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A New Policymaking Apparatus to Guide the Strategy for Japan's Revival

Overcoming the Risk of Sinking into Oblivion to Make Japan Not Only Valuable, but Indispensable, to the Common Good of the World

Chairman's Remarks at the Fiscal 2020 Annual Meeting

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Recently the declaration of a state of emergency relating to the novel coronavirus was lifted throughout Japan. We in Japan have, for the time being, managed to survive the first wave of a crisis that has exceeded our expectations. Allow me to pay my sincere respects to everybody who has worked with an unparalleled sense of duty and professionalism to preserve and sustain people's lives, daily life, and social activities during this time. The dedication of these people, and above all, the behavior of many citizens of Japan, who have demonstrated consideration for others and self-control, can be said to embody the traditional Japanese mindset and virtues. The crisis we face appears to have calmed down for the moment, but it is not completely over. Rather, it is now that the challenge to explore the roots of the crisis and adapt to a new reality is about to begin.

In December 2018, Keizai Doyukai (Japan Association of Corporate Executives; hereafter, Doyukai) announced its policy proposal entitled *Japan 2.0: Designing an Optimized Society*, in which it signaled to society at large the direction in which Japan should be heading amid revolutionary change worldwide. Since becoming chairman of Doyukai in April 2019, I have taken up this vision and considered it deeply with a view to further developing it from my own perspective, but the circumstances surrounding us are now changing faster than anybody could have imagined.

So, as I embark on my second year of activities as chairman, I would like to offer some remarks on how Doyukai, as an association that brings corporate executives together, should regard the changes in the historical environment, how it should deal with the challenges before us, and how we as individuals should fulfill our roles.

1. Beyond the Coronavirus Crisis:

Draw on the lessons learned and make changes to address an uncertain future

The worldwide spread of the novel coronavirus is having major impacts in all spheres of life, from individual lifestyles and values, ways of working, business

models, and relations between individuals and society, to the entire international order. These impacts will certainly not be temporary; they will lead to irreversible change for human society.

Even before the coronavirus crisis, human society was facing challenges and distortions brought about by the tides of transformation represented by globalization and digitalization. It seems to me that this crisis has brought such problems to the fore all at once, and is now amplifying them.

The first of these problems is the social disruption and economic disparity resulting from accelerating digitalization. The tides of technological innovation and digitalization have made people feel increasingly insecure due to predictions that these transformations could have a destructive impact on existing industries and business models, and cause “jobs for humans” to be replaced. What is more, there are concerns that unequal access to data, which comprises the source of value and wealth, will increase economic disparities to an irreversible level.

Over the past few months, we experienced a situation in which we had to reduce physical contact between individuals and travel to an extreme degree. It is probably now inevitable that this situation will become the turning point for the infrastructure supporting social and economic activity to shift fully to digital. It is foreseeable that adaptation to this change will determine competitive advantages among countries and companies and further boost the unassailable dominance of the platform providers responsible for digital infrastructure, generating even greater economic disparity.

The second newly apparent problem is that the assumptions that have underpinned the stability of the international community in the past are faltering, and we need to be well aware of the danger this presents. The confrontation between the United States and China originally triggered by trade frictions has further intensified as the coronavirus crisis has spread, and now appears to have reached a stage where no scope for compromise remains. The dynamic between these two superpowers will inevitably force other countries and regions to reassess their own place in the world. What is more, although Japan, the countries of Europe, and other developed nations have in the past shared the common principle of an international order comprising multilateral collaboration based on democracy and capitalism, in today’s world, leaders who follow this principle are increasingly in the minority.

The third issue highlighted by the coronavirus is that everybody throughout the world has experienced at first hand how crucial the sustainability of human society is. In the wake of a whole range of disasters that have rampaged across the world, we have witnessed a rapid increase in advocates proclaiming the urgency of the climate change issue and other global challenges, as well as the importance of passing sustainable societies on to future generations. The current crisis has once more evoked the risk that humankind’s various activities could affect the natural environment, and that could rebound against us in an unexpected form. It has also clearly illustrated that there is no sanctuary anywhere in the world, and that action on global issues, such as pursuit of the United Nations’ Sustainable Development Goals, is not for the sake of “somebody else,” but is very much to ensure our own personal survival, safety, and prosperity.

This will certainly not be the last time we are subjected to a shock out of the blue that is beyond what humankind could ever have anticipated. Are we able to use these lessons learned at the expense of precious lives lost worldwide to bring about actual change and action? Can we reimagine resilient societies that are capable of sustainably pursuing development and growth, even amidst uncertainty? Those, I believe, are the key questions right now.

2. Japan's Risk of Sinking into Oblivion: Employ strategies and action to leverage our own strengths

So, where is our country, Japan, within this historical context?

Unfortunate as it may be, I believe it is impossible to fully discount the possibility that Japan could be further left behind by worldwide trends, becoming a marginalized country that has no choice but to passively subject itself to the dynamics of international politics and global economics, sinking into oblivion within the international community.

Historically, Japan has responded to national disasters and crises by decisively changing course, pulling together as a nation to adapt to new circumstances, and following a path toward growth and prosperity. However, since the 1990s, when Japan's third greatest crisis after the Meiji Restoration and the end of the Second World War was declared, this country has remained completely incapable of demonstrating such resilience and flexibility, and appears to have been coerced into the present situation little by little, like a frog in slowly boiling water.

Looking back over the last 10 years or so, we have experienced unprecedented crises such as the 2008 global financial crisis, and the 2011 Tohoku earthquake and tsunami, and have just about managed to survive them. Each crisis brought repeated recommendations to resolve structural issues that had been put off for later and warnings not to miss the last chance for reform, but despite this, these calls to action petered out with no progress made as the immediate crises were brought under control.

Whatever changes may occur in the international environment, the prerequisites for Japan to survive in the world are essentially unchanged. Partly due to its geographical location surrounded by sea, Japan has historically retained only weak linguistic, religious, and ethnic connections to the regional bloc within which it is located, making it a unique entity. For that very reason, this country cannot guarantee its own safety and the prosperity of its people without maintaining ties and solidarity with other countries that share its basic values, or engaging in the exchange of economic value.

Japan's only possible basis for survival is to be not only valuable, but indispensable, to the common good of the world from the perspective of other nations. And it needs to do this by consistently, over the long term, using its citizens' intelligence and industrial prowess to generate high levels of value, providing solutions to global issues, and helping to increase the stability and prosperity of the international

community.

In May this year, it was reported that the combined value of the top five US companies in terms of market capitalization, including Apple and Microsoft, had exceeded the combined market capitalization of all 2,170 Japanese companies listed on the first section of the Tokyo Stock Exchange. This makes it clear that, even just in terms of the economic and industrial prowess on which Japan depends, its basis for survival is already in danger.

And it is not only massive platform providers leveraging the benefits of technological innovation with which Japan is in fierce competition. In China, politics and economics operate in unison under powerful state leadership to deploy a grand strategy, while regions such as the European bloc exert their presence as rivals to the US and China based on unions of diverse nations. Bearing these massive power blocs in mind, therefore, surely the biggest issue is the very fact that Japan appears to have no strategy for overcoming its handicap in terms of overwhelming disparity in size.

The value of a corporation itself cannot be measured in terms of market capitalization alone; yet, taken in the aggregate, it is clear that many Japanese companies have accumulated outstanding technologies, along with unique knowledge and know-how, but they have not managed to adequately convert these into value. From this point of view, I think we need to take a thorough look at ourselves as corporate executives, and as a business association, to ask why we have failed to initiate transformation that would contribute to value creation.

Japan has a range of strengths, and among these I believe that our readiness to go beyond our own personal needs to contribute to the collective good, along with our tendency to value stakeholders, as epitomized by the *sanpo yoshi*¹ ideal, will hold greater meaning in the world to come than ever before. As we are confronted with social distortions resulting from advancing globalization and digitalization, the existing forms of capitalism and democracy are being questioned anew. In this context, countries outside Japan are also showing interest in these attributes.

Nonetheless, Japan cannot reverse the drift toward oblivion simply through its mindset. What is required of Japan now is a strategy combined with executive ability in order to analyze its own strengths, think through measures to leverage those strengths, and put those measures into practice decisively.

3. Enabling Japan to Reverse Its Drift and Revive: Create a new policymaking apparatus to make choices for the future

The coronavirus crisis has brought into focus the underlying trends of our times in the form of fragmentation among nation states with differing values and political systems, and competition for economic supremacy among massive players. In such

¹ This term denotes an approach to business that has become deeply ingrained in Japan over the course of a few centuries. The *sanpo yoshi* ideal defines a successful business as one that not only provides satisfaction to the buyer and the seller, but also contributes to society at large.

circumstances, which way should Japan turn? How can it secure the international standing it aspires to, and what can it use as the basis for that international standing to endure? I believe that answering such long-term questions and determining a national strategy are urgent tasks.

Alongside this sense of urgency, however, I also have another question that cannot be ignored. It is the question of who decides the strategy, and what apparatus is used to determine the path this country should follow.

It has always been the case that a wide range of stakeholders speak up from their various standpoints and offer recommendations on the important issues that determine the form this country takes. Such issues include the national response to societal aging and population decline, public finances, social security, education, appropriate use of human resources, and relations between the state and its regions. We at Doyukai have also published a large number of recommendations and worked to stimulate public opinion with the aim of achieving social and economic prosperity for this country. Despite this, however, there are very few examples of these issues being properly discussed in terms of Japan's long-term strategy, or of the results of careful deliberation being realized in the form of actual policies and institutions when making choices relating to the present and future.

Stakeholders' recommendations are taken up via governmental channels—such as deliberative bodies and expert panels—established within the confines of its administrative jurisdiction and authority, and only after discussion by a limited number of directly involved and interested parties, and a process of reconciling interests that is complex and by no means easy, do they reach conclusion in the form of a policy. However, a process that follows Japanese social mores favors preestablished harmony and takes a long time, so the resulting conclusion tends to go no further than addressing the immediate issue.

Meanwhile, the worldwide tides of transformation resulting from globalization and digitalization will have accelerated at an ever-increasing rate. I therefore suggest that, for Japan to catch up with these tides of transformation and become capable of making bold decisions, it needs to identify long-term, strategic issues that cannot be ignored as points for discussion, and set up a new apparatus that can contribute to national debate outside the existing policymaking process.

What Japan needs now is a new policymaking mechanism that supplements existing political and administrative functions from the outside, and has the power to propel all kinds of stakeholders throughout society toward change. This means creating a forum for stakeholders who share an aspiration to unleash Japan's potential and create a "Japan that can win," so that they can pool their wisdom to achieve their common goal.

At this forum, stakeholders of every possible kind should transcend the barriers between individual organizations or sectors to gather together and define key issues for ensuring Japan's long-term prosperity and security, and to make progress in delineating the necessary discussion points and options for reviving Japan. Such stakeholders should include representatives of the business community encompassing both industry and labor, along with representatives of academia,

politics, public administration, and nonprofit and nongovernmental organizations that support efforts to achieve sustainability and social goals.

As an example of such a forum, the World Economic Forum, which organizes an annual meeting in Davos, is guided by the slogan “improving the state of the world,” and exposes issues to be addressed by leaders in various spheres to the scrutiny of a diverse range of stakeholders, calling for and encouraging action to achieve change. In the same way, the forum described above needs to use free and open discussion among participants as a means to share key discussion points and options and signal these to the Japanese people, even if differences in point of view and opinion arise.

Through such a forum, I want to work together with you, our members, to create a mechanism for mobilizing Japan organically to advance one step further under a unified strategy and shared sense of urgency. It would be as if companies were staking their survival on identifying domains to compete in and allocating resources optimally.

4. Action by Doyukai:

Delineate an economic and social vision for life with and after coronavirus, and commit to being a “do tank”

I intend to treat this fiscal year as the starting point for developing Doyukai into a facilitating body that will assume responsibility for creating a new policymaking forum. I feel strongly that we should take on the new obligation of drawing out a shared sense of purpose among stakeholders who, despite being concerned about Japan’s future, believe in its potential and core competencies. I want us to create a forum where they can debate in an atmosphere of shared perspectives and aspirations, and to support the administration of that forum.

To rise to the challenge of solving a mounting pile of issues, Doyukai has always considered it imperative to transcend the confines of its membership, engaging in dialogue and collaborating with stakeholders of all kinds throughout society. To this end, it implemented initiatives such as the Forging Our Future Together Project and a round table discussion on Japan’s future. I myself have also been calling for Doyukai to supplement its role as a “think tank” that plans and proposes policies, by further reinforcing its role as a “do tank” that takes its own action to put such policies into practice. In light of Japan’s current situation, however, I believe that further action and commitment is required in terms of both the “all stakeholders” and “do tank” approaches.

I intend to start by launching the “With/After Coronavirus Initiative” under the auspices of the Board of Chair and Vice Chairs to act as a form of overall “control tower.” Led by myself and all the vice chairs, who share my sense of urgency, the initiative will commence discussions with the aim of reimagining an economy and society acclimated to future changes in our circumstances, as a means of further evolving the Japan 2.0 vision. As part of this effort, we will implement our plan for a politically neutral, open platform for dialogue that will allow us to invite participation by other stakeholders.

Meanwhile, with regard to policies that must be progressed rapidly, such as measures to overcome the economic crisis and reforms to institutions and regulations, we will make use of existing governmental channels such as conference bodies to lobby proactively by offering recommendations from both short-term and medium- to long-term perspectives.

At the same time, we will ensure that members of all Doyukai's committees, project teams, and other bodies are aware of the issue of adaptation to new circumstances that is intrinsic to life with and after coronavirus. With regard to many challenges we face, such as public finances, social security, employment, people's work styles, and the responsibility of politics and government toward citizens, new solutions are believed to be necessary in light of the changes resulting from the current crisis. Of all the challenges, the greatest responsibility for us as corporate executives is probably to contribute to Japan's revival by practicing business management that creates high levels of value sustainably. I would therefore like to work together with all our members to generate solutions to these issues and practicable proposals, in conjunction with developments inside and outside our organization.

In the Mission Statement at Founding of Doyukai, our forebears inspired themselves and their compatriots facing the challenge of revival after defeat in the Second World War, with the words, "(The Japanese people) must discard their old robes, and they must weather the current storm of economic, moral and ideological ruin and confusion to erect a completely new order." I believe that Doyukai's ideological tradition depends entirely on this acute sense of urgency and the will to engage in continuous reform, as well as the commitment of corporate executives with regard to their own actual practice and behavior. In keeping with that tradition, I want us to accomplish what a business association ought to be doing right now, within this historical context, and to fulfill the role required of us.

I would be sincerely grateful for the continued support and involvement of all our members as we strive to do so.