

The Frontier Subcommittee Report (Overview)
- Toward a “Country of Co-Creation” which Generates New Value by Manifesting and Creatively Linking Various Strengths -
(Tentative Translation)

July 6, 2012

The secretariat of the Frontier Subcommittee

A message from Takashi Onishi, Chairman of the Frontier Subcommittee, on the release of the report: “Toward a ‘Country of Co-creation,’ Promoting a Society with Extensive Supports for Those in the Frontline of the Turning Point”

1. Mission of the Frontier Subcommittee

- 1) To lay out a vision for Japan’s ideal future in 2050 for becoming a “country of hope and pride” and to present a roadmap for resolving the various challenges which Japan faces (to present a pioneering national model which Japan, a country “developed” in terms of the many serious challenges it confronts, should pave the way for others to follow)

2. Japan in 2050

<Extension of the freefall of Japan = (“Future to avoid”)>

- 1) Japan, slow to adapt to globalization, loses the competition with emerging countries and allows its key industries to hollow out, in addition to losing competitiveness in the growing sectors of the world, including the environment industry. Coupled with the declining population, negative growth continues, and the economy downsizes. The Japanese people lose their identity, and Japan’s core national interests are at risk.

<Ideal future for Japan = “**Country of Co-creation**”>

- 1) Industries in high value-added sectors are established across Japan, leading to Japan becoming a hub for industries worldwide, including Asia. With dynamic and vibrant knowledge creation, innovations emerge successively and new values are created. People work flexibly based on their qualifications and situations.
- 2) Japan, while making effective use of its available resources, including talented human resources, economic resources, culture, tradition, and technologies, willingly engages in international rule- and institutional-making related to security as well as other areas, including the economy and the environment. At the same time, Japan is respected by the world as a provider of international public goods.
- 3) In other words, Japan becomes a “Country of Co-creation,” in which individuals with diverse backgrounds mutually exploit potential to the maximum and create new value by creatively linking various strengths.

3. What Should be Done to Realize a “Country of Co-Creation”

- 1) What kind of “wisdom” is sought for realizing a “Country of Co-creation”?
- 2) How will a “Country of Co-creation” realize the goals of “prosperity,” “happiness,” and “peace”?

<Wisdom>

- 1) Realizing a “Country of Co-creation” requires the ability to generate new ideas, while coming to contact with heterogeneous existences and new knowledge and combining a diverse set of elements (= “open-mindedness”)
- 2) As the social foundation, the strengths of the following must be consolidated:
 1. “Interaction” (= meeting people by stepping beyond one’s segmentalized and specific fields as well as by cutting across existing social groups and becoming both information disseminators as well as receivers)
 2. “Compilation” (= combining diverse skills and resources to create new value)
 3. “Transformation” (= accepting new values emerging from heterogeneity and diversity, and in harmony with these values, making self-improvements)
- 3) To make “interaction,” “compilation,” and “transformation” the social infrastructures, it is necessary to establish an environment that links information or knowledge with the society or market (development of arrangements which make efficient use of vast information; enhancement of liberal education and studies abroad).

<Prosperity>

- 1) Aspiring to expand the current size of the economy to a certain level and realizing a continuous increase of per capita GDP are the minimum requirements necessary for sustaining the people’s standard of living.
- 2) To this end, it is necessary to consider the promotion of private investment in areas in which innovations can be expected, including the environment and new energy industry, ocean mineral resource development, and medicine and pharmaceutical discovery.
- 3) In order to transform “sleeping” companies – many of which are found in domestic demand-based industries – into companies that fully demonstrate their inherent potential, Japan must be on an equal footing in regards to trade and investment liberalization and with the international business climate. Concurrently, the Government must implement nationwide, bold regulatory reforms and transfer authority considerably to local governments, and thereby, ensure that Japan is amply taking advantage of the ingenuities of the private sector and local areas.
- 4) For a society with a declining population to maintain an economy of a certain size, the Government must set forth a “human assets strategy.” This includes the promotion of female

employment; the development of flexible employment rules and the enhancement of “relearning” opportunities which give impetus to rejuvenate company staffing, e.g., by abolishing the retirement age system and securing re-education opportunities for employees; and the development of global human resources.

- 5) In order to offer opportunities and hopes for the future, it is desirable that reductions of social security benefits as well as increases in the burden are continuously carried out, and that at the earliest possible stage, the social security system is reformed in order to strengthen the income transfer function within generations more than the income transfer function between generations.

<Happiness>

- 1) Happiness is defined as the situation in which each individual is entitled to a life with dignity, where he/she is recognized by society, given full opportunities for self-realization, and has a prospect for a better future. In order to assure such situations, it is necessary to consider the three pillars: “ensuring basic needs”; “ensuring relationships”; and “increasing sustainability.”
- 2) “Increasing sustainability”: Reforms for “life with dignity” require that financial backing to do this is secured and expanded. To restore the primary balance by 2020 and ensure the achievement of fiscal consolidation thereafter, three approaches should be pursued: expenditure reduction; economic growth; and tax increase.
- 3) “Ensuring basic needs”: A thorough review of existing systems and institutions is required, including the fulfillment of basic needs and the creation of relearning and new employment opportunities. In particular, it is necessary to eliminate the poverty of children; make medical services efficient through the use of ICT and introduction of a number system; provide comprehensive livelihood support services, ranging from services related to administrative procedures to various consultations, as well as child raising support services; and establish places where neighbors can have communal time while eating and relaxing together. For this, regulatory reforms and incentives that promote social business start-ups will be introduced (→Creating a compact “welfare city”).
- 4) “Ensuring relationships”: It is necessary to create a labor market in which flexible working arrangements are an option for everyone (e.g., resolving the separation of working arrangements into regular and non-regular employment; promotion of home-based work through ICT, reduction of long work hours), to remove impediments that stand in the way of people who want to start a family (e.g., improvement of employment arrangement), to promote the creation of living arrangements where multiple families or individuals can share communal living spaces and places where community members can interact with each other naturally in their daily lives, and to promote the development of technologies to foster “kizuna

(bonds)” and work-life balance in both hardware and software.

<Peace>

- 1) In order for Japan to maintain peace and prosperity, while becoming a country that has a high profile in the international arena, is commended as a virtuous country, and is respected, Japan should further pursue active pacifism in various aspects such as pursuance of reciprocal and cooperative development of the economies and promotion of human security. Japan needs to carry out an external policy which combines various instruments – not only military power and economic strength, but also diplomacy, science and technology, development assistance, culture, environmental technology, and securing of energy resources and food sources, as well as cultivate human resources who will design and implement such strategic concepts and develop a national system to this end.
- 2) It is vital that Japan possesses certain security capabilities as a means for self-defense. Japan should deepen security cooperation with the United States and other countries that share common values and aim to establish a network among them. Also from the standpoint of enhancing security cooperation, it is essential to increase recognition of Japan as a valuable cooperation partner. Japan should strive to expand security cooperation channels by reviewing outdated institutions and practices, including the interpretation on the right of collective self-defence.
- 3) In order for Japan to seek to establish stable international order including emerging countries, and maintain its influence in the international community, Japan should consider fulfilling a leading role in “international rule-making processes that involve developed and emerging countries” in diverse fields, such as security, environment, economy, space, and ocean (in particular, further economic integration with the Asia-Pacific countries is essential).

4. Roadmap of Policies Which Should Be Promoted with Priority by 2025

<Wisdom>

- Strategic strengthening of arrangements that link knowledge and information with society or market: Disclosing data possessed by public organizations; research project and experiment for effective utilization of information; enhancing human resources with an ability to invent solutions by combining information.
- Promotion of education that fosters wisdom through practice: Enhancing direct interaction with nature, art and intellectual content; creating virtual environment using ICT.
- Enhancement of liberal education of university undergraduate programs
- Realization of society in harmony with nature: Enhancing scientific knowledge, including human and social science, and utilizing them for increasing energy efficiency, promoting renewable energy and more environmentally-friendly civil engineering, and developing information

technology.

<Prosperity>

- Positioning of “human assets strategy” as national strategy: Promoting mobilization of labor force and increase in workforce. To this end, promoting flexible work style and rule on employment and layoff; offering relearning opportunities for all generations; increasing investment in education; promoting private employment agencies; revising systems in order to promote women’s active participation in the labor market; expanding acceptance of international students.

- “Regional” development that has worldwide appeal: Establishing direct ties between local areas in Japan and foreign countries; drastic regulatory reform and transfer of administrative power to local governments; establishment of “Frontier Special Zones”

- Growth through regulatory reform: Establishing business environment capable of competing in the global marketplace; thoroughly carrying out regulatory reform; growth of agriculture and domestic industries which become exporting industries.

- Promote investment in science and technology and innovation aimed at overcoming challenges: Promoting private investment; rationally promoting science and technology policy.

- Revise outdated concepts and expand investment in future: Scrap and build; putting a brake on income transfer within generations; prioritizing and increasing efficiency of social security benefits
➔ education of future generations and development of human resources

<Happiness>

- Elimination of poverty to avoid disparities in self-realization opportunities: Making compulsory education completely free-of-charge after sufficiently considering the scope; reducing child raising expenses; strengthening child welfare; supporting people’s efforts to re-challenge themselves in combination with provision of livelihood security.

- Enhancement of livelihood support services: Creating offices which provide comprehensive livelihood support services; promoting social entrepreneurship.

- Realization of social participation vis-à-vis employment of a range of people: Resolving working arrangements separated into regular and non-regular employment; flexible working arrangements; abolishing discrimination based on age, disability and other aspects.

- Elimination of “unconnected society” (a society in which people lose their personal ties) through the sharing of “space” and promotion of an environment favorable for starting a family.

- Securing sustainability through the realization of primary balance surplus

<Peace>

- Possession of appropriate security capabilities

- Enhancement of regional cooperation and confidence building

- Active promotion of human security

- Active participation in international rule-making process

- Establishment of nation system for increasing capabilities to carry out external policy

5. To Open Up the Frontier and Realize a “Country of Co-Creation”

- 1) Unless politics restores people’s confidence, the anxieties among people about the future cannot be removed. All political parties must present a national vision, develop policies grounded on expert knowledge for the realization of the national vision, and demonstrate this in a manifesto. When the political party comes into power, it must apply the PDCA cycle in a way that the people can see and ensure that it fulfills accountability.
- 2) In order to pave the way for the future, people need to change their way of thinking by themselves. On the other hand, it is necessary that politics show people a path which Japan should proceed along and exercise leadership in requesting people to change their way of thinking and for their cooperation.
- 3) A national vision sheds light on the path, which those of us living in a single community called Japan, should jointly follow from now to the future. It is hoped that the contents of this report do not merely serve as materials for discussion at the meetings of the Council on National Strategy and Policy, but also as a springboard for discussions on the national vision in the broader society.

*This summary of the report is written by the secretariat of the Frontier Subcommittee on its own responsibility. For preciseness, please refer to the text of the actual report.