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## 21st Century Declaration

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### Our Resolve

The world today faces challenges it has never before encountered. The curtain has lifted on a new century that will test the wisdom of the entire human race. Amidst the complex interplay of positives and negatives accompanying breathtaking technological innovation and ever-increasing economic globalization, how will humankind overcome such problems as environmental and population issues? How will we link our vast resources of wealth and knowledge with the potential of the new age to succeed in making a better world?

Despite these challenges that lie ahead, Japan has allowed itself to fall behind global currents, and the gap only shows signs of widening. The nation has continued to postpone reform of practices and systems no longer relevant to the times. Even now it is unable to rebuild any new measure of confidence in the future in its people. These circumstances inspire in us a grave sense of crisis. It is our hope and desire to engage in building a new Japan replete with vitality and higher human values. The new Japan we envision is a nation in which people and government, society and businesses, teachers, pupils and students, and parents and children are bound together in mutual trust, a nation that all can be proud of, and a nation that the peoples of the world will find inspiring and attractive. Calling to mind the history and culture of Japan and the great efforts and accomplishments of our nation, we are confident that an end can be brought to the long years of bewilderment and stalled progress, that Japan can indeed accept the challenge of uncharted possibilities and emerge triumphant, and that

we can create a new vision for the future. This is also what the people of Japan long for.

The reforms that must take place should cover a wide array of areas, from politics, economy and diplomacy, to government administration and education. But a particularly vital and urgent task is the innovation of corporate management. Now is the time that leaders from all social groups and strata must work towards gaining a common feeling of accord amongst the people regarding the necessity for reform, as well as the new possibilities that such reform will bring, so that new energy can be generated from this awareness. To this end, we have to take the initiative and to engage in reform ourselves, mustering the strong will and determination to go forward and to meet the momentous challenge, and the courage not to shrink from creative destruction. This is a responsibility that we bear toward the future generations of Japan.

As corporate executives we have the duty to participate actively in the creation of a new Japan. Certainly, corporations must pursue their original purpose, which is the creation and expansion of economic value. At the same time, however, we must work toward strengthening the bonds of mutual trust between society and the corporate sector, always bearing in mind that our enterprises have a social presence that exerts a tremendous and ever-increasing impact on the values and lifestyles of the people. To this end, corporate executives must at all times remain cognizant of our responsibility as leaders of society, and take care not to relax the reins of self-discipline. Similarly, we must continue to take the initiative in bringing about the actualization of "market evolution" that aims toward the harmonization of the expectations of society and corporate objectives.

Keizai Doyukai is a gathering of corporate executives who are keenly aware of these roles and responsibilities and who are prepared to put them into action. Further, Keizai Doyukai provides a forum for the self-enlightenment of corporate executives and an arena for self-improvement. Our point of departure is none other than the high aspirations we have as corporate executives and our willingness to think and to act freely without being entrapped in conventional concepts and positions. We hereby resolve ourselves once again to play a leadership role in the creation of a new Japan in the 21st century.

## **I. Standing at the Start of the 21st Century**

### **Current Conditions in Japan**

The world is being dramatically transformed by the process of economic globalization and breathtaking innovations in information and communications technologies, life sciences and other fields. It is with great hopes and expectations that we look towards the advent of the new age and its vast potentialities.

In the postwar period, Japan adopted as its national goal the creation of a powerful economy. For the realization of this goal, the private and public sectors united in the process of catching up with the West. Subsequently, having undergone a period of accelerated economic growth unprecedented in the history of the world, Japan rose to become the second largest economy in the world. This was in itself a highly laudable accomplishment. The period in time when a new current was beginning to make itself felt in the world offered Japan with the perfect opportunity to examine what direction the nation should take at the end of its catch-up process and to start fundamentally to reform its political, economic and social systems and arrangements. Unfortunately, however, Japan neglected to capitalize on this opportunity and failed to define clearly the future direction it would take and the means it would employ to reach its goals. In other words, having emerged from the process of accelerated economic growth as a highly prosperous nation, Japan found itself unable to break away or alter the established system, which was narrowly focused on economic success. The bubble phenomenon of the late 1980s resulted in a vacuum left by this failure to implement a clear re-orientation of national principles and objectives. Long after its collapse, Japan remains mired in the aftermath of the bubble economy. In the meanwhile, Japan fell behind in its response to the tidal change in the global economy and continued to procrastinate in implementing essential and fundamental reforms. As a result, the Japanese economy today remains sluggish and listless. The corporate sector has been hit by the revelation of numerous irregularities and scandals, showing that the principle of accountability has yet to take root. Against this background, distrust of corporations is mounting. We cannot help but view this situation with grave consternation. We believe that we must reflect on the experiences of the 1990s which resulted in Japan's "lost decade," and take action with a renewed awareness of our role and responsibility.

A sense of economic crisis is not the only reason that we seek to participate in the creation of a new Japan. We find that our political institutions are not functioning as a core system in national governance. Instead, politics is deeply mired in factional allegiances and vested interests, and the nation suffers from a paucity of policy debate that would more properly reflect the will of the people. The inordinate emphasis on the economy throughout the half-century of postwar history has seriously affected the values of the people and has created numerous distortions in Japanese society. Individualism and democratic values have taken the form of attitudes of self-centeredness, and there has been an erosion of the awareness of personal responsibilities and duties. In building a new Japan, it is essential that these attitudes be rectified. Furthermore, without such rectification, the rebirth of a vigorous national economy will be impossible to achieve.

### **What Japan Must Do Now**

The new Japan we envision is, above all, a society in which self-reliant individuals are able to find hope in the future, are empowered to actively pursue their individual challenges and are able to find meaning in life. It should be a society which gives full expression to and utilizes the energies of a diverse range of individuals.

The specific lines of action to be undertaken for the achievement of this purpose consist of the following: (1) the realization of a highly productive and vigorous economy in which innovations in technology and knowledge are actively generated and integrated for the creation of new values; (2) the realization of a democracy supported by self-reliant individuals who have a true sense of responsibility and duty, and a society based on democratic institutions and practices; and (3) the realization of a nation that is open to the world, and endowed with the power to attract a wide range of investments and a highly diversified range of human resources; a nation that actively contributes to the development of Asia and the world, and is equipped to make an active and positive contribution to world peace and the prosperity of humankind.

### **Role and Responsibilities of Corporate Executives and Corporations**

As corporate executives, we should not leave the task of creating a new Japan to politicians and the bureaucracy. Rather, we must take on a major role and

responsibility in the rebuilding of Japan and actively participate in this process. Likewise, we must seek to develop partnerships with other social institutions in pursuing this goal.

In view of the mutual relation that binds corporations with society, we must act to realize a better society. We must reflect on and rectify the excesses of company-centered culture and long working hours which have created workers prone to ignoring the needs of family and community, an important causal factor in the emergence of distortions in our family life, educational system, and communities. We must actively seek to develop dialogue and exchange with society, and endeavor to harmonize our corporate objectives with the hopes and expectations of society.

Needless to say, our basic mission as corporate executives is to create and to supply economic value through a constant pursuit of efficiency and innovation. We must abide by standards of corporate behavior that are compatible with principles of fair market competition, while seeking to reform and improve corporate management. However, we should not remain passive parties to market evaluations, but rather adopt an active stance towards the market and society, and promote "market evolution."

In order to fulfill these roles and responsibilities, the most important thing for us to do is to remain ever vigilant and to avoid the counter-progressive values embodied in the fallacies of conformity, authoritarianism, undue emphasis on precedence, and the preservation of vested interests. Instead, on the contrary, we should go forward embracing a pioneering spirit and acting in accordance with the dictates of rigorous self-discipline.

## **II. Guidelines for Action**

Our actions during the first decade of the 21st century will have a vital bearing on the creation of a new Japan. The first decade of the century must be marked by steady progress towards reform and the establishment of firm foundations.

The following constitutes our guidelines for action in the achievement of these objectives.

### **1. Initiatives for the Promotion of "Market Evolution"**

#### **Commitment to Market Principles**

Market competition provides the driving force for the efficient creation of value. We must positively assess the functions of the market and actively exploit its forces. The dynamism of the market has not been given full expression in Japan, nor has there been a full commitment to market principles. We want to stress the importance of a full commitment to market principles and their use.

To this end, it will be necessary to press forward with regulatory reform. In this regard, we should turn a critical eye to ourselves and reflect on whether we ourselves have not become agents in the preservation of vested interests, or ensconced in the comfort of restrictive private business practices. The utilization of market functions and the discipline of market participants are two sides of the same coin. The development of "free," "fair" and "transparent" markets cannot proceed in the absence of standards of "trustworthiness," "justice" and "discipline." We have therefore to commit ourselves to the establishment of effective corporate governance and strict observance of market rules and standards. With regard to the series of corporate irregularities and scandals that have occurred, while solemnly admitting that these are rooted in the lack of ethics in the business community and in the absence of a proper sense of tension in corporate organizations we should engage in efforts to regain the trust of society.

The utilization of the functions and forces of the market must proceed hand-in-hand with the creation of a proper foundation for ensuring social stability and security. The most important requirement for the achievement of this purpose is to create a society in which people who have previously failed are given the chance to try again. Specifically, this requires such measures as the improvement of the labor market and regulatory reform.

## **Taking the Initiative in "Market Evolution"**

Along with the strengthening of the functions of the market, we must make efforts as corporations to facilitate the evolution of a market capable of valuing not only "economic aspects" but also "social aspects" and "human aspects." The market is equipped with a mechanism for effective allocation of resources through the process of price formation. Should market participants, as a result of social changes, place added emphasis on values other than "economic aspects," namely "social aspects" and "human aspects," the market has the internal dynamism needed for refining its functions to effectively reflect these values. In other words, the market is able to evolve in step with changes occurring in society.

In fact, society has already begun to assess companies on the basis of a broad range of values other than simple "economic values." Leading examples of this include the movements of green and social consumerism which are vetting companies on the basis of their environmental response and their involvement in the resolution of various social problems. Similarly, "socially responsible investment funds" are being created which include an index of social behavior in their assessment and selection of companies. If this trend continues to spread, we believe that eventually the market will be able to make integrated evaluations of both economic and social values in broadly defined terms.

What is important for us is to take the initiative in actively promoting market evolution. It is through this means that we will be able to achieve the true form of "market economy" that we pursue and that signifies the emergence of a system in which the expectations of society and corporate objectives can be autonomously harmonized through market dynamism.

## **2. Promotion of Innovation in Technology and Knowledge**

In order to heighten the growth potential of the Japanese economy and to bolster the international competitiveness of our industries, it will be increasingly important to promote innovation in technology and knowledge. Especially, in view of the fact that Japan is approaching an era of diminishing population, the importance of innovation simply cannot be overstated. In this regard, it should be noted that future innovations in the fields of information and communications technologies, bio-technologies and nano-technologies have the potential for triggering major transformations, not only in our business enterprises, but also throughout all

aspects of our economic and social activities. Moreover, the importance of Japan's traditional strength in manufacturing will not be undermined by these developments. Rather, Japan must seek to further hone its manufacturing prowess. For this purpose, Japan must take concrete steps to strategically pursue the development of new technologies, to improve the general environment for research, and to strengthen the partnership between industry and the academic community. It will also be necessary to create a nurturing environment and culture to encourage the development of individuality and creativity in both academic and corporate settings.

We must contribute to social and economic development by succeeding on the new frontiers of technology and knowledge. While pursuing the possibilities of new technologies, we must pay due attention to the social and human impact of these innovations to achieve sound technological progress.

### **3. Establishment of National Governance**

#### **Reforming the Political System**

Democracy in Japan has neither fully matured nor taken root as the basis for managing the affairs of the nation. Together with individualism, the concept of democracy has been misconstrued to connote a prioritization of self-interest. This has led to an absence of ethical values and a dearth of public spiritedness. Most importantly, Japan has consistently postponed measures needed to ensure that ballots cast in elections carry equal weight, and consequently failed to create a political system in which policy choices are based on the will of the people. Instead, various arrangements for the protection of vested interests have been preserved. Consequently, the government cannot function effectively in its role of redistributing the nation's resources. We believe that the establishment of democracy and the rule of law in their most solid forms are indispensable prerequisites in the establishment of national governance. The achievement of this objective involves various issues and challenges, in all of which we must become actively engaged. They include the "rectification of the unequal weight of votes," "engagement in constitutional amendment" and the realization of transparent political systems and institutions in which the public can readily participate.



## **Establishment of New Partnership Relations**

In future society, NPOs and NGOs can be expected to play a vital role in meeting those social needs that cannot be effectively satisfied by the government or by business enterprises. Likewise, NPOs and NGOs will act as important vehicles for individual participation in society. Corporations should support and encourage the participation of their employees in these NPO and NGO activities. Similarly, corporations should seek to establish new relations of equal partnership and cooperation with such organizations.

## **Realization of Small Government**

In place of the government-oriented system of resource allocation, Japan must endeavor to achieve "small government" and to build a private-sector oriented social and economic system in which the task of resource allocation is delegated to the market to the greatest extent possible. This will require a fundamental review and close scrutiny of the functions of the grossly oversized public sector, the elimination and easing of regulations, a commitment to thorough disclosure, and decentralized forms of government giving full rein to local choice and responsibility. The process will necessarily be a painful one. But we have to overcome this, and commit ourselves to working even harder towards the achievement of these goals.

## **4. Initiatives for Human Resources Development**

### **Importance of Human Resources Development**

Nation-building is a process of people-building. A principal pillar in the creation of a new Japan must necessarily be educational reform, an area demanding the most earnest efforts. Globalization and information technologies will certainly achieve further advances in the 21st century. In the new century, knowledge-based economies and societies will lead the world. In such an environment, human resources will become even more important as a source of competitive power. In the development of its human resources, Japan must provide effective systems for educating the people as Japanese people in the basic foundations of learning and in the liberal arts, and strive to create educational systems that nurture and heighten capacities needed for living, the

ability to identify and solve problems, and global communication skills. Further, these systems must be geared towards nurturing individuality of each and every person and heightening creativity. While acknowledging any success gained as a result of effort, people should be encouraged to view even failures as providing valuable experience and to be encouraged to make continued effort. Finally, we must envision school systems equipped to convey the worth and joy of realizing one's own dreams in society.

### **Cultivating Public-Mindedness**

One of the important challenges in human resources development is the cultivation of a higher sense of public-mindedness in people as members of society. To ensure that democracy takes root and that progress is made towards the building of a sound society, it is necessary to nurture a sense of public-mindedness in each person. The values and virtues to be cultivated should include consideration for others, the individual's full awareness of the principles of independence, self-reliance and accountability, and actions based on this awareness, and the public's awareness of its rights, obligations, and duties to the nation and to society. The cultivation of public-mindedness is such a basic and vital issue in education that we believe it cannot be left solely to the schools but must involve our families, communities and businesses in a close network of cooperation and earnest endeavor.

### **Role of Corporations**

In our corporations, we must strive to utilize our human resources in ways that are conducive to the individual's achievement of self-realization through work. Likewise, we must endeavor to improve the employability of our employees. We must draw out and utilize the initiative, will and capabilities of employees with unique and creative abilities and sensitivities. We must pay attention to achieving a proper balance between the work and personal lives of our employees and develop an environment in which employees can actively participate in the process of education as parents and as members of the community. For this purpose, we must develop highly transparent organizational structures and systems for personnel assessment and placement. Furthermore, we must promote direct participation in education. Corporate personnel should visit schools and seek out opportunities to directly convey to

the pupils and students their knowledge on how businesses and society are changing, and to share their own experiences and thinking. In addition to this, corporate personnel should engage in dialogue with teachers and PTA organizations to convey the sense that society in its totality must become involved in implementing education reform. We will also work on making corporations open to schools for teachers' training and for visits to and experience in companies for pupils and students.

## **5. Establishing an Proactive Diplomacy and the Role of the Private Sector**

### **Developing Proactive Diplomacy**

Japanese diplomacy in the 21st century must be marked by proactive and strategic participation in the building of the international order. For this it will be necessary for Japan to put aside the passive stance that has characterized its traditional response to international affairs. Instead, Japan must embark on diplomatic initiatives based on a well-considered understanding of what it must do to protect its own interests while contributing to world peace and prosperity.

### **Establishment of Proactive Partnership Relations in Japan-U.S. Relations**

The Japan-U.S. alliance must stand as the principal axis in Japan's diplomacy and function effectively as an instrument of stability in the region and throughout the world. For this purpose, Japan must develop the domestic systems and frameworks which will allow it to fulfill its responsibility as an independent partner to the United States in this relationship.

### **Developing Partnerships in East Asia Based on Democracy and Market Economy**

Japan must take active steps to develop regional partnerships with East Asian countries based on the shared values of commitment to democracy and the market economy. This is of vital importance to ensuring the peace and prosperity of the entire region. We welcome the steps that have been taken in this direction and will actively participate in this process in our capacity as members of the private sector.

## **Proactive Participation in International Organizations**

Japan must actively participate in the operations of the United Nations, International Monetary Fund, the World Trade Organization and other international organizations which constitute a public good for the global community. It will be necessary for Japan to play an even greater role in the international arena than it has in the past through its accession to permanent membership of the United Nations Security Council and through other means.

## **Role of the Private Sector in Diplomacy**

The private sector, as represented by corporations, NPOs and NGOs, can be expected to play an increasingly important role in future diplomatic programs and initiatives. The business community has a particularly vital diplomatic role to play in the economic field. In cooperation with their own national governments, the business communities of countries throughout the world are using international conferences and forums to strategically pursue the establishment of rules, standards and specifications for the creation of new orders in various business and industrial fields. Japan has fallen far behind in this line of action, and we must henceforth actively undertake such initiatives.

### **III. Basic Policies: Priority Issues and Challenges**

The following is a summary of the priority issues and challenges we must undertake as corporate executives, as corporations, and as the Keizai Doyukai during the first decade of the 21st century. Annual plans shall be formulated on the basis of these issues and challenges.

#### **Priority Issues and Challenges for Corporate Executives**

1. In response to ongoing changes in the economic and social environment, we must constantly endeavor to develop and to implement systems of corporate governance (checks and balances) that are viable and appropriate for our individual corporations.
2. By conducting ourselves in a disciplined manner, we must endeavor to promote the sound development of the market. Keizai Doyukai must fundamentally review the status of competition policy, the commercial code and the tax system in light of the changing environment, and must act on the government to promote the realization of palpable reform.
3. By actively participating in international conferences and forums for the determination of international rules and standards, we must promote economic diplomacy by the private sector and contribute to stability and development in East Asia and in the world.

#### **Priority Issues and Challenges for Corporations**

4. Corporations must develop employment and personnel systems conducive to maximum utilization of the diverse capabilities of their employees. For this purpose, corporations must abolish age- and gender-based discriminatory practices and systems that are not based on ability and achievement, and must also undertake to review current systems of compulsory retirement. Corporations must also achieve family-friendly employment systems that take into account the responsibilities of employees to their families for participation in child rearing, education and long-term nursing care.
5. Corporations must become actively engaged in environmental action based on the principles of "reduce," "re-use," and "recycle," and must contribute to the establishment of a recycling society.

6. Corporations must boldly engage in expanding the frontiers of new technology and knowledge. For the formulation of a national strategy for technology and infrastructure improvement, Keizai Doyukai must examine and present proposals concerning systems for maximizing the utilization of the public's knowledge and efficiency, including the knowledge and efficiency embodied in start-up businesses.
7. Corporations must support the voluntary participation of their employees in social activities. Corporations themselves must seek to establish new relations of equal partnership and cooperation with NPOs and NGOs.
8. Corporations must work together with schools, local communities and families to actively contribute to the development of the human resources capable of shouldering the advance of Japan in the 21st century. Keizai Doyukai must plan and implement various types of exchange programs designed to promote the development of mutually open relations among businesses, schools and local communities.

### **Priority Issues and Challenges for Keizai Doyukai**

9. In order to clearly identify the path to fiscal reconstruction, Keizai Doyukai must propose and promote the implementation of programs for achieving fiscal soundness for the realization of fundamental reform in both fiscal revenues and expenditures.
10. In order to fully utilize the Constitution, which is the basic law of the land, Keizai Doyukai must undertake concrete discussions of various constitutional issues, such as "national security," "public election of the prime minister," and "role of the House of Councillors."
11. Based on an understanding that the rectification of the disparity in the weight of votes is a issue of fundamental importance to a democracy, and while eagerly awaiting the conscientious and principled action of the Diet and the positive judgment of the judiciary, Keizai Doyukai must examine and implement specific lines of action leading to effective reform, including the possibility of filing legal suit by interested members for the rectification of the allocation of Diet seats.
12. Keizai Doyukai must, in cooperation with other Keizai Doyukai associations throughout Japan, develop a concrete blueprint for ensuring greater autonomy for local governments and for fundamentally reviewing the relation between the central and local governments, including the

allocation of tax revenues. At the same time, Keizai Doyukai must promote national discussion on these issues. Keizai Doyukai must also present proposals for the rebirth and revitalization of cities and urban areas, and make efforts to take action to realize these proposals.

#### **IV. Organization and Management of Keizai Doyukai**

Keizai Doyukai will seek to continue in its role of "forerunner" of the business community and society in the 21st century based on the principles of "aspiration" and "liberal thought" as applied to individual corporate executives. For this purpose, Keizai Doyukai must endeavor to heighten its own centripetal force and to develop its communicational capacities and ability to take effective action, which constitute the basic elements of its organization. In order to facilitate this, Keizai Doyukai must undertake to reform its organization and management along the basic lines outlined below.

Following more detailed examination, matters requiring revision of the articles of our association shall be presented for deliberation in the fiscal 2001 Annual Meeting (scheduled for April, 2001).

##### **1. Strengthening Centripetal Forces: Uniting and Sharing of Aspirations**

- Extensive appointment of "younger executives" and "front-line executives" to Executive Board members, and committee chairman and vice-chairman posts.
- Flat organizational structure and management. Creation of a system in which a larger number of members can participate effectively in activities.
- Membership structure corresponding to changes in economic and industrial structure.
- Expanded participation of members in committee activities through the use of the Internet.
- Strengthening partnership relations with other regional Keizai Doyukai associations.

##### **2. Strengthening Communicational Capacity**

- Narrowing the focus of themes and issues for deliberation and clarifying the objectives of committee activities and proposals.
- Flexible implementation of project-type undertakings.
- Strengthening communicational capacity through study meetings and symposiums with members of the academic community.
- Enhancing communications and partnership with NPOs and NGOs.
- Active appeals to the mass media.



### **3. Developing Capacity for Action**

- The promotion of activities focused on proposal implementation and realization in tandem with activities for proposal formulation.
- Commitment and leadership of members to action.
- Continuous efforts towards reflection of and implementation of policy.
  - Implementation of corporate management reform.
  - Active appeals to the government, political parties, and politicians.
  - Strengthening partnership relations with a broad range of social entities, including NPOs and NGOs.

### **4. Re-Examination and Strengthening of the Secretariat**

- Organizational reform.
- Reform of the personnel and personnel assessment systems.