

SPEECH



Speech by Japanese Prime Minister Naoto Kan
Presented at the World Economic Forum,
Davos, Switzerland
"Opening Japan and Reinventing KIZUNA"

1. Introduction

Before I begin my main remarks, I would like to say a few words regarding the situation now unfolding in Egypt. Japan and Egypt have long enjoyed friendly relations, and Japan highly appreciates the very substantial contributions Egypt has made to the peace and stability of the Middle East and Africa. Regarding Egypt's social instability at present, President Mubarak has announced he would be undertaking reforms, and I strongly hope that the Egyptian government creates an administration with broad participation by the Egyptian people through dialogue with a large number of citizens and that both political stability and tranquility in people's lives are restored.

It is a great honor to be given the precious opportunity to speak before the history-rich annual meeting of the World Economic Forum here in Davos. I say this not only because the world's political and economic leaders gather here, but also because Davos has a tradition of viewing matters from the perspective of the weaker members of society and putting citizens' wisdom to use.

After studying applied physics at university, I went to work as a patent attorney while continuing to engage in grassroots activities. It was from this situation that I entered politics. I made my start in a party with only a handful of members in Japan's National Diet. After 30 years of work, last year I became president of the Democratic Party of Japan (DPJ), with more than 400 members in the Diet, and then

the nation's prime minister. Reminded of these 30-year activities, it is with deep emotion that I attend this forum today.

I crossed the Eurasian continent to be here this weekend, the first after a new Diet session convened in Japan. Why? Because the theme of this year's gathering - "Shared Norms for the New Reality" - matches my own perspective. During the latter half of the 20th century, Japan opened up its national economy to the world and grew into an economic power. However, now in the 21st century, there is growing concern in Japan that, as fewer young people have studied abroad, in the midst of its economic stagnation the minds of its people including the youth are becoming inward-looking.

Opening the nation is needed through breaking out of this stilling atmosphere in people's minds and in economy. At the same time, forging new connections between individuals is needed so that the opening of the nation will not bring about rupture among people. In Japanese, we refer to such connections as "kizuna," or interpersonal bonds. Let me focus on these two points in response to the theme of the Meeting this year.

(1) The New Reality

Today, the world faces major changes that can be likened to a tectonic shift both in national security and in economic fields. Faced with these circumstances, Japan needs to take a new diplomatic approach. Last week in Tokyo I gave a lecture on foreign policy. In it I named five pillars for Japan's foreign and national security policy:

1. First, the Japan-US alliance as the cornerstone of Japan's foreign policy, which has been a basic stance for Japan;

2. Second, the new development of foreign relations with Asia;
3. Third, the promotion of economic diplomacy;
4. Fourth, efforts to address global issues; and
5. Fifth, Japan responding appropriately to the security environment surrounding it. These five pillars are formulated with the "new reality" very much in mind.

Against a background of Asia being at the center of major tectonic changes, the Japan-US alliance, which I named at the top of the list, is becoming even more important. Japan's alliance with the United States should continue to play a role as public goods fostering peace and prosperity in the Asia-Pacific region.

For Japan, its relationship with China, which is expanding influence in Asia as it achieves remarkable economic growth, is extremely important. Both Japan and China have important responsibilities to bear in the international community, and will need to enhance cooperation in a wide array of fields such as economy, regional stability, and global environment.

As prime minister, I have met with several leaders, who have told me that emulating Japan's success has led to their growth today. I have been tremendously pleased by this. We need to further assist their growth technologically and financially. At the same time, we need to draw on the energy of those nations and turn it into our own energy.

(2) 150-Year-Old Lessons on Opening the Country

During the last century and a half, Japan opened itself to the outside world twice. The first time was when the nation abandoned the samurai government's policy of shutting itself off from the rest of the world and advanced its modernization. With the second opening, after the end of the World War II, Japan followed the path of democracy and free economy. Through these two openings, Japan literally opened up

the door of its economy to the world. In addition, new political and social structures were created through developing the attractive aspects of Japan's traditional culture as they actively absorbed ideas from foreign countries. Japan carried out what could be called "opening the nation from within."

(3) Promoting Economic Partnerships to Give Concrete Form to Our Opening

This spirit of opening up the nation is now called for in Japan. With this belief, this year, I have set "the Third Opening of Japan" as a grand objective. One specific policy is the promotion of economic partnerships. The Japanese economy is already one of the most open in the world. Free trade is the best way to share prosperity with the world. Based on this recognition, Japan has been practicing free trade. Japan will make efforts to promote the Doha Round Negotiations of the World Trade Organization (WTO). To date we have concluded 11 economic partnership agreements.

Yet, Japan has, for the past ten years, been virtually at a standstill while a number of countries promoted bilateral and intraregional economic partnerships. Therefore, in November last year, my government adopted a Basic Policy on Comprehensive Economic Partnerships with a view to actively promoting economic partnerships. With respect to TPP, the Trans-Pacific Partnership Agreement, last year we began consultations with the relevant nations based on this Basic Policy. The Japanese Government will continue to hold consultations with the United States and other relevant nations and will reach a decision on whether to join negotiations by around June this year. We also very much look forward to beginning negotiations this year with the EU, another important trade partner for Japan.

(4) Revitalizing Agriculture Based on a Nation-Opening Spirit

Voices are heard in Japan that promoting economic partnerships will endanger our agriculture. But I do not take the approach of choosing between the liberalization of trade and the survival of agriculture. Promoting economic partnerships and revitalizing agriculture are compatible. For example, two days ago, a Japanese food culture fair took place in Davos. Many people must have enjoyed it. Japanese food culture, which took form in the particular cultural milieu of our nation, is now attracting praise around the world as delicious and healthy. Japanese people are very pleased with this. In fact, the output of Japan's agriculture ranks fourth in the world. As the attractiveness of Japan's food culture spreads throughout the world, it is possible for Japanese agriculture to revitalize itself as a growing industry.

(5) Overcome Growth Limitations with Innovation based on a Nation-Opening Spirit

Along with our efforts in the economic arena, we will renew our efforts in tackling global challenges. There are concerns over whether tackling global environment problems is compatible with economic growth. My view is that they are compatible. The key here is innovation. Japan is a top runner in this area. Japanese hybrid vehicles, which enjoy a 90% global market share, and LED lights produced in Japan both have the potential to reduce CO2 emissions by around 40% compared to conventional products. We also have various technologies in producing renewable energy through using plants.

The technologies and insights fostered by Japan, a nation with scarce natural resources, are being used to support measures to cope with climate-change in developing countries. We are assisting Mexico's effort to reduce electric power consumption by 20% by increasing the use of energy-efficient household appliances. We are also providing assistance to Malaysia, which is reducing its electric power consumption by improving climate-control equipment in factories. This sharing of

Japanese technologies not only contributes to protecting the environment but is also effective in reducing the burden to procuring energy and natural resources by those countries. Japan will continue to take the lead in grappling with the issues facing the world, including in the area of the environment, showing the global community models of ways to overcome them.

3. Creating New Bonds ("Kizuna")

(1) The New Bonds Needed for a Society with the Least Unhappiness

In the course of opening up a nation and introducing new economic and social systems, there will always be people who are left behind the pace of change. In our transition to new systems, the traditional social, regional, and familial ties that once assisted these people may weaken. While reform and economic growth can bring prosperity and freedom, they can also increase disparities in society and the isolation of individuals. I believe it is necessary to create new "Kizuna," or interpersonal bonds, in order to avoid such situation.

Jeremy Bentham once declared that the pursuit of "the greatest happiness for the greatest number" should be the objective of policy. The role of politics, in my view, is to minimize the suffering that exists in society—in short, to aim for "a society with the least unhappiness." Why is it "the least unhappiness?" Happiness and prosperity are to be pursued by free individuals based on their own values and ideals. Politics, which is among other things an exercise of authority, should not intervene in this process. Meanwhile, there are causes of misfortune for anyone such as disease, poverty, and natural disaster. As long as these sources of suffering remain, they can prevent individuals from pursuing their happiness or prosperity with peace of mind. Minimizing unhappiness is thus the first role that politics must seek to play. It is for this very reason that today, when traditional bonds are weakening, we need to create

new bonds to alleviate the disparities and social isolation that could accompany the opening up of a nation.

From this perspective, efforts aimed at "social inclusion" are extremely important. There is a need for society-wide activities in which the government and volunteers cooperate to assist those who have fallen on hard times, beyond their family members. This month I set up a special task force within my Cabinet to expand initiatives in Japan aimed at social inclusion.

(2) Redefining the Value of Work from the Perspective of Bonds

In Japan, work has provided a wide range of bonds ("Kizuna"). Work has been considered in our country as something not only to gain wages but also bring about a sense of accomplishment or the pleasure of contributing to the society. This has been the meaning of "worth, or value, of work." Through working, we connect ourselves with society and secure "a place to be" and are given "a role to play." In order to reinvent these bonds, I have positioned employment at the center of Japan's national policies not only from economic but also from social aspects.

(3) Transmission of a Spiral Staircase Development Model by Japan

The culture of emphasizing social inclusion and the tradition of cherishing work have long been nurtured in Japan. I am not calling for a return to old ways. I think that we need to create new bonds suitable to the times and regions in which we live, while we look to the past for guidance. The image of a spiral staircase might

illustrate this point well. Although at first glance it looks as if we are merely going round in circles and returning to our past, in fact we are climbing up to the next level. I want Japan to make a contribution to the world through this spiral-staircase-style model of development, in which traditions are reinvigorated, combined with new values.

(4) Promoting International Contributions Built on the Creation of New Bonds

Japan has been emphasizing the concept of "Human Security," which is also being discussed here in Davos. It is exactly what the notion of "creating new bonds" is all about. Because its objective is to reach out to respective individuals and to enable them to live their lives with dignity through their protection and empowerment. Based on this concept, and with a view to contributing to the achievement of the Millennium Development Goals (MDGs), we are focusing on enhancing health and education. I announced my intentions in this respect at the High-level Plenary Meeting of the 65th Session of the General Assembly of the United Nations in September last year.

Japan has also been leading the Tokyo International Conference on African Development, TICAD, since 1993 to assist Africa's self-sustenance and development as well as consolidation of peace and democracy in the continent. African countries will reestablish connections with the international community, and African economies can find opportunities to participate in global markets. We will continue our assistance built on the idea of creating bonds.

(5) "Inclusive Growth" in the APEC Growth Strategy

Furthermore, in order to promote creating new bonds in the Asia-Pacific region, I put forward the "inclusive growth" approach as chair of the Asia-Pacific



Economic Cooperation (APEC) Economic Leaders' Meeting in November last year as part of a strategy for overall regional growth. The objective is to give all the citizens of each country the opportunity to participate in and contribute to economic growth, and to share its benefits. Based on this approach, in the APEC Growth Strategy we are focusing on such policies as job creation, support for small and medium-sized enterprises, enhancements of social security systems, and support for women, the elderly, and vulnerable groups in society.

4. Conclusion: *Achieving a Cross-coupling for Japan, and for the Wider World*

Last year two Japanese scientists received the Nobel Prize in Chemistry, Dr. Eiichi Negishi and Dr. Akira Suzuki. Their achievement was a scientific method known as cross-coupling, which is to separate bound atoms and molecules and create innovative materials by forming different bonds among them. Through its application, various products have been created in numerous fields such as medicines and liquid-crystal displays. It is a catalyst called palladium that plays an important role in their discovery. Through the work of this catalyst, a new bond can be created.

The role expected of the world's leaders today will be that of catalyst in cross-coupling. In our challenge to build our open future, we are driven to reconnect new bonds, "Kizuna," to prevent people from being separated from the society. As the leader of Japan, I want to achieve a cross-coupling for Japan and for the wider world as well.

With this expression of determination, I will bring my speech to a close. Thank you very much.

DR. KLAUS SCHWAB, EXECUTIVE CHAIRMAN OF THE WORLD ECONOMIC FORUM: Prime Minister, thank you very much for this comprehensive presentation of your policies. I was struck particularly by your concept of kizuna, because if I think of the purpose of what we are doing here at the World Economic Forum at the Annual Meeting, it corresponds exactly to this concept of interpersonal bonding. I also was very impressed by your concept of "a society of the least unhappiness." I think it is an interesting and new concept which we should apply certainly in our thinking and in our policies. We have time for just one or two short questions. Prime Minister, there was a lot of publicity in the last years that your country in terms of GDP has been taken over by China. Is it worrying you?

PRIME MINISTER NAOTO KAN: I feel that China becoming the world's second-largest economy through its economic growth is something we should welcome. I also believe that at the same time, China's economic growth is something that will impact Japan in a positive way economically. At the same time, I will also strongly urge China to act with full recognition that it needs to bear greater international role and responsibilities commensurate with its economic strength.

DR. KLAUS SCHWAB: Prime Minister, when you speak about kizuna and particularly also about "a society of least unhappiness" and you see here in this room over one thousand people from business and all walks of society, how could you cooperate with those people? What does it mean for you? What do you expect from the World Economic Forum?

PRIME MINISTER NAOTO KAN: My concept of "a society with the least unhappiness" is not something to be pursued only within our domestic policies. I

consider it important that things advance under this same type of principle internationally and within each country around the world. Egypt is currently facing a somewhat unstable situation. Looking at the causes leading to such instability in unstable nations, it is all well and good for the successful people to become increasingly successful, but the unfortunate are simply left behind. In my view, a society that fails to pay sufficient attention to that fact becomes unstable and political trouble is also easily triggered. In that sense, I think it would be important for the world leaders gathered here at the Davos meeting to take this concept not just as a domestic approach but as what could be called a foundation for a shared way of thinking for the globe. I believe that this shares a common basis with the concept of human security.

DR. KLAUS SCHWAB: Prime Minister, you mentioned "opening up the nation" and the third way for opening up the nation. Now, some cynics could say that we have heard this before. What is really new in your "third opening" of the nation?

PRIME MINISTER NAOTO KAN: Actually when I was speaking with several leaders right before delivering this address, they shared with me the insight that what is most important - even more than opening Japan at the societal level such as through economic diplomacy - is opening up Japan mentally. Indeed, what is now important for Japan and for the Japanese is to have an opening up of Japan within our way of thinking, or psychologically - to have confidence that yes, we certainly are able to shoulder a more substantial role both domestically and internationally, and then set about actively tackling those issues. That is necessary as the first step, and then on that basis we would address the economic issue of free trade as well as take actions overseas with all of Japanese society feeling that Japan's major contributions are making a difference in enhancing stability around the world, particularly through assistance to emerging economies and developing nations. That is the most important thing, in my opinion.

DR. KLAUS SCHWAB: Let me ask you a personal question. You are, as far as I know, the first Prime Minister whose father hasn't been a prime minister. And you are also something which apparently is very rare in Japan compared to other countries - you are a lawyer. You have been a patent lawyer. If you take your completely different experience before entering politics, in which way does it serve you? Or does it hinder you?

PRIME MINISTER NAOTO KAN: Being a patent attorney means you have a tremendous number of opportunities to encounter technologies. In that sense, it has been a major plus to me in how I look at society. In particular, patent attorneys are always thinking about two fundamental concepts. One is novelty. The other is inventive steps. It is the combination of these two that take an invention to the patent stage. Reform, whether of Japan or the world, is able to use as a springboard these new attempts, as well as the resulting innovative steps, by which society and the people living in society move forward. In light of that, I am conscious of the fact that the jobs of patent attorney and politician are for me extremely well-harmonized ones.

DR. KLAUS SCHWAB: Prime Minister, unfortunately we have to conclude this session. I think we had a rare chance. Japan is very often not recognized in what is really going on. We had a fantastic opportunity to listen to the person who is now clearly in charge of Japanese politics, and we also should recognize the enormous efforts to fly over in one night to be with us for one day and to fly back this evening. Thank you very much, Prime Minister Kan, and we hope that we can welcome you again next year to continue the tradition and hear about substantial progress made with your innovative reforms.

PRIME MINISTER NAOTO KAN: Let me thank you, Dr. Schwab, and also the many people who listened to my remarks with interest. Thank you very much indeed.

