

The 21st Century Public Policy Institute renamed Keidanren Policy Research Institute



The 21st Century Public Policy Institute was established in 1997 as part of Keidanren's 50th anniversary commemorative projects. It has since brought together the wisdom of academia and industry and conducted various research activities.

In recent years, economic and social conditions both domestically and abroad have changed with increasing intensity, and as the future outlook grows uncertain, there is an increasing need for a compass to show the

direction Japan should take.

In light of these circumstances, to further strengthen Keidanren's think tank function, the institute was renamed the Keidanren Policy Research Institute (Keidanren Soken) from 29 May 2025 (this issue uses the organization's name at the time of each event).

We sincerely appreciate your continued understanding and cooperation.

Visiting Research Fellow Sahashi delivers speech at policy board meeting



On 15 April, Keidanren held a policy board meeting at the Keidanren Kaikan in Otemachi, Tokyo. Professor Ryo Sahashi of the Institute for Advanced Studies on Asia at the University of Tokyo, who serves as a visiting research fellow at Keidanren's 21st Century Public Policy Institute, delivered a speech on the "outlook for future US-Japan relations – based on the 21st Century Public Policy Institute's US mission."

Below is a summary.



In late March, as part of a mission to the US organized by the 21st Century Public Policy Institute, We traveled to Washington, DC to exchange views with major think tanks, including the Center for Strategic and International Studies (CSIS), and experts. Through this visit, I strongly sensed that the Trump



Visiting Research Fellow Sahashi

administration is conducting foreign policy as an extension of domestic politics, starting with two major points of dissatisfaction: (1) that the global economy is harming the United States and (2) that the United States is being forced to bear an excessive burden by ensuring the security of allies and other partners.

At the moment, a fierce tit-for-tat exchange of retaliatory tariffs continues, particularly with China. However, the US appears to view China not as a “security threat,” the perception that existed to date, but rather as an “economic adversary.”

Alliance relationships are also expected to undergo a transformation from their traditional forms. US allies will likely be required to cooperate with the US economy, including through investment in the United States, and to establish defense and security arrangements that do not impose burdens on the United States. Japan is no exception in this regard; contributions to the US economy and greater defense-related burdens appear unavoidable. Cooperation between Japan and the United States in the energy sector, in particular, is expected to grow in importance.

In this way, the transformation of the United States marks a departure from the past and might be described as “the black ships returning home.” It should be recognized as a major diplomatic issue surpassing the scale of past US-Japan trade frictions, and requires handling based on the premise that we are entering an era of heightened uncertainty. On the other hand, even amidst this, I believe we should first focus on analyzing US-Japan relations and the situation in the United States. More specifically, it is important for the business community to strive to build relationships at the private level while also establishing and responding via a new “think & do tank” with conceptual strength encompassing policy proposals as well as sustainability.

Symposium on “Chinese characteristics seen through two policies – Taiwan and monetary/fiscal policy” is held

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On 26 February, the 21st Century Public Policy Institute’s China Studies Project (Principal Research Director: Shin Kawashima, Professor at the University of Tokyo’s Graduate School of Arts and Sciences) held an online symposium on “Chinese characteristics seen through two policies – Taiwan and monetary/fiscal policy.” In the first half, Research Fellows Shinji Yamaguchi and Kumiko Okazaki delivered speeches. In the second half, Principal Research Director Kawashima moderated a panel discussion with the two research fellows. Below is a summary.

China's invasion of Taiwan scenario – concept and reality (Research Fellow Yamaguchi)

China's envisioned scenarios for Taiwan's unification can be divided into three categories: (1) grey zone scenario, (2) limited use of force scenario, and (3) full-scale invasion scenario. (1) involves influence operations in the form of fake news, economic



From left: Research Fellow Okazaki, Principal Research Director Kawashima, Research Fellow Yamaguchi

coercion and military exercises simulating naval blockades. Accidents involving the cutting of undersea cables are being suspected as another such action. (2) involves invading island regions and remote islands. However, even if successful, it would not achieve the goal of unifying Taiwan and would heighten international backlash, making it unrealistic. (3) is literally a military invasion of the main island of Taiwan. In this case, a quick-win approach to decide

the outcome before US forces intervene is essential, but given Taiwan's terrain and China's current military capabilities, this would not be easy. The US military, that is, US policy toward Taiwan, will remain key. Yet the Trump administration's policy remains unclear. Enhancing Taiwan's own resilience is also important. While Japan could cooperate in numerous areas, it is time to revisit what Taiwan fundamentally means to Japan.

China's monetary and fiscal trends – key points to watch after the real estate bubble's collapse (Research Fellow Okazaki)

China's Communist Party leadership assessed that the main economic targets for 2024, including the real GDP growth rate (5.0% y/y), were largely achieved. The operational guidelines for 2025 outlined an economic policy of "advancing amid stability," citing the expansion of high-level opening-up to the outside world, the expansion of domestic demand, the integrated development of science and technology innovation and industrial innovation, and the stabilization of the real-estate and equity markets. Monetary policy will be "moderately accommodative," it said, citing maintenance of sufficient liquidity, stabilization of CNY exchange rates, and promotion of innovation in financial instruments. Fiscal policy was described as "more proactive," citing increased issuance of special superlong-term government bonds, expanded issuance of local government special-

purpose bonds and structural improvement of fiscal expenditures. Risks requiring vigilance going forward included US-China frictions, delays in restructuring the real estate market and local government fiscal defaults. Medium-to-long-term challenges included raising per capita gross national income (currently around 80th globally) and improving the social security system to address the rapidly aging society.

Panel discussion

Principal Research Director Kawashima identified three common themes in the speeches by the two research fellows: (1) China's unique policies possess distinct Chinese characteristics, (2) safety and security issues come into play, and (3) assessing the Trump administration is important. Discussions with the research fellows covered topics including: (1) the Trump administration's Taiwan policy; (2) the impact of economic decoupling between Taiwan and China; (3) countermeasures for Japanese companies regarding information security, such as undersea cable cuts; (4) Japan's role in enhancing Taiwan's resilience; (5) balancing Japan's Taiwan policy and China policy; (6) China's unique characteristics in relation to monetary and fiscal policy; (7) the internationalization of the CNY; (8) the objectives of Chinese companies expanding overseas; (9) dialogue between Japan and China on monetary and fiscal matters; and (10) the role of Japanese banks in China.

Seminar on "Trump administration restart and the direction of US-China rivalry and the international order" is held

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On 21 February, the 21st Century Public Policy Institute held a seminar at the Keidanren Kaikan in Otemachi, Tokyo. Professor Ryo Sahashi of the Institute for Advanced Studies on Asia at the

University of Tokyo, who serves as a visiting research fellow at the institute, delivered a speech on the "Trump administration restart and the direction of US-China rivalry and the international order."

Research Fellow Sahashi began by emphasizing that we are facing a turning point in history that will greatly change the international order built since World War II. He analyzed and shed light on the second Donald Trump administration from a diplomatic perspective, touching on US-China relations and relations with East Asian countries and regions as well as the impact on Japan, while also offering his outlook on the future international economic order. Below is a summary.

Overall characteristics of Trump administration

President Trump strongly identifies himself as an outsider in Washington. He rejects the established US politics and solidifies his administration with loyalists. Furthermore, he is a realist who thoroughly pursues his country's short-term interests and a nationalist, as demonstrated by the Make America Great Again (MAGA) campaign. Furthermore, while not isolationist, he is a unilateralist, preferring bilateral negotiations. He is rolling out policies at a rapid pace, with greater speed and conviction to the task than under his first administration.

President Trump as a peacemaker

President Trump has swiftly addressed issues in the Middle East and Ukraine during his administration, with his actions receiving continuous media coverage. Going forward, he will likely bring this dimension as a peacemaking president further to the forefront. However, the emphasis will be placed not on the high-cost military support seen to date but on achieving peace through lower-cost engagement with the world. Considering this, it makes sense that he arrived at the current notion: that peace should be built through diplomacy on the back of America's powerful influence. Keeping this Trump-style worldview in mind will be an important perspective in observing the United States moving forward.

US-China rivalry and the direction of the international order



Visiting Research Fellow Sahashi

The Trump administration's policy toward China will not convey the sense of "reserve" seen under the previous Biden administration. While it is expected to push China with tough economic demands to bring a deal, security concerns toward China will remain. The US-China rivalry will persist going forward with these two directions kept mutually in check. What is concerning is that the US may attempt to restructure the international order based on the logic of power. To prevent this, Japan is strongly urged to promote the construction of a rules-based, multi-layered order.

Q&A

Questions poured in about how Japan should respond to the United States as it presses forward with its America First policy. In response, Research Fellow Sahashi expressed the view that Japan must first reaffirm the importance of the values it has cultivated to date. He then touched upon the importance of free trade and rules, stating that it is essential for Japan to wholeheartedly and proactively communicate the concept of a free and open international order, asserting that this is the path Japan should follow.

A symposium on “contemplating capitalism – what is true profit?” is held

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On 9 April, the 21st Century Public Policy Institute's Research Project on Capitalism and Democracy (Principal Research Director: Takahiro Nakajima, Director and Professor of the Institute for Advanced Studies on Asia at the University of Tokyo) held a symposium on “contemplating capitalism – what is true profit?” at the Keidanren Kaikan in Otemachi, Tokyo, inviting Emeritus Professor Colin Mayer of Management Studies at Oxford University's Saïd Business School, and Professor Hideaki Miyajima of the Faculty of Commerce and School of Commerce at Waseda University. The event was held with the support of the Oxford University Japan Office. In the first half, Emeritus Professor Mayer and Professor Miyajima each delivered speeches. In the second half, Research Director Nakajima moderated a panel discussion. Below is a summary.

Reimagining capitalism solutions for a world in crisis and Japan in transition (Emeritus Professor Mayer)

Japanese companies face issues of low growth, productivity and international competitiveness. To address these, corporate governance reforms implemented since 2013 have changed the ownership structure of Japanese companies, eliminating cross-shareholdings and increasing the shareholding ratio of institutional investors. This change is generally viewed as positive, as it emphasizes efficiency and innovation. However, concerns are growing that this may impact Japan's relatively well-preserved social harmony and environment.

The primary driving force of capitalism lies in the pursuit of profit. But what is true profit for a company? Currently, corporate profit is derived from revenue minus costs. This “cost” does not account for the expenses to avoid and rectify the various problems



From left: Professor Miyajima, Emeritus Professor Mayer, and Principal Research Director Nakajima

companies generate, such as low-wage labor, exploitative transactions, environmental pollution and greenhouse gas emissions, and thus cannot be considered a true cost. The resulting “profit” is also not a true profit. This is not an issue that can be dismissed as an “externality” (impact on third parties) in economics terminology; it is a problem concerning profit, which lies at the core of corporations and capitalism. We should rethink the role and goals of capitalism, cease practices that gain profit at the expense of others and elevate our aspirations and purpose to achieve fair profit that accounts for true costs.

This leads to the question of a company's purpose, i.e., its reason for being. A company's purpose is not to create problems and profit from them, but to deliver profit-generating solutions to the problems facing people and the planet. Simply put, it is to generate profit without harming others. If this is indeed a company's purpose, then fair profit that does not come at the expense of others, i.e., true profit, should naturally follow.

Redesigning Japan's capitalist system – focusing on corporate governance (Professor Miyajima)

What issues might arise when applying Emeritus Professor Mayer's ideas in Japan?

Currently, Japan's corporate governance reform faces a dual challenge: (1) achieving innovation and economic dynamism through reforms emphasizing market discipline, and (2) creating a framework that considers sustainability of society, including environmental, social, and governance (ESG) factors.

Based on this, redesigning Japanese capitalism requires: (1) reforming boards of directors to realize purpose-driven management; (2) designing compensation systems that enable risk-taking management; and (3) designing ownership structures that support purpose-driven management.

Panel discussion

Principal Research Director Nakajima commented that in pursuing a form of capitalism where companies that generate “profits without harm” (profits that do not harm others) survive, the public sector should play a role in promoting such companies.

In response to a participant's question about what to do to solve social problems, Emeritus Professor Mayer replied that he hoped they would continue to hold onto the inspiration and imagination for problem-solving that they presumably had when starting their businesses.

Seminar on the “outlook for democracy” is held

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On 11 June, the Keidanren Policy Research Institute's Research Project on Capitalism and Democracy (Principal Research Director: Takahiro Nakajima, Director and Professor of the Institute for Advanced Studies on Asia at the University of Tokyo) held an online seminar on the “outlook for democracy,” inviting Professor Xudong Zhang of New York University. Below is a summary.

The social crisis of democracy under state capitalism – political and philosophical perspectives (Professor Zhang)

The world is now facing a polycrisis. As nationalism and xenophobia emerge around issues of regional and global hegemony, deepening civilizational tensions and conflicts, competition and confrontation in the economic and technological spheres have also intensified to the point of affecting national survival. Under these circumstances, we need to reexamine capitalism and democracy.

In this speech, I wish to consider the problems of democracy within the context of China's “state capitalism” (capitalism driven by the state leading



Professor Zhang (left), Principal Research Director Nakajima (right)

economic activity through authoritarian means).

In developed nations, when governments address the inequality, conflict and contradictions resulting from capitalism through measures such as establishing social welfare systems, they need to secure public understanding and sympathy based not merely on economic rationale, but also on ethical and moral grounds. In other words, governments require a “complete legitimacy” that the public can accept.

What about China? The following argument by Hong Kong philosopher Jiwei Ci serves as reference.

Over the past 40-50 years, China has pursued capitalist reforms. In this context, the government of China, like those of other advanced nations, has increasingly faced

demands for legitimacy from its citizens. What constitutes the basis for the Chinese government's legitimacy? In China, Confucian values that fostered a culture emphasizing social hierarchy were once important. However, these have become increasingly difficult to reconcile with the democratic values that have emerged alongside the introduction of capitalism, undermining the basis for the government's legitimacy. Today's China touts its economic success as the basis for its legitimacy. Indeed, the Chinese economy is now powerful globally, and there is a dimension of this serving as a basis for the Chinese government's broad acceptance both domestically and internationally. However, "complete legitimacy" cannot be grounded solely on economic outcomes. Unless its authority resonates ethically and morally, "complete legitimacy" will not be granted. And the key to creating that "complete legitimacy" is democracy. Ci argues that "China cannot continue to rise much longer or higher

unless it greatly advances democratization."

Japan also warrants discussion. Japan's characteristics include the absence of extreme capitalist competition, a high standard of living despite low growth and population decline, and a sovereignty that is, in a sense, limited under international monitoring, as seen in issues surrounding the constitution's enactment process and the presence of US military forces. These features of Japan offer new insights for the current world in the midst of a polycrisis.

Discussion

In the latter half of the seminar, Professor Zhang and Principal Research Director Nakajima held a discussion, delving into whether Japan's model of "limited sovereignty" could serve as a reference for the coming era of democracy.

Symposium on "China's national strategy in transition – advanced industry development and social security reform" is held

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On 2 July, the Keidanren Policy Research Institute's China Studies Project (Principal Research Director: Shin Kawashima, Professor at the University of Tokyo's Graduate School of Arts and Sciences) held an online symposium on "China's national strategy in transition – advanced industry development and social security reform."

In the first half, two research fellows delivered speeches. In the second half, Principal Research Director Kawashima moderated a panel discussion with these two. Below is a summary.



From left: Principal Research Director Kawashima, Research Fellow Ding, Research Fellow Katayama

The "A new system concentrating nationwide effort and resources on key national undertakings" and the development of China's advanced industries (Research Fellow Ding)

China is promoting the development of advanced

industries based on its new system concentrating nationwide effort and resources on key national undertakings, leading the world in many fields such as electric vehicles (EVs) and AI. This system differs from traditional government-led approaches in that it combines market principles.

Through local government policy initiatives and support for private tech companies, massive funding via scientific research grants and subsidies, strategic supply chain development exemplified by the EV industry and the societal implementation of advanced technologies have been promoted.

However, intensifying interregional competition has led to overproduction, while the growing reliance on exports due to sluggish domestic demand has become a source of trade friction. Other challenges including the financial difficulties of local governments due to the collapse of the real estate bubble presenting a threat to the sustainability of industrial support.

In today's China, industrial policy is not a panacea.

How has the focus of social security system reforms changed in China with the turn toward a society of population decline? (Research Fellow Katayama)

China is projected to transition into a super-aging society in 2034. Social security expenditures have surged threefold over the past decade, with pensions in particular exerting a major impact on public finances.

Under fiscal constraints, China's social security system has established a "welfare mix system" that utilizes private companies for public system operation and enrollment promotion. Examples of private sector involvement include joint operation of long-term care insurance with private insurance companies and social security contributions for gig workers by food delivery companies.

The government is also raising the age of pension eligibility to stabilize pension finances, and transferring funds from regions with surpluses to regions with deficits to correct fiscal disparities between them within the pension system.

Social security is expected to play a role of stimulating consumption by stabilizing people's livelihoods. However, in reality, it has failed to alleviate future anxieties, leading to a growing tendency toward saving.

Panel discussion

Based on the presentations by the two research fellows, Principal Research Director Kawashima pointed out that advanced industrial policy and social security represent a dilemma in the Chinese government's allocation of financial resources for economic growth. He stated that while investment is concentrated in advanced industries against the backdrop of policies aimed at competing with the United States and building state capacity, this is simultaneously straining the financial resources for social security.

In this context, he noted that reviewing the fiscal burden between the central and local governments will also be an important challenge going forward. He concluded that how to maintain the balance between these two areas, which is akin to managing the accelerator and brakes, is a common challenge for advanced economies, including Japan, and that Japan can learn from China's situation in certain respects.

Second installment of seminar on the “outlook for democracy” is held

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On 9 July, the Keidanren Policy Research Institute's Research Project on Capitalism and Democracy (Principal Research Director: Takahiro Nakajima, Director and Professor of the Institute for Advanced Studies on Asia at the University of Tokyo) held the second installment of its online seminar on the “outlook for democracy,” inviting Professor Shigeki Uno of the Institute of Social Science at the University of Tokyo. Below is a summary.

Outlook for democracy (Professor Uno)

1. Concept of democracy

There is some confusion regarding the concept of democracy, but it can be clarified as follows.

First, there is a view that democracy is simply majority rule. However, democracy does not mean using majority rule at any time, but rather using it on the premise that the rights of minorities are protected.

Next, there is a view that democracy is synonymous with elections. However, democracy and elections are fundamentally distinct; elections alone do not constitute democracy. In the modern era, citizens cannot be said to participate in politics merely by participating in elections, and dissatisfaction is growing that politics does not heed their opinions. We must consider whether the most important element of democracy – the “system of participation and responsibility” (a system where one takes responsibility for matters decided precisely because one participates in politics) – can be realized through modern representative democracy.

Democracy has a dimension of concrete institutions such as parliamentary cabinet systems, three-way separation of powers and electoral systems, and a dimension of enduring ideals. It is important to connect these dimensions and increasingly think freely about the concrete institutionalization of democracy



Professor Uno (left), Principal Research Director Nakajima (right)

going forward.

2. Current state of democracy in historical perspective

Today, democracy is primarily understood as representative democracy. However, in the ancient Greek city-states where it originated, democracy and elections were by no means synonymous. Aristotle said that democracy was actually well-suited to a lottery system where anyone could be randomly selected for public office. Ancient democracy and what we now call democracy are similar yet different.

Current democratic systems, such as the presidential system and the parliamentary cabinet system, began with ideas refined in the 1860s through works like John Stuart Mill's *Considerations on Representative Government* and Walter Bagehot's *The English Constitution* during the 1860s. These are unfinished systems with a history of at most 160-170 years. Perhaps now marks a turning point in the shape of representative democracy.

Until now, discussions on democracy have largely focused on parliament – for example, matters such as electoral reform. However, since it is the administration (such as the cabinet or office of the president) that actually drives politics in many democratic nations, we should now delve deeper into the ideal orientation of institutions that strengthen democratic controls of the administration through, for

example, citizens directly proposing policies or demanding information disclosure.

3. Significance and future of democracy

There is much debate about the merits and demerits of democracy. I believe the significance of democracy lies in: (1) transparency through openness (where policies are decided through transparent processes in public forums, fostering a sense of understanding and enabling subsequent verification); (2) a sense of ownership through participation (which can draw out energy stemming from the tangible feeling that people are deciding matters for themselves); and (3) accountability accompanying judgment (giving people opportunities to make decisions while simultaneously holding them accountable).

We must consider the future course in light of these characteristics. In an era where the United States, the

homeland of democracy, no longer leads the way, and the long-held assumptions that democracy is inherently right and that all nations will eventually democratize are beginning to waver, we have reached a point where we must seriously consider whether to still choose democracy or cut ties with it.

Discussion

In the latter half of the seminar, Professor Uno and Principal Research Director Nakajima engaged in a discussion, deepening the conversation on the mechanisms of US democracy and its relationship with religion.

When a participant asked about the future of the new world order, Professor Uno responded that while the idea of building order through bilateral and coalition relationships would likely gain strength, the United States might also return to internationalism once again.

Seminar on “US-EU relations under the Trump 2.0 administration” is held

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On 14 July, the Keidanren Policy Research Institute's Project on Europe Studies (Research Director: Sayuri Ito, Executive Director of Economic Research Department at NLI Research Institute) held an online seminar on “US-EU relations under the Trump 2.0 administration,” inviting Professor Ken Endo of the Graduate School of Law and Politics at the University of Tokyo.

At the outset, Research Director Ito outlined plans to hold seminars analyzing the situation in Europe from multiple perspectives together with experts, using the impact of the Trump administration's return on the global economy as a common theme.

At the seminar, Professor Endo first delivered a speech, then Research Director Ito posed questions to Professor Endo to deepen the conversation. Below is a summary.



Professor Endo (left), Research Director Ito (right)

The European order under Trump 2.0 – the future of the EU-NATO framework (Professor Endo)

The EU-NATO framework showed temporary solidarity with the Russo-Ukraine war, but instability has resurfaced. Examining the current EU from three viewpoints – border, external and internal – reveals its

complex situation.

At the border, the war in Ukraine persists, placing Europe on the front lines of security. With US support uncertain, the EU's resolve and capability to respond independently are being tested. Regarding Ukraine's potential EU and NATO membership, challenges such as its decentralized state structure, corruption and budgetary burdens have been pointed out. Particularly concerning Ukraine's NATO accession, the collective defense obligation under Article 5 remains a significant barrier.

Externally, the Trump administration exerts significant influence as an outside power. It is opposed to multilateralism and free trade, and has reportedly been drawing closer to Russia and maintaining ties with the far-right European party "AfD (Alternative für Deutschland)." This represents a move that undermines trust in Europe.

Internally, populist forces continue to gain ground. In major countries like Germany and France, support for Eurosceptic parties may become essential for forming governments, leaving concerns about the maintenance of EU integration. While the system is holding together for now, tensions persist.

For Japan, one implication is that foreigner issues are becoming a reality alongside the rise of the far right. According to Ministry of Health, Labour and Welfare statistics, the number of foreigners in Japan is approximately 3.7 million, with annual inflows exceeding 330,000. This is comparable to the UK's pre-Brexit levels, indicating Japan is in a similar phase. The revised Immigration Control and Refugee

Recognition Act (Immigration Control Act) now allows family reunification, potentially increasing the foreign population to around 7-10 million in the future. Meanwhile, Japan has approximately 10 million people in the underclass earning less than JPY1.86 million annually. Also important is the existence of 20 to 30 million people in the lower-middle class. As right-wing tendencies grow over time, a perspective that simultaneously captures not only foreigner inclusion and poverty measures but also the lower-middle class is required.

Discussion

During the subsequent discussion, there were deeper conversations about the impact on Europe of the US retreat from the international order and the rise of populism, the restructuring of security frameworks and the potential for economic integration and fiscal coordination.

While Germany's defense buildup and cooperation with the UK and France, along with the EU's concept of establishing a European Defense Fund (EDF) and issuing joint eurobonds, drew attention, differences in threat perceptions and role-sharing awareness among nations were indicated as constraints on integration. Furthermore, concerns were expressed regarding the US stance on NATO's collective defense principle and political movements undermining the EU-NATO consensus.

Additionally, while institutional progress has been made toward EU-wide military integration, structural limitations were also noted.

Seminar on “the new Korean administration and outlook for Japan-Korea-US relations” is held



On 23 July, the Keidanren Policy Research Institute's Korea Studies Project (Principal Research Director: Yukiko Fukagawa, Professor of Economic

Development at Waseda University's Department of Political Science and Economics) held an online seminar on “the new Korean administration and



President Chung (left), Principal Research Director Fukagawa (right)

outlook for Japan-Korea-US relations.” President Chul Chung of the Korea Economic Research Institute (KERI), a leading Korean think tank, was invited to the event, which was held with the support of the Federation of Korean Industries(FKI). In the first half, President Chung delivered a speech on the key policy directions of the new Korean government and Japan-Korea industrial cooperation. In the second half, Principal Research Director Fukagawa presented perspectives from the Japanese side and held a discussion with President Chung. Below is a summary.

Key Policy Directions of the new government of the Republic of Korea and Korea-Japan industrial cooperation (President Chung)

The new Korean administration under President Lee Jae Myung is emphasizing policies centered on revitalizing the civilian economy and focusing on industrial technology. In response to sharp economic deterioration and rising prices, it has compiled a supplementary budget exceeding KRW30 trillion. It has positioned the recovery of domestic demand as its top priority through measures such as distributing consumption coupons and supporting small businesses. Its stance of moving away from fiscal austerity and actively advancing support for people's livelihoods is clear.

In the industrial technology sector, the “ABCD strategy” – AI (A), Bio (B), Culture (C), and Defense (D) – is being promoted to advance the industrial structure. Particularly in the AI sector, efforts are underway to establish a KRW100 trillion fund and strengthen the framework by, for example, creating

dedicated positions. Additionally, an “Energy Highway Initiative” that aims to expand renewable energy and strengthen interregional and inter-industrial power grids, as well as a policy shift from phasing out nuclear power to approving it in preparation for increased electricity demand from AI data centers and other facilities can be seen.

The Korea-Japan Economic Association is seeking to strengthen industrial cooperation between Korea and Japan while actively responding to these policies, aiming to establish four pillars of cooperation: “risk,” “market,” “solution,” and “value.”

Specifically, these are: (1) risk sharing = Japan-US-Korea collaboration in liquefied natural gas (LNG) and shipbuilding; (2) market sharing = economic integration to complement market scale; (3) solution sharing = joint development of solutions for declining birthrates/aging populations, climate crises, renewable energy and hydrogen technology; and (4) value sharing = cooperation for regional peace and mutual prosperity through shared values like liberal democracy and market economies in Northeast Asia.

In particular, future-oriented exchanges among people of the next generation are important, and it is hoped that exchanges will be further expanded among young people and in the fields of sports and arts, where goodwill has seen mutual growth.

Perspectives from Japan (Principal Research Director Fukagawa)

Recent Korean politics show pragmatic policy management under strong government base. Japan, too, has a diminishing need to worry about deteriorating Japan-Korea relations stemming from ideological clashes as in the past. Meanwhile, within Korea, public fatigue over the conservative-progressive divide is growing, and a mature civic consciousness is fostering discussion.

In Japan-Korea relations, cooperation has become unavoidable to ensure economic security and maintain free trade amid the global economic crisis and geopolitical risk. The strengthening of relations on the

civilian level in cultural, tourism and other service sectors is also progressing.

Going forward, Japan and Korea have potential for cooperation across a wide range of areas, including energy, population aging and birth rate decline, regional revitalization and human resource development. At the same time, differences in values and political noise remain. We believe that deepening personal exchanges will advance the resolution of these challenges.

Discussion

In the latter part of the discussion, both speakers noted the importance of market integration in the small and medium-sized enterprise (SME) and consumer goods sectors for Japan-Korea industrial cooperation. They agreed that exchanges of goods and services based on culture and lifestyle could create new business opportunities, and that deepening personal exchanges



would further strengthen the cooperative relationship. Additionally, while Korea's trade deficit has been cited as an issue, it was noted that cooperation leveraging each country's competitive strengths in materials and equipment sectors could enhance mutual industrial competitiveness. Sustained collaboration based on this complementary relationship is considered key to future Japan-Korea industrial cooperation.

National Agriculture and Food Research Organization (NARO) is visited

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The 21st Century Public Policy Institute visited the National Agriculture and Food Research Organization (NARO)'s Tsukuba Research Center (Tsukuba City, Ibaraki Prefecture), Sapporo Research Center (Sapporo City, Hokkaido) and Memuro Research Center (Memuro-cho, Kasai-gun, Hokkaido), and held discussions on promoting the utilization of smart agriculture and other topics.

At the Tsukuba Research Center, the team inspected remotely operable robotic tractors for coping with labor shortages; agro-environment emulators that rapidly develop varieties and cultivation methods adapted to new environments; smart plant factories enabling control over quality and yield; a 3D vibration simulator reproducing transport conditions to study

distribution methods; and non-destructive evaluation devices for taste and texture that reduce the burden of sensory evaluation by humans.

At the Sapporo Research Center, the team received explanations on research themes including initiatives for dairy farming, rice and vegetable cultivation in cold regions, low-cost dairy cow monitoring using AI, yield prediction for feed corn, prediction of optimal harvest timing for sweet corn and cultivation support utilizing weather information. The team also held discussions with the researchers.

At the Memuro Research Center, the team confirmed the latest advances in agricultural technology through: explanations on Hokkaido's field farming overview, smart agriculture technology development and field

crop variety improvement and dissemination; an inspection of technologies such as automatic sorting of soil clods and gravel from potatoes; and discussions with researchers.

Additionally, Takashi Yoshimura, Director of the Keidanren's 21st Century Public Policy Institute

(Secretariat), participated in a panel discussion at the "Hokkaido Smart Food Chain Project Commercialization Strategy Conference 2025" (held on 12 March 2025). Through opinion exchanges with people involved, Director Yoshimura deepened his understanding of agriculture.

Introduction of publications

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The Keidanren Policy Research Institute holds symposiums, seminars and discussions. The content of these events is compiled into books, booklets and videos, which are made available to the public. These records capture the proceedings of speeches, Q&A

sessions, panel discussions and more. They serve as a way to experience events that could not be attended and as an archive of past discussions.

Full contents are available on the institute's website.

Reports

EU law and Japanese companies – addressing extraterritorial application and the Brussels effect

Pocketbooks

Seminar on "Trump administration restart and the direction of US-China rivalry and the international order"

Special discussion on "circular economy – rethinking the relationship between earth and humanity"

Seminar on "contemplating capitalism – from the respective perspectives of Japan and the UK"

Symposium on "environmental and energy policies of the second Trump administration and trends in worker support"

Symposium on "risks and opportunities facing companies – contemplating the continuously evolving economic security environment"

Symposium on "Chinese characteristics as seen through two policies"

Booklets

Special interview on "pioneering a new era"

Special discussion on "realizing a diverse society that leverages Japanese sensibilities"

