KIZUNA
Linking Japan and the World

Special Issue

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KANAZAWA SHOKO
Calligraphy Artist
Born in Tokyo in 1985, she started learning calligraphy from her mother when she was five years old. One of the notable young calligraphers of today, her solo exhibitions have been held throughout the world, in cities such as New York, Singapore, and Prague. She was selected as one of the official poster artists for Tokyo 2020.

Welcome to KIZUNA, the official magazine of the Government of Japan. This bold work of calligraphy is 絆 (kizuna) written in Japanese. Kizuna means the enduring bonds between people—close relationships forged through mutual trust and support.

Originally describing the rope used to tether domestic animals such as horses and dogs, the meaning of kizuna has evolved over the years. A passage in The Tale of the Heike, compiled in the 13th century, uses the term to refer to the bonds of love between a father and his children. More recently, kizuna has gone beyond bonds tying together family and close acquaintances; it is now used in a broader sense of human ties and connections. Of particular note is the kizuna born among people during natural calamities, which fosters feelings of solidarity and serves as the underlying strength to overcome hardships.

Similarly, the kizuna cultivated among the countries of the world has the power to deepen cooperation for a better future. By reporting on a wide variety of topics concerning Japan, we hope that this magazine will provide opportunities for Japan and the rest of the world to connect and build strong kizuna.
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COVER
On May 23, Prime Minister Kishida held a summit meeting with President Joe Biden of the United States at the State Guest House, Akasaka Palace.
PRIME MINISTER KISHIDA FUMIO’S PERSONAL TIMELINE

July 29, 1957  
*Born in Tokyo*

Kishida was born in Tokyo in the early years of Japan’s economic boom—when the country was getting back on its feet after the war—as the son of KISHIDA Fumitake, a government official at the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry). His grandfather, KISHIDA Masaki, was a successful department store proprietor who also served as a member of the House of Representatives.

1963  
*Moves to New York*

When his father was assigned to work in the United States, the family moved to New York. Kishida attended a local public elementary school from the first to third grades, where he was impressed by the liberal ambience of the U.S. and learned to respect diversity.

1973  
*Student Days*

After returning to Japan, Kishida attended public elementary and middle schools before going on to Kaisei Senior High School, a prestigious private academy. He was an enthusiastic member of the baseball team, an experience that taught him the importance of working together as a team. In 1978, he entered the School of Law at Waseda University. When his father ran for the House of Representatives for the first time the following year, Kishida helped him to campaign.

1982  
*Gains Work Experience at a Bank*

After graduating, Kishida joined the Long-Term Credit Bank of Japan (currently Shinsei Bank). He worked in foreign exchange in Tokyo and was subsequently transferred to the city of Takamatsu in Kagawa Prefecture where his clients included maritime shipping firms. He gained firsthand knowledge of the unfavorable economic reality there by watching small and medium-sized enterprises sometimes founder and fail due to cash-flow problems.
Helping his father’s campaign and working for a bank awakened in Kishida an urge to serve the people directly by protecting their lives and improving society as a whole. That set him on his way to politics. In 1993, after his father’s death, he ran for his father’s seat in a district in Hiroshima and won his first political battle. He valued political stumping as a way to speak directly to voters—an approach that broadened his appeal and led to his winning the seat 10 times.

**1993**

*Joins the Political World*

Kishida joined the Cabinet for the first time as a Minister of State for Special Missions, a position in which he took on assignments in various fields including Okinawa and Northern Territories Affairs, Quality-of-Life Policy, and Science and Technology Policy. He became Minister for Consumer Affairs in 2008, a position from which he worked for the establishment of the Consumer Affairs Agency.

**2007**

*Receives First Cabinet Posting*

In 2015, Kishida strove for the bilateral agreement between Japan and the Republic of Korea regarding the issue of comfort women which was “resolved finally and irreversibly.” In 2016, he helped to actualize a visit to Hiroshima by President Barack Obama, the first ever such visit by a sitting U.S. president. Kishida served as Minister of Foreign Affairs consecutively for four years and seven months, making him the longest-serving foreign minister in postwar Japan.

**2012**

*Appointed as Minister of Foreign Affairs*

Upon winning the election for Liberal Democratic Party president, Kishida was appointed Prime Minister of Japan by an extraordinary session of the Diet. He vowed to lend a sincere ear to the voices of the Japanese people and to conduct politics in an attentive and broad-minded manner.

**October 4, 2021**

*Becomes Prime Minister*

Kishida filled nearly 30 notebooks in 10 years with comments and appeals from the people of Japan.

His favorite food is Hiroshima-style okonomiyaki (Japanese savory pancake). He ate the dish on the day that he was elected to head the Liberal Democratic Party. “I’ll never forget how wonderful it tasted,” he says.
On May 24, 2022, the Japan-Australia-India-U.S. (Quad) Leaders’ Meeting was held in Tokyo. Amid the situation of Russia’s aggression against Ukraine, which has shaken the very foundations of the international order, the four countries reconfirmed that no unilateral change of the status quo by force is tolerated in any region, especially in the Indo-Pacific, and they remain strongly committed to the realization of a Free and Open Indo-Pacific. The four leaders shared the view that the Quad is a force for good, committed to bringing tangible benefits to the region. They confirmed that they would continue to work in close cooperation and released the QUAD Joint Leaders’ statement.

Prime Minister Kishida, in his opening remarks at the press conference following the Quad meeting, mentioned that the four leaders had concurred in the decision to hold the next Leaders’ Meeting in Australia in 2023, and expressed the hope that they would further strengthen the Quad’s cooperation.

The following is the full text of the statement.

I invited President Biden of the United States, Prime Minister Modi of India, and Prime Minister Albanese of Australia to Tokyo, where today I, as the meeting Chair, convened the second in-person meeting of the Japan-Australia-India-U.S. (Quad) Leaders’ Meeting, following one last September.

The four Quad leaders held candid discussions on the impact the situation in Ukraine has on the Indo-Pacific region and expressed our concern regarding the tragic conflict in Ukraine in a way that India also joined. We confirmed that the various principles of the rule of law, sovereignty, and territorial integrity must be upheld in every region of the world.

We also discussed North Korea, which even this month launched ballistic missiles in quick succession and is intensifying its nuclear and missile activities, and we agreed to act in cooperation towards the complete denuclearization of North Korea. With regard to the increasingly serious state of COVID-19 infections in North Korea, we also discussed preventing a geographical blank from forming. All four Quad countries also saw eye to eye on the necessity of an immediate resolution to the abductions issue.

In addition to these issues, we engaged in substantial discussions on the situation in the Indo-
Pacific region, including our grave concerns regarding attempts to unilaterally change the status quo in the East China Sea and South China Sea, responses to the situation in Myanmar, and other matters.

The Quad summit is also a venue for advancing practical cooperation across a wide range of fields in order to realize a Free and Open Indo-Pacific.

In vaccine-related cooperation undertaken thus far, our cooperation is advancing, including progress towards supplying vaccines under the Quad Vaccine Partnership and the signing of a loan agreement between the Japan Bank for International Cooperation (JBIC) and the Export-Import Bank of India (EXIM Bank) that will facilitate a total of US$100 million in assistance for the healthcare sector.

In the area of infrastructure, we announced we will aim to provide more than US$50 billion in further assistance and investment in the Indo-Pacific region over the next five years. We also agreed to undertake capacity building support in countries facing debt problems.

The Indo-Pacific region is a region with frequent natural disasters and a large number of countries vulnerable to climate change and other threats. In the area of space, through this meeting we established a system for providing to countries in the region satellite information owned by the Quad countries. This information can be used for various objectives, including disaster prevention, climate change countermeasures, and the sustainable use of marine resources. In order to respond more effectively to natural disasters in the region, we also agreed on a partnership that strengthens the collaboration among the four Quad countries in the areas of humanitarian assistance and disaster relief. Furthermore, in the area of maritime security, the Quad leaders welcomed the new initiative for maritime domain awareness, which will promote information sharing among countries in the region.

Against the backdrop of Russia’s aggression towards Ukraine, a situation that undermines the very foundation of the international order, and in light of the participation in this summit meeting of President Biden and Prime Minister Modi and also Prime Minister Albanese, who joined us despite having just assumed office, I consider it to be of paramount importance that from Tokyo we sent out a powerful message to the world that unilateral changes to the status quo by force cannot be tolerated in any region of the world, and especially not in the Indo-Pacific region, and that the four Quad leaders are committed to doing their very utmost to bring it about.

This kind of cooperation by the Quad countries has spread across a wide range of fields and collaboration at various levels is getting deeper day by day. During our meeting, Prime Minister Albanese proposed holding next year’s Quad summit in Australia. I very much look forward to further intensifying the cooperation among our four countries towards the realization of a Free and Open Indo-Pacific.
On May 26, Prime Minister Kishida delivered a speech at a banquet for the 27th International Conference “Future of Asia” held in Tokyo. In the presence of national, political, economic, and academic leaders from the Asia-Pacific region, he advocated the need for a “new international order originating from Asia,” the center of the world economy.

Today, I would like to explain my views on how Japan should approach this turbulent world and my thoughts on the future of Asia.

I regard the current international situation as having three layers. The first layer is diplomatic and security issues about which decisions and actions are made on a country-by-country basis. The second layer is trade and investment and the rules governing digital transactions, in which companies operating across borders play a major role. The third layer is the challenge of solving global issues such as infectious diseases and climate change, which are global in scale and common to all humankind. We will respond to these three overlapping layers by clarifying priorities among them.

Our highest priority is the first layer. We will respond firmly to risks that run contrary to the foundations of the international order and universal values such as freedom and human rights. It is based on these priorities that we are strengthening our unity with the G7, bracing ourselves for the long-term costs of sanctions.

This issue is not a question of, “Do we side with the United States or with China?” but rather, “Do we protect universal values and the peaceful world order, or lose them?”
When I think about the future of Asia, what I focus on the most is the relationship between Japan and ASEAN.

Next year, ASEAN and Japan will celebrate the 50th anniversary of our friendship and cooperation. We will work together with the members of ASEAN to set out a new direction for the relationship and a new vision for cooperation.

I will explain my vision for the region in detail. First and foremost, it is a free and open region.

“Ukraine might be the East Asia of tomorrow.”

In order to safeguard the peaceful world order and to achieve sustainable prosperity in the region, “no violation of sovereignty or territorial integrity, nor unilateral change of the status quo by force, shall be tolerated in any region.” This fundamental principle must be observed.

That is why I believe that in this region we should build a free and open order based on the rule of law, not on might.

The second part of my vision is that this is a sustainable and vigorously growing region.

I am advocating an economic policy of a “new form of capitalism.” The “new form of capitalism” is an effort to upgrade capitalism to meet the challenge from authoritarian regimes while addressing economic externalities.

The key is to view social issues not as obstacles, but to transform them into engines of growth. By attracting public and private investment to areas identified as challenges, we will solve social issues and grow robustly.

I would like to share this way of thinking with the people of Asia as we work together to overcome challenges and evolve Asia into a sustainable and vigorously growing region.

The third part of my vision for the region is being a region that contributes to solving global problems.

I believe that in the next generation, Asia, as the main engine of global economic growth and a hub of innovation, should actively contribute to solving the world’s problems.

Under this vision, Japan will work on four specific actions.

The first is the establishment of a free and open international order. Japan will continue to hold high the banner of a “free and open Indo-Pacific” in close cooperation with allies and like-minded countries that respect international law and the principles of the
international community and share universal values.

In realizing a “free and open Indo-Pacific,” Japan welcomes the active engagement of the United States in the Indo-Pacific. We are encouraged by President Biden’s commitment to the region reiterated at the recent Japan-US Summit and other occasions.

The Quad, comprising Japan, Australia, India, and the United States, is also important in promoting a free and open Indo-Pacific. Two days ago, we committed ourselves to advancing practical cooperation in a wide range of areas, including addressing COVID-19, infrastructure, and space, to bring benefits to the Indo-Pacific.

Our second goal is cooperation to protect the peaceful world order in the region.

During my recent visit to Southeast Asia, we made progress in concrete efforts, including the signing of a defense equipment and technology transfer agreement with Thailand and a decision to study the feasibility of providing patrol vessels to Indonesia. We will continue to build upon such practical cooperation.

We will broaden our scope to include promoting economic security, addressing cyber security, economic coercion and disinformation, and other recent issues facing the region, giving breadth and depth to our cooperation with other countries.

In addition, we will promote cooperation in areas where Japan has strengths, such as maritime security and disaster response. We will also take advantage of the new initiative on maritime domain awareness and the partnership in humanitarian assistance and disaster relief, which was confirmed at the Quad summit meeting.

Third is the revitalization of cross-border movement of people.

On May 23, 13 countries launched the Indo-Pacific Economic Framework (IPEF). President Biden of the United States, who hosted a summit-level meeting on its launch (photo), stated that the purpose of the framework is to work together to achieve sustainable and inclusive economic growth and to address regional challenges.

The free and active exchange among people is a foundation of our economy and society, as well as the foundation of Asian development.

From now on we will further relax our border measures. Specifically, effective June 1, the total number of daily arrivals will be increased to 20,000, and countries with a record of low positive rates at the time of entry will be allowed to enter Japan without border testing for COVID-19.

Furthermore, following the ongoing demonstration project and the establishment of guidelines, we will resume accepting tourists on escorted package tours beginning June 10. At the same time, preparations will be made to resume international flights at New Chitose Airport and Naha Airport by the end of June.

In addition, with regard to countries and regions where infections have settled down, we have today lowered the level of Travel Advice and Warning on Infectious Diseases for Japanese citizens.

Fourth, we are strengthening relationships to overcome social challenges together.

Specifically, we will strengthen our relationship with Asia in the five pillars of (1) investment in innovation and start-ups, (2) strengthening supply chains, (3) investment in infrastructure to connect Asia, (4) realization of universal health coverage, and (5) the Asia Zero Emissions Community.

The first pillar is investment in innovation and startups. I am particularly interested in initiatives by startups for cross-border collaborations.

Today, an increasing number of entrepreneurs with strong aspirations to solve social issues are beginning to emerge in Japan and ASEAN, boldly working to balance business and the resolution of social issues on the global stage.

We are working on a program that aims to create more than 100 collaborations between Japanese and ASEAN companies every year.

The second pillar is supply chain resilience. Japan and ASEAN have long been building multilayered supply chains. It is important that the public and private sectors continue to invest in maintaining and strengthening these supply chains.

We will also digitally connect the entire supply chain so that the goods and services we provide are stably supplied and it can be shown that they are reliable.
Japan will support at least 100 supply chain resilience projects over the next five years, and will develop the infrastructure for supply chain resilience based on new ideas, such as setting common rules to promote cross-border data sharing and collaboration.

Third is investment in infrastructure.

In order to improve regional connectivity and achieve integrated regional growth, we will continue to strengthen investment in quality infrastructure through ODA and other means. In addition, we will make concrete contributions to the development of soft infrastructure, including investments in people, institutional harmonization, and intellectual property cooperation.

We will work in cooperation with the wider international community, including the G7, the G20, and the Quad, and work to build the capacity of borrowers to ensure there is no unfair interference in the policy decisions of borrowing countries or that borrowing countries do not become increasingly destabilized as a result of development finance that fails to adhere to international rules and standards, such as unfair or opaque lending practices.

Fourth is the realization of universal health coverage, or UHC. Japan has been leading the way in realizing UHC, even ahead of the COVID-19 situation.

This month, it was decided to establish a secretariat for the ASEAN Center for Public Health Emergencies and Emerging Diseases in Thailand. Japan has pledged its full support for its establishment, contributing US$50 million.

We will continue to actively contribute to the realization of UHC in Asia under the “Global Health Strategy” that Japan newly announced two days ago.

Fifth is the realization of an “Asia Zero Emissions Community.”

Like our country, many other Asian countries have set the goal of achieving carbon neutrality and are actively taking on this common challenge for humanity.

The important thing is to decarbonize in a way suitable for the realities of each country, while achieving sustainable economic growth. Of course, the stable supply of energy is a prerequisite.

Energy conditions vary from country to country. In comparison to Europe and Africa, Asia has low potential for renewable energy. In addition, it is estimated that the demand for electricity will increase by 2.5 times over the next 30 years due to growth in the population and the economy.

The “Asia Zero Emissions Community Initiative” is a framework designed to help Asia decarbonize together while continuing to promote the introduction of renewable energy and energy conservation, while facing the reality of the situation in Asia. It will aim for the joint decarbonization of Asia through (1) promoting the joint demonstration of biomass, hydrogen, ammonia, CCUS, and other technologies for zero emissions in thermal power generation, (2) establish rules for an Asian version of transition finance, (3) establish standards for zero-emission technologies, and (4) utilize emission rights trading in Asia at large.

In Asia, Japanese companies have already started initiatives such as a demonstration of the construction of a supply chain for hydrogen supply in Singapore, studies on the realization of ammonia co-firing and mono-firing in Indonesia, and the transfer of knowledge and know-how on decarbonization from Japanese cities to Asian cities. In the future, we will expand these efforts to Asia at large.

We would like to join forces with other Asian countries to realize this community.

About a month ago, I visited a “kosen” in Bangkok.

A “kosen” is a unique higher education institution created by Japan to train engineers who can apply their skills.

In Thailand, there is “kosen” which was established with the support of Japan.

As is the case with “kosen,” Japan has long provided support for human resource development in order to cultivate human resources in the countries we support.

As a good neighbor and a good partner, we will work together with you all to pave the way for the future of Asia. That is our aim.

Japan is determined to do its utmost towards this end and actively fulfill its roles and responsibilities.

In closing, I would like to wish all the participants here today good health and continued growth in the future. ●
In response to Russia’s egregious aggression against Ukraine, Prime Minister KISHIDA Fumio condemned the act in the strongest terms, declaring that causing harm to civilians is a clear violation of international law. In Japan, there is a growing network of support for Ukrainians who have been forced to flee their homes, and universities have risen to stand with Ukraine and have accepted students from the country. Here is one such example.

“Japan stands with the people of Ukraine in this time of crisis.” The Government of Japan began working closely with global society soon after the February 24 Russian invasion of Ukraine, adopting cumulative measures that include financial sanctions targeting Russian banks, restrictions on imports and exports, revocation of Russia’s “most-favored-nation” status, and freezing the assets of persons related to the government of Russia including President Vladimir Putin and Russian business oligarchs. Meanwhile, Prime Minister Kishida has held summit telephone talks with Ukrainian President Volodymyr Zelenskyy on several occasions, offering food and medical supplies, as well as defensive equipment from the Japan Self Defense Force including masks and suits to protect against chemical weapons. Japan has also pledged to double financial support for Ukraine to 600 million dollars. As the global community unites and takes unprecedented action in support of Ukraine, Japan has revised its own policy guidelines on transferring defense equipment following requests from the Ukrainian government.

Japan is also accepting an increasing number of Ukrainian evacuees. Twenty Ukrainian citizens were transported to Japan on a governmental aircraft on April 5, and more than one thousand Ukrainians have arrived in Japan. This unprecedented humanitarian crisis has prompted a government-wide response, and Ukrainians who do not have relatives or acquaintances in Japan are now accepted to enter for 90 days, with the option of changing their status to “Designated Activities (one-year work permitted)” if they wish to reside in the country.

Communities and private businesses have stepped up their efforts to support evacuees with housing and employment, and institutions of higher education are accepting students who have been deprived of their education.

Top: Prime Minister KISHIDA Fumio met with Sergiy Korsunsky, Ambassador Extraordinary and Plenipotentiary of Ukraine to Japan (right), on March 23, the day that President Volodymyr Zelenskyy delivered a virtual address to the Japanese Diet. Right: On April 5, Ukrainian evacuees arrived in Japan on a chartered government jet. An increasing number of local governments and private businesses are supporting them with regard to housing, employment, education, and daily needs. AFP=JIJI
chance to learn. International Christian University (ICU) is one such institution. ICU released a statement by its president almost immediately after Russia launched its invasion of Ukraine, strongly protesting the act, and moved quickly to accommodate Ukrainian students. “Education and academia cannot be secured without peace. Our perception was that we need to respond to a situation that threatens that peace,” said IWAKIRI Shoichiro, the university’s president.

Other universities accept Ukrainian evacuees as well, but the advantages of ICU are its provision of on-campus housing in its dormitories, as well as bilingualism, having both Japanese and English as its official languages. Above all, the university has the benefit of past experience in giving young refugees the chance to pursue higher education, as it has accepted Syrian refugees through cooperation with private organizations as the first Education Pathways case in Japan. This project follows the vision of the UNHCR, which recommends the provision of higher education opportunities for refugees. For example, there is a coordinator on ICU’s campus to establish support teams for students in order to help them to prioritize their academic and daily life in a different culture.

There is a growing movement among institutions of higher education to foster environments that will provide as many students as possible with the opportunity to continue their education after being forced to flee their own countries. Universities actively exchange information, and ICU plays a central role and shares its experience. “The key is to provide educational opportunities to those who have been deprived of them,” asserts President Iwakiri.

In late May, five evacuee students from Ukraine began to study at ICU as auditors. In June, the university’s first Syrian refugee students who had begun their studies in 2018, will graduate. Iwakiri stated, “Here in Japan, we hope that these students will regain the right to live with human dignity. As for ourselves, we hope to be humane and empathetic in accepting them into our midst.”

President Iwakiri is not alone in cherishing such hopes. Russia’s violation of international law is utterly unacceptable and all of us in the public and private sectors, along with academia stand firm with Ukraine and its people in our support.

ICU plans to maintain a peaceful education environment for Ukrainian students. “The world’s institutions of higher education are linked in solidarity, no matter where the student undertakes his or her studies. The important thing is that we help each other to nurture the next generation,” says IWAKIRI Shoichiro, president of ICU.
I would like to introduce to you an economic policy I am advocating, which I call “new form of capitalism”.

The single message I wish to convey to you is this: The Japanese economy will continue to see robust growth. You can invest in Japan with confidence. Invest in Kishida.

Of course, Japan does face many challenges. But I am prepared to lead reform efforts to tackle these challenges head-on. One feature of the Japanese economy is stability. Because we live in an era of geopolitical uncertainty with supply chain disruptions and drastic shifts in energy and other resources, I see this as an advantage for Japan.

Sustained growth; stable markets; and safe, reliable companies, products and services. This is why Japan is a “buy.”

I am the first post-war Japanese Prime Minister with experience working in the finance industry. From 1982 to 1987, I worked for a bank that supported recovering businesses. As a staff member responsible for loans for the
Capitalism has changed before. Indeed, it has experienced at least two major transformations. One was the transition from laissez-faire to the welfare state. The other was the shift from the welfare state to neoliberalism. In both of these transitions, the pendulum swung between two ideas: “market or state”, “public or private”. But the next transition will be to a “new form of capitalism”, in which the public and private sectors work together. Instead of “or,” we will have “and.”

Under this new form of capitalism, social challenges can become engines of growth. We will address social problems while at the same time driving robust growth. “Two birds with one stone,” as we say in Japanese as well as in English.

In Japan, there are a number of things we need to do to achieve a new form of capitalism: eliminate distribution blockages; overcome underinvestment in new value-added sectors; boost labour mobility to new sectors; promote diversity; and nurture what I would call a “healthy economic metabolism.”

Accomplishing these things will require investment, specifically in four key areas: people; science, technology and innovation; start-ups; and green and digital initiatives.

Let me start with people. Investment in human capital is at the heart of the growth strategy of the Kishida Administration.

Creativity and innovation will be crucial in the waves of digital transformation and decarbonization—and for that we need skilled people who can create and innovate. Japan will face labour shortages. We must produce maximum value with a shrinking pool of workers.

Next, on the stock side, investment in vocational training, recurrent education and lifelong learning is vital. We will actively support labour mobility and job mobility by further increasing investment, and promoting the accumulation of human capital.

The keyword in this context is diversity. Japan is blessed with many promising women and young people. Moreover, people from around the world are increasingly coming to Japan to live and work. For Japanese companies...
to achieve innovation-driven growth, they need to become more diverse. My government will support their efforts by expanding assistance for childcare and making it easier for people to work in more flexible ways.

Another way I intend to invest in people is to promote a shift from savings to investment. The financial assets of Japanese individuals are said to amount to 2,000 trillion yen, more than half of which is held in bank deposits and cash. This is a waste—but also a source of future potential.

I will promote a bold and fundamental shift from savings to investment, in order to double people’s incomes from asset investments. To this end, I will mobilise all policy measures in advancing the “Doubling Asset-based Incomes Plan” including a major expansion of NISA, a tax exemption program for small investments—the Japanese version of an ISA—and the creation of a new mechanism to encourage citizens to move their savings into asset management.

The second pillar is investment in science, technology and innovation. Science, technology and innovation have the power to solve many of the social problems facing the world, such as infectious diseases, global warming, falling birthrates and ageing populations.

Science and technology will also play a major role in determining the victor in the intensifying competition between democracy and authoritarianism. For example, development and production of advanced semiconductors may determine global competitiveness and even national security.

Unfortunately, current investment in R&D by Japanese companies is far less than that of other developed countries. The same goes for capital investment. We need to present a clear national strategy, and national growth-rate targets, and then act as a priming agent to induce corporate investment.

To this end, we will articulate a national strategy in five fields: AI, quantum technologies, biotechnology, digital and decarbonization. Strong incentives will be offered to companies that increase R&D investment in accordance with the national strategy.

Collaboration between industry, academia and government is essential for science, technology and innovation. Revitalising “academia” is especially key. Last year, a 10 trillion yen university fund was launched.

Through this fund, we will support university R&D.

The third pillar is investing in start-ups. When you hear “Japanese companies”, you probably think of major corporations like Honda and Sony. But these large companies, which have been the driving force for Japan, were originally start-ups founded by young entrepreneurs shortly after the end of World War II.

It is my earnest wish to create the next start-up boom in Japan.

Changes are happening on the ground in Japan. Instead of taking conventional jobs at large corporations, many brilliant university students are launching their own start-ups after graduation.

There is another important change. More and more entrepreneurs have strong aspirations to solve social problems.

I have high hopes for the future of such practitioners of a “new form of capitalism”, which pursues the dual goals of economic growth and social entrepreneurship.

I intend to further encourage these positive changes in Japanese society. We will create an environment where young people can jump into start-ups more easily.

This will require a set of integrated measures. Steps to foster such a start-up ecosystem will be consolidated as a five-year plan, and a cross-cutting command post function for implementation will be clarified.

Last but not least, investment in green and digital initiatives.

Russia’s aggression against Ukraine has made clear the importance of energy security. Climate change remains an urgent issue.

In addition to renewable energy, we will utilise nuclear reactors with safety assurances to contribute to worldwide reduction of dependence on Russian energy. Restarting just one existing nuclear reactor would have the same effect as supplying 1 million tonnes of new LNG per year.
to the global market.

At the same time, with a long-term perspective, Japan will achieve its international commitments to carbon neutrality by 2050 and to reduce greenhouse gas emissions by 46% by 2030, while ensuring a stable energy supply. To achieve these goals, 150 trillion yen in new investments will be raised over the next decade through public-private collaboration, including 17 trillion yen in fiscal 2030.

In order to draw in 150 trillion yen in new investments, we will swiftly formulate a comprehensive policy roadmap to 2030 composed of two policy initiatives; the first is maximum utilization of growth-oriented carbon pricing, or “pro-growth carbon pricing,” which increases predictability for companies while promoting growth and innovation; and the second is the use of investment promotion measures that integrate regulation, such as energy efficiency standards, and financial support, such as assistance to promote long-term large-scale investments, as a package.

And of course, investment in digital. With a shrinking workforce, there is an urgent need to utilise digital technology, and Japan will actively promote digital transformation in both the public and private sectors. Japan will develop an environment for the promotion of web 3.0, such as blockchain, NFTs and the metaverse, and achieve a society that facilitates the birth of new services.

A major reform is being carried out, identifying more than 40,000 analogue-era regulations and reviewing them in one fell swoop over a three-year period.

Furthermore, Japan will advance 5G and fibre optics installation to cover nearly 99% of demand over the next five years, creating a world-class digital infrastructure.

What I have just laid out are the four key pillars of a new form of capitalism.

The success of these policies requires a strong macroeconomic framework and financial market reform to support them.

A bold monetary policy, flexible fiscal policy and a growth strategy to stimulate private investment, will continue to be put in place in an integrated manner.

We will transform the state of public finances in two ways.

First is single-year budgeting. To make it easier for companies to see and predict the long-term direction of the country, and derive expected future growth rates, we will make a breakthrough in the single-year budget principle through funds and other means.

Secondly, on tax policy, our philosophy is that introducing incentives such as tax cuts now will lead to increased revenues in the future as the economy accelerates.

Finally, I would like to talk about financial market reforms.

In order to realise the new form of capitalism, we need to revive Japan as an international financial centre. When I was the Chairperson of the Policy Research Council of the Liberal Democratic Party, I made decisions that helped to facilitate the entry of foreign investment managers, revive of the corporate governance code, and introduce greater flexibility in the requirements for professional investors. As Prime Minister, I will continue to lead to achieve steady progress. In particular, I will do even more to promote reforms that enable companies to increase their value over the mid-to-long term.

In addition, through the “Doubling Asset-based Incomes Plan”, we will awaken 1,000 trillion yen, currently sitting dormant in savings accounts.

Also, with a view to carbon neutrality in 2050, Japan will strongly cultivate the green bond market and go beyond that to the transitional bond market for Asia.

Kites rise highest against the wind—not with it.

I am now reflecting on the words of Sir Winston Churchill. The Ukrainian crisis, the rise of authoritarian states, climate change and inequality. In this world under raging storm, I shall remain unperturbed against the heavy wind.

Next year, Japan assumes the presidency of the G7. As the flag-bearer of democracies, we will face this “storm” head-on, with the vision of a new form of capitalism.

Thank you very much for your kind attention....
LESSONS FROM
SHIBUSAWA EIICHI
THE MAN WHO FORMED THE FOUNDATION
OF JAPANESE CAPITALISM

SHIBUSAWA Eiichi—the industrialist who helped build Japan’s new economic system in the late 19th to early 20th centuries and who was involved in the establishment and management of nearly 500 companies. What lessons are there to learn from this man, who made it his goal to build a fair and inclusive capitalist economy based on his unwavering stance of placing importance on not only profits, but public interests as well?

The global economy is now at a major turning point. Capitalism has long brought prosperity to the world, and since the 1980s, neoliberalism, with its focus on free-market competition, has been the wellspring for growth. Yet, it also has increased poverty and social disparities, and made the issue of climate change more serious by placing larger burdens on the natural environment.

Amid such a situation, the world has begun seeking out a new model for capitalism. Prime Minister Kishida of Japan, who assumed office in October of 2021, announced his determination to realize a “new form of capitalism,” stating that the government will generate growth by solving such issues as climate change, and will distribute the fruits of this growth to human capital so as to achieve further growth. By creating such a virtuous cycle of growth and distribution, he aims to build a sustainable economy.

More than a century ago in Japan, there was a man who similarly pursued not only profits but also public interests, aiming to realize a fair and inclusive form of capitalism. This was SHIBUSAWA Eiichi, an industrialist active from the late 19th to early 20th centuries, and who is known as the “father of Japanese capitalism.” At that time, Japan was confronted with the daunting task of rebuilding its political, economic, and social foundations in order to modernize the country after the end of more than 200 years of national seclusion in 1854.

A key figure taking up this challenge was Shibusawa. Recognized at a young age for his resourcefulness, he was mandated by the government to travel to Europe when he was 27 years old, where he witnessed advanced industrial and economic systems. Upon his return to Japan, he quickly climbed the bureaucratic ladder to become a high-ranking official in the Ministry of Finance, but resigned at the age of 33 to promote private-sector business. He then established
Japan’s first bank in 1873 and the stock exchange in 1878. He applied himself to directing funds to a broad range of new industries, from sectors concerned with infrastructure to textiles and insurance, and was involved in the establishment and management of nearly 500 companies.

“Many of the companies that Shibusawa helped establish in a diversity of fields remain today. This cannot be found in any other country in the world,” says Christina Ahmadjian, professor at Hitotsubashi University Graduate School of Business Administration, and the director of the Shibusawa Scholar Program. Moreover, the world-renowned economist Peter Drucker mentioned in his book, *The Age of Discontinuity*, that “[Shibusawa’s] achievements were a good deal more spectacular than those of Rothschild, Morgan, Krupp, or Rockefeller.”

Ahmadjian notes, “Rather than on profiting for himself, his business ideas were always based on how to create a society in which people are happy. He believed in the power of business as the engine to solve social problems and create a better world.” What Shibusawa advocated was *gapponsbugi*, which can be defined as the pursuit of profits and the raising of capital through stock—similar in concept to ordinary capitalism—while also calling for the pursuit of public interests and the distribution of profits to all stakeholders. “Shibusawa’s goal was to create a fair and inclusive economy that would enrich the lives of a broad range of people and provide them with various opportunities,” says Ahmadjian.

Believing that nurturing talent for new businesses would lead to the creation of a prosperous nation, Shibusawa also focused on education. He established many schools specializing in business, including the Commercial Training School (now Hitotsubashi University), and gave lectures and guidance at various organizations and meetings. Additionally, so that women—who make up half of the population—could contribute more to society, he also advocated the necessity of their higher education and supported the establishment of such schools as Tokyo Jogakkan Schools for Women and Japan Women’s University.

According to Ahmadjian, “Looking now at the SDGs, you can see that Shibusawa had already put most of them into practice, including gender equality. The essence of the challenges facing human society is the same in any era. Shibusawa was able to grasp that essence.”

How can we create a world that will bring happiness to people? As new ordeals shake the global economy, now may be the time for us to look to Shibusawa’s doctrine for new hints on how to address this basic question.

Christina Ahmadjian, professor at Hitotsubashi University Graduate School of Business Administration, and the director of the Shibusawa Scholar Program, which has the goal of nurturing global leaders. “Now, more than ever, the world needs leaders like Shibusawa,” she says. “Shibusawa is a really good role model, not just for his visions but for his ability to act on them. The world has a lot to learn from him.”
CLEAN ENERGY STRATEGY  
TO ACHIEVE CARBON NEUTRALITY BY 2050

The Japanese government issued an interim report on its “Clean Energy Strategy” in May. While aiming to achieve the goals of carbon neutrality by 2050 and a 46% reduction in greenhouse gas emissions in fiscal 2030, further growth will be achieved by ensuring a stable and affordable energy supply for the future.

Japan has accelerated the steps taken to achieve decarbonization in order to meet two ambitious goals – namely, carbon neutrality by 2050 and a 46% reduction in greenhouse gases (GHG) in fiscal 2030. However, while progress is underway, the circumstances related to energy security have been dramatically upended by the Russian invasion of Ukraine. It is crucial for Japan to strive to reduce its reliance on Russia, and to accelerate decarbonization, while ensuring a stable supply of energy.

Ensuring energy security
Against such a backdrop, the government issued an interim report in May on its “Clean Energy Strategy” so that taking measures to combat global warming could lead to growth.

Firstly, it outlined a path to firmly ensure Japan’s energy security and to accelerate decarbonization. A short-term transition away from a reliance on Russia is necessary for Japan to reduce its current dependence. In addition to energy diversification, the broadening of procurement sources other than Russia is promoted through the government’s involvement in LNG purchasing and so on. Also, Japan, in cooperation with other major energy-consuming nations, will encourage energy producing nations to increase output. A stable supply of energy must be absolutely secured, and on the premise of that, efforts toward decarbonization are accelerated through “maximum utilization of power sources with high security and decarbonization such as renewable energy and nuclear power.”

Reforms in economy, society and industrial structure toward a carbon-neutral society
Furthermore, the government has stipulated such efforts towards realizing an industry-wide green transformation (GX) for decarbonization to lead to economic development and growth, and upgrading social systems and infrastructure to achieve GX on the interim report. In order to shift to
a society, economy and industrial structure centered on clean energy, it is anticipated that some 150 trillion yen in investment will be required via public and private partnerships over the next decade.

As a framework for policy responses to draw such investment, five pillars have been outlined: (1) budgetary measures, (2) regulations and systems, (3) financial packages, (4) step-by-step development of the GX League, and (5) global strategies. Prime Minister Kishida also stated that about 20 trillion yen of government funds would first be raised in the form of GX Economic Transition Bonds (tentative), backed up by securing future financial resources, with consideration given to quickly directing such funds to support investment. Further discussions will be held to materialize these policy responses.

Fiscal 2023 will see the full-scale launch of the GX League in Japan, enabling discussions across industry, government, and academia to implement all aspects of GX, including emissions trading. During the preparatory stage in fiscal 2022, this was endorsed by 440 companies that account for more than 40% of Japan's entire emissions. With the GX League, participating companies set their own emission reduction goals consistent with those of the country, and annually disclose their reduction efforts toward those goals. Then, if their individual reduction goals set by the companies are not achieved, emissions will be traded between participating companies or carbon credits will be procured. The intent is for the GX League to develop into a mechanism that stimulates reduced emissions and promotes investment.

The “Asia Zero Emissions Community Initiative” as focused on by the Kishida Administration is one of the global strategies to enhance cooperation with other Asian countries. Japan will strive for cooperative decarbonization across Asia by promoting joint demonstrations, international investment, and establishing standards for zero-emission technologies for biomass, hydrogen, ammonia, carbon capture, utilization and storage (CCUS), and so forth, while utilizing the region's credit markets.

**CREATING A GLOBAL HYDROGEN SUPPLY CHAIN FOR SUSTAINABLE ENERGY**

The use of hydrogen as an energy source is considered key to achieving carbon neutrality by 2050. Japan has been quick to focus on hydrogen, as demonstrated by its drawing up of a hydrogen utilization road map in 2014 and being the first country in the world to formulate a national hydrogen strategy in 2017.

In February 2022, the world's first liquified hydrogen carrier successfully conducted its marine transport demonstration tests. The vessel was loaded with hydrogen produced in Australia, which was then transported back to Japan by sea. Upon returning to the Port of Kobe, its cargo was off-loaded, thus completing its first trial journey.

Japan aims to commercialize an international hydrogen supply chain by producing hydrogen in bulk at low cost in countries blessed with bountiful renewable energy resources coupled with marine transport infrastructure.
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