

Remarks by H.E. Mr. KISHIDA Fumio, Prime Minister of Japan
to the Economic Club of New York

1. Introduction

It is truly gratifying to speak today at the historic Economic Club of New York to so many leaders in the world of finance.

I am delighted to be here in New York in the heart of capitalism. I remember a cartoon in which the news announcer is saying, “There was no trading on the New York Stock Exchange today. Everyone was happy with what they owned.”

Yet, as I know you would agree, it is the restlessness of capitalism that gives us growth and progress. It is this restlessness that helps us meet the future.

That future has been tested recently. Over the past year, we've seen Russian aggression against Ukraine, soaring commodity prices, supply chain disruptions, and rampant disinformation. At this history's turning point, I have been determined as Japan's prime minister to tackle head-on the issues we face, one and then the other.

Today, I would like to speak to you about what we in Japan have achieved over the past year, as well as what we are determined to do going forward.

2. Diplomacy

First, let's take a look at diplomacy.

We have faced any number of major challenges on the diplomatic and security fronts.

There can be no question that the Russian aggression against Ukraine was history's turning point that ended the post-Cold War period. The Ukraine issue is a challenge that extends beyond Europe to the entire world order. So, what is the best option for the peace and stability of the world and of the Asia-Pacific? I have thought about this a great deal since taking office as prime minister.

First of all, I set out a fundamental reinforcement of Japan's defense capabilities. Supported by those defense capabilities, we have exerted every possible diplomatic effort to reinforce our relations with our allies and with like-minded countries. While

the enhancement of our alliance with the United States, our true friend, goes without saying, we have also improved our relations with the Republic of Korea (ROK). That bore fruit when, last month at Camp David, my friend Joe, President Yoon, and I stated we will open up a new era of trilateral Japan-U.S.-ROK partnership.

At the same time, I have also been very active under Japan's presidency of the G7. At the G7 Hiroshima Summit held in May this year, cooperation with the Global South was one of the important themes. The leaders of India, Brazil, Indonesia, and other countries in the Global South, along with the president of Ukraine, held discussions around the same table. The result was a significant achievement. We worked out the fundamental approach on which the international community is grounded, namely, that we will fully defend the free and open international order based on the rule of law.

One part of my life work on the diplomatic front has been nuclear disarmament and non-proliferation. I am a Japanese prime minister with roots in Hiroshima, so you will understand what this issue means to me. And you will not be surprised that it was also an important agenda item at the G7 summit. I truly believe we achieved the major goal of having the national leaders encounter firsthand the tragic realities of the atomic bombings and commit to realizing "a world without nuclear weapons." We also sent a strong and urgent message to Russia, which has been recklessly making nuclear threats.

And I am here in New York to attend the UN General Assembly. I stressed the need to return to the very foundation of "human dignity" to change the specter of division and confrontation facing the world. I believe this is how countries can find a way to cooperate, overcoming the differences over their systems or values.

Through such efforts, Japan together with the United States, with which we have forged a solid alliance, will continue to lead the international community.

3. *The economy*

Next, I'd like to address the economy.

For someone like me who used to be a banker, the economy is a basic pillar of my administration. Last September, here in New York, I declared the revival of the Japanese economy through a "New Form of Capitalism," in which the public and private sectors

transform the social challenges we face into engines of growth. These challenges include climate change, energy issues, and Japan's declining birthrate. Since then, we have formulated an economic package to fulfill this goal, at a scale of 72 trillion yen, and we are getting the job done.

Japan's economic indicators during the past year are at levels not seen in 30 years.

- Our nominal GDP annual growth rate was 11.4%, making it the highest among major developed countries.
- Domestic investment is forecast to surpass 100 trillion yen this year, breaking a record-high in Japanese history.
- Although wages had been sluggish, labor-management negotiations resulted in wage increases greater than 3.5%, which exceeded price hikes, while the minimum wage will also be raised by 4.5% next month.
- Meanwhile, stock prices have risen to a level not seen in 33 years.

We have also been working to tackle structural issues in the Japanese economy. Since the end of 2022, we made a major shift in our energy policy, and then we enacted the bills necessary to implement the shift. Also, to dramatically strengthen our efforts to counter our declining population and dwindling birthrate, which are Japan's top priority issues, we compiled a comprehensive package addressing children and child-rearing that is at a totally different level than before. This package will raise the scale of per-child assistance for child-rearing to the very top level among OECD countries.

This autumn, I will commit to economic measures that place importance on two areas, namely structural wage growth, and public and private investments for enhanced sustainability.

First, we will place high priority on moving steadily ahead with labor market reforms, which have not made sufficient progress.

We will press forward by undertaking reforms to a three-pronged set of advancing reskilling, introducing Japanese style job-based pay, and facilitating labor mobility into growth fields. We will at the same time work to create an environment in which women and non-Japanese can flourish.

As for investment, we have enacted relevant legislation in anticipation of 150 trillion yen in public and private investment in environmental fields over the next decade. To accelerate public and private investment beyond the environment to cutting-edge fields

such as AI, semiconductors, bio, and fusion energy, we will formulate and then implement an investment assistance package that can compete with the rest of the world on every front, including budgetary, tax, and regulatory considerations. Particularly with regard to AI, Japan is leading the “Hiroshima AI process,” which was launched at the G7 Hiroshima Summit. I take pride in the fact that not only am I the only G7 leader to have had a one-on-one discussion with Mr. Sam Altman, the CEO of OpenAI, but probably the only one to have created a generative AI model at a university lecture during the summer vacation.

Alongside this, we will also decisively carry out structural reforms, an area where Japan's efforts have been pointed out as too slow. We will drastically expand NISA, the tax exemption scheme for small investments, and make it permanent. Building on that, we will reform the asset management sector as well as asset ownership, which will manage the expanding funds.

The funds managed in the Japanese asset management sector have skyrocketed by 50% during the last three years, and now stand at 800 trillion yen. We will push hard to encourage sophisticated asset management and to solicit new entrants. To start with, we will rectify Japan's unique business practices and resolve barriers to entry, and will also introduce a new program to assist new entrants. We will also promote deregulation to enable asset management firms to outsource their back-office operations.

To encourage new entry from overseas, we will establish special business zones tailored specifically for asset management business where administrative procedure can be completed solely in English. In these zones, we will take measures to improve the business and living environment tailored to needs of overseas asset managers. To ensure that our reforms reflect the needs of global investors, I will launch an asset management forum consisting of U.S. and Japan institutions as core members, including those of you participating today.

In parallel, we will strengthen the effectiveness of corporate governance reforms. We will systematically follow up the developments to encourage management to place importance on price book-value ratio (PBR), as well as to promote formulation, disclosure, and implementation of their business reform plans.

The development of Japan's asset management business, leveraging more than 2,000 trillion yen of personal financial assets, will help bolster the flow of investment. A win-win relationship between the U.S. and Japan, which share universal values such as the rule of law and a market economy, will be a great contribution to the global economy.

The vision I spoke today will be put in concrete action as a policy package. To garner support for this vision, we will hold a "Japan Weeks" event this autumn, and invite investors around the world. I would be delighted if you would join us in this endeavor.

I met a globally influential investor the other day who said to me, "You know Mr. Prime Minister, I've been watching the Japanese economy every year for 30 years, and I have never seen it more positive than it is now." I would urge you to evaluate what we are doing in my country, look at the underlying strength of our economy and our plans for the future and then invest in Japan.

4. Conclusion

I have spoken today about a turning point in history.

This turning point is not just something that historians of the future will chronicle and interpret. It is something that you can feel happening right now. When you see the suffering and the courage of the Ukrainian people in the face of the Russian invasion, you can feel something important shifting. When you see the fires or floods around the world, you can feel the climate changing. When you see the advancements in AI in just the last year, you can feel the technological base adjusting.

None of us know the outcomes.

What I do know is that Japan and the United States share the values to help us meet these challenges together. What I do know is that there is no country Japan would rather stand beside going forward than the United States of America.

And that is what I came to tell you today.

So, thank you for inviting me to speak to you and thank you for your kind hospitality.