

SPECIAL ADDRESS AT DAVOS AGENDA ON A NEW FORM OF CAPITALISM

JANUARY 18, 2022

Full Text: https://japan.kantei.go.jp/101_kishida/statement/202201/_00008.html

On January 18, Prime Minister Kishida attended the World Economic Forum (WEF)'s Davos Agenda meeting, which was held online. In his special address, he introduced his vision with an emphasis on the revival of the Japanese economy through a "New Form of Capitalism."

Pointing out global challenges ranging from climate change to social digital transformation, a widening of the income gap and rising poverty, he underscored his determination to lead the global trend with this "New Form of Capitalism," demonstrating concrete examples of how capitalism can evolve.

The prime minister also stated that in this "New Form of Capitalism," he would achieve a "virtuous cycle of growth and distribution," by launching new mechanisms to inspire investment and change the way of sharing added values. He also elaborated on his priority policies: establishing a green society; promoting digitalization; and investing in people, and pledged to boldly pursue the inclusive transformation of Japan's economy and society.



Prime Minister Kishida, in a speech at the Davos Agenda meeting, underscored his determination to achieve a "New Form of Capitalism."

Professor Schwab,
Distinguished guests,

First of all, let me extend my heartfelt congratulations on the holding of the World Economic Forum's "Davos Agenda 2022" today.

1. Introduction

Last year, I went through some of the toughest challenges that risked my political career. First, I ran

for presidential election of the ruling party (Liberal Democratic Party: LDP) and won, taking the office as the Prime Minister. Then my party won the general elections by securing a stable majority. My political style is to take an aggressive approach and introduce policies swiftly, while placing the utmost importance to directly communicating with the people and workers at the frontline.

I will make the most of my approach to directly tackle three agendas during my administration. First,

overcoming the COVID-19. Second, reviving the Japanese economy through a "New Form of Capitalism." Third, pursuing "realism diplomacy for a new era," taking a realistic approach in Japan's foreign policy while aspiring to the ideal.

Today, I would like to introduce my vision with an emphasis on the revival of the Japanese economy through a "New Form of Capitalism."

2. What is a "New Form of Capitalism"?

We are facing a number of challenges ranging from climate change, social digital transformation, widening of income gap and rising poverty, chronic lack of medium-to-long-term investment, disparities between urban and rural areas, democracy in crisis due to shrinking middle classes, to unforeseen emerging tensions in geopolitics and geoeconomics.

If we look back on history, the world has gone through series of eras of paradigm changes, including, for example, endeavors to establish welfare states and big governments in the 1950s and 60s, as well as the rise of neoliberalism by President Reagan and Prime Minister Thatcher in the 1980s and 90s. Just as the same historic scale as these times, I believe that we are now in an era of another paradigm shift in policies.

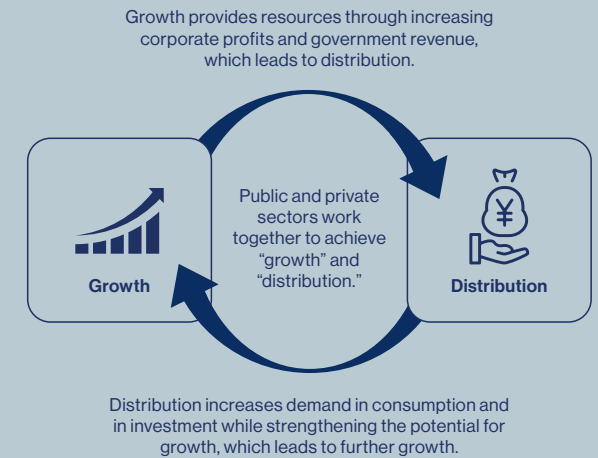
I would like to pay respect to the role this Davos Forum has played in leading vigorous and visionary discussions on various topics including the Great Reset and the Stakeholder Capitalism.

Some people point out that "state capitalism with unmonitored concentration of authority" is efficient in conducting social reforms. However, it is proven in history that state capitalism without a function of checks and balances carries a high risk of large side effects both at home and abroad.

That is why I will endeavor to transform the economy and society toward a new era, while protecting the universal value of democracy. In other words, my goal is to achieve the "Great Transformation of Liberal Democratic Society."

The Biden administration's "Build Back Better" as well as the European Union's "NextGenerationEU" are, I believe, also initiatives to achieve the same goal of realizing historic social transformations.

I will steadily promote economic and social reforms, while being subject to critical judgement by our



citizens through elections. In order to do this, leaders of governments, industries and labor must work together to generate a massive momentum and create a tide of history for a global paradigm shift in policies.

Japan is determined to lead the global trend with this "New Form of Capitalism" and will demonstrate concrete examples of how capitalism can evolve, as Japan will assume the G7 Presidency next year.

3. Efforts to revive Japan's economy

"If general perception changes from seeing the glass as 'half-full' to seeing it as 'half empty,' there are major innovative opportunities."

This is the theory of the "glass half empty," quoted by the famous scholar in management, Peter F. Drucker. Japan is a prosperous, peaceful country and comfortable to live in; this is one of the reasons why people in Japan tend to cuddle themselves in their own silos, satisfied, and see things as "half-full." However, through our fight against COVID-19, things have dramatically changed in this time and age.

Nowadays, every day, we feel a sense of global crises in our lives. When each person and each business share this feeling of "half-empty," I am convinced, Japan will be able to greatly transform itself with its bond of solidarity that is inherent in our spirits.

In this "New Form of Capitalism," I will demonstrate to the people a clear and full picture of the historic challenges the Japanese economy and society are currently facing. Rather than leaving everything to the market and competition, we will focus on having both the public and private sectors work together towards reforms, sharing the full picture of social and economic transformation. Japan's

Japan commits itself to achieving carbon neutrality by 2050. Fukushima Hydrogen Energy Research Field (FH2R) is one of the largest facilities producing hydrogen from renewable resources.



strong sense of solidarity becomes a foundation of a new public-private partnership.

I will launch new mechanisms to inspire investment and change the way of sharing added values. I will integrate them into both growth and distribution strategies to achieve a full-scale “twin-engine of growth and distribution.”

4. Transformation of economy and society

(1) Green society

To fulfill the Paris Agreement, Japan has committed itself to the goals of achieving 46 per cent reduction in emissions by Fiscal Year 2030 and carbon neutrality by 2050. The journey to achieving these goals is extraordinarily challenging. Japan does not have international grid connections. There remains strong public distrust of nuclear power following the accident in Fukushima. The cost of renewable power generation is inevitably high because Japan is an insular state with steep mountains and surrounded by deep sea. These factors create vulnerability in the Japanese economy.

In order to overcome such vulnerability on the supply-side, the private and public sectors will intensively work together to transform and innovate toward a carbon neutral society on both demand and supply side.

Our efforts include institutional reforms and supporting policy in order to double investment as early as possible, as well as accelerating the development of next-generation grids. In addition, I will also work on carbon pricing and labor market reforms to transform industrial structure and individual consumption. Japan is determined to boldly adopt policies that have been politically difficult in the past, against the backdrop of the public’s sense of urgency to tackle climate change.

I am also aware that many Asian countries have energy structures that are similar to Japan. Just as the European Union started as the European Coal and Steel Community during the Cold War, Japan envisions an “Asia Zero

Emissions Community” in Asia where both geopolitical and geo-economic challenges are intensifying. This community would become a platform to advance efforts such as international joint investment on development of zero-emission technologies and hydrogen infrastructure, joint financing, standardization of related technologies, and establishment of an Asian emissions trading market.

(2) Digital

Another important pillar is digitalization. In Japan, progress in digitalization had been insufficient. People in Japan did not really feel a pressing need for transformation, and just wanted to keep the way of working they were used to.

The COVID-19 pandemic, however, sparked many people once again how far behind we are in digitalization while realizing the convenience of digital technologies. In addition, we realized that the power of digital technology is indispensable in solving Japan’s social problems amid rapid progress of depopulation of rural areas and an aging population.

Now is a “chance” for Japan. Taking this opportunity, I will push forward Japan’s digitalization at a stretch. The key to this is infrastructure.

Japan will build submarine cables around the country as well as optical fiber networks throughout the archipelago. In order to prepare for the surge in data processing with the advent of the full-scale digital age, Japan will disperse large-scale data centers throughout Japan. In addition, Japan will promote next-generation networks using optical communication technology that is 100 times faster in speed and reduces electricity consumption to one tenth.



Japan’s public and private sectors will jointly set numerical targets and develop such infrastructure in a planned manner. Japan will make it possible for people to use ultrahigh-speed and large-capacity lines on a “one person, one line” basis.

As our existing systems do not meet the needs of new businesses and services, my government will review 40,000 regulations and systems under the new guiding principle of digitalization, which set up the principles of how Japanese society is to be digitalized. I consider it important to create a new market by setting new rules with an eye on frontier technologies like drones and automated driving as well as recent developments in such areas as healthcare and education.

In addition, I will take the “Data Free Flow with Trust (DFFT)” that Japan proposed three years ago in Davos another step forward. Based on trust as a foundation, we will realize a free flow of data which will bring about innovation and bridge the wealth gap.

(3) Investment in people

Investment in people is the key to achieve both a carbon neutral society and digitalization. In our time, creativity and ingenuity of human beings provide the clue to solving problems and the source of innovation.

For years, Japanese companies have tried vigorously to curb cost and supply cheaper products than their competitors. In this endeavor, “investment” in people has often been regarded as a cost. As a result, wage level remains stagnant, and investment in human resources development has also been limited.

As we move forward, we must build a virtuous cycle where investment in people leads to continuous increase in company value and attracts further investment in human capital. The government will introduce systems to support human capital that fits this age of digital transformation, such as creating new employability skills training program, promoting the appointment of female executives, and utilizing side businesses.

In doing so, it is important to create a common understanding not only among business people but also with market players that investment in people is a source of corporate value. This is essential in creating a system that attracts more funds to companies that promote medium-to-long-term corporate value enhancement. To this end, Japan will create a disclosure



system for investments in non-financial assets such as human capital.

5. Toward a sustainable Japanese economy

Japan’s “Abenomics” was based on the three pillars of monetary easing, fiscal expansion, and growth strategies, including global standard corporate governance. As a result, the Japanese economy is no longer in a deflationary situation, and has achieved the expansion of women’s labor participation and employment.

“Abenomics” achieved great results, but it is clear that the efforts made thus far are not enough to transform the Japanese economy into a sustainable and inclusive one.

My cabinet will build on Abenomics’s achievements regarding macroeconomics and market, and boldly pursue the transformation of Japan’s economy and society, including green transformation and digital transformation.

Against the backdrop of the people’s sense of crisis, I will design and implement a mechanism that will bring out the people’s endeavor and promote investment, especially, in the areas of vulnerability in the Japanese economy.

6. Conclusion

The time to design a world beyond the Great Reset cannot wait.

To open up this new era, it is vitally important to have as many people as possible to connect amongst each other based on trust through continual conversations which transcend differences in values, circumstances and views.

The Davos Forum has embodied such spirit and attracted political and economic leaders from all over the world for a long time.

I am convinced that there is heightened importance for both political and economic sectors to discuss public affairs and act together beyond their differences. In this context, this Forum will become even more significant.

Finally, I would like to conclude my remarks by wishing the continued success of Professor Schwab and the members of the World Economic Forum as well as all the guests.

Thank you very much for your attention. ●