



Exchange of opinions around the future of capitalism — conference with Professor Markus Gabriel is held

The 21st Century Public Policy Institute conducts research and analysis on important economic and social issues that exist both domestically and overseas, taking a medium- to long-term outlook and unique perspective with the business world and academia transcending existing frameworks and fusing their wisdom.

As part of this, the Institute launched a “capitalism and democracy” research project (Principal Research Director: Takahiro Nakajima, Professor, Director of the East Asian Academy for New Liberal Arts, University of Tokyo) in 2022 and holds discussions with domestic and overseas experts from various fields in order to overcome the environmental issues, inequality issues and liberal democracy crisis rooted in traditional capitalism. Cooperation with University of Bonn Professor Markus Gabriel, who also serves as Academic Director of The New Institute (TNI), has been especially important to the project.



Conference members



Chairman Tokura

Professor Gabriel views capitalism not only as an economic system comprised of a market economy and private ownership of means of production, but also as a system for the resolution of social issues and moral advancement. In this sense, he points out, there is a need to assess whether a company’s orientation and activities amount to a morally correct business in the first place and how much they contribute to the resolution of ethical issues, and argues that it is important for current capitalism to become an ethical capitalism. Such a way of thinking aligns with the thinking “from a social point of view” that Chairman Masakazu Tokura has endorsed since taking office, and the shared perspectives and directionality of the two have been confirmed even in their special dialogue held in May 2023 (note). In this context, the 21st Century Public Policy Institute decided to take advantage of Professor Gabriel’s return visit to Japan

and hold a conference on 26 March 2024.

The latest event took a two-part structure. In the first half, an exchange of opinions was held in the presence of Principal Research Director Nakajima with the attendance of Chairman Tokura as well as Vice Chairs Jun Sawada and Yumiko Noda, Vice Chairs of the Board of Councilors Masumi Kakinoki and Seiji Inagaki, and Chair of the Committee on Political Affairs Shinya Katanozaka. The current international situation, how to deal with cutting-edge science and technology such as AI and the outlook for capitalism were discussed in a cordial atmosphere from start to finish. There was an in-depth Q&A and full exchange of opinions on the vision presented by Professor Gabriel.

In the second half, an exchange of opinions was held with members of the “future of capitalism” research working group established under the “capitalism and democracy” research project. The working group comprises around 30 volunteers from the industries to which the Keidanren chairman and vice chairs and the Board of Councilors chairman and vice chairs belong and takes up the research theme of “universalizing concepts originating from Japan.” At this gathering, Professor Gabriel opened with a keynote speech on ethical capitalism, then Principal Research Director Nakajima gave a report on the working group’s activities. At the free discussions that followed, examples of efforts around social and ethical issues by



Principal Research Director Nakajima

the companies of the working group members were introduced. Various opinions were offered from the viewpoint of companies that are actually conducting business under current capitalist logic with respect to the challenges that are being confronted or could be confronted toward the realization of ethical capitalism, and the methodology for Japan’s business community to create new value for the world. There were also active and constructive discussions on these with Professor Gabriel.

The 21st Century Public Policy Institute will further consider the “future of capitalism” based on the knowledge gained from the latest conference with Professor Gabriel. Details on the recent exchange of opinions and the project’s research results will be posted periodically on the institute’s website and disseminated through pocketbooks and newsletters.

(Arisa Nishimura, Fellow)



Professor Gabriel

The project’s research results (Japanese language only)

The 21st Century Public Policy Institute/research areas/philosophy and liberal arts



Note: Booklet providing overview of special dialogue titled “Toward the Creation of a Desirable Future Society – University of Bonn Professor Markus Gabriel and Keidanren Chairman Masakazu Tokura”



Video
(YouTube)



Seminar series on the “business portfolio restructuring aimed at the sustainable growth of Japanese companies” – second seminar is held

On 15 February 2024, the 21st Century Public Policy Institute cooperated with the Research Institute of Economy, Trade and Industry (RIETI) to hold an online “brown bag lunch” (BBL) seminar as part of a series on the theme of “business portfolio restructuring.”

What is the “business portfolio restructuring” seminar series

Amid calls about the need for carbon neutrality and digital transformation and arguments that the very structure of the economic community will undergo major change, there is also a demand to transform business strategy. The traditional business model of holding multiple businesses and pursuing profits in each segment is not enough. Going forward, it will be essential to revise existing businesses from the ground up under the clear vision and strong leadership of management and to be strategic and bold in transforming business portfolios in order to achieve sustainable growth and earning power.

At this seminar, the management of companies that have actively and resolutely taken on the challenge of such business portfolio restructuring and achieved results will be invited on stage to speak about their specific efforts at restructuring and the mindset necessary to succeed.



Seminar photos (from left, Takashi Yoshimura, Tomoyasu Marutani, Katsuhiro Sato (※titles omitted))



Tomoyasu Marutani, Chairman, Secoma Co., Ltd.

The second seminar conducted this time around welcomed Chairman Tomoyasu Marutani of Secoma Co., Ltd. Chairman Marutani spoke about the ideas of his company, which develops businesses rooted in the local community and demonstrates overwhelming brand power in Hokkaido, and ended the seminar on a high note.

Appearances:

Speaker

Tomoyasu Marutani, *Chairman, Secoma Co., Ltd.

Moderator/commentator

Katsuhiro Sato, *Consulting Fellow, RIETI/Professor, Graduate School of Business and Finance, Waseda University

Commentator

Takashi Yoshimura, Director, The 21st Century Public Policy Institute, Keidanren (Secretariat)

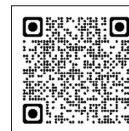
(* Titles as of February 2024)

This series is broadcast exclusively on YouTube Live with archives posted at a later date (see URL below)

Archives (Japanese language only)

<https://www.rieti.go.jp/jp/events/24021501/handout.html>

(limited release until August 2024)



What are BBL seminars?

BBL seminars are seminars held during lunch hours where participants bring their own lunches – a format that has long been utilized at US universities and research institutes. The name comes from the practice of putting a purchased lunch into a brown bag. In Japan, RIETI actively works to hold seminars in this format. The seminar held jointly with RIETI this time around also took such a format.

(Kota Aono, Senior Fellow)

Symposium on “challenges and outlook for the Chinese economy” is held

On 28 March 2024, the 21st Century Public Policy Institute's China research project (Principal Research Director: Shin Kawashima, Professor, Graduate School, University of Tokyo) held an online symposium on the “challenges and outlook for the Chinese economy” with the participation of member companies. Principal Research Director Kawashima and three fellows specializing in the economy gave an overview of China's sluggish economic situation and analyzed the labor market and troubled local government finances that have become a social issue. Below is a summary.

■Analysis of China's current economic situation and future challenges (Jiro Naito, Professor, Daito Bunka University)

The Chinese economy is expected to remain in a long-term slump. The decline in consumption and investment sentiment due to the deflationary trend is especially serious. At the same time, economic policies show a striking “incongruity.” One example is how China revised its so-called counterespionage law while saying it will actively attract foreign capital. Such seemingly incoherent policies are a feature of the Xi Jinping administration. Although it restructured its organizations and personnel to emphasize national security and strengthen party leadership, policy decisions and operations may be confused as a result. Also, impoverished local economies face the challenges of investment companies under local governments holding hidden debts and the

restructuring of finances dependent on the transfer of land use rights for income.

■Labor markets and irregular labor in China (Kai Kajitani Professor, Graduate School of Economics, Kobe University)

In China, the youth unemployment problem has come into focus. To understand this problem, it is necessary to accurately grasp labor statistics. For example, the jobless population does not include “lying down” and “mooching” youth and the actual situation around “flexible workers,” which have increased sharply, is unclear. In China, people dubbed “migrant workers” had moved from rural to urban areas as temporary workers and day laborers. Since 2010, they have remained in those urban areas even after losing their jobs and have become flexible workers. It is essential to view China's labor market problems, including how the increasing number of flexible workers will impact on that market in the future, as a medium- to long-term structural change.

■Sustainability of China's finances and balance between central and local governments (Kumiko Okazaki, Research Director, the Canon Institute for Global Studies (CIGS))

The Communist Party of China has long managed policy with a strong focus on fiscal balance. With society getting old before it gets rich, maintaining fiscal sustainability is an important issue. However, local government finances have depended on income



Research Fellow Naito



Research Fellow Kajitani



Research Fellow Okazaki



Principal Research Director Kawashima

from fees for the transfer of land use rights, so they have taken a major hit with the slumping real estate market. To help with local finances, transfer expenditures from the central government to local governments have actively been implemented to date. The challenge is making these expenditures in a timely manner and the extent to which it is possible to respond flexibly to local needs. Regional disparities have become another serious issue. These cannot be resolved by increasing the local government's share of tax revenues alone. It is probably best to first collect all tax revenues at the central government, then redistribute.

■Panel discussion

A panel discussion with the three speakers was held next with Principal Research Director Kawashima serving as moderator.

Principal Research Director Kawashima deepened discussions with the speakers, taking up four points based on their speeches: 1) the positioning of economic policy for Xi Jinping; 2) the possibility of relying on foreign capital for economic reconstruction; 3) the Japanization of the Chinese economy; and 4) the migrant workers that remain in urban areas and urban policy. Finally, he concluded by touching on points that warrant the attention of Japanese companies that have expanded or will expand into China

(Yuko Chiba, Senior Fellow)

Seminar on the “outlook for international politics in 2024 and beyond” is held

On 20 February 2024, the 21st Century Public Policy Institute held a seminar at the Keidanren Kaikan in Otemachi, Tokyo. Visiting Research Fellow Ryo Sahashi, Associate Professor, Institute for Advanced Studies on Asia, University of Tokyo, delivered a speech on the “outlook for international politics in 2024 and beyond.”

Research Fellow Sahashi opened by saying that 2024 is an extremely important year to the medium-term outlook for international politics in 2025 and beyond, and indicated what the Japanese business community and companies should prepare for and the measures they should take before the arrival of an “uncomfortable world” stemming from the retreat of globalization and loosening of the international economic order. Below is a summary.

■Indo-Pacific system as a new structure

A major factor characterizing the current international order is the US-China conflict. Looking squarely at China, the US Biden administration over the past three years has deepened ties with allies and partner countries in the area of economic as well as military security, demonstrating initiatives through the Quadrilateral Security Dialogue (QUAD) among Australia, India, Japan and the US, the Trilateral



Visiting Research Fellow Sahashi

Security Partnership among Australia, the UK and US (AUKUS), and US-Japan-Korea trilateral summits. Japan's role as the US forms this new order is considered especially important and will likely increase going forward. These efforts will increase predictability and lead to stability in the East Asian region.

■Increasingly severe international situation and US domestic politics

Turning to other regions and US domestic politics, the difficult situation becomes visible. In relation to Ukraine, the international community's low morale due to aid fatigue is a concern, while the situation in

the Middle East is in turmoil and the future is unclear. US Congress is also in turmoil and a rematch between President Biden and former President Donald Trump in the November 2024 US presidential election appears increasingly realistic. We need to start thinking seriously about the return of a Trump administration and anticipate and prepare for a worst-case scenario.

■To prevent an undesirable division into two large blocs

There is growing concern that if things continue like this, competition between superpowers will turn increasingly intense and an undesirable world with two major blocs will arrive. Because standards and rules would be completely different, there would be no flow of goods, no exchanges of people and no place for discussion. In confronting the future international order, it will be essential for Japan to maintain a dialogue with China, while emphasizing cooperation with major Western nations and countries of the Global South. Preventing a division of the world due to competition between superpowers and building a multilayered order will be the path forward for

Japanese diplomacy.



As a message to Japanese companies, Research Fellow Sahashi touched on the need to boost “predictive capability” without the assumption of past globalization and international cooperation. He spoke on the importance of keeping a closer eye on the international situation than before and gaining a good understanding of trends around developed countries and regions such as the US federal government and EU headquarters as part of a company’s management strategy and in-house training.

During the Q&A after his speech, there was a question on how companies should prepare for economic closure and disruption. On this, Research Fellow Sahashi took up the example of a Taiwan emergency and answered that it is necessary not to discuss whether it will occur but rather to assume various stages and scenarios, then think about how much such a case could impact on one’s company and how to collaborate with those around us and help one another.

(Yasuhiro Iwasaki, Senior Fellow)

Seminar on “international situation surrounding global warming, including COP28, and Japan’s challenges” is held

On 22 December 2023, the 21st Century Public Policy Institute held an online seminar on the “international situation surrounding global warming, including COP28, and Japan’s challenges.”

Jun Arima, Project Professor, Graduate School of Public Policy, University of Tokyo reported on his field research at the 28th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) held in Dubai, United Arab Emirates. Below is a summary.

■Assertions of developed and developing countries

On the handling of greenhouse gas reduction targets and fossil fuels, a point of contention at the latest COP28, there has been a conflict between the positions of developed and developing countries since the issue came into focus at COP26 two years ago, with the

former seeking to incorporate ambitious targets into the agreement document and the latter wanting to respond in accordance to the differing circumstances of each country

■Greenhouse gas reduction

On targets for greenhouse gas reduction, the latest agreement listed the numbers and deadlines sought by developed countries and stated that it “recognizes the need to achieve” them. However, it states that the word “recognize” “does not mean that every country will reach” the targets, suggesting developing countries may not produce plans for reduction consistent with them.

■Handling of fossil fuels

On fossil fuels, the COP26 of two years ago only took

up coal-fired power generation, where no measures had been taken to reduce emissions, and only called for a “gradual reduction.” Developed countries subsequently sought to widen the target to all fossil fuels, not only coal, and to strengthen related language. Developing countries made similar assertions to those in COP26 with respect to coal without mentioning fossil fuels.

The COP28 agreement used similar language to COP26 with respect to coal-fired power generation, while mentioning fossil fuels as a whole for the first time and expressing a “shift away from” those fuels. Although indicating a directionality of reducing dependence on fossil fuels, it was vague with respect to the end point.

■Specific means of transition

The means of transitioning away from fossil fuels covered the acceleration of low-emission and zero-emission technology including renewable energy, nuclear power and carbon dioxide capture, usage and storage (CCUS). This marked the first mention of nuclear power in the history of COP.

For emissions reduction in road transport, the agreement mentioned not only the zero-emission vehicles and electric vehicles emphasized by the US and others, but also, partly upon Japan’s insistence, the swift introduction of low-emission vehicles such as

hydrogen cars and hybrids.

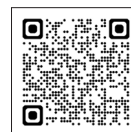


Professor Arima concluded by noting that the latest COP28 did not focus solely on fossil fuels but rather outlined a variety of paths when viewed overall and that he hoped an accurate picture of COP would be grasped.

After the speech, Professor Arima responded to questions from participants. As for the actions that should be taken by Keidanren’s member companies, he urged participation in the GX League Basic Concept announced by METI and forward progress on the reduction targets/long-term targets that have been set. In relation to the green transformation business chance, he remarked that how to create superior technology and deploy it to the world is important, noting that many people indicated an interest in Japan’s many excellent technologies on display in the pavilion.

(Kota Aono, Senior Fellow)

Seminar record (Japanese language only)
Pocketbook on “international situation
surrounding global warming, including COP28,
and Japan’s challenges”



Note: this article is a compilation of the
Japanese content of Professor Arima’s lecture
that has been translated into English by the 21st
Century Public Policy Institute.

Report on “circular economy – for new growth” is published

In 2019, the “circular economy (CE)” research project (Principal Research Director: Yasushi Umeda, Professor, Research into Artifacts, Center for Engineering (RACE), University of Tokyo) published a report on “‘the circular economy changes business’ – the aim of the EU’s CE policy.” Now subsequent research results have been compiled and published in a report on “circular economy – for new growth.”

This report introduced the latest domestic and overseas policies as well as strategies and examples from advanced companies since the publication of the last

report, and once again explained the need for Japanese companies to transition to the circular economy. The five research fellows for this research project discuss the direction for future growth based on the characteristics of Japanese companies.

(Yuko Chiba, Senior Fellow)

Report (Japanese language only)
“Circular Economy – For New Growth”



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(Titles as of March 2024)

Report on “issues surrounding geopolitical risk and the legal response of Japanese companies: Focus on legal issues surrounding Russia’s invasion of Ukraine and economic security” is published

The “international law” research project (Principal Research Director: Kazuhiro Nakatani, Professor, Graduate School for Law and Politics, University of Tokyo) compiled its FY2022 and FY2023 research results in a report on “issues surrounding geopolitical risk and the legal response of Japanese companies: Focus on legal issues surrounding Russia’s invasion of Ukraine and economic security.”

The eight experts that participated in this research project discuss legal issues surrounding the

government and corporate response to Russia’s invasion of Ukraine, business with nations and regions that have geopolitical risk and the legal issues surrounding such business as well as the legal issues surrounding economic security.

(Arisa Nishimura, Fellow)

Report (Japanese language only)
“Issues surrounding geopolitical risk and the legal response of Japanese companies: Focus on legal issues surrounding Russia’s invasion of Ukraine and economic security”



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