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Taking Responsibility for Structural Reform

Annual Outlook 2000

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Introduction

We are now at the dawning of a new millennium, as we welcome in the last year of the 20th century. The world has been shaken by the rapid progress in information technology and globalization, and the 21st century has begun to show a great potential as an era for the creation of a new human civilization. During the 20th century, Japan grew to become the world's second largest economy, but during the past decade our nation has been pressed by the need to drastically reconsider the very foundations of our entire society, including our established systems for politics, economics, government administration, education, science, and technology.

We are attempting to enter into this new era amid expectations and anxieties regarding the future while the resistance to economic reforms is being re-intensified and our structural reform efforts are still half complete.

Today, a resolute stance toward structural reform to realize a private-sector driven economy is indispensable to open up a bright outlook for the 21st century. This is also the demand of the international community, and the nations of the world, especially the nations of Asia, are closely monitoring the revival of the Japanese economy with a great deal of anticipation.

This is the year in which we must vigorously push forward further with structural reforms to place the Japanese economy firmly on an autonomous recovery path. We executives bear a grave responsibility to ensure that the year 2000 will lead to a bright 21st century.

1. Disciplined and Responsible Politics to Establish Credibility

The most important issues facing the nation today are to clarify Japan's image for the new era and to eradicate the people's anxieties regarding the future. To these ends, Japanese politics must establish credibility through policy administration that is disciplined.

One of the central issues in this field is the restoration of fiscal discipline. Our national finances are already in a critical condition. In preparing the fiscal 2000 budget, the Diet should strictly scrutinize the content of all government expenditures from the perspectives of efficiency and effectiveness, without assuming the compilation of any supplementary budgets. The fiscal 2001 budget should then mark the start of Japan's fiscal reconstruction. We must specify concrete targets and methods leading to true fiscal reform, including our tax and social security systems, and rapidly initiate discussions on revising the Fiscal Structural Reform Law, which is presently frozen.

2. Japan Should Take the Initiative to Promote Globalization

Turning to the international arena, as the host nation for the Kyushu-Okinawa Summit, Japan will bear a great responsibility for international economic issues throughout this year. Having witnessed the recent backlash against globalization, Japan must now manifest leadership toward the sound and stable development of the global economy. In this regard, we must first clearly demonstrate our determination to steadily move forward with the structural reform of our own economy. Beyond this, Japan is expected to take the initiative in devising concrete plans for the reform of international financial organs, which is an outstanding issue remaining from the Cologne Summit, and towards restarting the framework negotiations for the next WTO round.

Moreover, the 2000 summit will provide an ideal opportunity to make an appeal for the role of Japan and all of Asia in contributing toward the establishment of a new world order for the 21st century. From now until the summit meeting, Japan should not fail to conduct sufficient dialogue with each of the Asian nations.

3. Executives Should Display Leadership via Creative Corporate Reform

The greatest responsibility of Japanese executives today is to seize the initiative for structural reform and a self-sustaining economic recovery through their own responsible behavior. Creative management reform can only begin once executives have the determination and courage to accept the responsibility for opening up their own futures.

This year, we, the mindful Japanese executives, will deal with the following three issues.

First, we must move forward with our efforts to deal with the remaining aftermath of "past excesses," earnestly and without delay. As a matter of course, executives must take a responsible attitude toward employment.

Second, our efforts must not be limited to past-oriented restructuring. We must move forward into the second stage of corporate restructuring by accepting the challenges of founding new businesses and constructing new business models, thus leading to a raise in competitiveness and the creation of new employment opportunities. In particular, the accelerating information technology revolution will expand business opportunities for all industries beginning with information-related industries, and generate radical reforms in business operations and organizational structures. To take advantage of this great potential and realize continuous growth, we will have to change the very foundations of our management structures and corporate cultures in an expeditious and flexible manner.

Third, we must boost our management transparency and accountability to globally acceptable levels, establish corporate governance that will ensure management discipline, and strive to increase our credibility in the market and in society at large.

Conclusion

From our individual standpoints, the citizens of Japan, in various capacities, are all facing harsh choices concerning the paths we should pursue toward the creation of a new nation. This year, an election will be held for the House of Representatives, and this election will determine the direction of the nation for the beginning of the 21st century. Each political party should now clarify its policies to open up the outlook for our nation's future. In particular, the political

parties should clearly and concretely indicate consistent, long-term policies for the issues that lie at the root of Japanese citizens' anxiety toward the future, namely the future structure for pensions, medical care, nursing care and the other aspects of the national social security system, including how the benefits and burdens will be shared.

We sincerely hope that Japan's corporate executives and other citizens will all make responsible choices on these and the other issues that will determine our own futures as well as the lives of future generations.

Thank you very much.