all individuals.

While examples of other long-avoided inconvenient truths abound, there is one more that I would like to mention here, which is the problem of vote-value disparity. On March 23, the grand bench of the Supreme Court rendered a very clear and nearly unanimous (14 to 1) ruling on the unconstitutionality of apportionment in the 2009 lower house elections. The implication of this ruling is that lower house elections cannot be held until the current apportionment of seats is revised. Although the Constitution of Japan guarantees full equality for all citizens, this glaring failure to live up to a central principle of the Constitution has long been ignored. However, with the recent ruling, it no longer can be neglected. I believe that this vote-value disparity is linked to the core of many of our national problems. Any further postponement of the resolution of this problem cannot be countenanced.



We call on all members of the Diet to bear in mind that the Diet and the political parties are special and unique among all of society's individuals and organizations in that they alone are empowered to enact laws to regulate themselves. And we call on them to reflect this awareness in their conduct. In other words, what is required of all politicians is a high ethical awareness and a commitment to always putting the interests of the country before their personal interests as a politician.

### **3. Self-Reforming and Self-Initiating Keizai Doyukai**

The prospectus drafted by the founders of Keizai Doyukai contains the following statement: "We stand ready as members of the business community to dedicate all our efforts to the construction of a new Japan." Having experienced the unprecedented destruction caused by the Great East Japan Earthquake, this indeed is the sentiment that once again draws us all together today. This tradition of selfless commitment fostered and handed down by successive generations of our predecessors is alive within us today with its full dynamism. Now it is our duty to further develop and strengthen this tradition and to pass the torch to future generations. The membership of Keizai Doyukai consists of high-minded corporate managers who have come together in their individual capacities, ready to engage in free and frank discussions in an environment unfettered by the interests of any company or industry. It is a source of pride for us that out of this free and unobstructed exchange of ideas have come many bold and farsighted proposals for the promotion of national prosperity and the well-being of the people. This is a tradition that must be cherished and carried forward.

On the other hand, an increasing number of proposals and opinions are being brought to the arena of public debate from various quarters of society, and we are aware that, as a result, the proposals of Keizai Doyukai have lost some of their former appeal and farsightedness. By no means am I going to ignore these facts as inconvenient truths. Rather, I am calling on all members to join in implementing the following three bold reforms in this area.

Our first line of action must be to bolster our ability to translate our proposals into reality. Numerous policy issues have already been thoroughly analyzed, and concrete solutions and measures have already been proposed. However, many of us are frustrated to see that action is not taken to choose the best available solutions and to put them into practice. If not translated into reality, even the best solution is no better

than pie in the sky. Ideally, we would like to witness the adoption and materialization of all our proposals. But taking a more realistic approach, I would like to arrange the various proposals of Keizai Doyukai in order of priority and to devise methods for ensuring the realization of our highest-priority proposals. This will entail some fundamental changes in how our committees function and think. Therefore, I am calling on our committees to develop and maintain a very strong awareness of what it will take to translate proposals into reality. This will require the committees to very clearly define the questions before them and to go so far as to formulate their proposals in such a way as to consciously eliminate factors that may obstruct the realization of their proposal.

The second requirement is for us to strengthen our powers of action. I am calling on all our members to develop a sharpened consciousness of their responsibility to take action for the realization of our proposals. I earnestly request that any possible action, no matter how minor, be pursued with full vigor. It is not enough to merely criticize politics and government administration. Rather, we must commit ourselves to standing at the forefront of change and to steadily putting into practice whatever we can, both as individuals and as companies, so that we can present ourselves as examples to others. I take this opportunity to solemnly state that I myself am prepared to stand at the forefront of such initiatives.

Third, Keizai Doyukai must endeavor to gain a stronger voice and to become a more powerful initiator of thoughts and ideas in the international arena. Toward this end, we will actively engage in networking at international conferences where opinion leaders gather from around the world to identify global issues and to build international consensus. Examples of such conferences where we will seek to enhance our presence include the World Economic Forum (Davos Conference), the Trilateral Commission, and the G20 Business Summit. As Japan has gradually become more inward looking in recent years, the number of Japanese participants in these international conferences has been decreasing, both from the business community and from the ranks of our nation's opinion leaders. Sadly, this trend has reduced Japan's presence and influence in the international arena. Although most of these conferences do not produce binding decisions and resolutions, participation and presentation of one's views are extremely important. Keizai Doyukai will prioritize what we believe to be the most important international conferences and will call on the cooperation of its

members for developing a systematic plan for participation. Your support in this matter will be greatly appreciated.

## **Conclusion**

The Preamble of the Constitution of Japan contains these words of hope and determination: "We desire to occupy an honored place in an international society." This I believe very faithfully reflects the combined hopes of the people of Japan immediately after the end of the war, when all eyes were turned to the promise of future recovery and reconstruction. Today Japan is confronted by problems and challenges of equal scale and severity, and it is now that all the powers and knowledge of the nation must be brought together to overcome the present crisis, to rebuilt Japan as a land brimming with vitality, and an incomparable country that the world simply cannot do without.

What must we do to ensure that an even larger number of countries will turn to Japan with a sense that we are an irreplaceable nation? This is what I believe to be necessary: Even in the moments of greatest adversity, we must continue to increase the flow of our ODA and technical assistance to the poorest countries and the developing countries of the world and at the same time share our values. The Constitution of Japan states, "The Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes." We have long abided by this principle of pacifism. The propagation of the value of pacifism throughout the globe will help solve the problems of poverty by bringing stability to the war-torn areas of the world. Furthermore, as I previously mentioned, by propagating a culture that values harmony with nature as well as lifestyles guided by the spirit of thrift and frugality as epitomized in the expression *mottainai*, I believe that we can contribute to minimizing the impact of population and economic growth on the natural resources and environment of the world.

I close my inaugural address with these suggestions.

Thank you.