Keidanren Policy Research Institute
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Symposium on "interpreting Japan-U.S. relations under the second Trump administration" is held

On 24 December, the Keidanren Policy Research Institute's (Chairman: Yoshinobu Tsutsui) Project on U.S. Studies (Principal Research Director: Fumiaki Kubo, President of the National Defense Academy) held a symposium on "interpreting Japan-U.S. relations under the second Trump administration" at the Keidanren Kaikan in Otemachi, Tokyo.

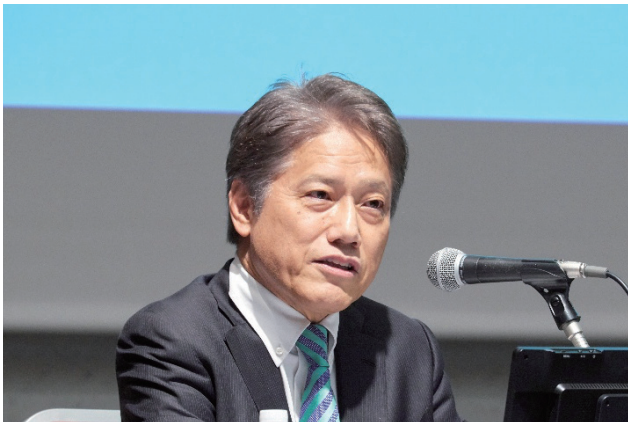
In the first half, Masahiko Hosokawa, Special Advisor to the Cabinet Secretariat, delivered a speech. In the second half, Deputy Research Director Kazuhiro Maeshima (Professor at Sophia University's Department of Global Studies) moderated a four-person panel discussion with Special Advisor Hosokawa, Principal Research Director Kubo and Shinsuke Sugiyama, Executive Fellow at the Keidanren Policy Research Institute (and Advisor to the Ministry of Foreign Affairs). Below is a summary.

How should Japan respond to the Trump administration and U.S.-China confrontation? (Special Advisor Hosokawa)

It seems that the relationship between the U.S. and China is shifting from confrontation to trade. How Japan responds to U.S.-China trade is a challenge, and the fact that the U.S.'s own production base has become extremely fragile will be the key to Japan-U.S. cooperation.

Four U.S.-China summit meetings are expected to take place in 2026, and President Trump's visit to China in April will be particularly significant. Just as during his first administration, he is likely fixated on showcasing the results of his visit and will want to avoid anything that might hinder that effort.

While the media tend to report on the exchange of tariff rates, the underlying issue is the standoff between



Special Advisor Hosokawa

China's rare earths and U.S. semiconductors. China enacted its Export Control Law in 2020 and has been preparing to compete on equal footing. Starting with gallium and germanium in 2023, it has begun to impose restrictions on materials such as graphite.

My assessment of the U.S.-China summit meetings in October 2025 is that the United States is at an overwhelming disadvantage. While providing material to appeal to the U.S. domestic audience such as fentanyl control and soybean purchases, China is reaping the benefits in terms of rare earths versus semiconductors.

We want to set things up so that Japan has an indispensable existence in semiconductor equipment and materials, ensuring that the U.S. relies on us.

Although Japan currently lacks rare earths, China produces 85% of rare earth magnets while Japan produces 15%, and we should recognize this as a strength. We also possess technologies such as small modular reactors (SMRs) and ship repair, which will contribute to the JPY80 trillion in investment in the United States.

In the international community, a major key will be whether we can work together with Europe, Australia,



Executive Fellow Sugiyama

Korea and other nations, and forge ties with the Global South as well, based on the key words of autonomy and indispensability.

Panel discussion

Principal Research Director Kubo shared his analysis that the United States maintains a mix of policies toward China – some friendly and others not. As examples, he noted that while the October U.S.-China summit meetings brought notable concessions by the U.S., such as allowing semiconductor exports to China and accepting 600,000 Chinese students, there was also a USD11.1 billion arms sale to Taiwan announced in December and a statement in the National Security Strategy that "deterring conflict over Taiwan […] is a priority."



Principal Research Director Kubo

Executive Fellow Sugiyama noted that President Trump has continued to pursue tariff policies and deals with China, unchanged from his first administration. He pointed out that there are two key differences: first, that Trump sees the period leading up to the November midterm elections as the real battle, without thinking about re-election, and second, that he is surrounding himself with yes-men, as evidenced by the fact that there have been almost no changes in his key cabinet members.



Deputy Research Director Maeshima

In addition, in response to questions from the audience, discussions were held regarding changes in American society as a whole, as well as the benefits and risks of Japanese companies collaborating with Taiwanese and Korean firms.

Japan-Korea symposium on "regional development and a new era of Japan-Korea public welfare partnership" is held

On 16 January 2025, a Japan-Korea symposium on "regional development and a new era of Japan-Korea public welfare partnership" was held in Busan, hosted by three parties: the Federation of Korean Industries (FKI), Dongseo University and the Keidanren Policy Research Institute. While Busan is Korea's second-largest city and its largest port city, it faces challenges such as a stagnant industrial structure. The outflow of young people seeking employment to Seoul, coupled with a declining birth rate, has led to population decline and aging, making it one of

the most rapidly aging major cities in Korea. This symposium was held against the backdrop of structural challenges common to both Japan and Korea, such as falling birthrates and aging populations, as well as regional decline. Its purpose was to bring together researchers and business representatives to discuss these issues from both a policy perspective and the standpoint of corporate practice.

The decline of regional areas and the falling birth rate in Japan (Takumi Fujinami, Chief Senior Economist at the Japan Research Institute, JRI)

Although regional revitalization initiatives have been underway in Japan since 2015, the concentration of the population in the Tokyo metropolitan area continues unabated. This trend is driven by the strong pull of companies in Tokyo, particularly the intensifying competition for young, highly skilled professionals, especially in IT. Although policies such as relocation promotion and dual residence have been implemented, the reality is that the people who can practice remote work are primarily middle-aged and older white-collar men. For women, who often work in customer-facing roles at service counters or sales floors, this lifestyle is considered difficult to adopt.

Strategies for regional revitalization that focus primarily on relocation support and matchmaking services have their limitations; improving the quality of the economy and employment in rural areas is essential. In particular, boosting the productivity of small and medium-sized enterprises in rural areas, creating opportunities for highly skilled workers, including women, and changing mindsets toward the gender gap are crucial for the sustainable development of these regions.

While the background and causes of the declining birthrate and aging population may differ between Japan and Korea, I believe it is extremely important for us, as neighboring countries facing the same challenges, to maintain close communication and learn from each other's initiatives.





Chief Senior Economist Fujinami

Case studies of corporate-led regional revitalization introduced

To introduce case studies of corporate-led regional revitalization, Ryoichi Fujisaki, Executive Vice President of Japan Regional Development at ANA Strategic Research Institute (hereinafter "ANA Soken"), and Yuko Sasai, Director of PIA Research Institute (hereinafter "PIA Soken"), took the stage to present from Japan.

ANA Soken presented case studies of its regional collaboration initiatives, including a travel planning competition for visits to Japan in partnership with overseas business schools, tourism and local product promotion through the operation of a regional exchange platform, and a program enabling young people from urban areas to gain work experience in rural regions. These examples demonstrated that corporate involvement in regional economies through the movement and interaction of people can lead to the creation of a connected population and the generation of new value.

PIA Soken presented an example of leveraging the crowd-drawing power of entertainment, highlighting initiatives along the waterfront stretching from Yokohama's Minatomirai district to the area surrounding Yamashita Park Street. They explained a model that goes beyond temporary crowd-drawing through events and content to generate a virtuous cycle in the local economy through stay-based consumption and job creation centered on arena operations. In addition, they highlighted the importance of collaboration where people and creative works continue to flow back and forth by showcasing the track record of over 20 years of cultural exchange and the rotation of

production talent between Japan and Korea.
From Korea, Lotte Holdings and PANASIA, based in Busan, took the stage. Lotte Holdings, which employs approximately 6,700 people in the Busan region, introduced numerous community contribution activities in the fields of distribution, culture, and tourism as a local partner company. The company emphasized providing moving and memorable experiences as well as sustainability, and expressed the view that Busan, being the closest city to Japan and having a long history of exchange, serves as a platform for lifestyle and culture connecting Japan and Korea.
PANASIA, which is engaged in the environmental equipment and solution business for the naval architecture and ocean engineering sector, emphasized the importance of creating an environment where employees can build careers that measure up with those at large corporations and on the global stage, even in regional areas. As part of its efforts toward this goal, the company presented case studies on insourcing AI development capabilities, the implementation of smart factories and AI, and the adoption of a standardized ERP (Enterprise Resources Planning) operating system. Regarding Japan-Korea cooperation, the company mentioned the potential for resolving the issue of skill succession through exchange programs between senior technicians and young engineers.

Panel discussion

Finally, a panel discussion involving all the speakers and a Q&A session with the audience were held. Based on the common challenge of a shrinking domestic market due to the declining birth rate and aging population, participants exchanged views on collaboration between Japanese and Korean companies in the fields of tourism, local products and job creation, as well as the potential for developing new business ventures. There were many questions from the audience directed at the Japanese speakers, indicating a high level of interest in Japan's initiatives, which are leading the way in addressing the declining birth rate and aging population. In closing, a summary was presented on the theme of regional personnel exchange and human resource development, reaffirming the importance of building a partnership for mutual growth between Japan and Korea through cooperation in public welfare.

Summary

Against the backdrop of common challenges such as a declining birthrate, an aging population and population decline, this symposium featured discussions drawing on both researcher analyses and practical case studies from the business sector. The importance of improving the quality of industry and employment in regional areas, as well as human resource development, was reaffirmed. The symposium also highlighted the potential for companies to create new value in diverse fields, including tourism, culture and industry, through collaboration with local communities.
Furthermore, given their geographical proximity and shared social challenges, cooperation in public welfare is expected to become increasingly important for Japan and Korea. There was a mutual understanding that sharing expertise through personnel exchanges and corporate partnerships, and steering this toward the sustainable development of local communities would be beneficial for both Japan and Korea.

Seminar on "rethinking democracy" is held

On 19 January, the Keidanren Policy Research Institute's 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 "rethinking democracy," inviting Koichiro Kokubun, professor of the Graduate School of Arts and Sciences at the University of Tokyo. Below is a summary of Professor Kokubun's presentation.

Introduction

Although the administration makes numerous decisions, citizens cannot, in principle, directly elect the officials involved. All that citizens can do is involve themselves in the legislative power through

elections, so why is our current society still considered a democracy? Let us look back at history to explore this question.

The collapse of feudal states and the emergence of sovereignty

Medieval Europe was a feudal society. The kings of feudal states were figures of authority rather than actual rulers, and their rule lacked any real effectiveness. They entered into a kind of equal reciprocal contract with the numerous independent powers within their realm: in exchange for promising them the right to levy taxes, official positions and related protections, they received military service and other forms of support from them.

Thereafter, following the Reformation, feudal states collapsed and were replaced by absolutist states.

However, a society that had previously been decentralized could not suddenly accept rule by a king, so the concept of "sovereignty" – an absolute and perpetual power – emerged as a concrete means of supporting the king. This was an attempt to make it easier for the king to govern by establishing that he held sovereignty.

Sovereignty consists of the right to wage war, which is an external function, and the right to legislate (legislative power), which is an internal function. Since feudal society was determined by contracts and customary law, it was only at this time that the concept of ruling through legislation first emerged. In other words, sovereignty is the power to create rules and enforce them.

Sovereignty as legislative power

In many countries, sovereignty shifted from the monarch to the people. In Japan, too, sovereignty shifted from the Emperor to the people after World War II. The political system changed, and the theories and philosophy of democracy began to take shape.

However, during this period, the concept of sovereignty itself was never called into question. The only issue at stake was who the sovereign was. This explains why a society in which the people have no say in its administration is still referred to as a democracy. It is because we are the sovereigns, and sovereignty refers to the power to make laws. As long as we are involved in the legislative process, it can even be said that the sovereigns are the ones making the decisions.



Dr. and Professor Kokubun (left), Principal Research Director Nakajima (right)

Limitations of legislative power, strong executive power

At the core of the modern sovereign state lies the idea that the legislature establishes rules to govern the country, and the executive branch is supposed to merely enforce those rules.

However, laws have clear limitations, and it is impossible to anticipate every possible scenario to which they might apply. Therefore, when enforcing laws, the administration must interpret them. Those interpretations enable the administration to make various decisions.

That said, if the people, who are the sovereign, cannot be involved in the administration that holds such decision-making authority, isn't it strange to call that democracy?

To begin with, if left unchecked, the administration runs amok, evading the oversight of laws and the legislature. Therefore, democratic controls must be imposed on the administration. Specifically, it is necessary for the public to convey their opinions to the administration through various channels, such as democratically electing members of government advisory bodies and ensuring that public comments are recorded as evidence of public opinion.

This is because being democratic and open, and feeling that we have a say in decisions, leads to a vibrant society. Democracy is important for keeping society running with everyone's motivation, and we should consider what institutional reforms can be made to achieve this.

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In the latter half of the seminar, Professor Kokubun and Principal Research Director Nakajima engaged in a discussion, delving deeper into topics such as local government politics.

Symposium on "the second Trump administration and the world" is held

On 4 February, the Keidanren Policy Research Institute's Project on U.S. Studies (Principal Research Director: Fumiaki Kubo, President of the National Defense Academy) held an online symposium on "the second Trump administration and the world."

After Deputy Research Director Maeshima (Professor in the Department of Global Studies, Sophia University) opened the session by discussing the latest developments in the United States, Research Fellow Takeshi Umekawa (Professor of the Graduate School of Law and Politics at the University of Tokyo) and Masatoshi Murakami (Associate Professor in the Department of Contemporary Society at Kogakkan University) each delivered a speech.

In the second half, Principal Research Director Kubo moderated a four-person panel discussion. Below is a summary.

Introduction (Deputy Research Director Maeshima)

Venezuela is in the U.S. backyard, with issues such as drug trafficking, and it maintains close ties with China and Russia. With that in mind, missiles and carrier strike groups (CSG) were already on standby in September 2025. Similarly, the U.S. is seeking to impose an economic blockade on Cuba, and a domino effect on Colombia and Mexico is also anticipated.

The invasion of Venezuela was a clear violation of international law, making it difficult for Japan and Europe to call on China and Russia to abide by international law.

The Trump administration is focusing on the Western Hemisphere because it resonates with its support base. Evangelicals view the invasion of Venezuela as



Deputy Research Director Maeshima

"defeating the nation of Satan." According to a survey by CBS in the U.S. and YouGov in the U.K., 48% of respondents supported the invasion of Venezuela; however, when looking specifically at Republican supporters, 89% were in favor, while only 13% of Democratic supporters agreed to it, revealing a significant divide.

Emergency powers and tariff policy in the second Trump administration (Research Fellow Umekawa)

An executive order is a directive that requires administrative agencies to implement matters stipulated by law. The second Trump administration has issued more executive orders than the first, and their content has become more radical.

While executive orders are typically phrased as "By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered," during the second administration, the phrasing "pursuant to emergency powers" has become prominent. Emergency powers



Research Fellow Umekawa



Associate Professor Murakami

are special authorities that become available when the president declares a national emergency; they are currently stipulated in approximately 137 federal laws. The second Trump administration has interpreted the phrase "may regulate importation" in the International Emergency Economic Powers Act (IEEPA) of 1977 to mean "may alter tariff rates," and is imposing reciprocal tariffs accordingly.

The court leaves it to the president to determine whether a state of emergency exists, but may, on the other hand, delve into whether the interpretation of the law is correct. Because judges adhere to a literalist approach – that is, they place great emphasis on the actual wording of the law – there is a possibility that the court will issue a ruling critical of the administration.

However, even if it is deemed a violation of the law, they might maintain the tariff rate by invoking, for example, Section 301 of the Trade Act or Section 232 of the Trade Expansion Act.

Trump 2.0's Taiwan Policy (Associate Professor Murakami)

The U.S. National Security Strategy states, "assumptions [that…] we would facilitate China's entry into the so-called 'rules-based international order.' This did not happen." While China is not explicitly named regarding Taiwan, the First Island Chain and the South China Sea, the document is written on the premise that China poses a threat.

For the United States, arms sales are the top priority in its Taiwan policy. In November and December 2025, the second Trump administration decided to sell HIMARS (High Mobility Artillery Rocket System) and Javelin systems in a deal worth USD11.1 billion – the largest such sale in history. These systems have also proven their effectiveness in Ukraine.

In addition, Taiwan's National Security Council Secretary-General Joseph Wu Jaushieh and Minister of Foreign Affairs Lin Chia-lung have frequently visited the United States, fostering close communication at the ministerial and sub-ministerial levels. In 2025, visits to the U.S. included a trip to Texas in May for semiconductor-related matters and a visit to the United Nations General Assembly in New York in September. The December visit to Washington was likely a preliminary move in anticipation of President Lai Ching-te's stopover there.

Although the second Trump administration has sent mixed signals on the surface, it has maintained the momentum to continue supporting Taiwan, at least within the military and Congress.

Panel discussion

Principal Research Director Kubo stated, "Although there were concerns that Venezuela would descend into civil war following the U.S. intervention, the country has managed to maintain stability. Nevertheless, President Trump's approval rating in the U.S. remains around 40% and has not risen. The reason his approval rating has not risen is that there is simmering discontent over high prices, particularly for medical care and rent."

Symposium on "European political and economic instability amid declining approval ratings: the current state and challenges in Germany, France, and the U.K." is held

On 9 February, the Keidanren Policy Research Institute's Project on European Studies (Research Director: Sayuri Ito, Executive Director of Economic Research Department at NLI Research Institute) held a symposium on "European political and economic instability amid falling approval ratings: the current state and challenges in Germany, France and the U. K.," inviting Professor Yuichi Morii of the University of Tokyo's Graduate School of Arts and Sciences, Yoshiko Uehara, Vice President and Professor in the Department of Global and Intercultural Studies at Ferris University's Faculty of Global and Intercultural Studies, and Kunihiro Wakamatsu, Professor in the Institute of Global Studies at Tokyo University of Foreign Studies.
Following presentations by Research Director Ito, Professor Morii, Vice President Uehara and Professor Wakamatsu, Research Director Ito moderated a panel discussion. Below is a summary.

The European economy in 2026 (Research Director Ito)

In addition to shared domestic challenges such as low growth, declining purchasing power, widening inequality and immigration management, major European nations and Japan are also facing similar challenges in the areas of trade and security, including how to respond to a second Trump administration, the recalibration of relations with China and increased defense spending.
However, differences in economic structures and fiscal leeway give rise to varying degrees of resilience. While Germany anticipates a recovery driven by defense investment, political uncertainty is rising in France and the United Kingdom, which face fiscal constraints.
In this context, the rise of right-wing populist forces and shifts in the military balance between Germany and France could destabilize the European order. For Japan as well, balancing increased defense spending with maintaining confidence in its currency is an important policy challenge.



Research Director Ito



Professor Morii

Political Challenges Facing the Merz Administration in Germany (Mr. Morii)

Even after the Merz administration took office, the Christian Democratic Union/Christian Social Union (CDU/CSU) and Alternative for Germany (AfD) continued to be neck and neck in the polls. With the decline of centrist parties, the political consensus shared by major postwar parties such as the Social Democratic Party of Germany (SPD) has weakened, making it difficult to secure the two-thirds majority required to amend the Basic Law.
With fiscal discipline clearly stipulated in the Basic Law, expanding defense spending and infrastructure investment faces institutional constraints. Although the government has pledged to rebuild the economy through deregulation and investment promotion, the effects have been limited, and if the AfD gains ground in state elections, the stability of the government could be undermined.

France in turmoil: stagnation or signs of change? (Vice President Uehara)

France has been mired in a prolonged slump since the oil crisis, with the hollowing out of the manufacturing sector and the stagnation of small and medium-sized enterprises in rural areas fueling political discontent. As the automotive industry continues to relocate overseas, the Macron administration is implementing structural reforms through pension reforms and startup support, but faces difficulties due to its minority government. Social divisions over immigration acceptance are also deepening, and the rise of the National Rally (RN) and La France Insoumise (LFI) is driving a three-way political polarization.

While the booming defense industry is underpinning the domestic economy, the passage of budgets by invoking Article 49, Paragraph 3 of the French Constitution, which allows bills to be enacted without a parliamentary vote under the government's responsibility, has become the norm, leaving the country caught between fiscal discipline and public opinion. The government is also under pressure to address labor shortages caused by deteriorating demographics. The 2027 presidential election will be the focal point of a system restructuring.



Vice President and Professor Uehara

How will the U.K.'s two-party system collapse? (Professor Wakamatsu)



Professor Wakamatsu

In the U.K., the two-party system dominated by the Conservative and Labour parties continues to hold the majority in parliament. Due to the first-past-the-post electoral system, the rise in support for the right-wing populist party "Reform UK" has translated into only limited gains in parliamentary seats, and the existing parties' dominance remains intact. In addition to traditional economic policy divisions, conflicts over values and identity have intensified, creating a situation where established parties are unable to absorb social discontent.

Going forward, three possible developments are anticipated: (1) the incorporation of emerging political forces and values by established parties; (2) the continuation of the political structure, which is currently divided between inside and outside the legislature, and an expansion of Reform UK's influence on public opinion; and (3) the emergence of coalition governments and calls for the introduction of a proportional representation system, spurred by the rise of centrist and new political parties.

Panel discussion

Discussions were held on maintaining consensus among centrist parties in Germany and responding to the rise of the AfD; the surge of the RN in France and the outlook for the 2027 presidential election; and implications for Japanese politics based on the experience of British party politics.

Lecture on "U.S.-Japan relationship at a global inflection point" is held

On 12 February, the Keidanren Policy Research Institute hosted a lecture by Joshua W. Walker, Ph.D., President & CEO of the Japan Society, at the Keidanren Kaikan in Otemachi, Tokyo. Below is a

summary.

U.S.-Japan relationship at a global inflection point (Dr. Walker)

As the United States undergoes dramatic changes, Japan does not fully understand what is happening. It cannot be said that Japan has fully adapted to the world around it or to its alliances.

The 80-year-old U.S.-Japan alliance must be preserved at all costs, but it is now at a major crossroads. The United States has detained Venezuelan President Nicolas Maduro, threatened Greenland, leading to a breakdown in relations with Europe, and become a threat to the Middle East and Iran.

In Asia, relatively increasing in global importance, Japan is situated between the massive markets of the United States and China. Its leader is the newest in office, a woman, and enjoys the support of the public.

Amid concerns in Japan over President Trump's unconventional "deal-making" approach, Prime Minister Sanae Takaichi will visit the United States in March.

Japan needs the United Nations and the international order, but the United States no longer shares that view. What should Japan do in this environment? Japan's leaders can travel the world with the backing of four years of political stability.

President Trump will soon face the midterm elections and the impact is starting to become apparent. Discussions in Washington are focused primarily on domestic issues, and there is little mention of Japan's historic election. This does not mean that Japan is unimportant; rather, unless Japan establishes a structure to advocate for itself, the U,S. government will no longer speak on behalf of Japan's interests as it has in the past.

Although Israel and Saudi Arabia are close allies of the United States, they are not afraid to skillfully exploit U.S. domestic politics.

While there are over a thousand chambers of commerce in the United States, their influence has waned over time, and the way business leaders engage with the president has changed dramatically.

In Japan, everything revolves around Tokyo, and Tokyo's evolution has been one of centralization. Keidanren, as part of that system, plays a very important role, but Japan needs to make greater efforts in terms of global leadership. This is because, in many ways, personalities are more important than ever before.



Dr. Walker (Photo: Japan Society website)

The other day, "International Day of Yoga" was celebrated in New York, where as many as a million people spread out their yoga mats in front of the United Nations Headquarters alongside Indian Prime Minister Narendra Modi. Turning events like Martial Arts Day, Ikebana Day or Tea Ceremony Day into global events probably wouldn't fit the Japanese style.

However, in the international community, it is often the case that those who speak up the loudest prevail. I often hear Japanese diplomats say that Koreans and Indians speak English well, but it's not that their English is particularly good; rather, they speak with such conviction and passion that we simply cannot help but listen.

Regardless of who becomes the next president, I don't think Washington will return to the way it was in the near future. Tariff policies will continue. During this transition period, it will be important to see how Prime Minister Takaichi handles President Trump.

Now that the U.S. is becoming increasingly isolated under the "America First" policy, it is essential that Prime Minister Takaichi be someone who can explain things to President Trump, and she needs the support of strong business leaders as well as social and cultural leaders. Japan has great influence. It is the United States' largest source of foreign investment and provides many jobs and opportunities.

However, most Americans do not know this fact. Nippon Steel Corporation adopted an American approach, hiring lobbyists, lawyers and PR specialists, investing substantial funds and ultimately achieving the desired outcome.

Japan has major opportunities over the next five years, and to seize them, it must skillfully navigate its alliance with the United States and consider how to build its relationship with China.

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Finally, in response to questions from the audience, it

was explained that strong closers are essential in the final stages of a deal, and that the personality of the business leader is crucial in private diplomacy.

Symposium on “China's industrial policy and U.S.-China trade frictions” is held

On 16 February, 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 industrial policy and U.S.-China trade frictions.”
Following a presentation by Research Fellow Kai Kajitani (Professor at Kobe University's Graduate School of Economics), Principal Research Director Kawashima moderated a four-person panel discussion that included Research Fellow Kumiko Okazaki (Research Director at the Canon Institute for Global Studies) and Research Fellow Ding Ke (Senior Research Fellow at the Institute of Developing Economies (IDE) of Japan External trade Organization (JETRO)). Below is a summary.

Keynote speech (Research Fellow Kajitani)

Spurred by China’s industrial policies, debates over industrial policy have reignited in the international community. A growing recognition that China’s policies have yielded certain results has contributed to the renewed emphasis on manufacturing by major countries, including the United States.
A feature of China’s industrial policy is its “demand-expansion” approach, which focuses on expanding the market as a whole rather than supporting specific companies. New Energy Vehicles (NEVs) are a representative example: large-scale measures to directly boost final demand such as purchase subsidies and infrastructure development led to an increase in new entrants. Economies of scale took effect, resulting in a significant reduction in the cost of intermediate goods, such as batteries. The expansion of final demand has generated derivative demand, creating a virtuous cycle that leads to further cost reductions and market expansion, which has supported China’s industrial growth. On the other hand, this mechanism has also led to serious side effects. As companies flocked to the market anticipating its expansion, production capacity far exceeding demand was created.



Principal Research Director Kawashima



Research Fellow Kajitani

This situation of excessive competition is referred to as “neijuan (the Chinese term for involution),” but domestic surplus products are being diverted to exports, creating a source of trade friction. Although the Chinese government has introduced “anti-neijuan” policies to curb uncontrolled price war, companies continue to effectively lower prices through measures such as the continuous launch of new models, making it difficult to correct excess capacity. It is necessary to closely monitor future developments.

Panel discussion

Research Fellow Okazaki analyzed China’s industrial support from a financial perspective. She reported that low-interest loans from the People’s Bank of China to

specific sectors and sovereign wealth funds (SWF) are key in capital allocation, and that government-controlled bank lending is at the core of industrial support. While forecasting that finance-led support will continue for the foreseeable future, she pointed out that challenges remain in improving the demand side, noting that heavy unsold real estate inventories are hindering demand stimulation and that growth in consumer loans lacks strength.

Research Fellow Ding proposed the creation of a "unified national market" and the overseas expansion of manufacturing as measures to address excessive competition. He explained that the former involves efforts to resolve market fragmentation by integrating factor markets and redressing excessive preferential treatment, while the latter involves diversifying operational bases to avoid tariffs and ensure profitability. In response, Research Fellow Kajitani expressed concern that while companies (GNP = Gross National Product) might grow as overseas expansion progresses, the ripple effect on the domestic economy (GDP = Gross Domestic Product) would be limited.

During the discussion, it was acknowledged that maintaining high-value-added products and research and development capabilities within the country would be challenges in the medium to long term.

Finally, as suggestions for Japan, Research Fellow Kajitani cited "a humble attitude toward learning and strategic exchange"; Research Fellow Okazaki cited "the speed seen in special-zone social experiments"; and Research Fellow Ding cited "competition-promoting policies that harness private-sector dynamism."

Principal Research Director Kawashima concluded by emphasizing the importance of maintaining an attitude of mutual learning between Japan and China, while calmly addressing common challenges such as insufficient domestic demand and understanding the Chinese economy from an unbiased perspective.



Research Fellow Okazaki (left) and Research Fellow Ding (right)

Attending the 1st Kyoto Conference and symposium on "Philosophy and Technology on the Horizon of Hope"

On 23 and 24 September 2025, 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) participated in the 1st Kyoto Conference 2025, hosted by the Kyoto Institute of Philosophy (KPI), at the Kyoto International Conference Center.

The Kyoto Institute of Philosophy was established in July 2023 with the aim of forming an international movement that advocates for a "multi-layered society of values" – one in which diverse values are proposed and different values are mutually recognized, coexist and cooperate – through interdisciplinary research and collaboration among industry, government, academia, and civil society. At the First Kyoto Conference, researchers from Japan and abroad, along with industry leaders, gathered to deepen their understanding of the diversity and multi-layered nature of values through panel discussions and other sessions. They also discussed the "values" we should pursue, with an eye toward the evolution of AI and other developments.

In addition, on 2 February 2026, the project participated in a symposium on "Philosophy and Technology on the Horizon of Hope," held at the University of Tokyo and sponsored by the Kyoto Institute of Philosophy, the University of Tokyo's P4NEXT project at the Institute for Advanced Studies on Asia, and the Faculty of Letters and the Graduate School of Humanities and Sociology at the University of Tokyo.

At the symposium, experts from Japan and abroad



took the stage to discuss how philosophy can help us understand cutting-edge technologies, including AI, and what new philosophy these technologies require. From our institute, Director Takashi Yoshimura took the stage and delivered a speech on "the current state of technology and philosophy from the perspective of the Keidanren Policy Research Institute." He discussed the challenges arising from rapid technological advancements and the importance of philosophical



Director Yoshimura

thinking, while also introducing the Keidanren Policy Research Institute's initiatives as examples of dialogue between technology and philosophy.

The Keidanren Policy Research Institute plans to continue collaborating with the Kyoto Institute of Philosophy and the Institute for Advanced Studies on Asia at the University of Tokyo to explore the future society.

Building networks with young professionals involved in Japan-U.S. relations in Washington, D.C.

Given the challenge of cultivating and supporting the next generation of Japan researchers in the United States and professionals engaged in Japan-U.S. relations, the Keidanren Policy Research Institute has been examining measures necessary for human resource development and support, as well as for building and strengthening networks between the Japanese business community and these researchers and professionals.

As part of these efforts, the "Keidanren Next-Gen Salon" (hereinafter referred to as the Salon) was recently established in Washington, D.C., U.S.A. The first meeting was held in Washington, D.C. on 28 January, marking the official launch of the Salon's activities.

About the Salon

The salon consists of 26 highly regarded and promising young experts in their 20s to 40s, in government, parliament, think tanks, academia and the



Executive Visiting Research Fellow Sahashi (left) and Senior Fellow Cooper (right)

private sector selected based on recommendations from established experts. To help members deepen their understanding of Japanese companies and their thoughts and opinions, we plan to hold meetings between the members and Japanese business leaders and others in Washington approximately every two months. These meetings will, in principle, be held in person and behind closed doors to facilitate a frank exchange of views. We also plan to invite Salon

members to Tokyo in the future.

First Salon Meeting

From the Japanese side, approximately 40 people participated, including Ryo Sahashi, Executive Visiting Research Fellow at the Keidanren Policy Research Institute (and Professor of the Institute for Advanced Studies on Asia at the University of Tokyo), and representatives from Keidanren member companies.

At the outset, the representative of the Keidanren Policy Research Institute announced the launch of the salon, and this was followed by three panel discussions featuring panelists from both Japan and the United States on the topic of " two challenges for the U.S.-Japan alliance: China policy and U.S.-Japan defense cooperation."

Executive Visiting Research Fellow Sahashi and Zack Cooper, a senior fellow at the American Enterprise Institute, held a discussion on policy toward China. They shared their perspectives on current U.S.-China relations and exchanged candid views on the Japanese government's policy toward China.

On Japan-U.S. defense cooperation, speakers including Jeffrey W. Hornung, Japan Lead of National Security Research Division and Senior Political Scientist at RAND, and Sayuri Romei, Senior Fellow at the Indo-Pacific Program of the German Marshall Fund (GMF) of the United States, along with other experts on Japan-U.S. relations and representatives from Japanese companies, took the stage to discuss measures to strengthen intergovernmental security cooperation, as well as challenges and future initiatives in defense industry cooperation.

Participants in the audience asked the panelists a number of proactive questions regarding the agenda for the Japan-U.S. summit held in March and the utilization of the USD550 billion investment framework.

At the reception that followed, lively exchanges took place not only among salon members but also between participants from the Keidanren Policy Research Institute and salon members, making it a great success. Many participants expressed high praise and high expectations for the salon's launch and future activities.

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The Keidanren Policy Research Institute will continue to host salon meetings addressing important issues between Japan and the United States, striving to strengthen communication and networking between the business community and the next generation of Japan researchers and professionals involved in Japan-U.S. relations.

Introduction of publications

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.

Pocketbooks

Seminar on "contemplating capitalism – what is true profit?

Symposium on "China's national strategy in transition "

Seminar on "democracy and religion"

Symposium on "European situation update – political and economic changes and implications for Japan"

Seminar on "What is geoeconomics? – considering the latest international situation"

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