Envisioning A Vibrant, Attractive Nation in the Twenty-First Century
A NIPPON KEIDANREN VISION OF THE FUTURE OF THE NATION, WITH POLICY RECOMMENDATIONS TO ACHIEVE THE GOAL OF MAKING JAPAN A VIBRANT, DYNAMIC PLACE ATTRACTIVE TO PEOPLE THROUGHOUT THE WORLD.
Economic Policy
Reforms of the social security and tax systems will spark sustained growth led by the private sector.

“Made by Japan”
Japan will apply principles of corporate management to its economy, making use of native innovation and technology and tapping the resources of other countries to build value for itself and the world.

Focus on the Environment
Japan will remold its economy around the concepts of reusing materials and preserving the global environment, fostering industrial competitiveness in the process.

Improved Living Conditions
Japan will create comfortable, high-quality life spaces for its people, providing functional urban environments and revitalized communities to truly satisfy residents.

Social Structures
A new focus on the primacy of the individual will create a nation that relies on the power of its people.

Corporate Governance
Japan will improve the corporate governance of its companies, creating an economic environment where individuals can fully extend and benefit from their talents.

Regional Autonomy
Japan will form a system of largely autonomous states and transfer greater power to local governments, giving communities a chance to tap their potential and fostering broad networks of individuals.

Lifestyle Choices
Japan will create an environment offering residents the opportunity to achieve fulfillment and affluence as they undertake a range of challenges and exercise diverse choices.

Acceptance of Diversity
Japan will build a society where people from around the world can live in comfort and participate in meaningful ways, with full rewards for their talent and effort.

International Ties
Tighter integration between Japan and its East Asian neighbors will spark a wave of regional development.

Opening the Nation
Japan will open itself to the world for the third time in its modern history, providing broad access to its markets and sparking competition and economic growth.

The East Asian Economy
Japan will lead the way in creating a free trade sphere in East Asia, a region of tremendous vitality and diversity that will become a major hub of global economic activity.

Freedom and Cooperation
Japan will strengthen East Asian integration by ensuring the free movement of goods, people, services, capital, and information, and by boosting economic development and solving global problems.
AT THE CLOSE OF THE TWENTIETH CENTURY JAPAN SUFFERED THROUGH ITS “LOST DECADE,” seeing its economic strength falter and its confidence wane both domestically and on the international stage. In the twenty-first century the nation must find a way to turn this situation around. Nippon Keidanren, the Japan Business Federation, has crafted a vision for the Japan of 2025—a nation that has regained its vigor and become an attractive place to people from around the world.

The Keidanren vision for Japan in 2025 projects a country where diverse values come together to foster dynamism and creativity. This environment will have deep roots on the level of individuals, being built on the trust between people and their empathy for one another. It will provide chances for those individuals to enjoy true influence, both economically and in terms of their personal achievement. And it will make Japan a place where individuals from around the world want to spend their leisure time, invest their assets, build their careers, and live their lives.

So how to bring about this new Japan? There are three key areas where we must concentrate our efforts if this vision is to become reality. First of all the economy, which has been treading water for so long, must be reinvigorated to provide the energy to drive the remodeling of the nation. Keidanren proposes to bring this about by pursuing a “made by Japan” policy, with Japanese business interests positioned in a broader global context, providing Japan’s knowledge and technology to drive economic development around the world, not just on Japanese soil. We also urge Japan to structure its economic activities in ways that give greater importance to the environment, growing its economic presence through the betterment of the natural world on which we depend for survival. And we call for Japan to create new urban and residential environments where all people can lead satisfying existences.

The society infused with this contentment will be one where individuals can make full use of their talents and knowledge, creating economic value and achieving personal growth. Individuals’ efforts will be supported by new structures of corporate governance that allow them to do their personal best and be rewarded for it, as well as a shift from the primacy of corporations to the primacy of people in society; by new administrative structures, such as a system of largely autonomous states, that remove power from the center and place it in the hands of people in communities throughout Japan; and by societal attitudes that welcome all contributions from all people, including non-Japanese who come to live in this country.

This international outlook will also be a key element of the Japan that Nippon Keidanren envisions in 2025. We call on Japan to lead the way to forming a free economic sphere in East Asia, a region of tremendous diversity and immense potential. The nations of East Asia are natural partners for Japan, and we believe that Japan’s economic status makes it a natural leader for growing economies and developing ties in this part of the world. Opening Japan to these possibilities will be a key step in its revitalization.

In these ways Keidanren believes that Japan can become a vital, attractive nation by 2025—a beacon to people around the world and a model for development of all nations in the new century. Toward this end we urge that the Japanese people become a prime engine of change and leadership, with individuals building ties throughout Japan’s society to strengthen it and move it forward. We also urge change in the political sphere, where the voice of the people must make its strength felt through an energized political party system.

Nippon Keidanren will play a leadership role to help realize this vision. The following is a brief introduction to the ways in which we intend to do so—a blueprint for the creation of a new Japan by 2025.
JAPAN WILL OF COURSE RELY ON ECONOMIC GROWTH to power the development of new social structures at home and new relations with nations around the world. Nippon Keidanren envisions a Japan that enjoys 2% annual growth in real terms through 2025 by laying the foundation required for this. The components of this foundation will include a self-regulating economic system driven by the private sector and market concerns; toward the creation of this system, Japan must reform its tax and social security systems and carry out drastic restructuring in the financial sphere.

Japanese society is now undergoing drastic changes, with a falling birthrate and climbing life expectancies combining to create a population pyramid that grows more top-heavy every year. In the face of these demographic shifts the government must create a tax system that encourages fresh economic activity by spreading the tax burden throughout society. This will be accomplished by reducing the tax load on corporations and gradually raising the consumption tax—levied on all goods and services sold in the country—from its current rate of 5% to 16%, a level that will keep public services running while allowing companies to redirect their capital into the creation of new wealth and opportunities for the Japanese. At the same time social security must see a narrowing of priorities so that people can continue to receive the benefits they truly need without overtaxing the system as a whole.

As Japan brings stability to its economy through these reforms, it will also formulate a new approach to its economic activities in the global context, pursuing a “made by Japan” strategy and staking out an economic presence focused on environmental concerns. Last, the fruits of the nation’s economic activities will be channeled into creating comfortable, affluent living conditions for people in Japan.
Through 2025 Japan will enjoy 2% annual growth in real terms by laying the required foundation.

“Made by Japan”

The phrase “made in Japan” has in the past served as a symbol of the quality engineering performed by Japanese in their own nation. But Nippon Keidanren sees the key phrase for the country’s economic activities in the twenty-first century as “made by Japan”—symbolizing Japanese involvement in the creation of value on a global basis. The nation will continue to innovate at home, but it will make full use of technological resources from around the world, adding value in this process, both for itself and for the global economy.

One pillar of this strategy is increased cooperation between industry and academia. This will include reform of Japan’s schools and broader acceptance of foreign specialists and engineers in its academic institutions and companies. A second pillar is a new approach to capital distribution, with the government boosting its investment in research and development and opening the selection process for the industrial-academic projects it finances. And a third pillar is heightened competition, with the government bringing about competitive development of new technologies, lowering the corporate tax rate, and encouraging new investment from Japanese and foreign firms. Through these steps, the “made by Japan” strategy will revitalize the domestic economy and position the nation as a key contributor to global economic growth.

Economic Environmentalism

Nippon Keidanren sees the Japan of 2025 as a nation whose economic activities are thoroughly informed by environmental awareness. As humanity comes to realize its need for a healthy global environment, corporations that direct their business in ecologically friendly ways will carve out important economic roles. The government will need to craft policies to create a recycling society; this will form the foundation for Japanese firms to participate strongly in the global market, where their products, technologies, and business models will be seen as offering a way to preserve the environment. This approach will require the nurturing of individuals who fully understand and welcome the environmentally aware activities of enterprises, and a market environment that rewards those activities. Backed by this society, businesses will need to develop world-leading technologies in areas like waste reduction and new, clean energy systems. In this way they will remain vital to Japan and the global economy in the twenty-first century.

A Residential Renaissance

This environmentally aware thinking will also be reflected in the creation of new residential environments in Japan. We see the revitalization of urban spaces and the creation of a new tax system that supports home ownership as important measures to achieve domestic demand-led growth, creating a vibrant Japan by 2025.

Durable homes that retain their value and a tax system that does not punish ownership will create fresh demand in the housing industry. Companies will thrive and contribute to the creation of satisfying living environments as they seek to meet demand in this market, for instance by creating homes friendly to the needs of the burgeoning elderly population in Japan. Local governments will also need to come up with measures to make their areas attractive places to live; environmentally friendly cities will be one target to shoot for as the public sector induces private investment in urban renewal projects.
NIPPON KEIDANREN’S VISION FOR JAPAN IN 2025 includes a concept for a revitalized society that draws on the talents of all its members and provides a rewarding, liberating environment in which to extend those talents to their fullest. All sectors of society have important parts to play in its restructuring—enterprises will need to apply new concepts of corporate governance that place power more directly in the hands of workers, government will need to implement policies that give businesses and individuals more room to innovate and develop themselves, and individuals themselves will need to come up with new approaches and ways of thinking to deal with the problems of the twenty-first century.

Japanese society in the postwar era has been shaped by companies and the role they play in people’s lives. As Japan moves forward, though, it will have to shift society’s center of gravity from the interests of corporations to the lives of individuals. The Japanese will identify themselves less with the companies for which they work and more with their own personal talents and interests. They will enjoy new freedom to pursue these interests as employers implement policies aimed at giving them fuller rein; and they will find their activities increasingly unfettered by the hand of centralized government. In short, the Japan of 2025 will be powered by individuals and the communities they form. And these communities need not be bound by national borders—foreigners in Japan and Japanese active overseas will be a key element of this diverse, vigorous society.
As Japan moves forward it will have to shift society’s center of gravity from corporations to human beings.

New Forms of Governance

Nippon Keidanren calls on Japanese companies to revamp their policies of governance to help realize this new society. Communities of self-reliant individuals with clearly-defined values will form the core of the Japan of 2025, and people must wean themselves away from the business-centered culture that compels uniformity if they are to play a role in these communities. Toward this end, enterprises will create new structures of corporate governance that give people the space to do their personal best and proper rewards for achieving it.

Trust is the most important element to consider when formulating this new governance. Self-reliant people will be aware of the markets through which society operates—labor, capital, goods, and services—and these markets will need to be open to all if they are to inspire trust among the individuals living in communities affected by them. Corporations and their managers may no longer impose conformity through their leadership of society, but they will continue to play a leading role in the creation of the trust underpinning it.

Enhancing Autonomy

Shifts in power will also be seen in the administrative sphere. Japanese government in the past has been a defining force for the lives of the people; this will change as individuals become more empowered and assertive, seeking to forge their own communities and take part in public affairs that were once the domain of the state. Individuals will power the healthy, vibrant society of 2025, and administrative structures that remove power from the center and disperse it to place it in the hands of those people will be key. Japan’s present system of weak prefectures under a strong central government must be replaced with a system of large states—a smaller number of autonomous bodies with more say over their own affairs than the current divisions. These states will administer local affairs more efficiently and effectively than the monolithic central government has in the past, and residents of local communities will feel the benefits of this change as their needs and wants are met readily by local government bodies with a finger firmly on the diverse pulses of people in different areas. Individuals within these regions will be able to further strengthen their communities by joining with other public-minded people to form cooperative markets and other networks.

Personal Affluence

People are content when they are reaching their full potential; they can reach this potential only when a wide array of choices lies before them. Japan’s society in 2025 will be one that provides choice to its members. Individuals must work to create this new society: All people will need to join forces and create the institutions and systems giving them the freedom to challenge themselves and to meet the challenges that their diverse choices bring them.

Nippon Keidanren envisions people creating institutions and systems in education, where a variety of learning opportunities will suit their abilities and aspirations; in labor, where a wide range of jobs will provide them paths to success; in lifestyle, which will offer choices that do not disturb family life or child rearing; and in medical services and postretirement living.

Vibrant Diversity

It is not only Japanese citizens who will help to bring these choices to our society. Non-Japanese who come to live in this country will bring diverse viewpoints and talents. Japan must create an environment where foreigners can actively participate in economic and social activities. On an individual level this will require greater tolerance toward diversity; on the administrative level, the government must open Japan’s doors to people from around the globe so that they can display their ability in this country.
As Japan works to revitalize itself by 2025, it will need to turn its gaze outward as well as inward. As shown by the “made by Japan” strategy outlined above, the nation will no longer focus solely on creating economic value within its borders; it will rather look for ways to participate in economic activities around the world, contributing Japanese technologies and talent to global development. This borderless approach to business will push Japan to open itself to the world and strengthen its ties with other nations, particularly its neighbors in East Asia.

Japan has in the past proved itself capable of opening its borders to the outside world, and it will need to do this again in the coming decades. This will be coupled with a new leadership role for the country in the regional economy—while Japan’s presence has always been large thanks to the scale of its economy, in the twenty-first century it will also need to be an active presence, with the nation leading others in the region into a more integrated economic future. In this way Japan can ensure its own economic health as it helps to develop and benefits from the dynamism and diversity of East Asia.
Japan will look for ways to participate in economic activities around the world, contributing Japanese technology and talent.

Opening the Nation

After a long period of seclusion Japan opened its doors to the outside world in the Meiji era. This flowering in the late nineteenth century gave the nation a springboard from which it vaulted into the ranks of the world’s powers. Again, following World War II, Japan shed its old systems and made its way into the international community, reaping the benefits of economic development in the process. By 2025 Japan will have performed this task again, opening itself to the world for a third time. This opening will come in regulatory areas: Japan will increase access to its markets, providing its own corporations with heightened competition and promoting economic growth at home and throughout Asia, where other nations’ firms will leap at the chance to improve their products and services and market them in Japan. Lower regulatory walls will be a catalyst for growth and a force raising economic performance throughout the region.

The East Asian Economy

As the region enjoys this growth, it will increasingly see the wisdom in unifying its economies and building a framework for regionwide economic activities. Europe and the Americas are on course to become increasingly competitive and dynamic economic spheres thanks to their efforts at integration and the creation of free markets. East Asian nations must not leave themselves vulnerable to such powerful global competition. Nippon Keidanren envisions Japan in a leadership role in efforts toward creating a zone of free economic activity in East Asia, a region of tremendous vitality and diversity that is destined to become a major global hub.

Asian nations today are moving to conclude individual trade agreements with other nations around the world. These disparate approaches taken by the nations will not position East Asia as a hub of global growth, however. A unified approach is called for; and by 2025, Japan will have staked out a strong leadership role in the development of a regional economy encompassing more than 2 billion people and $7 trillion in total GDP.

Freedom and Cooperation

Nippon Keidanren believes that Japan must work to ensure regional freedom and cooperation if it is to wear this mantle of leadership. Our vision for 2025 includes a focus on five freedoms— in the movement of goods, people, services, capital, and information throughout East Asia— and on two vital forms of multilateral cooperation, aimed first at boosting regional economic development and second at tackling global problems impacting the region and threatening its progress.

Japan must not view the rising economies of East Asia as competitors or threats. The nation stands to benefit from the vitality and diversity of the region if it opens its borders and actively seeks to accumulate intellectual resources. The growing wealth of East Asia should be seen not as a rival to Japanese capital but as a complementary force, and Japan should clarify its open attitude toward this force through policies that open the nation to investment, imports, and immigration. A Japan at the forefront of an Asian free economic sphere will be an integral part of the global community.
THE ACHIEVEMENT OF NIPPON KEIDANREN’S VISION of a revitalized Japan in 2025 will require action from present to vibrant, attractive.

**Economic Policy**
The reforms and policies needed to seed new, sustainable growth led by the private sector

- Introduction of a system of taxpayer identification numbers, enabling collective payment of taxes and social security contributions
- Reform of income taxation to spread the burden more equitably and make it lighter
- Lowering of second-tier public pension benefits by 5% in fiscal 2004
- Launch of annual 1% hikes in the consumption tax starting in fiscal 2004, bringing the rate from 5% to 16% by 2014
- Strengthening of cooperative ties between industry and academia
- Deregulations aimed at sparking development of new technologies
- Rethinking of the government’s approach to research and development spending
- Major reductions in corporate tax rates
- Promotion of ecologically sound corporate management
- Construction of recycling-based social systems
- Development and implementation of resource-reuse and new energy technologies
- Construction of high-quality new housing and promotion of residential relocation
- Fundamental reform of the tax system to boost new home ownership

**Social Structures**
The changes required to realize a society where individuals make full use of their talents and energies

- Improvement of corporate governance in Japan
- Establishment of strong corporate identities for Japanese firms
- Improvement of capital markets
- Promotion of mergers of local administrative units
- Stimulation of latent demand through cooperative regional market activities
- Provision of wide-ranging educational services based on competitive market principles
- Introduction of diverse working styles
- Creation of an environment allowing people to both work and rear children
- Legal reform to allow married couples to keep separate surnames
- Conclusion of bilateral and regional agreements on cross-recognition for qualifications in specialist and technical fields

**International Ties**
The steps needed to form an integrated East Asian economy and strengthen global competitiveness

- Promotion of global economic liberalizations
- Establishment of leaders’ and ministers’ meetings among 13 East Asian nations (ASEAN and China, Japan, and South Korea); to be held twice annually through 2015
- Formulation of a shared vision for constructing an East Asian free economic sphere
government, business, and individuals. This overview of the years until 2025 shows the general timeframe for that action.

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<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
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<td>• Reduction of public pension benefits by 11% in fiscal 2011</td>
<td>• Establishment of Japan as a global center for creating added value</td>
<td>• Reduction of the overall tax burden of the people to below 50%</td>
<td>• Drastic improvement of residential and urban environments throughout Japan</td>
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<td>• Formation of an international system for recycling resources</td>
<td>• Expansion of business models based on concepts of recycling</td>
<td>• Achievement of average annual nominal growth of 3.0% and real growth of 2% over the first quarter of the century</td>
<td>• Achievement of an economically healthy Japan with strong environmental awareness and deep ties to the rest of the world economy</td>
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<td>• Creation of global rules making Japanese firms’ knowledge and technologies more marketable around the world</td>
<td>• Potential reduction of the consumption tax rate to 10% (assuming that average annual growth is 3.8% nominal, 2.6% real, and that policies are implemented to augment Japan’s shrinking labor force)</td>
<td>• Implementation of new energy supply systems</td>
<td>• Achievement of a diverse nation where individuals can live according to their own choices and extend their abilities to the fullest</td>
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<td>• Construction of urban environments rooted in shared values</td>
<td>• Establishment of a system allowing individuals to opt for voluntary euthanasia</td>
<td>• Shift from a prefectural system under a strong national government to a system of independent states</td>
<td>• Advancement of the five freedoms—in goods, people, services, capital, and information—and two forms of cooperation, to solve economic problems and boost regional growth</td>
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<td>• Finalization of a system for bringing foreigners to work and live in Japan</td>
<td>• Formation of broad-based networks in the areas of medical and elderly care through linkages between institutions offering various services</td>
<td>• Remaining nations to join the free economic sphere by 2020</td>
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<td>• Actualization of the free economic sphere in East Asia, with most nations taking part</td>
<td>• Implementation of new energy supply systems</td>
<td>• A Japan that has realized its third national opening in the modern era</td>
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<td>• Shift from a prefectural system under a strong national government to a system of independent states</td>
<td>• Achievement of a vibrant, integrated East Asian economy</td>
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POLICY RECOMMENDATIONS AND NIPPON KEIDANREN’S ROLE

In its role as a leader and coordinator of private-sector interests in Japan, Nippon Keidanren will be a major force in bringing this vision of a revitalized nation to reality by 2025. We will be in close touch with the political and administrative spheres, serving as a bridge between the private and public sectors as they work together to make the nation vital and attractive. Politics and the economy are the two wheels of the vehicle that will take Japan into the future. This does not mean that close ties will exist between government and business, however; we will maintain a relationship of rivalry with the Japanese government even as we help to create a strong, vibrant nation in the twenty-first century.

A Call for Strong Party Politics

It will be key in this century for political parties to regain their position as providers of competing visions for Japan’s policies and shape. The prime minister must also display effective, decisive leadership to steer Japan along the course it must take. Nippon Keidanren sees the ideal form of the cabinet as a national “board of directors”—drawing on this corporate concept, the country’s political leaders should make decisions that have genuine national interests at heart.

No longer can Japan afford a national policy based on the often conflicting interests of different parts of the bureaucracy. The number and powers of political appointees to the ministries and agencies must be increased, and politicians must serve alongside a larger number of civilian officials who bring fresh, nongovernmental perspectives to the task of running Japan.

The Keidanren Role

We will be directly involved in the process of guiding Japan in its development and its journey toward becoming the vibrant, attractive state we envision. We have a set of clear, specific policy recommendations and a timeframe in which to carry them out. These proposals reflect the ideas of business leaders in the forefront of economic activities, of course, but we will form cooperative ties with other areas as well, gathering concepts and proposals from the brightest minds that think tanks and universities have to offer. In this way we hope to develop a pool of talented, policy-minded leaders who can participate in the decision-making process as cabinet members or government appointees.

We will also lay down guidelines for our members, the corporations and industrial organizations that drive Japan’s economy. The activities of Japanese businesses must in the final account support parliamentary democracy, and the business sector must make its will known in ways that strengthen political parties with their eyes firmly on the goal of crafting policies for the sake of the nation.

In these ways, Nippon Keidanren will do its part, both politically and economically, to ensure that the Japan of 2025 is a nation infused with vitality and projecting an attractive image to people around the globe.