

## **Make 2020 the Year for Japan's Relaunch**

### **2020 New Year Message**

January 1, 2020

Keizai Doyukai

We have reached the first new year of the Reiwa imperial era. The year 2020 will be an important one for Japan, during which it will host the Tokyo Olympic and Paralympic Games. As the world reels from the effects of fragmentation and discord, it is significant that these festivals of sport celebrating diversity and harmony are to be held in Japan. We would like Japan to use the success of these events as a new departure point to make this the year in which it rises to the challenge of transforming itself as a nation and relaunches itself on the path to a sustainable future.

#### **1. Japan's Challenges and Role within the World**

The 30 years of the recently ended Heisei imperial era were a period of stagnation for the Japanese economy. Japan and its corporations were slow to reinvent themselves, proving unable to address structural issues such as overall population decline, a dwindling birthrate, and the graying of society, as well as the worldwide trends of globalization and digitalization. As a result, the path toward sustainable economic growth remains unclear, and the sustainability of society itself is under threat.

In the wider world, advancing globalization and digitalization have brought increased economic disparity and social fragmentation, creating the conditions for the emergence of populist politics characterized by unilateralist tendencies, and authoritarian regimes. Meanwhile, the world is witnessing increasing fragmentation and discord between the current generation and the future generation, and between developed nations and developing nations, as epitomized by the climate change issue.

Against this backdrop, Japan is now one of only a few countries that advocate international cooperation and free trade guided by the universal values of liberty and democracy. As a country that has also made steady progress in using technological prowess to overcome issues such as pollution and restricted availability of resources, Japan should now perform a more prominent role within the international community.

As it seeks to make up for lost time in addressing globalization and digitalization, Japan should lead the world in pursuing innovation that avoids placing strain on society and in rule-making based on fairness and trust. It should present a model for an optimized society and put this model into practice itself.

## **2. Rising to the Challenge of the Digital Revolution**

### **(1) Committing to Corporate Reform**

The digital revolution has now reached a new stage in which cyber technologies and physical technologies are merging, most notably in the form of MaaS (Mobility as a Service) and digital health applications. For Japanese companies that command advantages in organizational capabilities supporting operations, and in hardware, it is a prime opportunity to catch up after lagging far behind in creating new businesses that exploit real-world data.

As corporate executives, we acknowledge that the responsibility for innovation lies above all with us, and we will pursue corporate reforms that address the digital revolution accordingly. We are committed to fundamentally changing the forms our companies take—whether by self-disruption or otherwise. To that end, we will drive through genuinely effective diversity and open innovation, reviewing every single aspect of business administration, including organizational structure and personnel systems, and promoting digitalization right to the ends of supply chains.

### **(2) Implementing Innovations in Tokyo and Japan**

In order to optimize our society, we must change Japan, and Tokyo in particular, making them locations where innovations exploiting real-world data

are implemented. The first step is to establish a cutting-edge communications environment that combines a world-class fiber-optic network with the 5th generation (5G) mobile communications system currently under development. One key contributor to this endeavor is Tokyo metropolitan government's Tokyo Data Highway initiative; we look forward to its speedy accomplishment.

### **(3) Providing Leadership for International Rule-Making**

As societies change so that data becomes the primary source of economic value, many people feel worried and unhappy that vast volumes of personal data closely related to their privacy are being processed internationally, while they themselves are unable to keep track. To ensure that societies optimized through digital innovation are also founded on fairness and trust, Japan should lead the world in making rules to govern distribution and use of data, digital taxation, and establishment of the necessary conditions for competition, making the government's Headquarters for Digital Market Competition created in fall 2019 central to its efforts in this regard.

For the same reason, Japan needs to act ahead of other countries in pursuing development of its own internal regulations and rules so that it can serve as an example to the rest of the world. We need to start by expediting regulatory reform in areas that enable a large number of citizens to experience the benefits of digitalization at first hand, such as online consultations with physicians and pharmacists, and automated driving.

## **3. Striving for Sustainability**

### **(1) Ensuring Fiscal Sustainability**

The current generation is responsible for ensuring fiscal sustainability for the sake of future generations. While we commend the government's increases of the consumption tax rate on two occasions, however, given that revenues and expenditures are two sides of the same coin, curbs on expenditure are also essential, including moderation of continuously burgeoning social security spending. In tandem with such curbs on expenditure, radical redistribution of the funding burden is also indispensable. As a first step toward this, the government's Planning Meeting on a Social Security System Oriented to All

Generations should present a comprehensive overview of a social security system encompassing pensions, medical care, and nursing care, according to the principle of ability to pay.

When undertaking reforms relating to fiscal expenditure, we must ensure that the funding burden is not simply postponed as a result of considering only the interests of the current generation. We should also give thought to the interests of future generations who do not yet have voting rights. Last year, Keizai Doyukai (Japan Association of Corporate Executives; hereafter, Doyukai) recommended establishment of an independent fiscal institution to present the future outlook for the economy, public finances, and social security from an objective point of view. We look forward to nonpartisan discussions aimed at promptly establishing this body and undertaking subsequent administrative reforms; Doyukai will take steps to mold public opinion as necessary.

## **(2) Ensuring the Sustainability of Regional Communities**

In recent years Japan has faced a spate of previously unprecedented natural disasters, and last year huge damage was incurred. We need to change the way we perceive these disasters: we have now entered an era in which such occurrences are no longer abnormal weather events, but have become established as the “new normal.” In such circumstances, updating all disaster mitigation-related infrastructure suffering from wear and tear in line with new safety standards would leave behind a massive burden of costs for the future. We should therefore employ a combination of strategies, such as smart maintenance using digital technologies and consolidation of residential areas, in order to instead leave behind social infrastructure that is resilient, yet compact, and helps to increase regional productivity.

The key to doing so will be digitalization within local governments aimed at giving fully transparent access to local information. Under the leadership of the national government, we must first standardize local governments’ information systems and create the connections necessary to share data among local government organizations, local residents, and public facilities.

## **(3) Contributing to the Sustainability of the Global Environment**

The world is facing mounting challenges including poverty, disease, food

shortages, environmental issues, and energy-related problems. Climate change in particular is an intractable issue around which individual countries' interests are at cross-purposes, as demonstrated by the COP25 UN Climate Change Conference at the end of 2019. Against this backdrop, Japan should declare to the world its firm intention to leverage advanced technologies to contribute to reducing greenhouse gas emissions at the global level.

As moves toward abandoning fossil fuels gain momentum around the world, Japan should accelerate its R&D addressing areas such as renewable energy sources, energy conservation, and power storage technologies. At the same time, Japan should be persistent in pointing out that, for coal fired power generation too, deployment of its state-of-the-art technologies would result in substantive emissions reduction.

#### **4. Doyukai's Challenge**

Last year Doyukai set the target of making Japan not only valuable, but indispensable, to the common good of the world. The Japan we should bequeath to future generations is a country with a distinctive culture that merges disparate values and prizes a long-term perspective, forming the basis for innovation centered on cutting-edge technologies, that helps to resolve issues at home and overseas.

In order to share this ideal widely throughout society at large and pursue concrete measures to make it a reality, Doyukai will engage in repeated dialogue with a variety of stakeholders inside and outside Japan, focusing particularly on the young people who will assume responsibility in the generation to come. In other words, the challenge Doyukai has set itself is to take action to achieve diversity.