

# Japan's Role in an Evolving World Economy: Finance, Security, and Markets



*CJEB's Annual Tokyo Conference*  
Otemachi Financial City Conference Center, Tokyo, Japan  
July 28, 2025

## Welcoming Remarks

David E. Weinstein, Director of the Center on Japanese Economy and Business (CJEB) at Columbia Business School (CBS), welcomed attendees to CJEB's 17th Annual Tokyo Conference held on July 28, 2025. CJEB's conference in Tokyo supports the Center's mission to promote knowledge of the Japanese economy and its business systems in domestic, East Asian, and global contexts, and acts as a forum for connection with CJEB's constituents in Japan. This year's conference was titled "Japan's Role in an Evolving World Economy: Finance, Security, and Markets," and it was co-sponsored by the Development Bank of Japan Inc.

Professor Weinstein emphasized that CJEB's focus on Japan remains vital amid unsettled geoeconomic conditions. A period of political instability following recent upper house elections in Japan has compounded structural challenges such as an aging population, high public debt, and weak private consumption. The U.S.-Japan alliance, long a pillar of Indo-Pacific stability, is being tested by differing approaches to China and disagreements over trade, industrial policy, and economic security. He introduced the key themes of the conference, including the outlook for the Japanese and global economies, how technological change and recent U.S. policy shifts are reshaping the trading system, investment, and growth, and how organizations and their leaders will navigate uncertainty.



*David E. Weinstein*

Professor Weinstein commented on the current challenges facing higher education in the United States and expressed his gratitude towards CJEB's core faculty, key advisors, and the CJEB staff. He gave special thanks to CJEB's corporate and individual sponsors, noting that the Center doesn't rely on funding from Columbia University or the American federal government. He concluded by reaffirming CJEB's steadfast commitment to promoting the understanding of Japan, its economy, and its business systems.

### **Keynote Speech:**

KATO Katsunobu, Minister of Finance and Minister of State for Financial Services of the Government of Japan, opened by recalling his previous invitation to speak at Columbia University in 2018. He highlighted the need to secure sustained wage growth through investment and steering policy in what he called a "world with interest rates," meaning a normalized rate environment that matters especially for a government that issues large volumes of bonds. He noted that after roughly three decades of combating deflation, and despite shocks such as the 2008 global financial crisis and COVID-19, Japan has moved towards a positive trend.



*H.E. KATO Katsunobu*

Nominal GDP has surpassed the earlier Abenomics benchmark, capital investment is at a record high of around 110 trillion-yen, corporate profits are strong, and wages have risen for two consecutive years, among other improvements. He cautioned, however, that there is a need to consider how U.S. tariffs and the recent U.S.-Japan trade agreement will influence corporate finances, adding that challenges are changing, as Japan once faced issues with unemployment but now faces human resource shortages.

He then discussed the results of the Upper House elections and challenges for the Liberal Democratic Party (LDP), sharing factors that may have influenced voting. For example, in June, food inflation accounted for two percent of CPI, and nominal wage gains have not yet consistently outpaced inflation, causing households to feel that items like food are more expensive.

Minister Kato then addressed demand, consumption, and saving. He noted that household consumption is not keeping pace with income increases, with savings rising instead. Possible reasons include a higher share of dual-income households, uncertainty regarding the future, and renewed interest in investing in options such as the Nippon Individual Savings Account (NISA)—especially from young people.

Minister Kato moved on to discuss the importance of wage growth, including vis-à-vis tariffs and their implications for corporate management. Firms that can raise pay should do so, and there should be allowances for subcontractors and contractors to incorporate price increases in deciding pricing. He described a virtuous cycle in which investment lifts wages, expanding markets and sales, which then support further wage growth. To sustain that cycle, particularly with a declining population, he called for more investment in every region and for using both public finance and private financial instruments creatively.

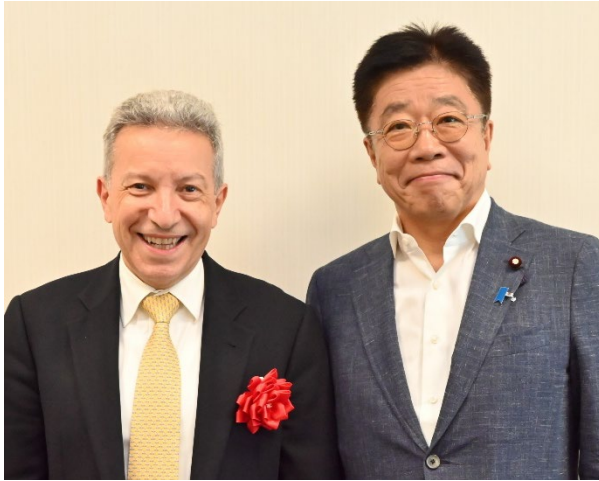
Minister Kato next discussed debt management. As the Bank of Japan (BOJ) normalizes monetary policy and reduces its Japanese Government Bond (JGB) holdings, net supply must be absorbed by private investors. At the current pace, BOJ holdings could decline by roughly 30 to 40 trillion yen per year while outstanding JGBs continue to grow.

Combined with fiscal issuance, new absorption on the order of 60 to 70 trillion yen annually may be required, equal to about 40 percent of annual issuance. He said the government is adjusting issuance and working with market participants so that absorption remains stable, while also pursuing policies that support growth and further progress toward fiscal soundness.

Turning to external headwinds, Minister Kato said uncertainty around U.S. tariffs has eased after a recent settlement. He also described plans, in partnership with the Japan Bank for International Cooperation and Nippon Export and Investment Insurance, to mobilize up to 550 billion U.S. dollars through loans and investment to support Japanese involvement in the United States and build mutually beneficial ties. He emphasized the need to respond to the new situation under 15 percent reciprocal tariffs.

Minister Kato highlighted household finance and market participation. Following a fundamental reform in 2024, there has been an increase in household participation with 59.2 trillion yen in terms of the purchase amount and over 26 million accounts—one in four adults. The aim is to increase the share of financial income as a part of household income and connect corporate growth to household growth, as is common in countries like the United States, where personal assets are more heavily invested in equities and other investments. He underscored the role of financial education and literacy, including for younger generations, and said the government would listen to stakeholders on how to broaden NISA usage further.

He addressed calls for cash handouts or tax credits, noting the need for more data regarding the exact situations of households in order to consider proper solutions and achieve desired outcomes effectively. He reflected on the COVID-19 pandemic era and the need to develop foundational infrastructure to respond to situations more efficiently.



*Left to right: David E. Weinstein, H.E. KATO Katsunobu*

During the open discussion and Q&A, Minister Kato discussed the recent Japanese House of Councilors election and next steps for the LDP, his assessment of the U.S.-Japan trade deal, and efforts by the Ministry of Finance to prepare for this new normal, among other matters.

## **Panel I: Capital Market Challenges in Japan, the U.S., and the World**

Professor Weinstein welcomed the audience and introduced the panelists: MIYOSHI Toshiyuki, Vice Minister for International Affairs at the Financial Services Agency (FSA) of the Government of Japan; Anil Kashyap, Stevens Distinguished Service Professor of Economics and Finance at The University of Chicago Booth School of Business; and YAMAJI Hiromi, Group CEO of Japan Exchange Group, Inc. (JPX).

Vice Minister Miyoshi began by outlining the government's initiative to position Japan as a leading global asset management center. Against the backdrop of an aging and shrinking population, the initiative aims to channel household savings into productive investment, raise corporate value, and recycle gains to households in what he described as a virtuous cycle of growth and distribution. He said the strategy rests on four pillars: promoting steady asset building by households, advancing corporate governance reform to deepen market functioning, reforming the asset-management sector and patterns of asset ownership, and ensuring customer-oriented business conduct across providers.



*MIYOSHI Toshiyuki*

He went on to describe progress surrounding the four pillars. He elaborated on the 2024 overhaul of NISA and efforts to enhance financial literacy, noting that investment limits were tripled and the scheme was made permanent. He explained that the FSA also supported the establishment of the Japan Financial Literacy and Education Corporation (J-FLEC) in 2023 to standardize educational materials, offer consultations, and certify professionals committed to client interests.

Vice Minister Miyoshi then turned to governance and industry structure. He highlighted reforms to the 2015 Corporate Governance Code and described how the FSA and Tokyo Stock Exchange (TSE) have shifted from formal compliance to substantive outcomes. He discussed recent successes and updates and explained the need for collaboration with exchanges and industry to turn frameworks into durable outcomes.



*Anil Kashyap*

Professor Kashyap began by noting a rise in doubt surrounding the resilience of the U.S. Treasury market. He explained changes since the start of the year regarding how the dollar has responded to interest rates, with the United States no longer trading like an advanced economy.

He went on to discuss the plumbing of the market, explaining that the marginal buyer of treasuries today is often a short-horizon trader, not a traditional buy-and-hold investor. He described the cash–futures basis trade that is critical to the way that the market functions. He noted that position data show that hedge funds short more than a trillion dollars of treasury futures and are long a similar magnitude in cash, making the spread prone to abrupt dislocations.

Professor Kashyap explained why the wedge exists. Large asset managers often pair government futures with corporate credit to hit a benchmark duration while earning a spread above the benchmark. Their purchases push the futures prices out of line with cash prices, and hedge funds step in to short futures and buy cash treasuries to close the gap. The structure relies on access to leverage, stable margin requirements and consistent repo financing, any of which can reverse quickly under stress.

Professor Kashyap concluded by emphasizing that these practices by asset managers and hedge funds open the treasury market to destabilization by making it more vulnerable to shocks such as the recent U.S. tariff announcements.

Mr. Yamaji described JPX's role in operating three exchanges: the Tokyo Stock Exchange for cash equities, the Osaka Exchange for derivatives, and the Tokyo Commodity Exchange for energy futures. He highlighted fierce competition among capital markets around the world to attract global investment, noting that market attractiveness depends not only on macro vibrancy but also on fair, accessible, and user-friendly platforms.



*YAMAJI Hiromi*

As investors seek to diversify away from U.S.-centric exposure following tariff announcements, Japan's appeal as a market has been strengthened by a move away from deflation, increased corporate investment in digitalization and automation, normalization of its interest rate environment, and rising domestic participation through the revamped NISA program, according to Mr. Yamaji. On governance, he noted a long arc from the Abe era to today that focuses on strengthened board function as in active board discussions as well as engagement with investors, rather than just numeric compliance. TSE's 2022–23 initiatives have catalyzed change in the mindset of Japanese managements, with higher awareness of capital efficiency. Companies are taking more action, as in the record buybacks and dividends, and elevated M&A activity.

Mr. Yamaji added that JPX is bridging investors and companies with practical tools. He pointed to 55 case studies of good practice and 10 anonymized examples of misalignment that help improve dialogue and progress without shaming, both referred to by over 300 global investors. Sustainable change, he concluded, comes from steady, voluntary effort. The real agents of change are engaged investors, and JPX's task is to keep the market open, transparent, and attractive.



*Left to right: YAMAJI Hiromi, MIYOSHI Toshiyuki, David E. Weinstein, Anil Kashyap*

During the discussion, panelists elaborated on U.S. policy uncertainty, connections between domestic capital markets and the global system, Japan's continued progress on corporate governance reform, the future of tools such as financial sanctions and digitization, the expanding role of private credit, and the

importance of clear regulatory guardrails, among other matters.

## **Fireside Chat on the Future of International Trade**

Professor Weinstein opened the fireside chat between him, HYODO Masayuki, Chairman of the Board of Directors of Sumitomo Corporation, and Merit E. Janow, Dean Emerita of the School of International and Public Affairs and Professor of Practice in International Economic Law and International Affairs at Columbia University.



*David E. Weinstein*

Professor Weinstein briefly reviewed how U.S. tariff policy has shifted since 2017. Average tariffs, which were about 1 percent before the 2018 U.S.-China Trade War, rose to around 2.9 percent by January 2025 and could potentially increase tenfold depending on measures expected in August. This has resulted in some decoupling as China's share of U.S. imports has fallen from roughly 24 percent in 2017 to about 10 percent in early 2025, with economies such as Mexico and Vietnam filling some of the gap.

Mr. Hyodo noted that the trade war should be viewed on two horizons. In the short term, uncertainty created by the Trump administration's recent trade policies has led to front-running trades, the effects of which will be seen in the coming months and into next year. In the longer term, companies will rebuild and re-optimize global value chains with tariffs in mind, a process that may take two to five years depending on sector and geography. He added that it would take time to see the real impact of new tariff policies.



*HYODO Masayuki*

Professor Janow said the world has exited an era of hyper-globalization rather than entering de-globalization. Manufactured

trade growth has plateaued, while services have grown roughly twice as fast, and the Asia-Pacific has consolidated its role as a growth hub. Despite frequent discussion of near-shoring and regionalization,



*Merit E. Janow*

average trade distances have increased, and intra-regional trade has remained relatively stable. She described a break with past U.S. practice, suggesting that a baseline of 10 to 15 percent could be where the United States settles. She also discussed policy consequences and how current bilateral negotiations between the United States and trading partners are further eroding WTO rules, as well as the increase in trade negotiations excluding the United States, emphasizing that the world is moving into a period of continued uncertainty.

As the discussion continued, Mr. Hyodo shared how Sumitomo has pivoted toward a "small yard, high fence" model. For example, in the United States, they now source materials such as steel domestically to deliver value to U.S. customers under new rules. He noted indirect impacts and side effects on other markets, adding that China is diverting output to third markets, which is intensifying competition and changing competitive dynamics globally. He shared his personal view that the winners under the new trade environment will be movers, that is, firms that can flexibly and quickly re-optimize existing value chains as rules change, leveraging developments in tariffs and other policies and new business opportunities.

Professor Weinstein agreed with Mr. Hyodo's points, explaining that, whereas sourcing used to be based on choosing the cheapest or most efficient producer, in 2025, it is increasingly driven by tariffs. He also expressed concern regarding the depreciation of the dollar and how Americans may start to feel the effects of a weaker dollar, especially in conjunction with tariffs on imports. He went on to discuss the revenue implications of the tariffs, stating that based on where tariffs were in June, they would add at most 1.3 percent to U.S. tax revenue, which won't be enough to cover expected budget deficits, particularly those stemming from the Trump administration's Big Beautiful Bill.



*Left to right: Merit E. Janow, HYODO Masayuki, David E. Weinstein*

In discussing a move away from the WTO towards a more transactional approach to trade negotiations, Professor Janow warned of intended and unintended spillovers and uneven effects depending on the sector. Several countries are considering how the WTO can adapt to the current situation, but a lack of urgency and authority surrounding possible change is hindering progress.

Mr. Hyodo shared that while the world shouldn't break away from the WTO, the global system needs to be enhanced to have the capability to address the imbalances that may be influencing current trade disputes and effectively promote free and open trade.

The session ended with a shared view that pragmatic cooperation is still possible even as fragmentation pressures grow.

## Panel II: Digital Frontiers, AI, Blockchain, and Crypto

Professor Janow introduced the topic of digital frontiers in finance and welcomed the panelists: Yuval Rooz, Co-Founder and CEO of Digital Asset; MATSUMOTO Oki, Chairman of Monex Group, Inc., and IMAGAWA Takuo, Vice-Minister for International Affairs at the Ministry of Internal Affairs and Communications (MIC) of the Government of Japan. She noted the timeliness of the discussion following the passage of the GENIUS Act in the United States, which provides a comprehensive framework for supervised stablecoin issuance and regulation.

Mr. Rooz began by asserting that digital assets are already changing how value moves across a wide range of use cases. He stated that while regulation matters, the posture of the government matters just as much. Conflating blockchain with crypto assets slowed adoption in the past, but dialogue has become more open. Alongside the GENIUS Act, market-structure clarifications and regulations are emerging globally that will enable responsible deployment.

Mr. Rooz then highlighted the need to combine mobility with privacy to create tremendous opportunities in the crypto space, such as collateral mobility. He estimated that of roughly 260 trillion dollars in eligible collateral worldwide, only about 10 to 11 percent is currently used, noting that better networks can reduce that inefficiency. Stablecoins enable 24/7, low-friction transfers, and he expects tokenized U.S. Treasuries, U.K. Gilts, and eurobonds to move globally around the clock as early as next year, improving collateral mobility and capital efficiency. As governments compete for dominance and positioning, government bonds can serve as a valuable tool for enhancing funding efficiency.

Mr. Rooz closed by recommending that Japan position JGBs within global collateral networks and consider stablecoins or deposit tokens so that the yen participates smoothly in the global digital economy.



*Yuval Rooz*



*MATSUMOTO Oki*

Mr. Matsumoto framed his remarks under two themes: 1) a great opportunity and 2) a great challenge for Japan. Culturally, Japan views robots as partners rather than threats, and demographic challenges create a strong demand for AI-enabled services in money management and information access. With roughly 13 trillion USD in household financial assets and renewed outbound appetite through NISA and other such programs, Japanese people are primed to engage in further investment, and agentic AI will broaden access to global services.

He then warned of security risks as consumers and AI agents traverse global markets, including phishing, fake smart contracts, and social-engineering scams. He highlighted blockchain and Web3 identity as examples of safeguards to verify counterparties and secure transactions. He added that Japan's My Number system, which embeds a private key, serves as a foundational digital domestic identity infrastructure.

Mr. Matsumoto concluded that the challenges moving forward are regulation and competition. Traditional supervision of domestic players will be less effective in monitoring AI agents. Japanese banks, brokers, and asset managers will face direct competition from overseas peers, unlike before. He concluded that digital adoption would depend on clarity and usability, but that there is a lot of opportunity in this sector for Japan, including unlocking dormant capital.

Dr. Imagawa began by organizing Japan's digital policy under four priorities—the four I's: AI and other emerging technologies, digital infrastructure for resilient societies, cybersecurity to safeguard the digital system, and information integrity to promote trust and transparency. He observed that AI adoption in Japan has been relatively low among citizens and enterprises and diagnosed three immediate tasks: communicate benefits, promote safe and trusted applications, and foster an ecosystem where innovation and governance advance together.



*IMAGAWA Takuo*

Dr. Imagawa described Japan's AI Act, enacted in May 2025, which balances innovation with risk management and establishes an AI Strategic Headquarters directly under the Prime Minister's leadership. Under this framework, the government will issue a comprehensive AI action plan to guide cross-sector policy, including accelerating AI R&D such as multilingual large language models, expanding infrastructure like data centers, and driving adoption in public services while deepening international cooperation.

Dr. Imagawa went on to discuss Japan's contributions in shaping global AI governance, highlighting that Japan led the Hiroshima AI Process during its 2023 G7 presidency. Additionally, a reporting framework introduced in February 2025 allows companies to demonstrate the application of an international code of conduct, with twenty leading AI companies already submitting reports. He closed by turning to the role of emerging technology in finance and stressed sector-specific considerations.



*Left to right: Yuval Rooz, Merit E. Janow, MATSUMOTO Oki, IMAGAWA Takuo*

During the panel discussion, speakers assessed how stablecoins, tokenization, and rising non-bank actors are reshaping market structure—with tech companies starting to look increasingly like financial services providers—and whether standardized tokenized instruments offer a cleaner path than a proliferation of corporate coins, among other issues such as energy consumption and liability considerations.

## Special Address

Professor Weinstein introduced KOIKE Yuriko, Governor of Tokyo. During her special address, she focused on resilience as the foundation of sustainable growth. She introduced “the Tokyo Resilience Project,” noting that it will be accelerated through the inaugural “TOKYO Resilience Bonds,” to be issued in the current fiscal year. She also highlighted that, to financially support the realization of a sustainable and resilient world, Tokyo aims to become a leading city for sustainable and resilient finance. In 2017, Tokyo began issuing “Tokyo Green Bonds,” the first such endeavor by a local government in Japan. Since then, Tokyo has issued sustainable bonds equivalent to over 3.5 billion dollars.



*KOIKE Yuriko*

Governor Koike then highlighted Tokyo's global appeal and plans to strengthen its international business environment. In 2024, Tokyo welcomed nearly 25 million international visitors, and Japan as a whole received nearly 37 million—both record highs.

She described initiatives by the private sector to increase international schools around Takanawa Gateway and Tokyo Stations, shared examples of Japan's world-leading technologies, such as the next-generation solar cell and sophisticated railway technology, and highlighted the success of SusHi Tech Tokyo, which became one of Asia's largest innovation conferences in its third year. She closed with a simple pledge, "Tokyo is safe, amazing, and fascinating."

## Closing Remarks

Professor Weinstein concluded the conference by thanking the attendees, speakers, and the CJEB administrative team for their support and expressed heartfelt appreciation to the Development Bank of Japan Inc. for co-sponsoring the event. He also expressed gratitude to CJEB's corporate and individual sponsors for their indispensable support of the Center.

